

EMDEON CORP
Form 10-K/A
April 30, 2007

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

**Form 10-K/A
Amendment No. 1 to**

- p ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2006**
- or**
- o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to**

Commission file number: 0-24975

Emdeon Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State of incorporation)

94-3236644

(I.R.S. employer identification no.)

**669 River Drive, Center 2
Elmwood Park, New Jersey**

(Address of principal executive office)

07407-1361

(Zip code)

(201) 703-3400

(Registrant's telephone number including area code)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value \$0.0001 per share	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:
Not Applicable

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

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

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

As of June 30, 2006, the aggregate market value of the registrant's common stock held by non-affiliates was approximately \$3,286,700,000 (based on the closing price of Emdeon Common Stock of \$12.41 per share on that date, as reported on the Nasdaq National Market System and, for purposes of this computation only, the assumption that all of the registrant's directors and executive officers are affiliates).

As of February 26, 2007, there were 169,494,250 shares of Emdeon Common Stock outstanding (including unvested shares of restricted Emdeon Common Stock issued under our equity compensation plans).

DOCUMENTS INCORPORATED BY REFERENCE

None.

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The charts below list our directors and executive officers and are followed by biographic information about them and a description of certain corporate governance matters.

Directors

Name	Age	Positions
Mark J. Adler, M.D.(3)(4)	50	Director; Chairman of the Compensation Committee
Paul A. Brooke(1)(2)(5)(6)	61	Director
Kevin M. Cameron(1)	40	Director; Chief Executive Officer
Neil F. Dimick(4)(5)	57	Director; Chairman of the Nominating Committee; Chairman of the Governance & Compliance Committee
James V. Manning(1)(2)(4)	60	Director; Chairman of the Audit Committee
Herman Sarkowsky(3)(5)(6)	81	Director
Joseph E. Smith(1)(2)(3)(6)	68	Director
Martin J. Wygod(1)	67	Chairman of the Board

- (1) Member of the Executive Committee
- (2) Member of the Audit Committee
- (3) Member of the Compensation Committee
- (4) Member of the Governance & Compliance Committee
- (5) Member of the Nominating Committee
- (6) Member of the Related Parties Committee

For a description of each of the standing committees of the Board of Directors and other corporate governance matters, see *Corporate Governance* below. Dr. Adler and Messrs. Dimick, Manning and Wygod are also members of the Board of Directors of WebMD Health Corp., our publicly traded subsidiary, which we refer to in this Annual Report as WHC. Emdeon, through its ownership of WHC Class B Common Stock owns approximately 84% of the total outstanding common stock of WHC and approximately 96% of the combined voting power of WHC's outstanding common stock.

Executive Officers

Name	Age	Positions
Kevin M. Cameron	40	Chief Executive Officer
Mark D. Funston	47	Executive Vice President and Chief Financial Officer
Wayne T. Gattinella	55	CEO and President of our WebMD segment
Arthur Lehrer	57	CEO and President of our ViPS segment
Charles A. Mele	50	Executive Vice President, General Counsel and Secretary
William G. Midgette	51	CEO of our Porex segment
Martin J. Wygod	67	Chairman of the Board

Mark J. Adler, M.D., has been a director of our company since September 2000. Since September 2005, he has also served as a member of the Board of Directors of our WebMD Health Corp. subsidiary. Dr. Adler is an oncologist and has, for more than five years, been CEO and Medical Director of the San Diego Cancer Center and a director of the San Diego Cancer Research Institute. Until April 2006, he had also been, for more than five years, the Chief Executive Officer of the internal medicine and oncology group of Medical Group of North County, which is based in San Diego, California, and he continues to be a member of that

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Medical Group. He also serves on the Scientific Advisory Board of Red Abbey Venture Partners, a private investment firm.

Paul A. Brooke has been a director of our company since November 2000. Mr. Brooke has been Chairman and Chief Executive Officer of Ithaca Acquisition Corporation, a publicly-traded development stage company, since 2005 and has been the Managing Member of PMSV Holdings LLC, a private investment firm, since 1993. Mr. Brooke has also been a Senior Advisor to Morgan Stanley since April 2000. From 1997 through 2006, Mr. Brooke was a Venture Partner of MPM Capital, a venture capital firm specializing in the healthcare industry. From 1983 until April 1999, Mr. Brooke was a Managing Director and the Global Head of Healthcare Research and Strategy at Morgan Stanley. From April 1999 until May 2000, he was a Managing Director at Tiger Management LLC. He serves as a member of the Boards of Directors of the following other public companies: Incyte Corporation, a drug discovery company; and Viropharma Incorporated, a pharmaceutical company.

Kevin M. Cameron has served as a director and as Chief Executive Officer of our company since October 2004. From November 2005 until November 2006, Mr. Cameron also served as Acting CEO of Emdeon Business Services, which was then one of our segments. Mr. Cameron has held senior executive positions at our company and its predecessors since April 2000. From January 2002 until October 2004, Mr. Cameron was Special Advisor to the Chairman. From September 2000 to January 2002, he served as Executive Vice President, Business Development of our company and, in addition, from September 2001 through January 2002, was a member of the Office of the President. From April 2000 until its merger with our company in September 2000, Mr. Cameron served as Executive Vice President, Business Development of a predecessor to Emdeon. Prior to April 2000, Mr. Cameron was a Managing Director of the Health Care Investment Banking Group of UBS and held various positions at Salomon Smith Barney, which is now part of Citigroup.

Neil F. Dimick has been a director of our company since December 2002. Since September 2005, he has also served as a member of the Board of Directors of our WebMD Health Corp. subsidiary. Mr. Dimick served as Executive Vice President and Chief Financial Officer of AmerisourceBergen Corporation, a wholesale distributor of pharmaceuticals, from 2001 to 2002 and as Senior Executive Vice President and Chief Financial Officer and as a director of Bergen Brunswig Corporation, a wholesale distributor of pharmaceuticals, for more than five years prior to its merger in 2001 with AmeriSource Health Corporation to form AmerisourceBergen. He also serves as a member of the Boards of Directors of the following companies: Alliance Imaging Inc., a provider of outsourced diagnostic imaging services to hospitals and other healthcare companies; Global Resources Professionals, an international professional services firm that provides outsourced services to companies on a project basis; Mylan Laboratories, Inc., a pharmaceutical manufacturer; and Thoratec Corporation, a developer of products to treat cardiovascular disease.

Mark D. Funston has served as Executive Vice President and Chief Financial Officer of our company since November 2006. Prior to joining Emdeon, Mr. Funston was Interim Chief Financial Officer of Digital Harbor, Inc. a privately held software company, from November 2005. Prior to that, Mr. Funston served as Chief Financial Officer of Group 1 Software, Inc., a publicly traded software company, from 1996 until its acquisition by Pitney Bowes in 2004. From 1989 to 1996, Mr. Funston was Chief Financial Officer of COMSAT RSI, Inc. (formerly Radiation Systems, Inc.), a publicly traded telecommunications manufacturing company acquired by COMSAT Corporation in 1994.

Wayne T. Gattinella has served as President of our WebMD segment since August 2001 and as its Chief Executive Officer since April 2005. Since May 2005, he has held the same positions at our WebMD Health Corp. subsidiary and has also served as a member of its Board of Directors. Prior to joining our company, Mr. Gattinella was Executive Vice President and Chief Marketing Officer for PeoplePC, an Internet service provider, from April 2000 to August 2001. From February 1998 to March 2000, Mr. Gattinella was President of North America for MemberWorks, Inc., a marketing services company.

Arthur Lehrer has served as Chief Executive Officer and President of our ViPS segment since June 2006. Prior to that, Mr. Lehrer served as General Manager of ViPS Government Solutions Group for more than five years and in other management positions at ViPS since 1983.

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James V. Manning has been a director of our company since September 2000 and, prior to that, was a member of a predecessor company's Board of Directors for more than five years. Since September 2005, he has also served as a member of the Board of Directors of our WebMD Health Corp. subsidiary.

Charles A. Mele has been Executive Vice President, General Counsel and Secretary of our company since January 2001 and has served in senior executive positions for our company and predecessor companies since 1995.

William G. Midgette has been Chief Executive Officer of our Porex segment since August 2002. For more than five years prior to that, Mr. Midgette served in senior management positions at C. R. Bard, Inc., a healthcare products company, the last of which was President, Bard International.

Herman Sarkowsky has been a director of our company since November 2000 and, prior to that, was a member of a predecessor company's Board of Directors for more than five years. Mr. Sarkowsky has been President of Sarkowsky Investment Corporation, a private investment company, for more than five years.

Joseph E. Smith has been a director of our company since September 2000. Mr. Smith served in various positions with Warner-Lambert Company, a pharmaceutical company, from March 1989 to September 1997, the last of which was Corporate Executive Vice President and a member of the Office of the Chairman and the firm's Management Committee. Mr. Smith serves on the Board of Directors of Par Pharmaceutical Companies, Inc., a manufacturer and distributor of generic and branded pharmaceuticals, and on the Board of Trustees of the International Longevity Center, a non-profit organization. He also serves as a director of Esprit Pharma, Inc., a privately-held specialty pharmaceutical firm.

Martin J. Wygod has served as Chairman of the Board of Directors of our company since March 2001 and as a director since September 2000. Since May 2005, he has also served as Chairman of the Board of our WebMD Health Corp. subsidiary. From October 2000 until May 2003, Mr. Wygod also served as our Chief Executive Officer. From September 2000 until October 2000, Mr. Wygod served as Co-Chief Executive Officer of our company. Mr. Wygod is also engaged in the business of racing, boarding and breeding thoroughbred horses, and is President of River Edge Farm, Inc.

No family relationship exists among any of our directors or executive officers. No arrangement or understanding exists between any director or executive officer of Emdeon and any other person pursuant to which any of them were selected as a director or executive officer.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers and directors, and persons who beneficially own more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership of these securities with the SEC. Officers, directors and greater than ten percent beneficial owners are required by applicable regulations to furnish us with copies of all Section 16(a) forms they file. Based solely upon a review of the forms furnished to us during or with respect to our most recent fiscal year, all of our directors and officers subject to the reporting requirements and each beneficial owner of more than ten percent of our Common Stock satisfied all applicable filing requirements under Section 16(a), except that Messrs. Gattinella and Midgette each reported in February 2007 on a Form 5 that shares of Emdeon Common Stock held in a 401(k) Plan for their account (150 shares for Mr. Gattinella and 2,401 shares for Mr. Midgette) were tendered by the plan trustee, on their behalf, to Emdeon in its tender offer in December 2006 for \$12.00 per share, which should have been reported on Form 4 within two business days of completion of the tender offer.

Corporate Governance

Board of Directors. Our Board of Directors has eight members. Two of the members are also employees of Emdeon: Mr. Cameron, our Chief Executive Officer; and Mr. Wygod, Chairman of the Board. Six of the members are non-employee directors: Dr. Adler and Messrs. Brooke, Dimick, Manning, Sarkowsky and Smith. Our Board of Directors has determined that each of the non-employee directors is also an independent director under applicable SEC rules and NASDAQ Global Select Market listing standards. See

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Director Independence in Item 13 below. The non-employee directors meet regularly in private sessions with the Chairman of the Board and also meet regularly without any employee directors or other Emdeon employees present. For information regarding the compensation of our non-employee directors, see Non-Employee Director Compensation below.

Our Board of Directors is divided into three classes, two of which currently have three directors and one of which currently has two directors. At each Annual Meeting, the term of one of the classes of directors expires and Emdeon stockholders vote to elect nominees for the directorships in that class for a new three-year term. The terms of Dr. Adler and Messrs. Sarkowsky and Cameron will expire at our Annual Meeting of Stockholders in 2007; the terms of Messrs. Dimick and Smith will expire at our Annual Meeting in 2008; and the terms of Messrs. Brooke, Manning and Wygod will expire at our Annual Meeting in 2009.

Our Board of Directors met 15 times during 2006. During 2006, each of our directors attended 75% or more of the meetings held by our Board and the Board committees on which he served. In addition to meetings, our Board and its committees reviewed and acted upon matters by unanimous written consent. Emdeon's Board of Directors encourages its members to attend our Annual Meetings of Stockholders. All but one of our directors attended our 2006 Annual Meeting.

Our Board of Directors currently has six standing committees: an Executive Committee, a Compensation Committee, an Audit Committee, a Governance & Compliance Committee, a Nominating Committee, and a Related Parties Committee. The Compensation Committee, the Audit Committee, the Governance & Compliance Committee, the Nominating Committee and the Related Parties Committee each has the authority to retain such outside advisors as it may determine to be appropriate.

Communications with Our Directors. Our Board of Directors encourages our security holders to communicate in writing to our directors. Security holders may send written communications to our Board of Directors or to specified individual directors by sending such communications care of the Corporate Secretary's Office, Emdeon Corporation, 669 River Drive, Center 2, Elmwood Park, New Jersey 07407-1361. Such communications will be reviewed by our Legal Department and, depending on the content, will be:

forwarded to the addressees or distributed at the next scheduled Board meeting; or

if they relate to financial or accounting matters, forwarded to the Audit Committee or discussed at the next scheduled Audit Committee meeting; or

if they relate to the recommendation of the nomination of an individual, forwarded to the Nominating Committee or discussed at the next scheduled Nominating Committee meeting; or

if they relate to the operations of Emdeon, forwarded to the appropriate officers of Emdeon, and the response or other handling reported to the Board at the next scheduled Board meeting.

Committees of the Board of Directors. This section describes the roles of each of the Committees of our Board in the corporate governance of our company. With respect to certain committees, including the Audit Committee, the Compensation Committee and the Nominating Committee, a portion of their responsibilities are specified by SEC rules and NASDAQ listing standards. These Committees work with their counterparts at WHC where their responsibilities overlap or where they otherwise believe it is appropriate to do so. To assist in that coordination of responsibilities, the Chairpersons of our Audit Committee, Compensation Committee Governance & Compliance Committee and Nominating Committee are the same persons who hold those positions on those committees of the WHC Board.

Executive Committee. The Executive Committee, which met three times during 2006, is currently comprised of Messrs. Brooke, Cameron, Manning, Smith and Wygod. The Executive Committee has the power to exercise, to the fullest extent permitted by law, the powers of the entire Board.

Audit Committee. The Audit Committee, which met 13 times during 2006, is currently comprised of Messrs. Brooke, Manning and Smith; Mr. Manning is its Chairman. Each of the members of the Audit Committee meets the standards of independence applicable to audit committee members under applicable SEC rules and NASDAQ Global Select Market listing standards and is financially literate, as required under

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applicable NASDAQ Global Select Market listing standards. In addition, the Board of Directors of Emdeon has determined that Mr. Manning qualifies as an audit committee financial expert, as that term is used in applicable SEC regulations implementing Section 407 of the Sarbanes-Oxley Act of 2002, based on his training and experience as a certified public accountant, including as a partner of a major accounting firm, and based on his service as a senior executive and chief financial officer of public companies. The Audit Committee is responsible for, among other things:

retaining and overseeing the registered public accounting firm that serves as our independent auditor and evaluating their performance and independence;

reviewing our annual audit plan with Emdeon's management and registered public accounting firm;

pre-approving any permitted non-audit services provided by our registered public accounting firm;

approving the fees to be paid to our registered public accounting firm;

reviewing the adequacy and effectiveness of our internal controls with Emdeon's management, internal auditors and registered public accounting firm;

reviewing and discussing the annual audited financial statements and the interim unaudited financial statements with Emdeon's management and registered public accounting firm;

approving our internal audit plan and reviewing reports of our internal auditors;

determining whether to approve related party transactions (other than transactions with WHC, approval of which has been delegated to the Related Parties Committee, as described below); and

overseeing the administration of Emdeon's Code of Business Conduct.

The Audit Committee operates under a written charter adopted by the Board of Directors, which sets forth the responsibilities and powers delegated by the Board to the Audit Committee. A copy of the Audit Committee Charter, as amended through July 27, 2006, was included as Annex A to the Proxy Statement for our 2006 Annual Meeting. A copy of the joint Emdeon and WebMD Code of Business Conduct, as amended, was filed as Exhibit 14.1 to the Current Report on Form 8-K that we filed on February 9, 2006 and was incorporated by reference as Exhibit 14.1 to this Annual Report. The Code of Business Conduct applies to all directors and employees of Emdeon and its subsidiaries. Any waiver of applicable requirements in the Code of Business Conduct that is granted to any of our directors, to our principal executive officer, to any of our senior financial officers (including our principal financial officer, principal accounting officer or controller) or to any other person who is an executive officer of Emdeon requires the approval of the Audit Committee and waivers will be disclosed on our corporate Web site, www.emdeon.com in the About Emdeon section, or in a Current Report on Form 8-K.

Compensation Committee. The Compensation Committee, which met 12 times during 2006, is currently comprised of Dr. Adler and Messrs. Sarkowsky and Smith; Dr. Adler is its Chairman. Each of these directors is a non-employee director within the meaning of the rules promulgated under Section 16 of the Securities Exchange Act, an outside director within the meaning of Section 162(m) of the Internal Revenue Code and an independent director under applicable NASDAQ Global Select Market listing standards. The responsibilities delegated by the Board to the Compensation Committee include:

oversight of our executive compensation program and our incentive and equity compensation plans;

determination of compensation levels for and grants of incentive and equity-based awards to our executive officers and the terms of any employment agreements with them;

determination of compensation levels for non-employee directors; and

review of and making recommendations regarding other matters relating to our compensation practices.

The Compensation Committee operates under a written charter adopted by the Board of Directors, which sets forth the responsibilities and powers delegated by the Board to the Compensation Committee. A copy of the Compensation Committee Charter, as amended through July 27, 2006, was included as Annex B to the Proxy

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Statement for our 2006 Annual Meeting. For additional information regarding our Compensation Committee and its oversight of executive compensation, see Executive Compensation Compensation Discussion and Analysis in Item 11 below.

Nominating Committee. The Nominating Committee, which met once during 2006, is currently comprised of Messrs. Brooke, Dimick and Sarkowsky; Mr. Dimick is its Chairman. Each of these directors is an independent director under applicable NASDAQ Global Select Market listing standards. The responsibilities delegated by the Board to the Nominating Committee include:

- identifying individuals qualified to become Board members;
- recommending to the Board the director nominees for each Annual Meeting of Stockholders; and
- recommending to the Board candidates for filling vacancies that may occur between Annual Meetings.

The Nominating Committee operates pursuant to a written charter adopted by the Board of Directors, which sets forth the responsibilities and powers delegated by the Board to the Nominating Committee. A copy of the Nominating Committee Charter, as amended through July 27, 2006, was included as Annex C to the Proxy Statement for our 2006 Annual Meeting. The Nominating Committee has not adopted specific objective requirements for service on the Emdeon Board. Instead, the Nominating Committee considers various factors in determining whether to recommend to the Board potential new Board members, or the continued service of existing members, including:

- the amount and type of the potential nominee's managerial and policy-making experience in complex organizations and whether any such experience is particularly relevant to Emdeon;
- any specialized skills or experience that the potential nominee has and whether such skills or experience are particularly relevant to Emdeon;
- in the case of non-employee directors, whether the potential nominee has sufficient time to devote to service on the Emdeon Board and the nature of any conflicts of interest or potential conflicts of interest arising from the nominee's existing relationships;
- in the case of non-employee directors, whether the nominee would be an independent director and would be considered a financial expert or to have financial sophistication under applicable SEC rules and the listing standards of The NASDAQ Global Select Market;
- in the case of potential new members, whether the nominee assists in achieving a mix of Board members that represents a diversity of background and experience, including with respect to age, gender, race, areas of expertise and skills; and
- in the case of existing members, the nominee's contributions as a member of the Board during his or her prior service.

The Nominating Committee will consider candidates recommended by stockholders in the same manner as described above. Any such recommendation should be sent in writing to the Nominating Committee, care of Secretary, Emdeon Corporation, 669 River Drive, Center 2, Elmwood Park, New Jersey 07407-1361. To facilitate consideration by the Nominating Committee, the recommendation should be accompanied by a full statement of the qualifications of the recommended nominee, the consent of the recommended nominee to serve as a director of Emdeon if nominated and to be identified in Emdeon's proxy materials and the consent of the recommending stockholder to be named in

Emdeon's proxy materials. The recommendation and related materials will be provided to the Nominating Committee for consideration at its next regular meeting.

Governance & Compliance Committee. The Governance & Compliance Committee is currently comprised of Dr. Adler and Messrs. Dimick and Manning; Mr. Dimick is its Chairman. The Governance & Compliance Committee met twice in 2006. The responsibilities delegated by the Board to the Governance & Compliance Committee include:

evaluating and making recommendations to the Board regarding matters relating to the governance of Emdeon;

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assisting the Board in coordinating the activities of the Board's other standing committees, including with respect to Emdeon's compliance programs and providing additional oversight of those compliance programs; and

providing oversight of senior executive recruitment and management development.

As part of its responsibilities relating to corporate governance, the Governance & Compliance Committee evaluates and make recommendations to the Board regarding any proposal for which a stockholder has provided required notice that such stockholder intends to make at an Annual Meeting of Stockholders, including recommendations regarding the Board's response and regarding whether to include such proposal in Emdeon's proxy statement.

The Governance & Compliance Committee operates pursuant to a written charter adopted by the Board of Directors. A copy of the Governance & Compliance Committee Charter, as amended through July 27, 2006, was included as Annex D to the Proxy Statement for our 2006 Annual Meeting. Pursuant to that Charter, the membership of the Governance & Compliance Committee consists of the Chairpersons of the Nominating, Audit and Compensation Committees and the Chairperson of the Nominating Committee serves as the Chairperson of the Governance & Compliance Committee, unless otherwise determined by the Governance & Compliance Committee.

Related Parties Committee. In September 2005, our Board of Directors established the Related Parties Committee. The Related Parties Committee is currently comprised of Messrs. Brooke, Sarkowsky and Smith. Each of the members of the Related Parties Committee is an independent director and none of its members serves as a director of our WebMD Health Corp. subsidiary (which we refer to as WHC). The Related Parties Committee met once during 2006. The responsibilities delegated by the Board to the Related Parties Committee include:

oversight of transactions between Emdeon and WHC; and

oversight of other matters in which the interests of Emdeon and WHC conflict or may potentially conflict.

Other Committees. From time to time, our Board of Directors forms additional committees to make specific determinations or to provide oversight of specific matters or initiatives. For example:

Messrs. Brooke, Manning, Sarkowsky and Smith and Dr. Adler are members of a special committee of the Board to oversee matters relating to the investigations described in *Legal Proceedings - Investigations by United States Attorney for the District of South Carolina and the SEC* in Note 14 to the Consolidated Financial Statements included in this Annual Report;

Messrs. Dimick, Manning and Wygod were members during 2005 and part of 2006 of a special committee of the Board that provided oversight with respect to information technology matters relating to Emdeon Business Services; and

Messrs. Wygod, Manning and Smith are members of a special committee of the Board authorized to make determinations relating to our stock repurchase program.

Non-Employee Director Compensation

Introduction. This section of our Annual Report describes the compensation paid by Emdeon during 2006 to the members of our Board of Directors who are not also Emdeon or WHC employees. We refer to these individuals as Non-Employee Directors. The Compensation Committee of the Emdeon Board is authorized to determine the

compensation of the Non-Employee Directors.

As described below, only two types of compensation were paid by Emdeon to Non-Employee Directors in 2006 for their Board and Board Committee service: (1) cash and (2) a grant of non-qualified options to purchase Emdeon Common Stock. None of the Non-Employee Directors received any other compensation from Emdeon during 2006 and none of them provided any services to Emdeon during 2006, except their

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service as a director. Emdeon does not offer any deferred compensation plans or retirement plans to its Non-Employee Directors.

2006 Director Compensation Table. This table provides information regarding the value of the compensation of the Non-Employee Directors for 2006, as calculated in accordance with applicable SEC regulations. This table should be read together with the additional information under the headings **Cash Compensation** and **Option Grants** below.

(a) Name	(b) Fees Earned or Paid in Cash (\$)	(c) Option Awards \$(1)(2)	(d) Total (\$)
Mark J. Adler, M.D.(3)	95,000	67,939	162,939
Paul A. Brooke	107,500	67,939	175,439
Neil F. Dimick(3)	62,500	70,459	132,959
James V. Manning(3)	117,500	67,939	185,439
Herman Sarkowsky	97,500	67,939	165,439
Joseph E. Smith	107,500	67,939	175,439

- (1) The amounts reported in Column (c) above reflect the aggregate dollar amounts recognized by Emdeon in 2006 for stock option awards for income statement reporting purposes under Statement of Financial Accounting Standards (SFAS) No. 123R, **Share-based Payments** (disregarding any estimate of forfeitures related to service-based vesting conditions). See Note 4 (Stock-Based Compensation) to the Consolidated Financial Statements included in this Annual Report for an explanation of the methodology and assumptions used in determining the fair value of stock option awards granted. The amounts reported in Column (c) reflect our accounting expense for these stock option awards, not amounts realized by our Non-Employee Directors. The actual amounts, if any, ultimately realized by our Non-Employee Directors from Emdeon equity compensation will depend on the price of our Common Stock at the time they exercise vested stock options.
- (2) Under Emdeon's Amended and Restated 2000 Long-Term Incentive Plan (which we refer to as the 2000 Plan), Non-Employee Directors of Emdeon automatically receive an award of 20,000 options to purchase Emdeon Common Stock on each January 1, with an exercise price equal to the closing price on the last trading date of the prior year. The grants made on January 1, 2006 each had an exercise price of \$8.46 per share and each had a total grant date fair value equal to \$64,046, based on the methodology and assumptions referred to in Footnote 1 above. The following lists the total number shares of Emdeon Common Stock subject to outstanding unexercised option awards held by each of our Non-Employee Directors as of December 31, 2006 and the weighted average exercise price of those options:

Name	Number of Shares Subject to Outstanding Options	Weighted Average Exercise Price
Mark J. Adler, M.D.	216,000	\$ 9.96
Paul A. Brooke	190,000	\$ 7.56
Neil F. Dimick	37,916	\$ 8.46

James V. Manning	228,000	\$ 8.58
Herman Sarkowsky	415,000	\$ 10.36
Joseph E. Smith	146,000	\$ 11.49

See Option Grants below for additional information.

- (3) These three Non-Employee Directors of Emdeon are also non-employee directors of WHC, for which they received compensation from WHC. For information regarding the compensation they received from WHC, see below under Compensation for Service on WHC Board.

Cash Compensation

Overview. For each of the Non-Employee Directors, the amount set forth in Column (a) of the 2006 Director Compensation Table represents the sum of the following amounts, each of which is described below:

an annual retainer for service on the Board;

annual fees for service on standing Committees of the Board;

annual fees, if any, for serving as Chairperson of standing Committees of the Board; and

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quarterly fees for service on other Committees of the Board.

Non-Employee Directors do not receive per meeting fees but are reimbursed for out-of-pocket expenses they incur in connection with attending Board and Board Committee meetings and our Annual Meeting of Stockholders.

Board Service. Each Non-Employee Director receives an annual retainer of \$30,000 for service on the Emdeon Board.

Service on Standing Committees. We pay annual fees for service on some of the standing committees of our Board, as well as an additional fee to the Chairperson of each of those Committees, in the following amounts:

Type of Service	Annual Fee
Membership on Audit Committee (<i>Messrs. Brooke, Manning and Smith</i>)	\$ 15,000
Membership on Compensation Committee (<i>Dr. Adler and Messrs. Sarkowsky and Smith</i>) or Nominating Committee (<i>Messrs. Brooke, Dimick and Sarkowsky</i>)	\$ 5,000
Membership on Governance & Compliance Committee (<i>Dr. Adler and Messrs. Dimick and Manning</i>) or Related Parties Committee (<i>Messrs. Brooke, Sarkowsky and Smith</i>)	\$ 10,000
Chairperson of Compensation Committee (<i>Dr. Adler</i>) or Nominating Committee (<i>Mr. Dimick</i>)	\$ 2,500
Chairperson of Audit Committee (<i>Mr. Manning</i>) or Governance & Compliance Committee (<i>Mr. Dimick</i>)	\$ 10,000

The amounts of the fees payable to Non-Employee Directors for service on our Board and its standing Committees are determined by the Compensation Committee and may be changed by it from time to time. The Compensation Committee also has discretion to determine whether such compensation is paid in cash, in Emdeon Common Stock or some other form of compensation.

Service on Other Committees. Our Non-Employee Directors may also receive additional fees for service on committees established by the Board for specific purposes. Those fees are generally paid on a quarterly basis for the period that the committee exists and may be set by the Board, the Compensation Committee or the committee itself. Non-Employee Directors served on two such committees in 2006 and received the compensation described below:

Messrs. Brooke, Manning, Sarkowsky and Smith and Dr. Adler were each paid \$47,500 for their service in 2006 as members of a special committee of the Board to oversee matters relating to the investigations described in Legal Proceedings Investigations by United States Attorney for the District of South Carolina and the SEC in Note 14 to the Consolidated Financial Statements included in this Annual Report. Members of this special committee will continue to receive compensation for their service on the committee. The current quarterly payment is \$7,500 per member.

Messrs. Dimick and Manning were each paid \$5,000 for their service in the first quarter of 2006 on a special committee of the Board that provided oversight with respect to information technology matters relating to Emdeon Business Services.

Option Grants

Annual Stock Option Grants. On January 1 of each year, each Non-Employee Director receives options to purchase 20,000 shares of Emdeon Common Stock pursuant to automatic annual grants of stock options under our 2000 Plan.

The annual stock option awards are granted with a per-share exercise price equal to the fair market value of a share of Emdeon Common Stock on the grant date. For these purposes, and in accordance with the terms of the 2000 Plan and Emdeon's equity award grant practices, the fair market value is equal to the closing price of a share of Emdeon Common Stock on the Nasdaq Global Select Market on the last trading day of the prior year. The vesting schedule for each automatic annual grant is as follows: 1/4 of the grant on the first anniversary of the date of grant and 1/48 of the grant on a monthly basis over the next three years (full vesting on the fourth anniversary of the date of grant). Each of our Non-Employee Directors

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received automatic annual grants of options to purchase 20,000 shares of Emdeon Common Stock on January 1, 2007 (with an exercise price of \$12.39 per share) and January 1, 2006 (with an exercise price of \$8.46 per share). The options granted to Non-Employee Directors do not include any dividend or dividend equivalent rights. Each such option will expire, to the extent not previously exercised, ten years after the date of grant.

Under the 2000 Plan, outstanding unvested options held by Non-Employee Directors vest and become fully exercisable: (a) upon the Non-Employee Director's death or termination of service as a result of disability; and (b) upon a Change in Control of Emdeon. Those options, and any others that had previously vested, will then continue to be exercisable or lapse in accordance with the other provisions of the 2000 Plan and the award agreement. For purposes of the 2000 Plan, a Change in Control generally includes (i) a change in the majority of the Board of Directors of Emdeon without the consent of the incumbent directors, (ii) any person or entity becoming the beneficial owner of 25% or more of the voting shares of Emdeon and the Compensation Committee determining that such transaction constitutes a change in control, taking into consideration all relevant facts, (iii) consummation of a reorganization, merger or similar transaction as a result of which Emdeon's stockholders prior to the consummation of the transaction no longer represent 50% of the voting power and (iv) consummation of a sale of all or substantially all of Emdeon's assets.

Discretionary Grants. Our Non-Employee Directors may receive discretionary grants of stock options under the 2000 Plan. No discretionary grants were made in 2006.

Compensation for Service on WHC Board. Dr. Adler and Messrs. Dimick and Manning serve as non-employee directors of WHC and receive compensation from WHC for their service. The Compensation Committee of the WHC Board is authorized to determine the compensation of WHC's non-employee directors.

Only two types of compensation were paid by WHC to its non-employee directors in 2006 for their Board and Board Committee service: (1) annual fees paid in the form of shares of WHC Class A Common Stock and (2) a grant of options to purchase WHC Class A Common Stock. None of WHC's non-employee directors received any other compensation from WHC during 2006 and none of them provided any services to WHC during 2006, except their service as a director. WHC does not offer any deferred compensation plans or retirement plans to its non-employee directors.

This table provides information regarding the value of the compensation from WHC to the individuals listed for 2006, as calculated in accordance with applicable SEC regulations.

<i>(a)</i> Name	<i>(b)</i> Stock Awards \$(1)	<i>(c)</i> Option Awards \$(2)(3)	<i>(d)</i> Total (\$)
Mark J. Adler, M.D.	66,737	103,057	169,794
Neil F. Dimick	91,737	103,057	194,794
James V. Manning	84,237	103,057	187,294

- (1) Shares of WHC Class A Common Stock were issued by WHC on September 28, 2006 (the first anniversary of WHC's initial public offering) in payment for annual fees for service on the WHC Board and its standing committees. These shares are not subject to vesting requirements or forfeiture. The amounts (expressed in dollars) of the fees are the same as those applicable to the Emdeon Board and its standing Committees, as described above. For each individual listed in Column (a) of this table, the number of shares to be issued was

determined by dividing the aggregate dollar amount of the fees by \$34.45, the closing price of WHC Class A Common Stock on the NASDAQ Global Select Market on September 28, 2006. Dr. Adler received 1,378 shares of WHC Class A Common Stock; Mr. Dimick received 2,104 shares; and Mr. Manning received 1,886 shares. In addition, this column includes \$19,237 for each individual, which reflects the aggregate dollar amounts recognized by WHC in 2006, for income statement reporting purposes under SFAS No. 123R (based on the methodology and assumptions referred to in Footnote 2 below), for grants of WHC Restricted Stock made to these directors at the time of WHC's initial public offering.

- (2) The amounts reported in Column (c) above reflect the aggregate dollar amounts recognized by WHC in 2006 for stock option awards for income statement reporting purposes under SFAS No. 123R (disregarding any estimate of forfeitures related to service-based vesting conditions). See WHC Plans in Note 4 (Stock-Based Compensation) to the Consolidated Financial Statements included in this Annual Report for an explanation of the methodology and assumptions used in determining the fair value of stock option awards granted. The amounts reported in Column (c) reflect WHC's accounting expense for these stock option awards, not amounts realized

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by the individuals listed in the table. The actual amounts, if any, ultimately realized by these individuals from WHC equity compensation will depend on the price of WHC Class A Common Stock at the time they exercise vested stock options or at the time of vesting of WHC Restricted Stock.

- (3) Under WHC's 2005 Long-Term Incentive Plan (which we refer to as the WHC 2005 Plan), Non-Employee Directors of WHC automatically receive an award of 13,200 options to purchase WHC Class A Common Stock on each January 1, with an exercise price equal to the closing price on the last trading date of the prior year. The grants made on January 1, 2006 each had an exercise price of \$29.05 per share and each had a total grant date fair value equal to \$182,248, based on the methodology and assumptions referred to in Footnote 2 above. The Compensation Committee of the WHC Board has discretion to make other grants of options to purchase WHC Class A Common Stock to WHC's non-employee directors, but did not do so in 2006. The following lists the total number shares of WHC Class A Common Stock subject to outstanding unexercised option awards held by the listed individuals as of December 31, 2006 and the weighted average exercise price of those options:

Name	Number of Shares Subject to Outstanding WHC Options	Weighted Average Exercise Price
Mark J. Adler, M.D.	26,400	\$ 23.28
Neil F. Dimick	26,400	\$ 23.28
James V. Manning	26,400	\$ 23.28

In addition, as of December 31, 2006, each of the listed individuals held 3,300 shares of unvested WHC Restricted Stock that were granted at the time of WHC's initial public offering.

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Item 11. *Executive Compensation*

Overview

This section of our Annual Report contains information regarding our compensation programs and policies and, in particular, their application to a specific group of individuals that we refer to as our Named Executive Officers. Under applicable SEC rules, our Named Executive Officers for 2006 consist of our Chief Executive Officer, two individuals that served as our Chief Financial Officer during that year and the three other executive officers of Emdeon who received the most compensation for 2006. This section is organized as follows:

2006 Report of the Compensation Committee. This section contains a report of the Compensation Committee of our Board of Directors regarding the Compensation Discussion and Analysis section described below. The material in the 2006 Report of the Compensation Committee shall not be deemed incorporated by reference by any general statement incorporating by reference this Annual Report into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that Emdeon specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

Compensation Committee Interlocks and Insider Participation. This section contains information regarding certain types of relationships involving our Compensation Committee members.

Compensation Discussion and Analysis. This section contains a description of the specific types of compensation we pay, a discussion of our compensation policies, information regarding how those policies were applied to the compensation of our Named Executive Officers for 2006 and other information that we believe may be useful to investors regarding compensation of our Named Executive Officers and other employees.

Executive Compensation Tables. This section provides information, in tabular formats specified in applicable SEC rules, regarding the amounts or value of various types of compensation paid to our Named Executive Officers and related information.

Potential Payments and Other Benefits Upon Termination or Change in Control. This section provides information regarding amounts that could become payable to our Named Executive Officers following specified events.

Employment Agreements with Named Executive Officers. This section contains summaries of the employment agreements between Emdeon (or our subsidiaries) and our Named Executive Officers. We refer to these summaries in various other places in this Executive Compensation section.

The parts of this Executive Compensation section described above are intended to be read together and each provides information not included in the others. In addition, for background information regarding the Compensation Committee of our Board of Directors and its responsibilities, please see Item 10 above under the heading Committees of the Board of Directors Compensation Committee, which is hereby incorporated by reference into this Item 11.

2006 Report of the Compensation Committee

The Compensation Committee of our Board of Directors provides oversight of Emdeon's compensation programs and makes specific compensation decisions regarding compensation of the Named Executive Officers and Emdeon's other executive officers. Set out below is the Compensation Discussion and Analysis section of this Annual Report. That

section contains a discussion of Emdeon's executive compensation programs and policies and their application by the Compensation Committee in 2006 to the Named Executive Officers. The Compensation Committee has reviewed and discussed with management the disclosures contained in the Compensation Discussion and Analysis. Based upon this review and our discussions, the

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Compensation Committee has recommended to our Board of Directors that the Compensation Discussion and Analysis section be included in this Annual Report on Form 10-K.

Mark J. Adler, M.D. (Chairperson)

Herman Sarkowsky

Joseph E. Smith

Compensation Committee Interlocks and Insider Participation

Each of the Compensation Committee members whose name appears under the Compensation Committee Report was a Committee member for all of 2006. No current member of the Compensation Committee is a current or former executive officer or employee of Emdeon or had any relationships in 2006 requiring disclosure by Emdeon or WHC under the SEC's rules requiring disclosure of certain relationships and related-party transactions.

None of Emdeon's executive officers served as a director or a member of a compensation committee (or other committee serving an equivalent function) of any other entity, the executive officers of which served as a director or member of the Compensation Committee of the Emdeon Board or the Compensation Committee of the WHC Board during the fiscal year ended December 31, 2006.

Compensation Discussion and Analysis

This section contains a description of the specific types of compensation we pay, a discussion of our compensation policies, information regarding how the compensation of our Named Executive Officers for 2006 was determined under those policies and other information that we believe may be useful to investors regarding compensation of our Named Executive Officers and other employees.

Overview of Types of Compensation Used by Emdeon. The compensation of our Named Executive Officers consists primarily of the following:

cash salary;

an annual cash bonus, the amount of which was determined, for 2006, by the Compensation Committee in its discretion;

special bonuses to provide recognition for specific accomplishments or at the time of a promotion, if determined by the Compensation Committee to be appropriate and in amounts determined by the Compensation Committee in its discretion;

grants of non-qualified options to purchase shares of Emdeon Common Stock, subject to vesting based on continued employment, with an exercise price that is equal to the fair market value of Emdeon Common Stock on the grant date (and, in the case of certain Named Executive Officers, options to purchase shares of WHC Class A Common Stock, with an exercise price that is equal to the fair market value of WHC Class A Common Stock on the grant date); and

grants of shares of restricted Emdeon Common Stock (which we refer to as Emdeon Restricted Stock), subject to vesting based on continued employment and, in the case of Mr. Wygod only, shares of restricted WHC Class A Common Stock (which we refer to as WHC Restricted Stock), subject to vesting based on continued employment.

A discussion of each of the above types of compensation and their use in 2006 follows under the heading Use of Specific Types of Compensation in 2006. As more fully described below, the compensation of our other executives generally consists of the same types, with the specific amounts determined by our Chief Executive Officer and other members of our senior management.

In determining the forms of compensation to be used by Emdeon, the Compensation Committee considers various factors, including the effectiveness of the incentives provided, tax and accounting considerations, the compensation practices of other companies and the expectations of our employees and our investors. In addition, the Compensation Committee believes that it is important that compensation be understood by the

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employees who receive it and by our company's investors. The Compensation Committee believes that our compensation programs, including the types of stock options and restricted stock that we use, are effective forms of compensation and well understood. We have not offered any deferred compensation plans to our executive officers or to our other employees. We have also not offered any retirement plans to our executive officers, other than 401(k) plans generally available to our employees. Subject to the terms of the Emdeon 401(k) Savings and Employee Stock Ownership Plan (which we refer to as the Emdeon 401(k) Plan), Emdeon matches, in cash, 25% of amounts contributed to that Plan by each Plan participant, up to 6% of eligible pay. The matching contribution made by Emdeon is subject to vesting, based on continued employment, with 50% scheduled to vest on each of the first and second anniversaries of an employee's date of hire (with employees vesting immediately in any matching contribution made after the second anniversary). Our Named Executive Officers, other than Messrs. Mele and Wygod, chose to participate in the Emdeon 401(k) Plan in 2006. WHC employees are eligible to participate in the Emdeon 401(k) Plan. Our Porex and ViPS subsidiaries also sponsor 401(k) plans for their employees.

Please see "Potential Payments and Other Benefits Upon Termination of Employment or Change in Control" below for a description of the potential payments that may be made to the Named Executive Officers in connection with a termination of employment or a change in control and "Employment Agreements with Named Executive Officers" for a description of the relevant provisions of those employment agreements.

Discussion of Compensation Policies. The Compensation Committee's guiding philosophy is to establish a compensation program that is:

Competitive with the market in order to help attract, motivate and retain highly qualified managers and executives. We seek to attract and retain talent by offering competitive base salaries, annual incentive opportunities, and the potential for long-term rewards through equity-based awards, such as stock options and restricted stock. We have, in the past, granted and may continue to grant equity-based awards to a large portion of our employees, not just our executives. Those awards have been primarily in the form of non-qualified options to purchase Emdeon Common Stock.

Performance-based to link executive pay to company performance over the short term and long term and to facilitate shareholder value creation. It is Emdeon's practice to provide compensation opportunities in addition to base salary that are linked to our company's performance and the individual's performance. Achievement of short-term goals is rewarded through annual cash bonuses, while achievement of long-term objectives is encouraged through nonqualified stock option grants and restricted stock awards that are subject to vesting over periods generally ranging from three to four years. Through annual and long-term incentives, a major portion of the total potential compensation of Emdeon's executive officers (and other members of senior management) is placed at risk in order to motivate them to improve the performance of our businesses and to increase the value of our company.

Designed to foster a long-term commitment by management. The Compensation Committee believes that there is great value to our company in having a team of long-tenured, seasoned executives and managers. Our compensation practices are designed to foster a long-term commitment to Emdeon by our management team. The vesting schedules attributable to equity grants are typically 3 to 4 years with, in some cases (particularly for more senior executives), scheduled vestings that are smaller in the early vesting periods and greater in the later vesting periods.

The Compensation Committee has not retained outside consultants to assist it in implementing these policies or making specific decisions relating to executive compensation. The Compensation Committee does, from time to time, review general information regarding the compensation practices of other companies, including some that are likely to compete with Emdeon for the services of our executives and employees and that information is a factor used by the

Committee in its decisions and in its general oversight of compensation practices at Emdeon. However, the Compensation Committee does not use that information to generate specific compensation amounts or targets and does not seek to create an objective standard for Emdeon compensation based on what other companies have done. Instead, in each compensation decision, the Committee exercises its business judgment regarding the appropriateness of types and amounts of compensation in light of the value to Emdeon of specific individuals. With respect to 2006 compensation, the

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Compensation Committee took into account recommendations made by the Chairman of the Board and the Chief Executive Officer of Emdeon with respect to determinations of the types and amounts of compensation to be paid to the other executive officers and also discussed with the Chairman of the Board and the Chief Executive Officer the types and amounts such individuals believed would be appropriate to pay each of them in light of the amounts being recommended for the other executive officers and amounts being paid to other Emdeon executives.

Emdeon's senior management generally applies a similar philosophy and similar policies to determine the compensation of officers and managers who are not executive officers and reports to the Compensation Committee regarding these matters.

Key Events Affecting Compensation Decisions in 2006. During 2006, we completed three significant transactions, selling two large businesses and repurchasing a significant portion of our outstanding Common Stock:

Sale of Emdeon Practice Services Segment. In September 2006, we sold our Emdeon Practice Services (or EPS) segment to Sage Software, Inc., an indirect wholly owned subsidiary of The Sage Group plc. We received net cash proceeds of approximately \$532 million, which does not include \$35 million being held in escrow as security for Emdeon's indemnification obligations under the Stock Purchase Agreement for the EPS Sale.

Sale of Emdeon Business Services Segment. In November 2006, we sold a 52% interest in our Emdeon Business Services (or EBS) segment to an affiliate of General Atlantic LLC. We received cash proceeds of approximately \$1.2 billion and retained a 48% interest in the company that now owns EBS. The acquisition of EBS by that company was financed with approximately \$925 million in bank debt and an investment of approximately \$320 million by General Atlantic. The bank debt is not an obligation of or guaranteed by Emdeon or any of Emdeon's subsidiaries.

Tender Offer. On October 20, 2006, we commenced a tender offer to purchase shares of our Common Stock, contingent upon the closing of the EBS Sale. On December 4, 2006, the tender offer was completed and, as a result, we repurchased 129,234,164 shares of our Common Stock at a price of \$12.00 per share for an aggregate price of approximately \$1.55 billion, using proceeds from the EPS Sale and EBS Sale. The shares purchased in the tender offer represented approximately 45% of the outstanding shares of our Common Stock immediately prior to the tender offer.

These transactions have substantially repositioned our company. For additional information regarding these transactions, see *Business Significant Corporate Transactions During 2006* in Part I of this Annual Report and Notes 2 and 3 to the Consolidated Financial Statements included in this Annual Report. The successful completion of these transactions was taken into consideration in compensation decisions with respect to 2006, both by the Compensation Committee in its decisions relating to executive officer compensation and by the Chief Executive Officer and other members of senior management in their decisions relating to other executives. In particular, the Compensation Committee considered the execution challenges that the sale transactions presented because of their size, because of industry dynamics and because of the demands placed upon senior management to continue to operate those businesses effectively while pursuing their potential sale. The Compensation Committee believes that Emdeon's senior management met these execution challenges exceptionally well and also performed well in managing Emdeon's other businesses during 2006.

Use of Specific Types of Compensation in 2006.

Base Salary. The Compensation Committee reviews the base salaries of our executive officers from time to time, but has made few changes in those salaries in recent years except upon a change in position. No such changes were made in 2006. In general, it is the Committee's view that increases in the cash compensation of our executive officers should

be performance-based and achieved through the bonus-setting process, rather than through an increase in base salary. However, when the Compensation Committee contemplates an adjustment to base salary, various factors are considered, including: company performance, the executive's individual performance, scope of responsibility and changes in that scope (including as a result of

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promotions), tenure, prior experience and market practice. Similar factors are considered by Emdeon senior management in determining whether to make adjustments to salaries of other employees, and such changes are made more frequently.

Annual Cash Bonuses. Emdeon executives have the opportunity to earn annual cash bonuses. For executives who are not executive officers, individual target opportunities, as a percentage of their base salary, are generally established by our Chief Executive Officer and other members of senior management. These target percentages vary based on each executive's level and scope of responsibility. Actual bonus amounts are determined considering an executive's personal performance and the performance of Emdeon during the year (which includes, in the case of executives working in specific business segments, the performance of that segment during the year).

With respect to Emdeon's executive officers, the amounts of their 2006 annual bonuses were determined by the Compensation Committee (or, in the case of Mr. Gattinella, by the WHC Compensation Committee) in its discretion, based upon its assessment of individual and company performance during the year (which includes, in the case of executive officers leading specific business segments, the performance of that segment during the year). In some years, bonus awards for some of our executive officers (particularly newly-hired executive officers) may be dictated by the terms of the executive's employment agreement, providing for payment of a specified bonus amount or an amount within a specific range with respect to a specific employment period. No such requirements applied with respect to 2006. In addition, no pre-established performance targets were used in determining bonus amounts for executive officers for 2006; the Compensation Committee determined such amounts based on its assessment of the performance of Emdeon and its business segments in 2006 (taking into consideration the extent to which financial and operational goals discussed by management and the Board during 2006 were achieved and the reasons for that) and its assessment of each executive officer's individual performance and contributions during the year.

The following table lists the annual cash bonuses payable to the Named Executive Officers with respect to 2006, as well as with respect to 2005:

Named Executive Officer	Title	Amount of 2006 Annual Bonus	Amount of 2005 Annual Bonus
Kevin C. Cameron	Chief Executive Officer	\$ 780,000	\$ 450,000
Mark Funston	Executive Vice President and Chief Financial Officer	\$ 35,000	n/a
Wayne T. Gattinella	CEO and President, WebMD	\$ 340,000	\$ 280,000
Charles A. Mele	Executive Vice President, General Counsel & Secretary	\$ 350,000	\$ 325,000
Martin J. Wygod	Chairman of the Board	\$ 780,000	\$ 450,000

Mr. Gattinella's annual cash bonus was approved by the Compensation Committee of WHC and ratified by the Emdeon Compensation Committee, and was paid by WHC. Mr. Funston's employment by Emdeon began in mid-November of 2006 and the amount of his bonus was set by the Compensation Committee based on that part-year employment period. For information regarding amounts paid to Andrew C. Corbin (our former Chief Financial Officer) with respect to 2006, see [Employment Agreements with Named Executive Officers - Andrew C. Corbin](#).

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Special Cash Bonuses. The Compensation Committee approved payment of the following special bonuses to Named Executive Officers in November 2006:

Named Executive Officer	Title	Amount of Special Bonus
Kevin C. Cameron	Chief Executive Officer	\$ 2,750,000
Andrew C. Corbin	Former Chief Financial Officer and Former Chief Executive Officer, Emdeon Practice Services	\$ 300,000
Charles A. Mele	Executive Vice President, General Counsel & Secretary	\$ 1,000,000
Martin J. Wygod	Chairman of the Board	\$ 2,750,000

The special bonuses were made in recognition of the contributions of the above Named Executive Officers to the completion of the EPS Sale and the EBS Sale and the related repositioning of our company, as well as their past contributions leading up to those transactions. The amounts of the special bonuses were determined by the Compensation Committee of the Emdeon Board, in its discretion. No other special bonuses or other one-time payments were made to Named Executive Officers for 2006, except as described below under Employment Agreements with Named Executive Officers Andrew C. Corbin with respect to amounts paid to Mr. Corbin pursuant to his employment agreement.

Equity Compensation. We use two types of long-term incentives: non-qualified stock options and restricted stock. Stock options are granted with an exercise price that is equal to the fair market value of Emdeon Common Stock on the grant date. Thus, the Named Executive Officers will only realize value on their stock options if the price of Emdeon Common Stock increases after the grant date. Historically, long-term incentives at our company were comprised almost exclusively of stock option grants. However, in light of market trends and changes in the accounting treatment applicable to such option grants, we have increased our use of Emdeon Restricted Stock as part of the mix of equity compensation for our executives and certain other employees. The Compensation Committee believes that equity compensation, subject to vesting periods of three to four years, encourages employees to focus on the long-term performance of Emdeon. The amount that employees receive from equity awards increases when the price of Emdeon Common Stock increases, which rewards employees for increasing shareholder value. The vesting schedules applicable to these equity awards are intended to promote retention of employees during the vesting period.

The Compensation Committee has not made equity grants to our Named Executive Officers every year. In determining whether and when to make equity grants, the Compensation Committee considers the history of prior grants made to individual Named Executive Officers, their vesting status and the amounts that have been or may be realized by those individuals from those grants. In addition, the Compensation Committee considers factors similar to those it considers in its decisions relating to cash compensation, as described above, including factors relating to individual and company performance. Finally, larger grants are typically made to individuals the Compensation Committee believes have the greatest potential to affect the value of our company and improve results for stockholders. In 2006, the Compensation Committee granted options to purchase Emdeon Common Stock and shares of Emdeon Restricted Stock to each of our Named Executive Officers, other than Mr. Gattinella (whose grants are expected to come primarily from WHC since he is its Chief Executive Officer) and Mr. Corbin (who, as explained above, left Emdeon in 2006). The material terms of those options are described below under Executive Compensation Tables Grants of Plan-Based Awards in 2006. The grant to Mr. Wygod in January 2006 was made primarily because, at that time, he had no unvested options to purchase Emdeon Common Stock and it was determined to be appropriate

as a way to continue to motivate him to remain as Chairman of Emdeon. No options to purchase Emdeon Common Stock had been granted to Mr. Wygod since September 2001 as he did not participate in the March 2004 broad-based grant of options and restricted stock to executive officers, officers and other key employees. In addition, we granted awards of options and restricted stock to Messrs. Cameron, Mele and Wygod and certain other officers and key employees in October and November 2006 at the time of the EPS Sale and the EBS Sale. These grants were intended to motivate the recipients to remain in the employ of Emdeon following the repositioning of our company as a result of those transactions. The grants to Mr. Funston were made in connection with his joining Emdeon in November 2006.

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Benefits and Perquisites. Our executive officers are generally eligible to participate in Emdeon's benefit plans on the same basis as our other employees (including matching contributions to a 401(k) Plan and company-paid group term life insurance). Emdeon, for the past several years, has maintained a sliding scale for the cost of employee premiums for its health plan, under which employees with higher salaries pay a higher amount. The limited perquisites (or perks) received by our executive officers in 2006 are described in the footnotes to the Summary Compensation Table and consisted primarily of car allowances. In addition, our executive officers (as part of a larger group of employees generally having a salary of \$180,000 or more) receive company-paid supplemental disability insurance, the cost of which is listed in those footnotes.

Deductibility of Compensation. Section 162(m) of the Internal Revenue Code generally limits the ability of a publicly held corporation to deduct compensation in excess of \$1 million per year paid to certain executive officers. It is the policy of the Compensation Committee to structure, where practicable, compensation paid to its executive officers so that it will be deductible under Section 162(m) of the Code. Accordingly, Emdeon's equity plans under which awards are made to officers and directors are generally designed to ensure that compensation attributable to stock options granted will be tax deductible by Emdeon. However, cash bonuses for Emdeon's executive officers (including the special bonuses in 2006 described above), and grants of restricted stock do not qualify as performance-based within the meaning of Section 162(m) and therefore, are subject to its limits on deductibility. In determining that the compensation of Emdeon's executive officers for 2006 was appropriate under the circumstances and in the best interests of Emdeon and its stockholders, the Compensation Committee considered the amount of net operating loss carryforwards available to Emdeon to offset income for Federal income tax purposes. See Note 17 to the Consolidated Financial Statements included in this Annual Report.

Executive Compensation Tables

This section provides information, in tabular formats specified in applicable SEC rules, regarding the amounts of compensation paid to our Named Executive Officers for services rendered during 2006 and related information. The tables included are:

Summary Compensation Table, which presents information regarding our Named Executive Officer's total compensation and the types and value of its components; and

three tables providing additional information regarding our equity compensation, entitled: Grants of Plan-Based Awards in 2006; Outstanding Equity Awards at End of 2006; and Option Exercises and Stock Vested in 2006.

As permitted by the SEC rules relating to these tables, our tables reflect only the types of compensation that we pay. For example, since our only retirement plans are 401(k) plans, we do not include tables applicable to other types of retirement plans. For a general description of the types of compensation paid by Emdeon and WHC, see Compensation Discussion and Analysis - Overview of Types of Compensation.

Table of Contents**Summary Compensation Table**

Table. The following table presents information regarding the amount of the total compensation of our Named Executive Officers for services rendered during 2006, as well as the amount of the specific components of that compensation. The compensation reported in the table reflects all compensation to the Named Executive Officers by Emdeon and its subsidiaries (including WHC and its subsidiaries). Amounts reflecting equity grants by Emdeon are noted with an E and amounts reflecting equity grants by WHC are noted with a W.

<i>(a)</i>	<i>(b)</i>	<i>(c)</i>	<i>(d)</i>	<i>(e)</i>	<i>(f)</i>	<i>(g)</i>	<i>(h)</i>
Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)(1)	All Other Compensation (\$)	Total (\$)
Kevin M. Cameron Chief Executive Officer	2006	660,000	3,530,000	714,830E	1,682,494E 239,122W	17,552(2)	6,843,998
Mark D. Funston Executive VP and Chief Financial Officer	2006	46,875	35,000	22,867E	1,921,616 24,000E	526(3)	129,268
Wayne T. Gattinella Chief Executive Officer and, President of WebMD Segment	2006	560,000	340,000	46,977E	229,800E 439,809W	8,313(4)	2,585,752
Charles A. Mele Executive VP, General Counsel and Secretary	2006	450,000	1,350,000	486,786 121,643E	1,190,653 312,736E 191,297W	16,663(5)	2,442,339
Martin J. Wygod Chairman of the Board	2006	975,000	3,530,000	629,691E 439,809W	504,033 709,598E 960,853W	10,847(6)	7,255,798
Andrew C. Corbin Former Chief Financial Officer	2006	458,942	675,000	1,069,500 238,692E	1,670,451 893,181E	59,723(7)	2,325,538

(1) The amounts reported in Columns (e) and (f) above reflect the aggregate dollar amounts recognized by Emdeon in 2006 for stock awards and option awards for income statement reporting purposes under SFAS No. 123R (disregarding any estimate of forfeitures related to service-based vesting conditions). See Note 4 (Stock-Based

Compensation) to the Consolidated Financial Statements included in this Annual Report for an explanation of the methodology and assumptions used in determining the fair value of stock option awards granted. The amounts reported in Columns (e) and (f) reflect our accounting expense for these equity awards, not amounts realized by our Named Executive Officers. The actual amounts, if any ultimately realized by our Named Executive Officers from equity compensation will depend on the price of our Common Stock (or the price of WebMD Class A Common Stock in the case of WebMD equity awards) at the time they exercise vested stock options or at the time of vesting of restricted stock. Holders of shares of Emdeon Restricted Stock and WHC Restricted Stock have voting power and the right to receive dividends, if any that are declared on those shares, but their ability to sell those shares is subject to vesting requirements based on continued employment.

- (2) Consists of: (a) \$3,300 in company matching contributions under the Emdeon 401(k) Plan; (b) \$1,712 for company-paid supplemental disability insurance; (c) \$540 for company-paid group term life insurance; and (d) an automobile allowance of \$12,000.
- (3) Consists of: (a) \$433 in company matching contributions under the Emdeon 401(k) Plan; and (b) \$93 for company-paid group term life insurance.
- (4) Consists of: (a) \$3,085 in company matching contributions under the Emdeon 401(k) Plan; (b) \$3,986 for company-paid supplemental disability insurance; and (c) \$1,242 for company-paid group term life insurance.
- (5) Consists of: (a) \$3,421 for company-paid supplemental disability insurance; (b) \$1,242 for company-paid group term life insurance; and (c) an automobile allowance of \$12,000.
- (6) Consists of: (a) \$3,989 for company-paid supplemental disability insurance; and \$6,858 for company-paid group term life insurance.
- (7) Consists of: (a) \$3,300 in company matching contributions under the Emdeon 401(k) Plan; (b) \$2,921 for company-paid supplemental disability insurance; (c) \$540 for company-paid group term life insurance; (d) an automobile allowance of \$11,539; (e) \$21,546 for reimbursement of non-refundable costs of a vacation cancelled at company request; (f) \$2,500 for reimbursement of attorney's fees in connection with amending his employment agreement; and (g) \$17,377 for reimbursement of amounts required to pay income taxes resulting from payment of the amounts described in clauses (e) and (f) of this footnote.

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Additional Information. The Summary Compensation Table above quantifies the amount or value of the different forms of compensation earned by or awarded to our Named Executive Officers in 2006 and provides a dollar amount for total compensation. All amounts reported in the Summary Compensation Table for Mr. Gattinella reflect compensation from WHC, except for amounts reflecting grants of Emdeon Restricted Stock and options to purchase Emdeon Common Stock which he received prior to WHC's initial public offering and which continue to vest in accordance with their terms. The amounts reported in the Summary Compensation Table for our other Named Executive Officers reflect compensation from Emdeon, except for amounts reflecting grants of WHC Restricted Stock and options to purchase WHC Class A Common Stock.

Descriptions of the material terms of each Named Executive Officer's employment agreement and related information is provided under *Employment Agreements with Named Executive Officers* below. The agreements provide the general framework and some of the specific terms for the compensation of the Named Executive Officers. Approval of the Compensation Committee is required prior to Emdeon entering into employment agreements with its executive officers or amendments to those agreements. However, many of the decisions relating to compensation for a specific year are made by the Compensation Committee (or, in the case of Mr. Gattinella, by the WHC Compensation Committee) and are implemented without changes to the general terms of employment set forth in those agreements. For a discussion of the salary, bonus and equity compensation of our Named Executive Officers for 2006 and the decisions made by the Compensation Committee relating to 2006 compensation, see *Compensation Discussion and Analysis* above. In addition, the Named Executive Officers earned or were paid the other benefits listed in Column (i) of the Summary Compensation Table and described in footnotes 2 through 7 to the table. In the case of Mr. Funston, the Summary Compensation Table reflects compensation beginning in mid-November 2006, when he joined our company. For additional information regarding the compensation received by Mr. Corbin in connection with his leaving our company to join Sage Software following Sage Software's purchase of Emdeon Practice Services from us, see *Employment Agreements with Named Executive Officers - Andrew C. Corbin* below.

Grants of Plan-Based Awards in 2006

Table. The following table presents information regarding the equity incentive awards granted by Emdeon to our Named Executive Officers during 2006. No grants were made by WHC to any of our Named Executive Officers during 2006. The material terms of each grant are described below under *Additional Information Regarding Plan-Based Awards*.

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Name	Approval Date	Grant Date	All Stock Awards: Number of Shares of Stock (#)	All Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
Kevin M. Cameron	10/23/06	10/23/06	300,000	900,000	11.86	7,510,080
Mark D. Funston	11/09/06	11/13/06	60,000	180,000	11.60	1,426,512
Wayne T. Gattinella						

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Charles A. Mele	10/23/06	10/23/06	100,000	300,000	11.86	2,503,360
Martin J. Wygod	1/27/06	1/27/06	150,000	600,000	8.77	3,307,260
	10/23/06	10/23/06	300,000	900,000	11.86	7,510,080
						10,817,340
Andrew C. Corbin						

Additional Information. Each stock option granted to our Named Executive Officers during 2006 and reported in Column (g) of the table above was granted pursuant to the 2000 Plan, except that a 500,000 share portion of the option grant made to Mr. Wygod in January 2006 was made under the 1996 Stock Plan. All such grants were made with a per-share exercise price equal to the fair market value of a share of the Common Stock of Emdeon on the grant date. For these purposes, and in accordance with the terms of the 2000 Plan or the 1996 Plan (as applicable) and Emdeon's option grant practices, the fair market value is equal to the closing price of a share of Common Stock of Emdeon on the Nasdaq Global Select Market on the grant date. Each stock option granted to our Named Executive Officers in 2006 is subject to a four (4) year vesting

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schedule (with 25% vesting on each of the first four anniversaries of the grant date), other than the grants made to Messrs. Cameron, Mele and Wygod on October 23, 2006, which are scheduled to vest as follows: 27% of the grant vests on the first anniversary of the date of grant, 33% vests on the second anniversary and 40% vests on the third anniversary. Once vested, each stock option will generally remain exercisable until its normal expiration date. Each of the stock options granted to our Named Executive Officers in 2006 has a term of 10 years. For information regarding the effect on the vesting and exercisability of these stock options of the death, disability or termination of employment of a Named Executive Officer or a change in control of Emdeon, see Potential Payments and Other Benefits Upon Termination of Employment or a Change in Control and Employment Agreements with Named Executive Officers below. If a Named Executive Officer's employment is terminated by Emdeon for cause, outstanding stock options (whether vested or unvested) will immediately terminate.

Each award of Emdeon Restricted Stock to our Named Executive Officers in 2006 represents an award of Emdeon Common Stock that is subject to certain restrictions, including restrictions on transferability, and was made under, and is subject to the terms of, the 2000 Plan. The restrictions lapse in accordance with the terms of the award agreement. Holders of shares of Emdeon Restricted Stock have voting power and the right to receive dividends, if any, that are declared on those shares. The grants of Emdeon Restricted Stock made to Mr. Wygod on January 27, 2006 are subject to a 3 year vesting schedule, with one-third vesting on each of the first three anniversaries of the date of grant. The grants of Emdeon Restricted Stock made to Messrs. Cameron, Mele and Wygod on October 23, 2006 have the same vesting schedule as the option grants made to those individuals on that date described above. The grant to Mr. Funston vests in equal installments of 25% over 4 years. For information regarding the effect on vesting of Emdeon Restricted Stock of the death, disability or termination of employment of a Named Executive Officer or a change in control of Emdeon, see Potential Payments and Other Benefits Upon Termination of Employment or a Change in Control below.

The 2000 Plan and the 1996 Stock Plan are administered by the Compensation Committee. The Compensation Committee has authority to interpret the plan provisions and make all required determinations under those plans. This authority includes making required proportionate adjustments to outstanding awards upon the occurrence of certain corporate events such as reorganizations, mergers and stock splits. Awards granted under the 2000 Plan and the 1996 Stock Plan are generally only transferable to a beneficiary of a Plan participant upon his or her death. However, the Committee may establish procedures for the transfer of awards to other persons or entities, provided that such transfers comply with applicable laws.

Table of Contents**Outstanding Equity Awards at End of 2006**

Table. The following table presents information regarding the outstanding equity awards held by each Named Executive Officer as of December 31, 2006, including the vesting dates for the portions of these awards that had not vested as of that date. Awards of Emdeon equity are indicated with (E) at the beginning of column (b) in the table and awards of WHC equity are indicated with (W) at the beginning of that column.

(a) Name	(b) Number of Securities Underlying Unexercised Options (#) Exercisable	(c) Option Awards(1) Number of Securities Underlying Unexercised Options (#) Unexercisable	(d) Option Exercise Price (\$)	(e) Option Grant Date	(f) Option Expiration Date	(g) Number of Shares of Stock That Have Not Vested (#)	(h) Stock Awards(2) Stock Award Grant Date	(i) Market Value of Shares of Stock That Have Not Vested \$(3)
Kevin M. Cameron	(E)	900,000(4)	11.86	10/23/06	10/23/16	300,000(4)	10/23/06	3,717,000
	(E)	532,500	6.99	10/01/04	10/01/14	177,375(5)	10/01/04	2,197,676
	(E)	133,333	8.59	3/17/04	3/17/14	10,000(7)	3/17/04	123,900
	(E)	87,168	3.43	9/20/01	9/20/11			
	(E)	200,000	12.75	8/21/00	8/21/10			
	(E)	125,000	11.55	6/05/00	6/05/10			
	(E)	325,000	17.55	4/04/00	4/04/10			
	(E)	625,000	12.21	4/04/00	4/04/10			
	(W)	13,750	17.50	9/28/05	9/28/15			
Mark D. Funston	(E)	180,000(9)	11.60	11/13/06	11/13/16	60,000(9)	11/13/06	743,400
Wayne T. Gattinella	(E)	166,666	8.59	3/17/04	3/17/14	12,500(7)	3/17/04	154,875
	(E)	239,881	4.81	8/20/01	8/20/11			
	(W)	55,000	17.50	9/28/05	9/28/15	41,250(9)	9/28/05	1,650,825
Charles A. Mele	(E)	300,000(4)	11.86	10/23/06	10/23/16	100,000(4)	10/23/06	1,239,000
	(E)	166,666	8.59	3/17/04	3/17/14	12,500(7)	3/17/04	154,875
	(E)	110,000	3.43	9/20/01	9/20/11			
	(E)	200,000	12.75	8/21/00	8/21/10			
	(E)	625,000	11.55	6/05/00	6/05/10			
	(E)	97,500	34.23	10/04/99	10/04/09			
	(E)	187,500	18.20	10/04/99	10/04/09			
	(E)	208,000	13.85	6/15/99	6/15/09			
	(E)	212,500	14.75	1/07/98	1/07/08			
	(W)	11,000	17.50	9/28/05	9/28/15			

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Martin J. Wygod	(E)	900,000(4)	11.86	10/23/06	10/23/16	300,000(4)	10/23/06	3,717,000
	(E)	600,000(9)	8.77	1/27/06	1/27/16	150,000(7)	1/27/06	1,858,500
	(E)	3,000,000	12.75	8/21/00	8/21/10			
	(E)	585,000	13.85	6/15/99	6/15/09			
	(E)	25,000	22.90	7/01/98	7/01/13			
	(E)	25,000	15.50	7/01/97	7/01/12			
	(E)	25,000	14.80	7/01/96	7/01/11			
	(E)	25,000	10.00	7/03/95	7/03/10			
	(W)	55,000	165,000(9)	17.50	9/28/05	9/28/15	41,250(9)	9/28/05
Andrew C. Corbin	(E)					9,600(8)	11/04/05	118,944
	(E)					12,500(7)	3/17/04	154,875

- (1) Each stock option grant reported in the table above was granted under, and is subject to, our 2000 Plan, our 1996 Plan, WHC's 2005 Plan or another plan or agreement that contains substantially the same terms. The option expiration date shown in Column (f) above is the normal expiration date, and the last date that the options may be exercised. For each Named Executive Officer, the unexercisable options shown in Column (c) above are also unvested. Unvested shares are generally forfeited if the Named Executive Officer's employment terminates, except to the extent otherwise provided in an employment agreement. For information regarding the effect on vesting of options on the death, disability or termination of employment of a Named Executive Officer or a change in control of Emdeon, see Potential Payments and Other Benefits Upon Termination of Employment or a Change in Control below. If a Named Executive Officer's employment is terminated by Emdeon for cause, options (including the vested portion) are generally forfeited. The exercisable options shown in Column (b) above, and any unexercisable options shown in Column (c) above that subsequently become exercisable, will generally expire earlier than the normal expiration date if the Named Executive Officer's employment terminates, except as otherwise

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specifically provided in the Named Executive Officer's employment agreement. For a description of the material terms of the Named Executive Officer's employment agreements, see Employment Agreements with Named Executive Officers below.

- (2) The stock awards held by some of our Named Executive Officers are subject to accelerated or continued vesting in connection with a change in control of Emdeon and upon certain terminations of employment, as described in more detail above under Grants of Plan-Based Awards and below under Potential Payments and Other Benefits Upon Termination of Employment or a Change in Control. Except as otherwise indicated in those sections, unvested stock awards will generally be forfeited if a Named Executive Officer's employment terminates.
- (3) The market or payout value of stock awards reported in Column (i) is computed by multiplying the number of shares of stock reported in Column (g) by (A) \$12.39, the closing market price of our Common Stock on December 29, 2006, the last trading day of 2006, for Emdeon Restricted Stock, or (B) \$40.02, the closing market price of WebMD Class A Common Stock on that date, for WebMD Restricted Stock.
- (4) Vesting schedule is: 27% of the grant on first anniversary of the date of the grant, 33% on second anniversary and 40% on third anniversary.
- (5) Vesting schedule is: 17% of the grant on first anniversary of the date of the grant, 18.5% on second anniversary, 20% on third anniversary; 21.5% on the fourth anniversary; and 23% on the fifth anniversary.
- (6) Vesting schedule is: 1/3 of the grant on September 17 of each of 2005, 2006 and 2007.
- (7) Vesting schedule is: 1/3 of the grant on each of first, second and third anniversaries of the date of the grant.
- (8) Vesting schedule is: 22% of the grant on first anniversary of the date of the grant, 24% on second anniversary, 26% on third anniversary; and 28% on the fourth anniversary.
- (9) Vesting schedule is: 25% of the grant on each of first, second, third and fourth anniversaries of the date of the grant.

Option Exercises and Stock Vested in 2006

No options to purchase WHC Class A Common Stock were exercised during 2006 by our Named Executive Officers. The following table presents information regarding the exercise of options to purchase Emdeon Common Stock by our Named Executive Officers during 2006, and regarding the vesting during 2006 of WHC Restricted Stock and Emdeon Restricted Stock previously granted to our Named Executive Officers. Amounts with respect to Emdeon equity are noted with an E and amounts with respect to WHC equity are noted with a W.

<i>(a)</i>	<i>(b)</i> Option Awards		<i>(d)</i> Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(2)
Kevin M. Cameron	100,000E	822,552E	60,875E	698,746E

Mark D. Funston				
Wayne T. Gattinella	279,819E	1,942,007E	12,500E 13,750W	128,750E 473,688W
Charles A. Mele	390,000E	3,155,100E	12,500E	128,750E
Martin J. Wygod			13,750W	473,688W
Andrew C. Corbin	692,000E	2,520,852E	21,300E	230,214E

- (1) The dollar amounts shown in Column (c) above for option awards are determined by multiplying (i) the number of shares of Emdeon Common Stock to which the exercise of the option related, by (ii) the difference between (1) the per-share closing price of Emdeon Common Stock on the date of exercise (or, for any shares sold on the date of exercise, the actual sale price received) and (2) the exercise price of the options.
- (2) The dollar amounts shown in Column (e) above for stock awards are determined by multiplying the number of shares that vested by the per-share closing price of Emdeon Common Stock or WHC Class A Common Stock on the vesting date.

Potential Payments and Other Benefits Upon Termination of Employment or a Change in Control

Background and Assumptions. In this section, we provide estimates of amounts that may become payable to our Named Executive Officers under their employment agreements as a result of a termination of

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employment under specific circumstances, as well as estimates regarding the value of other benefits they may become entitled to receive as a result of such termination. For example, such other benefits typically include, with respect to outstanding equity awards, continuation or acceleration of vesting. For a detailed description of the applicable provisions of the employment agreements of our Named Executive Officers, see *Employment Agreements with Named Executive Officers* below. Under those agreements, the amount and types of payment and other benefits vary depending on whether the termination is as a result of death or disability, is with or without cause, is a resignation for good reason and/or is in connection with a change in control. As prescribed by applicable SEC rules, in estimating the amount of any potential payments to Named Executive Officers under their employment agreements and the value of other benefits they may become entitled to receive, we have assumed that the applicable triggering event (i.e., termination of employment or change in control) occurred on December 31, 2006, that the price per share of Emdeon Common Stock is \$12.39, the closing price per share on December 29, 2006, the last trading day in 2006; and that the price per share of WHC Class A Common Stock is \$40.02, the closing price per share on December 29, 2006. We have also treated the right to continue to vest in options as accelerated to December 31, 2006 for purposes of this disclosure only.

If the benefits payable to Mr. Cameron, Mr. Mele, or Mr. Wygod in connection with a change in control would be subject to the excise tax imposed under Section 280G of the Internal Revenue Code of 1986 (*Section 280G*), Emdeon has agreed to make an additional payment to the executive so that the net amount of such payment (after taxes) that such individual receives is sufficient to pay the excise tax due. In the tables below, we have calculated the Section 280G excise tax on the basis of IRS regulations and Rev. Proc. 2003-68 and have assumed that the Named Executive Officer's outstanding equity awards would be accelerated and terminated in exchange for a cash payment upon the change in control. The value of this acceleration (and thus the amount of the additional payment) would be slightly higher if the accelerated awards were assumed by the acquiring company rather than terminated upon the transaction. For purposes other than calculating the Section 280G excise tax, we have calculated the value of any option or stock award that may be accelerated in connection with a change in control to be the amount the holder can realize from such award as of December 31, 2006: for options, that is the market price of the shares that would be received upon exercise, less the applicable exercise price; and for restricted stock, that is the market value of the shares that would vest. We have also assumed that they have no accrued and unused vacation at December 31.

For information regarding amounts payable to Andrew C. Corbin (our former Chief Financial Officer) with respect to 2006, see *Employment Agreements with Named Executive Officers - Andrew C. Corbin* below. Mr. Corbin left Emdeon to join Sage Software in connection with that company's purchase of Emdeon Practice Services from Emdeon.

Change in Control Benefits. The Compensation Committee believes that executives should generally not be entitled to severance benefits upon the occurrence of a change in control, but that it is appropriate to provide for such benefits if a change in control is followed by a termination of employment or other appropriate triggering event. However, as more fully described in the tables below and under the heading *Employment Agreements with the Named Executive Officers*, the Compensation Committee has approved the following exceptions:

Mr. Wygod's employment agreement includes terms providing that if there is a change in control of Emdeon, all of his outstanding options and other equity compensation (including WHC equity) would become immediately vested and the options would remain exercisable for the remainder of the originally scheduled term. The employment agreement also contains provisions providing that he may resign and receive the severance payments, but it requires Mr. Wygod to provide consulting services during any period in which he is receiving such severance.

With respect to Messrs. Cameron and Mele, their employment agreements include terms providing that:

they would be able to resign following a change in control, after the completion of a transition period with the successor, and receive the same benefits that they would be entitled to upon a termination without cause following the change in control (as set forth in the tables below and the descriptions of their respective employment agreements that follow); and

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they would receive accelerated vesting of the options to purchase shares of WHC Class A Common Stock granted to them on September 28, 2005, in the event of a change in control of WHC or if WHC is no longer an affiliate of Emdeon since, as a result of such a transaction, they would no longer have a direct involvement with WHC's business.

In the case of Mr. Gattinella, his employment agreement provides that, so long as he remains employed for 6 months following a change in control of WHC, his options to purchase WHC Class A Common Stock would continue to vest until the next vesting date following the change in control.

In the negotiations with those Named Executive Officers regarding their employment agreements, the Compensation Committee recognized that, for those individuals, a change in control is likely to result in a fundamental change in the nature of their responsibilities. Accordingly, under their employment agreements, the Compensation Committee approved those Named Executive Officers having, following a change in control, the rights described above. The Compensation Committee believes that the rights provided are likely to be viewed as appropriate by a potential acquiror in the case of those specific individuals. In addition, the Compensation Committee sought to balance the rights given to those Named Executive Officers with certain requirements to provide transitional or consulting services (as described below) in types and amounts likely to be viewed as reasonable by a potential acquiror.

Tables. The tables below set forth estimates (rounded to the nearest \$1,000), based on assumptions described above and in the footnotes to the tables, of the potential payments and the potential value of other benefits applicable to each Named Executive Officer upon the occurrence of specified termination or change in control triggering events. The terms used in the tables have the meanings given to them in each Named Executive Officer's employment agreement and described below under Employment Agreements with Named Executive Officers. In addition, the amounts set forth in each table reflect the following:

In the column entitled Permanent Disability or Death, the amounts reflect both provisions in those employment agreements and the fact that Emdeon's and WHC's equity plans generally provide for acceleration of vesting of awards in the event of a termination of employment as a result of death or disability.

In the row entitled Health and Welfare Benefits Continuation, the amounts are based upon the current average cost to Emdeon of these benefits, per employee, and are net of amounts that the executives would continue to be responsible for, which is generally the portion of the premiums they would have paid if they remained employed. We have not made any reduction in the amounts in this row to reflect the fact that the obligation to continue benefits ceases in the event the executive becomes eligible for comparable coverage with a subsequent employer.

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Kevin M. Cameron, Chief Executive Officer

								Termination of Employment without Cause or for Good Reason Following a
			Voluntary					
			Termination in Connection					
	Voluntary	Termination for Good Reason	with a Change in Control (1)	Other Voluntary Termination	Permanent Disability or Death	Involuntary Termination for Cause	Involuntary Termination without Cause	
Executive Benefits and Payments								Change in Control