PATIENT INFOSYSTEMS INC
Form SB-2
May 15, 2006
As filed with the United States Securities and Exchange Commission on May 15, 2006

Registration No. 333-_____

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM SB-2

REGISTRATION STATEMENT

Under

THE SECURITIES ACT OF 1933

PATIENT INFOSYSTEMS, INC.

(Name of Small Business Issuer in Its Charter}

Delaware	**8090**	**16-1476509**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

46 Prince Street

Rochester, New York 14607

(585) 242-7200

(Address and Telephone Number of Principal Executive Offices)

Chris E. Paterson

President and Chief Executive Officer

Patient Infosystems, Inc.

46 Prince Street

Rochester, New York 14607

(585) 242-7200

(Name, Address and Telephone Number of Agent for Service)

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Approximate date of commencement of proposed sale of the securities to the public:

As soon as practicable after the effective date of this Registration Statement.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. **o**

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

CALCULATION OF REGISTRATION FEES

Title of Each Class of Securities to be Registered	Amount to be Registered (1)	Proposed Maximum Offering Price Per Unit (2)	Proposed Maximum Aggregate Offering Price (2)	Amount of Registration Fee (2)
Common Stock, par value $0.01 per share	3,895,598	$1.19	$4,635,762	$496.03

(1) Includes 307,036 shares of common stock issuable upon the exercise of warrants.

(2) Estimated solely for the purposes of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Subject to Completion, dated May 15, 2006

PROSPECTUS

PATIENT INFOSYSTEMS, INC.

3,895,598 Shares of Common Stock

This prospectus relates to the sale of up to an aggregate of 3,895,598 shares of the common stock of Patient Infosystems which may be offered by the selling stockholders identified in this prospectus for their own account. Of such shares, 3,588,562 shares were outstanding as of May 12, 2006 and 307,036 shares are issuable upon exercise of warrants that we have issued to the selling stockholders.

The selling stockholders may offer and sell their shares on a continuous or delayed basis in the future. These sales may be conducted in the open market or in privately negotiated transactions and at market prices, fixed prices or negotiated prices. We will not receive any of the proceeds from the sale of shares by the selling stockholders, but we will receive funds from the exercise of their warrants. The selling stockholders and the participating brokers or dealers may be deemed to be underwriters within the meaning of the Securities Act, in which event any profit on the sale of shares by the selling stockholders, and any commissions or discounts received by the brokers or dealers, may be deemed to be underwriting compensation under the Securities Act.

Our common stock is currently listed on the OTC Bulletin Board under the symbol PATY. On May 12, 2006, the last reported sale price of our common stock on the OTC Bulletin Board was $1.19 per share.

Investing in our common stock involves risks. Please read and carefully consider the Risk Factors beginning on page 10 of this prospectus before making a decision to purchase shares of our common stock.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is May ___, 2006

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

No dealer, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this prospectus, and if given or made, such information or representations must not be relied upon as having been authorized by us, the selling stockholders or any underwriter. You should rely only on the information contained in this prospectus. This prospectus does not constitute an offer to sell or the solicitation of an offer to buy any security other than the common stock offered by this prospectus, or an offer to sell or a solicitation of an offer to buy any security by any person in any jurisdiction in which such offer or solicitation would be unlawful. Neither the delivery of this prospectus nor any sale made hereunder shall, under any circumstances, imply that the information in this prospectus is correct as of any time subsequent to the date of this prospectus.

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SUMMARY

You should read this summary together with the more detailed information, including Patient Infosystems and CCS Consolidated s financial statements and related notes and the pro forma financial statements and related notes, appearing elsewhere in this prospectus. Unless otherwise stated or required by the context, in this prospectus when we use the terms we, us, the company or Patient Infosystems we are referring to Patie Infosystems, Inc. and its subsidiaries.

Patient Infosystems, Inc.

Patient Infosystems, Inc. was incorporated in the State of Delaware on February 22, 1995 under the name DSMI Corp., changed its name to Disease State Management, Inc. on October 13, 1995, and then changed its name to Patient Infosystems, Inc. on June 28, 1996. Our principal executive offices are located at 46 Prince Street, Rochester, New York 14607, and our telephone number is (585) 242-7200. Our Internet addresses are www.ptisys.com and www.careguide.com. The information contained on our websites do not constitute part of, nor is it incorporated by reference into, this prospectus.

During our first two years of operations, we emphasized the development of pure disease management programs, which accounted for a substantial portion of our revenue through 1997. However, beginning in 1998, we devoted resources to the development of broader applications of our technology platform, and these additional products grew to account for nearly 45% of our total revenue during the fiscal year ended December 31, 2002. During 2003, we further expanded our product mix to include services that support providers clinical improvement efforts. These services include support for development, training and maintenance of clinical registry software, consultative services in improvement methodologies and support of web-based informational and reporting resources.

On January 25, 2006, Patient Infosystems merged with CCS Consolidated, Inc. (the Merger). CCS Consolidated is a national care management company providing higher-risk and elderly care management services to health plans, work/life benefits companies and self-funded employers.

At the closing of the Merger, Patient Infosystems issued 43,224,352 shares of its common stock to the former stockholders of CCS Consolidated. This represented approximately 64% of the issued and outstanding voting shares of Patient Infosystems upon the closing of the merger, and as a result there was a change of control of Patient Infosystems.

In addition, under a stockholders agreement entered into at the closing of the merger, stockholders holding approximately 65% of the outstanding voting shares of Patient Infosystems common stock after the consummation of the merger have agreed to vote their shares in favor of the election of John Pappajohn, a current director of Patient Infosystems, Derace Schaffer, M.D., a current director of Patient Infosystems, and three individuals designated by holders of at least a majority of the Patient Infosystems common stock held by the former stockholders of CCS Consolidated who are parties to the stockholders agreement. The three new directors appointed were Mark L. Pacala, Daniel C. Lubin and Albert S. Waxman. As provided by the stockholders agreement, two additional directors may be added to the Patient Infosystems board of directors, which individuals must be unanimously approved by the other five members of the Patient Infosystems board of directors. These additional directors have not yet been appointed.

Because the former CCS Consolidated securityholders held approximately 63% of Patient Infosystems fully diluted shares of common stock immediately following the Merger, CCS Consolidated s designees to Patient Infosystems board of directors represent a majority of Patient

Infosystems directors and CCS Consolidated s executive management represent a majority of the executive management of the combined company, CCS Consolidated is deemed to be the acquiring

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company for accounting purposes and the transaction is being accounted for as a reverse acquisition under the purchase method of accounting for business combinations in accordance with generally accepted accounting principles in the United States. Patient Infosystems has adopted March 31 as its fiscal year end, which was CCS Consolidated s fiscal year end.

On September 22, 2004, we acquired 100% of CBCA Care Management, Inc., or CMI, a New York corporation. CMI provides case and utilization management services primarily to self insured employers and health and welfare funds. We have sold case and utilization management services since 2000 and until 2004 outsourced the operations to CMI. We intend to continue to market case and utilization management services.

On December 31, 2003, we acquired the assets of American Caresource Corporation and formed American Caresource Holdings, Inc., or ACS, to operate those assets. ACS provides ancillary benefits management services, including a network of ancillary specialty providers and value-added services that assist its clients in controlling the cost of a range of ancillary medical services. On December 16, 2005, we distributed approximately 12 million shares of common stock of ACS as a dividend to our stockholders and retained approximately 300,000 shares of ACS, of which we closed on the sale of 88,525 shares on December 30, 2005. Following the spin-off of ACS shares, ACS became an independent public company with its own management and board of directors. Two of our directors, John Pappajohn and Derace Schaffer, also serve as directors of ACS.

The Offering

Shares of common stock offered	Up to 3,895,598 shares, assuming full exercise of warrants.
Terms of the offering	The selling stockholders will determine how and when they will sell the common stock offered by this prospectus. See Plan of Distribution.
Use of Proceeds	We will not receive any proceeds from the sale of the common stock offered by the selling stockholders. However, if all of the warrants are fully exercised for cash, we may receive up to approximately $460,554 from the warrant holders. We will use such funds, if any, for working capital and general corporate purposes.
OTC Bulletin Board Symbol	PATY

Selected Summary Historical and Pro Forma Financial Data

The following tables present summary historical consolidated financial data for each of Patient Infosystems, Inc. and CCS Consolidated, Inc., as well as summary pro forma financial data.

Selected Summary Historical Financial Data of Patient Infosystems

The following table sets forth Patient Infosystems summary historical financial data. The statement of operations data for the fiscal years ended December 31, 2005 and December 31, 2004 have been derived from Patient Infosystems audited financial statements, which are included in Patient Infosystems Form 10-KSB for the year ended December 31, 2005. This financial data includes financial data related to ACS, a subsidiary of Patient Infosystems that Patient Infosystems spun off in a transaction which took the form of a dividend to its stockholders and which was effective on December 16, 2005.

You should read this information in conjunction with Patient Infosystems financial statements, including the related notes, and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

PATIENT INFOSYSTEMS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS DATA
YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	**2004**
REVENUES	$ 11,056,526	$ 9,699,325
COSTS AND EXPENSES:		
Cost of revenue	8,213,711	6,688,533
Sales and marketing	1,484,984	1,078,354
General and administrative	2,301,836	1,602,134
Research and development	145,396	130,443
Total costs and expenses	12,145,927	9,499,464
OPERATING (LOSS) INCOME	(1,089,401)	199,861
Gain on investment	63,249	-
Debt financing costs	(1,689,244)	(812,630)
Interest expense	(270,421)	(126,828)
Other income	29,025	4,527
NET LOSS FROM CONTINUING OPERATIONS	(2,956,792)	(735,070)
LOSS FROM DISCONTINUED OPERATIONS OF ACS (includes $290,641 of expenses related to the distribution)	(2,419,522)	(2,831,238)
NET LOSS	(5,376,314)	(3,566,308)
CONVERTIBLE PREFERRED STOCK DIVIDENDS	(722,303)	(904,918)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (6,098,617)	$ (4,471,226)
NET LOSS PER SHARE - BASIC AND DILUTED FROM CONTINUING OPERATIONS	$ (0.33)	$ (0.21)
NET LOSS PER SHARE - BASIC AND DILUTED FROM DISCONTINUED OPERATIONS	$ (0.22)	$ (0.36)
NET LOSS PER SHARE - BASIC AND DILUTED	$ (0.55)	$ (0.57)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	11,140,638	7,815,063

Consolidated Balance Sheet Data:	**December 31, 2005**
Cash and cash equivalents	$ 4,440,329
Current assets	7,430,438
Property and equipment, net	540,827
Intangible assets (including goodwill)	7,231,518

Total assets	15,202,783
Current liabilities	1,872,859
Total stockholders equity	13,329,924

Selected Summary Historical Financial Data of CCS Consolidated

The following table sets forth CCS Consolidated s summary historical financial data. The statements of operations data for the fiscal years ended March 31, 2005 and March 31, 2004 have been derived from the consolidated financial statements of CCS Consolidated that have been audited by independent auditors. The statements of operations data for the nine months ended December 31, 2005 and 2004 and the balance sheet data as of December 31, 2005 have been derived from financial statements that have not been audited.

You should read this information in conjunction with CCS Consolidated s financial statements, including related notes, and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

CCS Consolidated, Inc.
Consolidated Statement of Operations Data

(Dollars in thousands, except per share data)	**Years Ended March 31,**		**Nine Months Ended December 31,**	
	2005	**2004**	**2005**	**2004**
			(Unaudited)	
Revenues:				
Capitation revenue	$ 56,764	$ 43,447	$ 30,803	$ 39,074
Administrative service revenue	2,135	2,543	5,145	1,781
Fee for service revenue	7,338	8,708	3,085	6,212
Total revenues	66,237	54,698	39,033	47,067
Cost of services - direct service costs	62,540	47,861	35,607	42,669
Gross profit	3,697	6,837	3,426	4,398
Operating costs and expenses:				
Selling, general and administrative expense	8,332	6,983	4,562	6,051
Depreciation and amortization	1,356	1,961	1,018	939
Total operating costs and expenses	9,688	8,944	5,580	6,990
Operating loss from continuing operations	(5,991)	(2,107)	(2,154)	(2,592)
Other expense, net	(65)	(428)	(865)	(32)
Loss from continuing operations before income taxes	(6,056)	(2,535)	(3,019)	(2,624)
Income tax benefit (expense)	91	98	56	(24)
Loss from continuing operations	(5,965)	(2,437)	(2,963)	(2,648)
Income (loss) from discontinued operations	(524)	964	290	511
Net loss	(6,489)	(1,473)	(2,673)	(2,137)
Dividends and accretion of preferred stock	(152)	(274)	(114)	(114)
Net loss attributable to common stockholders	$ (6,641)	$ (1,747)	$ (2,787)	$ (2,251)

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	Years Ended March 31,		Nine Months Ended December 31,	
	2005	2004	2005	2004
			(Unaudited)	
Net (loss) income attributable to common stockholders per share - basic and diluted:				
Loss from continuing operations	$ (0.74)	$ (10.79)	$ (0.37)	$ (0.33)
Discontinued operations	(0.06)	3.84	0.03	0.06
Net loss	$ (0.80)	$ (6.95)	$ (0.34)	$ (0.27)
Weighted average common shares outstanding	8,256,446	250,934	8,256,446	8,256,446

Consolidated Balance Sheet Data	**December 31, 2005**
(Dollars in thousands)	*(Unaudited)*
Cash and cash equivalents	$ 2,336
Current assets	11,734
Property and equipment, net	1,659
Intangible and other assets, net	3,124
Restricted cash, non-current	698
Total assets	17,215
Current liabilities	15,109
Long-term liabilities	8,453
Total stockholders deficit	(6,347)

Selected Unaudited Pro Forma Condensed Combined Financial Data

The following selected unaudited pro forma condensed combined financial information was prepared using the purchase method of accounting. For accounting purposes, CCS Consolidated is considered to have acquired Patient Infosystems in the Merger. The CCS Consolidated and Patient Infosystems unaudited pro forma condensed combined balance sheet data assume that the merger of CCS Consolidated and Patient Infosystems was consummated on December 31, 2005, and combines Patient Infosystems historical balance sheet at December 31, 2005 with CCS Consolidated s historical balance sheet at December 31, 2005. The CCS Consolidated and Patient Infosystems unaudited pro forma condensed combined statement of operations data for the year ended March 31, 2005 assume that the merger of CCS Consolidated and Patient Infosystems was consummated on April 1, 2004, and the CCS Consolidated and Patient Infosystems unaudited pro forma condensed combined statement of operations data for the nine months ended December 31, 2005 assume that the merger of CCS Consolidated and Patient Infosystems was consummated on April 1, 2005. The unaudited pro forma condensed combined statement of operations data for the year ended March 31, 2005 combines Patient Infosystems historical statement of operations for the twelve months then ended with CCS Consolidated s historical statement of operations for the year ended March 31, 2005. The unaudited pro forma condensed combined statement of operations data for the nine months ended December 31, 2005 combines Patient Infosystems historical statement of operations for the nine months then ended with CCS Consolidated s historical statement of operations for the nine months ended December 31, 2005.

The selected unaudited pro forma condensed combined financial data are presented for illustrative purposes only and are not necessarily indicative of the combined financial position or results of operations of future periods or the results that actually would have been realized had

the entities been a

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single entity during these periods. The selected unaudited pro forma condensed combined financial data as of and for the nine months ended December 31, 2005 and for the year ended March 31, 2005 are derived from the unaudited pro forma condensed combined financial statements at page F-69 of this prospectus and should be read in conjunction with those statements and the related notes. See Unaudited Pro Forma Condensed Combined Financial Statements.

Unaudited Pro Forma Condensed Combined Statement of Operations Data		**Nine Months Ended December 31,**
(Dollars in thousands, except per share data)	**Year Ended March 31, 2005**	**2005**
Revenues:		
Capitation revenue	$ 56,764	$ 30,803
Administrative service revenue	2,135	5,145
Fee for service revenue	17,988	10,847
Total revenues	76,887	46,795
Cost of services - direct service costs	70,084	41,074
Gross profit	6,803	5,721
Operating costs and expenses:		
Selling, general and administrative expense	11,264	7,658
Depreciation and amortization	1,656	1,243
Total operating costs and expenses	12,920	8,901
Operating loss from continuing operations	(6,117)	(3,180)
Other expense, net	(60)	(798)
Loss from continuing operations before income taxes	(6,177)	(3,978)
Income tax benefit	35	58
Loss from continuing operations	$ (6,142)	$ (3,920)
Basic and fully-diluted loss per share	$ (0.09)	$ (0.06)
Weighted average number of shares outstanding	67,538,976	67,538,976

Unaudited Pro Forma Condensed Combined Balance Sheet Data:

(Dollars in thousands)

	December 31, 2005
Cash and cash equivalents	$6,776
Current assets	19,024
Property and equipment, net	1,659
Intangible and other assets, net	4,329
Goodwill	28,317
Restricted cash, non-current	698
Total assets	54,027
Current liabilities	17,167

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Long-term liabilities	8,453
Total stockholders equity	28,407

RISK FACTORS

You should carefully consider the following factors, in addition to the other information contained in this prospectus, in connection with an investment in our common stock. An investment in our common stock is speculative in nature and involves a high degree of risk. No investment in our common stock should be made by any person who is not in a position to lose the entire amount of such investment.

Risks Related to the Historical Business of Patient Infosystems (without CCS Consolidated)

Patient Infosystems has a history of operating losses, and such losses may continue in the future due to continued limited patient enrollment.

Patient Infosystems has incurred losses in every quarter since its inception in February 1995. Our ability to operate profitably is dependent upon our ability to develop and market our products in an economically successful manner. To date, Patient Infosystems has been unable to do so. No assurances can be given that we will be able to ever operate profitably in the future.

Our prospects must be considered in light of the numerous risks, expenses, delays and difficulties frequently encountered in an industry characterized by intense competition, as well as the risks inherent in the development of new programs and the commercialization of new services particularly given our failure to date to operate profitably.

We currently have patients enrolled in our disease-specific programs. Through March 2006, an aggregate of approximately 1.2 million persons have been enrolled in these programs. While we have been able to enroll a sufficient number of patients to cover the cost of its programs, we still have not been able to generate sufficient operational margin to achieve a net profit.

We will require significant working capital to continue to operate our business.

We currently believe that our resources will be sufficient to operate our business for at least the next twelve months. As with any forward-looking projection, and because the recently consummated merger of Patient Infosystems with CCS Consolidated involves numerous issues relating to the logistics of merging two previously separate operating businesses, no assurances can be given that our working capital will be adequate to meet our needs or that we will be able to raise either the required working capital through the sale of our securities or by borrowing any additional amounts needed. Sales of securities or additional borrowings may place a significant strain upon the market price of our common stock. If we are unable to identify additional sources of capital, we would likely be forced to curtail our operations. Moreover, if we raise additional financing through the sale of our equity securities, any stock that we issue may be extremely dilutive to our existing stockholders and result in substantial material changes to earnings (loss) per share. In addition, any debt financing we incur may impose significant financial and/or operating restrictions on us. As a result, the value of outstanding shares of our common stock could decline.

If we do not manage our growth successfully, our growth may slow, decline or stop, and we may never become profitable.

If we do not manage our growth successfully, our growth may slow or stop, and we may never become profitable. We have expanded our operations rapidly and plan to continue to expand, particularly in connection with the merger with CCS Consolidated. This expansion has created significant demands on our administrative, operational and financial personnel and other resources. Additional expansion in existing or new markets could strain resources and increase the need for capital. Our personnel, systems,

procedures, controls and existing space may not be adequate to support further expansion. In addition, because our business strategy emphasizes growth, the failure to achieve our stated growth objectives or the growth expectations of investors could cause our stock price to decline.

We have a limited number of customers, a few of which have accounted for a substantial portion of our business.

There is a significant concentration of our business in a small number of customers, with our most significant contract being with the Institute for Healthcare Improvement, or IHI, accounting for revenues of $2.8 million during the year ended December 31, 2005. The contract with IHI has never had a term of more than twelve months. The contract with IHI was renewed on April 1, 2006 for the period through March 31, 2007, but at a lower revenue rate. There can be no assurance given that the amount of revenue received by us under this contract will not be further reduced. We expect that our sales of services will continue to be concentrated in a small number of customers for the foreseeable future. Consequently, the loss of any one of our customers could have a material adverse effect on us and our operations. There can be no assurance that customers will maintain their agreements with us, enroll a sufficient number of patients in the programs developed by us for us to achieve or maintain profitability, or that customers will renew their contracts upon expiration, or on terms favorable to, us.

Our products and services may not be accepted in the marketplace.

In connection with the commercialization of our health information system, we are marketing services designed to link patients, health care providers and payors in order to provide specialized disease management services for targeted chronic diseases. However, at this time, services of this type have not gained general acceptance from our customers. This is still perceived to be a new business concept in an industry characterized by an increasing number of market entrants who have introduced or are developing an array of new services. As is typical in the case of a new business concept, demand and market acceptance for newly introduced services are subject to a high level of uncertainty, and there can be no assurance as to the ultimate level of market acceptance for our system, especially in the health care industry, in which the containment of costs is emphasized. Because of the subjective nature of patient compliance, we may be unable, for an extensive period of time, to develop a significant amount of data to demonstrate to potential customers the effectiveness of our services. Even after such time, no assurance can be given that our data and results will be convincing or determinative as to the success of our system. There can be no assurance that increased marketing efforts and the implementation of our strategies will result in market acceptance for our services or that a market for our services will develop or not be limited.

We are dependent on our customers for the marketing and implementation of our programs.

We have limited financial, personnel and other resources to undertake extensive marketing activities. One element of our marketing strategy involves marketing specialized disease management programs to third party administrators and other managed care organizations, with the intent that those customers will market the program to parties responsible for the payment of health care costs, who will enroll patients in the programs. Accordingly, we will, to a degree, be dependent upon our customers, over whom we have no control, for the marketing and implementation of our programs and for the receipt of valid patient information. The timing and extent of patient enrollment is completely within the control of our customers. Patient Infosystems has faced difficulty in receiving reliable patient information from certain customers, which has hampered its ability to complete certain of its projects. To the extent that an adequate number of patients are not enrolled in the program, or enrollment of initial patients by a customer is delayed for any reason, our revenue may be insufficient to support our activities. There can

be no assurance that the recently consummated merger with CCS Consolidated will have any favorable impact in reducing our dependence on our customers for marketing support.

Our agreements with our customers may be terminated by our customers on relatively short notice.

Our current services agreements with our customers generally automatically renew but may be terminated by those customers without cause upon notice of between 30 and 90 days. In general, customer contracts may include significant performance criteria and implementation schedules for us. Failure to satisfy such criteria or meet such schedules could also result in termination of the agreements.

The success of our programs is highly dependent on the accuracy of information provided by patients.

Our ability to monitor and modify patient behavior and to provide information to health care providers and payors, and consequently the success of our disease management system, is dependent upon the accuracy of information received from patients. We have not taken and do not expect to take, specific measures to determine the accuracy of information provided to us by patients regarding their medical histories. No assurance can be given that the information our patients provide us will be accurate. To the extent that patients have chosen not to comply with prescribed treatments, such patients might provide inaccurate information to avoid detection. Because of the subjective nature of medical treatment, it will be difficult for us to validate or confirm any such information. In the event that patients enrolled in our programs provide inaccurate information to a significant degree, we would be materially and adversely affected. Furthermore, there can be no assurance that our patient interventions will be successful in modifying patient behavior, improving patient health or reducing costs in any given case. Many potential customers may seek data from us with respect to the results of its programs prior to retaining us to develop new disease management or other health information programs. Our ability to market our system to new customers may be limited if we are unable to demonstrate successful results for our programs.

Our operating results have fluctuated in the past and could fluctuate in the future.

Our operating results have varied in the past and may fluctuate significantly in the future due to a variety of factors, many of which are outside of our control. These factors include:

- volume and timing of sales;
- rates at which customers implement disease management and other health information programs within their patient populations;
- impacts of substantial divestitures and acquisitions;
- loss or addition of customers and referral sources;
- seasonal fluctuations in healthcare utilization;

investments required to support growth and expansion;

changes in the mix of products and customers;

changes in healthcare reimbursement policies and amounts;

increases in direct sales costs and operating expenses;

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increases in selling, general and administrative expenses;

increased or more effective competition; and

regulatory changes.

Any of the above could have a material adverse impact on our business, prospects, results of operations or financial condition.

Our business is dependent on data processing and transmission capabilities.

Our business is dependent upon its ability to store, retrieve, process and manage data and to maintain and upgrade our data processing capabilities. Interruption of data processing capabilities for any extended length of time, loss of stored data, programming errors, other computer problems or interruptions of telephone service could have a material adverse effect on our business.

Any inability to adequately protect our intellectual property could harm our competitive position.

We consider our methodologies, processes and know how to be proprietary. We seek to protect our proprietary information through confidentiality agreements with our employees. Our policy is to have employees enter into confidentiality agreements that contain provisions prohibiting the disclosure of confidential information to anyone outside of the company. In addition, the policy requires employees to acknowledge, and, if requested, assist in confirming our ownership of any new ideas, developments, discoveries or inventions conceived during employment, and requires assignment to us of proprietary rights to such matters that are related to our business. There can be no assurance that the steps we take to protect our intellectual property will be successful. If we do not adequately protect our intellectual property, competitors may be able to use our technologies and erode or negate our competitive advantage.

Acquisitions may cause integration problems, disrupt our business and strain our resources.

In the past, we have made business acquisitions, including the recent merger with CCS Consolidated. In addition, we may make additional acquisitions in the future. Our success will depend, to a certain extent, on the future performance of these acquired business entities. These acquisitions, either individually or as a whole, could divert management attention from other business concerns and expose us to unforeseen liabilities or risks associated with entering new markets and integrating those new entities. Further, the integration of these entities may cause us to lose key employees or key customers. Integrating newly acquired organizations and technologies could be expensive and time consuming and may strain resources. Consequently, we may not be successful in integrating these acquired businesses or technologies and may not achieve anticipated revenue and cost benefits.

If our actual financial results vary from any publicly disclosed forecasts, our stock price could decline materially.

Our actual financial results might vary from those that we anticipate, and these variations could be material. Publicly disclosed forecasts reflect numerous assumptions concerning expected performance, as well as other factors, which are beyond our control, and which might not turn out to have been correct. Although we believe that the assumptions underlying the projections are reasonable, actual results could be materially different, and to the extent actual results are materially different, our stock price could be materially adversely impacted.

We may be required to incur significant monetary penalties as a result of delays in registering the resale of shares in this prospectus.

During the months of October and December 2005, we issued an aggregate of 3,588,562 shares of our common stock in a private placement, which we refer to as the PIPE, at an average price of $3.49 per share for gross proceeds of approximately $12.5 million. After paying related commissions and other offering costs, the net proceeds of the PIPE were approximately $10.8 million. We used $6.0 million of the net proceeds to retire our debt obligations under a credit facility in full. Pursuant to the terms of the PIPE, we are obligated to register the resale of the shares sold in the PIPE on behalf of the investors. Under the terms of the PIPE, we will incur financial penalties of 1% of the gross proceeds (approximately $120,000) per month because the effective date of the registration statement relating to these shares has been delayed past March 1, 2006 until such time as the registration statement is declared effective.

Because the closing of the merger with CCS Consolidated was delayed until January 25, 2006 and because of subsequent delays in the registration process, financial penalties will apply for at least two months and possibly more. The effective date of the registration statement of which this prospectus is a part will depend on a number of factors that are beyond our control. Any significant delays in the effectiveness of the registration statement could have a material adverse impact on our financial condition and liquidity position.

The sale of shares of our common stock during October 2005 may be treated as the offer and sale of ACS common stock using a non-conforming prospectus under the Securities Act for which there may be potential liability.

As part of the PIPE described in the immediately preceding risk factor, in October 2005, we sold, in a private placement to accredited investors, 3,411,512 shares of our common stock from which we received gross proceeds of approximately $12.0 million. The purchasers of the shares of common stock of Patient Infosystems received shares of common stock of ACS as a result of the spin-off of ACS. To the extent that the investors in the private placement received shares of common stock of ACS in the spin-off, it may be asserted that shares of ACS common stock were offered and sold as part of the PIPE. Because the registration statement relating to the spin-off had been filed with the SEC prior to the date of the PIPE, it could therefore also be asserted that the PIPE might have been conducted using a non-conforming prospectus under the Securities Act. As a result, investors in the PIPE could assert a claim against Patient Infosystems with respect to the sale of the ACS shares. We cannot determine whether any such claim would be valid or whether or not, or to what extent, damages could in fact be successfully asserted. There can be no assurance that we would have sufficient resources to satisfy any successful claim or that, even if it did, the damages and associated costs would not have a material adverse effect on our financial condition.

Risks Related to the Business of CCS Consolidated

CCS Consolidated depends on payments from customers, and cost reduction pressure on these entities may adversely affect our business and results of operations.

The healthcare industry in which CCS Consolidated operates currently faces significant cost reduction pressures as a result of constrained revenues from governmental and private revenue sources and increasing underlying medical care costs. We believe that these pressures will continue and possibly intensify.

CCS Consolidated s services are geared specifically to assist its customers in controlling the high costs associated with the treatment of chronic diseases; however, the pressures to reduce costs in the short

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term may negatively affect its ability to sign and/or retain contracts. In addition, this focus on cost reduction may cause its customers to focus on contract restructurings that reduce the fees for services rendered by CCS Consolidated. These financial pressures could have a negative impact on our operations.

CCS Consolidated has a limited number of customers, a few of which have accounted for a substantial portion of its business.

During the year ended March 31, 2005 and the nine months ended December 31, 2005, approximately 96% and 94%, respectively, of CCS Consolidated s revenues were concentrated in two customers, Health Net, Inc. and Aetna Health Plans. The contract between CCS Consolidated and Health Net has been terminated, and CCS Consolidated s services to Health Net generally ceased as of April 30, 2006. While we believe that the Health Net contract was not a profitable contract and that the termination of the Health Net contract will not adversely impact our profitability, if we are not able to execute contracts with new customers to replace Health Net, our revenues will be adversely affected. In addition, there is no guarantee that Aetna will continue to purchase CCS Consolidated s services at prior levels. If CCS Consolidated does not generate as much revenue from its major customers as is currently expected, or if CCS Consolidated loses Aetna as a customer, our results of operations could be materially adversely impacted.

CCS Consolidated s contract with Health Net has been terminated, which will result in a material reduction in revenues.

Prior to May 1, 2005, CCS Consolidated s contract with Health Net, Inc. provided for CCS Consolidated s acceptance of risk in the states of Connecticut, New York and New Jersey. Effective May 1, 2005, the contract related to the business in the State of Connecticut was converted from a risk basis to an administrative services only, or ASO, basis, necessitated by a change in insurance regulations. The conversion of this contract resulted in a decrease in revenue by approximately $2 million per month. Subsequently, on February 14, 2006, CCS Consolidated signed a transition agreement with Health Net that was effective as of January 1, 2006. This transition agreement results in the reduction of services to Health Net through April 30, 2006, after which time no services will be provided to Health Net. As part of the transition, the risk contracts for the states of New York and New Jersey were also converted to ASO contracts effective as of January 1, 2006. During the fiscal years ended March 31, 2005 and 2004, CCS Consolidated s contracts with Health Net represented approximately 68% and 95%, respectively, of its total revenues, and during the nine months ended December 31, 2004, its contracts with Health Net represented approximately 74% of its total revenues. The concentration of the Health Net contracts as a part of CCS Consolidated s revenues had decreased to 30% for the nine months ended December 31, 2005.

As the Health Net contracts were not profitable to CCS Consolidated, we do not believe that our net income will be adversely impacted by their termination, even though CCS Consolidated s revenues will be significantly reduced as a result of the Health Net transition. However, there can be no guarantee that the termination of the Health Net contracts will not have a material adverse impact on our results of operations.

Reconciliations under CCS Consolidated s contract with Aetna could result in additional cash to be paid by it or result in less cash to be paid to CCS Consolidated by Aetna than originally estimated.

CCS Consolidated s contracts with Aetna Health Plans contain provisions whereby Aetna pays a portion of the claims and CCS Consolidated pays the remainder, even though CCS Consolidated recognizes all of the revenue and all of the claims expense. CCS Consolidated records a net receivable each month equal to the net of the portion of the revenues and the estimated claims paid by Aetna.

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Reconciliations are to be performed for each contract quarter within eight months after the end of each contract quarter, but these reconciliations are still incomplete to date. During December 2005, CCS Consolidated received a reconciliation regarding one of the two contracts for the year ending December 31, 2004, which estimated that CCS Consolidated owes approximately $350,000 for this period. We believe that the current calculation may be overstated in certain respects, and the reconciliation has not been finalized. Additionally, the reconciliations for 2005 have not been completed. In the event any reconciliation results in a determination that the sum of actual paid claims by Aetna plus CCS Consolidated s margin exceeds the amount of revenue retained by Aetna, CCS Consolidated would be required to pay additional cash to Aetna. Such a result could have an adverse impact on our financial position, results of operations, and statements of cash flows.

A majority of CCS Consolidated s revenues come from risk contracts. The claims on these risk contracts are paid over time and the actual claims made may exceed the estimated claim liabilities.

As of December 31, 2005, CCS Consolidated had approximately $9.4 million of claim reserve liabilities. To fund these claim liabilities, CCS Consolidated had operating and restricted cash of approximately $8.2 million and accounts receivable of approximately $2.8 million at such date. These claim liabilities will be paid out over several months, and the actual claims made may exceed the estimated claim reserve liabilities. If this were to occur, we would need additional cash and would incur charges to earnings that could have a material adverse impact on our results of operations. Additionally, there may be shortfalls in cash from time to time as the timing of the claim payments may be in contrast with the collections of the accounts receivable. If this were to occur, we would be required to locate additional sources of working capital, and there can be no assurance that it would be able to do so on favorable terms or at all.

CCS Consolidated s inability to perform well under its contracts could have a material adverse effect on our business and results of operations.

Our growth strategy for CCS Consolidated focuses on developing health and care support programs to address chronic diseases and medical conditions as well as the overall health of all enrollees of a health plan. While CCS Consolidated has considerable experience in health and care support programs with a broad range of medical conditions, any new or modified programs will involve inherent risks of execution. If CCS Consolidated does not perform well under its contracts, or if one or more of its customers perceive that it does not perform adequately, CCS Consolidated s and Patient Infosystems business reputations and our results of operations could be materially adversely impacted.

CCS Consolidated depends on the timely receipt of accurate data from its customers and its accurate analysis of such data.

Identifying which health plan members are eligible to receive CCS Consolidated s services and measuring its performance under its contracts are highly dependent upon the timely receipt of accurate data from its health plan customers and its accurate analysis of such data. Data acquisition, data quality control and data analysis are complex processes that carry a risk of untimely, incomplete or inaccurate data from CCS Consolidated s health plan customers or flawed analysis of such data, which could have a material adverse impact on our ability to recognize revenues.

An unfavorable outcome related to CCS Consolidated s dispute with Oxford Health Plans may result in additional liabilities and could result in additional reductions in cash.

CCS Consolidated is currently disputing amounts owed under its contract with Oxford Health Plans. Oxford has drawn on a $500,000 letter of credit that was placed under the contract and is claiming

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that CCS Consolidated owes Oxford an additional $1 million in addition to replenishing the letter of credit. Patient Infosystems believes that Oxford owes CCS Consolidated approximately $180,000. CCS Consolidated received a letter from Oxford dated October 25, 2005 indicating that Oxford has submitted the matter to the American Health Lawyers Association for binding arbitration, seeking to compel the subsidiary to replenish the letter of credit in the amount of approximately $1.5 million and to pay Oxford approximately $1.0 million. CCS Consolidated has filed counterclaims against Oxford for amounts that CCS Consolidated contends are owed by Oxford under the agreement. The arbitration is scheduled for June 2006. We are vigorously defending against Oxford s claims although there can be no assurance that we will be able to resolve this matter favorably,

The profitability of certain of CCS Consolidated s contracts is dependent upon the type and number of cases that it processes.

CCS Consolidated has entered into a service agreement with a health plan under which it assists the plan with complex care management services for its customers in exchange for a fee. The profitability of the contract is dependent upon the number of cases that meet certain criteria for referral to CCS Consolidated and agree to receive the service. Although the contract currently generates a sufficient volume of cases to make the contract profitable, if the contract fails to continue to do so in the future, the fixed costs incurred to service this contract could exceed the revenue generated from the caseload. There can be no assurance that this contract will continue to generate the required level of revenue to make the contract profitable and, if it fails to do so, this could have a material adverse impact on our results of operations and financial condition.

CCS Consolidated s revenues are subject to seasonal pressure from the disenrollment processes of its contracted health plans.

Employers typically make decisions on which health insurance carriers they will offer to their employees and also may allow employees to switch between health plans on an annual basis. These annual membership disenrollment and re-enrollment processes of employers (whose employees are the health plan members) from health plans can result in a seasonal reduction in actual lives under management in January, during our fourth fiscal quarter.

Historically, a majority of employers and employees make these decisions effective December 31 of each year. An employer s change in health plans or employees changes in health plan elections may cause a decrease in actual lives under management for existing contracts as of January 1. Although these decisions may also cause a gain in enrollees as new employers sign on with customers, the identification of new members eligible to participate in CCS Consolidated s programs, in some products, is based on the submission of healthcare claims, which lags enrollment by an indeterminate period.

Another seasonal impact on actual lives could occur if a health plan decided to withdraw coverage altogether for a specific line of business, such as Medicare, or in a specific geographic area, thereby automatically disenrolling previously covered members. Historically, CCS Consolidated has experienced minimal covered life disenrollment from such a decision.

Risks Related to the Merger with CCS Consolidated

There can be no assurance that the merger with CCS Consolidated will result in any significant customer interest in the integrated service offering of the combined companies.

Historically, Patient Infosystems has been operating in the segment of the managed care business known as the population management business, where it most fundamentally is addressing its customers

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desire to help educate their patient populations on illness prevention and post-illness reoccurrence measures. There can be no assurance that the cross-marketing of Patient Infosystems services to CCS Consolidated s customers (and vice versa) will materialize in any material way, in which case one of the underlying rationales for the merger will fail and the outlook for the combined business would be materially adversely impacted.

We may not realize anticipated benefits from the merger.

The integration of Patient Infosystems and CCS Consolidated will be complex, time-consuming and expensive, and may disrupt both businesses. The combined company currently needs to overcome significant challenges in order to realize any benefits or synergies from the merger. These challenges include the timely, efficient, and successful execution of a number of events, including the following:

integrating the operations and technologies of the two companies;

retaining and assimilating the key personnel of each company;

retaining existing customers of both companies and attracting additional customers;

retaining strategic partners of each company and attracting new strategic partners; and

creating uniform standards, controls, procedures, policies, and information systems.

The execution of these events will involve considerable risks and may not be successful. These risks include the following:

the potential disruption of ongoing business and distraction of the management of the combined company;

the potential strain on financial and managerial controls and reporting systems and procedures of the combined company;

unanticipated expenses and potential delays related to integration of the operations, technology, and other resources of the two companies;

the impairment of relationships with employees, suppliers, and customers as a result of any integration of new management personnel;

greater than anticipated costs and expenses related to the merger or the integration of the respective businesses of Patient Infosystems and CCS Consolidated; and

potential unknown liabilities associated with the merger and the combined operations.

The combined company may not succeed in addressing these risks or any other problems encountered in connection with the merger. The inability to successfully integrate the operations, technology, and personnel of Patient Infosystems and CCS Consolidated, or any significant delay in achieving integration, could have a material adverse effect on our business, prospects, financial condition and results of operations, and, as a result, on the market price of our common stock.

As a result of the merger, we are a substantially larger and broader organization, and if management is unable to sufficiently manage the company, operating results will suffer.

As a result of the merger, we have significantly more employees, a broader service offering, and customers in more channels than we did prior to the merger. We face challenges inherent in efficiently managing an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits, and compliance programs. The inability to manage successfully the substantially larger and diverse organization, or any significant delay in achieving successful management, could have a material adverse effect on us and, as a result, on the market price of our common stock.

The merger could cause us to lose key personnel, which could materially affect the combined company s business and require the combined company to incur substantial costs to recruit replacements for lost personnel.

As a result of the merger, current and prospective employees of both companies could experience uncertainty about their future roles within the combined company. This uncertainty may adversely affect our ability to attract and retain key management, sales, marketing, and technical personnel. Any failure to retain and attract key personnel could have a material adverse effect on our business.

Patient Infosystems may have difficulty integrating the CCS Consolidated business.

We cannot assure you that the integration of the CCS Consolidated business will be successfully completed without encountering difficulties or experiencing the loss of key employees, customers or suppliers or that the benefits from such integration will be realized. In addition, you cannot be assured that the management teams of CCS Consolidated and Patient Infosystems will be able to successfully work with each other.

Risks Related to the Healthcare Industry

We are subject to extensive changes in the healthcare industry.

The healthcare industry is subject to changing political, economic and regulatory influences that may affect the procurement practices and operations of healthcare industry participants. Several lawmakers have announced that they intend to propose programs to reform the U.S. health care system. These programs may contain proposals to increase governmental involvement in health care, lower reimbursement rates and otherwise change the operating environment us and our targeted customers. Healthcare industry participants may react to these proposals and the uncertainty surrounding such proposals by curtailing or deferring certain expenditures, including those for our programs. We cannot predict what impact, if any, such changes in the healthcare industry might have on our business, financial condition and results of operations. In addition, many healthcare providers are consolidating to create larger healthcare delivery enterprises with greater regional market power. As a result, the remaining enterprises could have greater bargaining power, which may lead to price erosion of our programs. Our failure to maintain adequate price levels could have a material adverse effect on our business.

In recent years, the healthcare industry has undergone significant change driven by various efforts to reduce costs, including potential national healthcare reform, trends toward managed care, cuts in Medicare reimbursements, and horizontal and vertical consolidation within the healthcare industry. Our inability to react effectively to these and other changes in the healthcare industry could adversely affect our operating results. We cannot predict whether any healthcare reform efforts will be enacted and what effect any such reforms may have on us or our customers. Our inability to react effectively to changes in the healthcare industry could result in a material adverse effect on our business.

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Our business is subject to extensive government regulation.

The healthcare industry, including our current business, is subject to extensive regulation by both the Federal and state governments. A number of states have extensive licensing and other regulatory requirements applicable to companies that provide healthcare services. Additionally, services provided to health benefit plans in certain cases are subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended, and may be affected by other state and Federal statutes. Generally, state laws prohibit the practice of medicine and nursing without a license. Many states interpret the practice of nursing to include health teaching, health counseling, the provision of care supportive to, or restorative of, life and well being and the execution of medical regimens prescribed by a physician. Accordingly, to the extent that we assist providers in improving patient compliance by publishing educational materials or providing behavior modification training to patients, such activities could be deemed by a state to be the practice of medicine or nursing. Although we have not conducted a survey of the applicable law in all 50 states, we believe that we are not engaged in the practice of medicine or nursing. There can be no assurance, however, that our operations will not be challenged as constituting the unlicensed practice of medicine or nursing. If such a challenge were made successfully in any state, we could be subject to civil and criminal penalties under such state s law and could be required to restructure its contractual arrangements in that state. Such results, or the inability to successfully restructure our contractual arrangements, could have a material adverse effect on our operations.

We and our customers may also be subject to Federal and state laws and regulations that govern financial and other arrangements among healthcare providers. These laws prohibit certain fee splitting arrangements among healthcare providers, as well as direct and indirect payments, referrals or other financial arrangements that are designed to induce or encourage the referral of patients to, or the recommendation of, a particular provider for medical products and services. Possible sanctions for violation of these restrictions include civil and criminal penalties. Criminal penalties range from misdemeanors, which carry fines of not more than $10,000 or imprisonment for not more than one year, or both, to felonies, which carry fines of not more than $25,000 or imprisonment for not more than five years, or both. Further, criminal violations may result in permanent mandatory exclusions and additional permissive exclusions from participation in Medicare and Medicaid programs.

Regulation in the health care field is constantly evolving. We are unable to predict what government regulations, if any, affecting our business may be promulgated in the future. Our business could be materially adversely affected by the failure to obtain required licenses and governmental approvals, comply with applicable regulations or comply with existing or future laws, rules or regulations or their interpretations.

Compliance with new federal and state legislative and regulatory initiatives could adversely affect our results of operations or may require us to spend substantial amounts acquiring and implementing new information systems or modifying existing systems.

We and our customers are subject to considerable state and federal government regulation. Many of these regulations are vaguely written and subject to differing interpretations that may, in certain cases, result in unintended consequences that could impact our ability to effectively deliver services. The current focus on regulatory and legislative efforts to protect the confidentiality and security of individually-identifiable health information, as evidenced by the Health Insurance Portability and Accountability Act of 1996, or HIPAA, is one such example.

We believe that federal regulations governing the confidentiality of individually-identifiable health information permit us to obtain individually-identifiable health information for health and care support purposes from a health plan customer; however, state legislation or regulation could preempt

federal legislation if it is more restrictive. Federal regulations governing the security of electronic individually-identifiable health information became mandatory for customers in April 2005. We are contractually required to comply with certain aspects of these confidentiality and security regulations.

Although we continually monitor the extent to which specific state legislation or regulations may govern our operations, new federal or state legislation or regulation in this area that restricts our ability to obtain individually-identifiable health information would have a material negative impact on our operations.

Our subsidiaries are subject to government regulation, and the failure to comply with such regulation could adversely affect our results of operations.

Certain of our subsidiaries are licensed to take risk in certain states. These subsidiaries must meet certain minimum capital and surplus tests as well as file quarterly and annual filings with regulatory and state authorities. If one of these subsidiaries does not remain in compliance with the statutory requirements, it is possible that the regulating authorities could impose greater restrictions on the subsidiary, including requiring additional cash deposits, additional reporting requirements and the potential revocation of licenses, each of which could have a materially adverse impact on our results of operations, liquidity and financial condition.

Government regulators may interpret current regulations governing our operations in a manner that negatively impacts our ability to provide services.

Broadly written Medicare fraud and abuse laws and regulations that are subject to varying interpretations may expose us to potential civil and criminal litigation regarding the structure of current and past contracts entered into with our customers. We believe that our operations have not violated and do not violate the provisions of the fraud and abuse statutes and regulations; however, private individuals acting on behalf of the United States government, or government enforcement agencies themselves, could pursue a claim against us under a new or differing interpretation of these statutes and regulations.

Our participation in federal programs may result in our being subject directly to various federal laws and regulations, including provisions related to fraud and abuse, false claims and billing and reimbursement for services, and the False Claims Act. Violations of the False Claims Act are punishable by treble damages and penalties of up to $11,000 per false claim. Actions may be brought under the False Claims Act by the government as well as by private individuals, known as whistleblowers, who are permitted to share in any settlement or judgment. Also, federal law contains various prohibitions related to false statements and false claims, some of which apply to private payors as well as federal programs.

We face competition for staffing, which may increase its labor costs and reduce profitability.

We compete with other healthcare and services providers in recruiting qualified management and staff personnel for the day-to-day operations of our business, including nurses and other healthcare professionals. In some markets, the scarcity of nurses and other medical support personnel has become a significant operating issue to healthcare businesses. This shortage may require us to enhance wages and benefits to recruit and retain qualified nurses and other healthcare professionals. A failure to recruit and retain qualified management, nurses and other healthcare professionals, or to control labor costs, could have a material adverse effect on our profitability.

We may face costly litigation that could force us to pay damages and harm our reputation.

Like other participants in the healthcare market, we are subject to lawsuits alleging negligence, product liability or other similar legal theories, many of which involve large claims and significant defense costs. Any of these claims, whether with or without merit, could result in costly litigation, and divert the time, attention, and resources of management. Although we currently maintain liability insurance intended to cover such claims, there can be no assurance that the coverage limits of such insurance policies will be adequate or that all such claims will be covered by the insurance. In addition, these insurance policies must be renewed annually. Although we have been able to obtain liability insurance, such insurance may not be available in the future on acceptable terms, or at all. A successful claim in excess of the insurance coverage could have a material adverse effect on our results of operations or financial condition.

We could share in potential liability resulting from adverse medical consequences of patients.

We provide information to healthcare providers and managed care organizations upon which determinations affecting medical care are made. As a result, we could share in potential liabilities for resulting adverse medical consequences to patients. In addition, we could have potential legal liability in the event we fail to correctly record or disseminate patient information. We maintain an errors and omissions insurance policy with coverage of $5 million in the aggregate and per occurrence. Although we do not believe that we will directly engage in the practice of medicine or direct delivery of medical services and have not been a party to any such litigation, we maintain a professional liability policy with coverage of $5 million in the aggregate and per occurrence. There can be no assurance that our procedures for limiting liability have been or will be effective, that we will not be subject to litigation that may adversely affect our results of operations, that appropriate insurance will be available to us in the future at acceptable cost or at all, or that any insurance we maintain will cover, as to scope or amount, any claims that may be made against us.

Risks Related to our Common Stock

The market price of our common stock may be highly volatile.

The market price of our common stock has been and will likely continue to be highly volatile. From the date trading of our common stock commenced until May 12, 2006, the range of our stock price has been between $114.00 and $0.48, after giving effect to the 1-for-12 reverse stock split which became effective on January 9, 2004. Factors including announcements of technological innovations by us or other companies, regulatory matters, new or existing products or procedures, concerns about our financial position, operating results, government regulation, or developments or disputes relating to agreements or proprietary rights may have a significant impact on the market price of our common stock. In addition, potential dilutive effects of future sales of shares of our common stock us, our stockholders, or the holders of warrants and options, could have an adverse effect on the price of our common stock.

Our principal stockholders and management own a significant percentage of our outstanding common stock and will be able to exercise significant influence over our operations.

Our executive officers, directors and holders of more than 5% of our outstanding common stock, together with their respective affiliates, currently own more than 75% of our voting stock, including shares subject to outstanding options and warrants. These stockholders are able to determine the composition of our board of directors, retain the voting power to approve all matters requiring stockholder approval and will continue to have significant influence over our operations. This concentration of ownership could have the effect of delaying or preventing a change in control of the company, preventing or frustrating any attempt by our stockholders to replace or remove the current management, or otherwise

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discouraging a potential acquirer from attempting to obtain control of the company, which in turn could limit the market value of our common stock.

A large number of shares of our common stock may be sold in the market, which could depress the market price.

Sales of substantial amounts of our common stock in the public market, or the perception that these sales might occur, could materially and adversely affect the market price of our common stock or our future ability to raise capital through an offering of our equity securities. As of May 11, 2006, we had an aggregate of 67,538,976 shares of common stock outstanding. If all options and warrants currently outstanding to purchase shares of common stock were to be exercised, there would be an aggregate of 70,478,582 shares of common stock outstanding. Of the 70,478,582 shares, up to 7,914,613 shares are freely tradable without restriction or further registration under the Securities Act, unless the shares are held by one of our affiliates as such term is defined in Rule 144 of the Securities Act. The remaining shares may be sold only pursuant to a registration statement under the Securities Act or an exemption from the registration requirements of the Securities Act. The table below provides additional information on the number of shares that may be publicly sold and the dates that they become eligible for sale. The sale and distribution of these shares may cause a decline in the market price of our common stock.

Date	**Number of shares eligible for sale**	**Comment**
-		-

Currently	7,933,580	Shares outstanding other than (i) the shares being sold pursuant to this prospectus, (ii) shares issued in connection with the merger with CCS Consolidated and (iii) shares held by: - John Pappajohn; - Derace Schaffer; - Principal Life Insurance Company; - Christine St. Andre; - Kent Tapper; - Psilos Group Partners, L.P., Psilos Group Partners II, L.P. and CCP/Psilos CCS, LLC (collectively, Psilos); - Essex Woodlands Health Ventures Fund IV, L.P. and Essex Woodlands Health Ventures Fund V, L.P. (collectively Essex Woodlands); - Hickory Venture Capital Corporation (Hickory); - Radius Venture Partners I, L.P. (Radius); - CCS Consolidated Holdings LLC (CCS Holdings); and - SG Cowen Securities Corp. and its affiliates (collectively, SG Cowen); and
		issuable upon immediately exercisable options and warrants other than options and warrants held by directors and executive officers and warrants issued to the placement agent in the 2005 PIPE financing, the shares underlying which are being registered on the registration statement of which this prospectus is a part
Upon the effective date of this prospectus	3,895,598	Shares sold in Patient Infosystems PIPE offerings during October 2005 and December 2005 and shares issuable upon exercise of warrants issued to the placement agent in such transaction.
January 25, 2007	2,142,962	Shares issued in the merger, except for shares issued to: Psilos, Essex Woodlands, Hickory, Radius, CCS Holdings, and SG Cowen.
July 25, 2007	52,750,005	Shares (i) issued in the merger (excluding shares deposited into escrow in the merger) to Psilos, Essex Woodlands, Hickory, Radius, CCS Holdings and SG Cowen; and (ii) held by John Pappajohn, Derace Schaffer, Principal Life Insurance Company, Roger Chaufournier, Christine St. Andre and Kent Tapper (including shares underlying exercisable options

		and warrants).
		These shares will remain subject to volume limitations of Rule 144 for the following 12 month period.
Various dates	3,756,437	Shares (i) underlying options and warrants (other than those listed above) that are immediately exercisable and that vest and become exercisable and transferable, subject to the terms thereof, at various times in the future (including options currently held by Chris Paterson, Glen Spence and Ileana Welte and warrants held by former directors); and (ii) shares deposited into escrow at the closing of the merger which, when released to former CCS Consolidated stockholders, will become transferable on January 25, 2007 or July 25, 2007, depending on which stockholders such shares are released to.

The sale and distribution of these shares, or the perception that such sales or distributions might occur, may cause a decline in the market price of our common stock.

Our common stock qualifies as a penny stock under SEC rules which may make it more difficult for stockholders to resell their shares of common stock.

Our common stock trades on the OTC Bulletin Board. As a result, the holders of our common stock may find it more difficult to obtain accurate quotations concerning the market value of the stock. Stockholders also may experience greater difficulties in attempting to sell the stock than if it were listed on a stock exchange or quoted on the Nasdaq National Market or the Nasdaq Small Cap Market. Because our common stock does not trade on a stock exchange or on the Nasdaq National Market or the Nasdaq Small Cap Market, and the market price of the common stock is less than $5.00 per share, the common stock qualifies as a penny stock. SEC Rule 15g-9 under the Securities Exchange Act of 1934 imposes

additional sales practice requirements on broker-dealers that recommend the purchase or sale of penny stocks to persons other than those who qualify as an established customer or an accredited investor. This includes the requirement that a broker-dealer must make a determination on the appropriateness of investments in penny stocks for the customer and must make special disclosures to the customer concerning the risks of penny stocks. Application of the penny stock rules to our common stock could adversely affect the market liquidity of the shares, which in turn may affect the ability of holders of the common stock to resell the stock.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements contained in this prospectus that are not historical facts, including information about management s view of our future expectations, plans and prospects, the benefits provided by the combination of services offered by Patient Infosystems as a result of the merger with CCS Consolidated, the prospects for success of the merger and the combination of the two companies, such as expected synergies and expanded revenue opportunities, constitute forward-looking statements for purposes of the safe harbor provisions under the Private Securities Litigation Reform Act of 1995. When used in this prospectus, the words or phrases will likely result, expects, plans, will continue, is anticipated, esti project, or outlook or similar expressions are intended to identify forward-looking statements. Actual results may differ materially from historical results or those indicated or implied by these forward-looking statements as a result of a variety of factors including, but not limited to, risks and uncertainties associated with our financial condition, the continued use of our services by our existing customers at current or increased levels, the market acceptance of or preference for our systems and services, significant concentration of our revenues with a limited number of customers, our ability to increase and diversify our business and revenue base, including the expansion of CCS Consolidated s Continuous Care Management service, our ability to sell our products, our ability to compete with competitors, the growth of the healthcare market and general economic factors in the healthcare industry, the impact of and changes in governmental regulations, the failure to achieve projected operating efficiencies and unfavorable variances in interest rates and financing terms, as well as other factors that are discussed in Risk Factors section of this prospectus. We have no obligation to publicly release the result of any revisions that may be made to any forward-looking statements to reflect anticipated or unanticipated events or circumstances occurring after the date of such statements.

USE OF PROCEEDS

We will not receive any proceeds from the sale of common stock by the selling stockholders, although we would receive proceeds upon the exercise of any warrants. If all of the selling stockholders exercise all of their warrants for cash, we will receive approximately $460,554. Any proceeds we receive from the exercise of the warrants will be used for general corporate purposes, including working capital.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(a) Market Information

Our common stock is traded on the Over-the-Counter Bulletin Board (the OTC Bulletin Board) under the symbol PATY. The following table sets forth, for the periods indicated, the range of high and low bid quotations for our common stock as quoted on the OTC Bulletin Board. The reported bid quotations reflect inter-dealer prices without retail markup, markdown or commissions, and may not necessarily represent actual transactions.

	High	**Low**
2004		
First Quarter	$6.00	$1.44
Second Quarter	$5.50	$2.00
Third Quarter	$3.60	$1.32
Fourth Quarter	$3.94	$1.66
2005		
First Quarter	$6.05	$2.92
Second Quarter	$5.90	$3.80
Third Quarter	$6.30	$4.16
Fourth Quarter	$4.50	$0.91 (1)
2006		
First Quarter	$1.53	$1.00
Second Quarter (through May 12, 2006)	$1.50	$1.18

(1) On December 16, 2005, the distribution of shares of ACS to our stockholders was completed. On December 16, 2005, our common stock closed at $3.94 per share, while on December 19, 2005 the closing price was $1.36 per share.

(b) Holders

The approximate number of record holders of Patient Infosystems common stock as of May 12, 2006 is 357. The approximate number of beneficial owners is 900.

(c) Dividends

We have not declared cash dividends on our common stock.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management s discussion and analysis provides a review of Patient Infosystems operating results for the fiscal years ended December 31, 2005 and 2004 and its financial condition at December 31, 2005, as well as CCS Consolidated s operating results for the fiscal years ended March 31, 2005 and 2004 and the nine-month periods ending December 31, 2005 and 2004 and its financial condition at December 31, 2005. The focus of this review is on the underlying business reasons for significant changes and trends affecting the revenues, net losses and financial condition of Patient Infosystems and CCS Consolidated. This review should be read in conjunction with the accompanying consolidated financial statements of Patient Infosystems and CCS Consolidated and related notes thereto included in this prospectus. The discussion and analysis of Patient Infosystems and CCS Consolidated s respective results of operations in this prospectus does not take into account the merger of the two companies, which was completed after December 31, 2005. When used in this section of the prospectus, references to Patient Infosystems are intended to refer solely to Patient Infosystems and its subsidiaries without giving effect to the completion of the merger with CCS Consolidated, and references to CCS Consolidated are intended to refer solely to CCS Consolidated and its subsidiaries without giving effect to the completion of the merger with Patient Infosystems.

Overview

Patient Infosystems was formed in 1995, and enrolled patients in its first disease management program and began substantial patient contacts during 1998. Also in 1998, Patient Infosystems expanded its offered products to include demand management and health related surveys.

On January 25, 2006, Patient Infosystems merged with CCS Consolidated, Inc. (the Merger). CCS Consolidated is a national care management company providing higher-risk and elderly care management services to health plans, work/life benefits companies and self-funded employers.

At the closing of the Merger, Patient Infosystems issued 43,224,352 shares of its common stock to the former stockholders of CCS Consolidated. This represented approximately 64% of the issued and outstanding voting shares of Patient Infosystems upon the closing of the merger, and as a result there was a change of control of Patient Infosystems.

In addition, under a stockholders agreement entered into at the closing of the merger, stockholders holding approximately 65% of the outstanding voting shares of Patient Infosystems common stock after the consummation of the merger have agreed to vote their shares in favor of the election of John Pappajohn, a current director of Patient Infosystems, Derace Schaffer, M.D., a current director of Patient Infosystems, and three individuals designated by holders of at least a majority of the Patient Infosystems common stock held by the former stockholders of CCS Consolidated who are parties to the stockholders agreement. The three new directors appointed were Mark L. Pacala, Daniel C. Lubin and Albert S. Waxman. As provided by the stockholders agreement, two additional directors may be added to the Patient Infosystems board of directors, which individuals must be unanimously approved by the other five members of the Patient Infosystems board of directors. These additional directors have not yet been appointed.

Because the former CCS Consolidated securityholders held approximately 63% of Patient Infosystems fully diluted shares of common stock immediately following the Merger, CCS Consolidated s designees to Patient Infosystems board of directors represent a majority of Patient Infosystems directors and CCS Consolidated s executive management represent a majority of the executive management of the combined company, CCS Consolidated is deemed to be the acquiring company for accounting purposes and the transaction is being accounted for as a reverse acquisition under

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the purchase method of accounting for business combinations in accordance with generally accepted accounting principles in the United States. Patient Infosystems has adopted March 31 as its fiscal year end, which was CCS Consolidated s fiscal year end.

On September 22, 2004, Patient Infosystems acquired 100% of CBCA Care Management, Inc., or CMI, a New York corporation. CMI provides case and utilization management services primarily to self insured employers and health and welfare funds. We have sold case and utilization management services since 2000 and until 2004 outsourced the operations to CMI. We intend to continue to market case and utilization management services.

On December 31, 2003, we acquired the assets of American Caresource Corporation and formed American Caresource Holdings, Inc., or ACS, to operate those assets. ACS provides ancillary benefits management services, including a network of ancillary specialty providers and value-added services that assist its clients in controlling the cost of a range of ancillary medical services. On December 16, 2005, Patient Infosystems distributed approximately 12 million shares of common stock of ACS as a dividend to its stockholders and retained approximately 300,000 shares of ACS, of which Patient Infosystems closed on the sale of 88,525 shares on December 30, 2005. Following the spin-off of ACS shares, ACS became an independent public company with its own management and board of directors. Two of Patient Infosystems existing directors, John Pappajohn and Derace Schaffer, also serve as directors of ACS.

Patient Infosystems results of operations for the year ended December 31, 2004 include the results of operations of CMI only for the period beginning September 22, 2004. The results of operations for the year ended December 31, 2005 include the results of operations of CMI for the entire period.

During 2005, Patient Infosystems completed a valuation of the identifiable intangible assets acquired from CMI and finalized the purchase price allocation. The final purchase allocation resulted in an increase in customer relationships and liabilities assumed and a decrease in goodwill as compared to previously reported amounts. The effect of these adjustments on the related amortization was insignificant.

Information related to the acquisition of CMI is as follows:

Purchase consideration	
Cash	$ 7,100,000
Expenses	193,959
Total	$ 7,293,959
Purchase allocation	
Current assets	$ 228,187
Liabilities assumed	(498,627)
Property & equipment	181,852
Customer relationships	604,115
Goodwill	6,778,432
	$ 7,293,959

Disease-Specific, Demand Management and Survey Programs

Patient Infosystems currently has patients enrolled in more than 30 of its disease-specific, demand management or survey programs. As of May 2006, an aggregate of over 1.2 million persons have enrolled or participated in these programs. Patient Infosystems has never been able to enroll a sufficient number of patients in these programs to cover their administrative costs. The enrollment of patients in Patient Infosystems disease-specific, demand management and survey programs has been limited by several

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factors, including the limited ability of clients to provide Patient Infosystems with accurate information with respect to the specific patient populations and coding errors that necessitated extensive labor-intensive data processing prior to program implementation.

In response to these market dynamics, Patient Infosystems has taken several tactical and strategic steps, including formal designation of internal personnel at customer sites to assist clients with implementation; closer integration of Patient Infosystems systems personnel with clients to facilitate accurate data transfers; promotion of a broader product line to enable clients to enter Patient Infosystems disease management programs through a variety of channels; fully integrating demand, disease and case management services to facilitate internal mechanisms for patient referrals; and providing the customers access and control over their patients confidential information through targeted use of Internet technology. The clinical design of the programs has been refined to enable participation through mail only, retaining those patients who previously would have been unable to participate because of missing or inaccurate telephone contact information. Patient Infosystems demand management services and surveys (general health and disease-specific) can also provide mechanisms for enrollment into Patient Infosystems disease management programs. Patient Infosystems continues to develop capabilities or relationships that will enable its customers to more effectively leverage the data stored in their legacy systems. Nevertheless, no assurance can be given that Patient Infosystems efforts will succeed in increasing patient enrollment in its programs.

Patient Infosystems has entered into service agreements to develop, implement and operate programs for: (i) patients who have recently experienced certain cardiovascular events; (ii) patients who have been diagnosed with primary congestive heart failure; (iii) patients suffering from asthma; (iv) patients suffering from diabetes; (v) patients who are suffering from hypertension; (vi) demand management, which provides access to nurses; (vii) case and utilization management services provided by a third party; (viii) various survey initiatives which assess, among other things, satisfaction, compliance of providers or payors to national standards, health status or risk of specific health related events; and (ix) the performance of specific administrative and management functions on behalf of a customer. These contracts provide for fees paid by its customers based upon the number of patients participating in each of its programs, as well as initial program implementation and set-up fees from customers. To the extent that Patient Infosystems has had limited enrollment of patients in its programs, Patient Infosystems operations revenue has been, and may continue to be, limited.

Patient Infosystems contracts typically call for a monthly fee to be paid by the customer for each person within the group who are eligible to be enrolled in its program services, require payment for services each month. The timing and method of customer payments fees varies by contract. Revenues from program operations are recognized monthly as long as program services are being delivered. The amount of the per patient fee varies from program to program depending upon the number of patient contacts required, the complexity of the interventions, the cost of the resources used and the detail of the reports generated.

Patient Infosystems administration and management services cover a predefined set of deliverables and responsibilities undertaken on behalf of the customer, such as assisting organizations with the development of clinical registries used to increase effective management of patients with chronic disease. The customer pays for these services on a monthly basis, and Patient Infosystems recognizes revenue each month based upon the services provided. Patient Infosystems is supporting the development, including project management and implementation, of a patient registry for federally qualified health centers, through a national initiative known as the Health Disparities Collaboratives. The contract for these services is renewed annually. Patient Infosystems has experienced reductions in revenues associated with this program, and no assurance can be given that such reductions in revenue will not continue.

The sales cycle for Patient Infosystems may be extensive from initial contact to contract execution. During these periods, Patient Infosystems may expend substantial time, effort and funds to prepare a contract proposal and negotiate the contract. Patient Infosystems may be unable to consummate a commercial relationship after the expenditure of such time, effort and financial resources.

Care Management Programs

Patient Infosystems subsidiary, CCS Consolidated, is a national care management company providing high-risk and elderly care management services to health plans, work/life benefits companies, and self-funded employers. By providing comprehensive medical and psychosocial care management services for the highest-risk, medically complex members, CCS Consolidated enables clients to realize lower health care costs, while optimizing the quality of care and lifestyle of members. CCS Consolidated brings to its partnerships with private and government payors a highly specialized infrastructure and multi-disciplinary clinical care management staff to improve the appropriateness and reduce the overall costs of care. CCS Consolidated differentiates itself from utilization management companies by focusing on comprehensively managing care, rather than concentrating solely on authorizing individual health care services. Patient Infosystems believes that CCS Consolidated is also unique in its integration of risk assessment and stratification processes, clinical care management pathways, disease management protocols, intensive multi-disciplinary staffing, and credentialed post-acute specialty provider networks, including a national network of field-based geriatric case managers.

CCS Consolidated coordinates care for elderly and chronically ill populations across the full spectrum of post-acute needs, including home health, acute rehabilitation and skilled nursing care. CCS Consolidated works with customers to identify members who are medically complex and to provide telephonic and face-to-face care management to people who need assistance in achieving recovery. By focusing on patients with complex medical profiles who generate the majority of health care costs, this strategy combines the use of lower cost care delivered outside the hospital with intensive patient-focused interventions to reduce the high cost of hospitalization and maximize an individual s health status and independence. Patient Infosystems believes that CCS Consolidated has organized a proprietary delivery system that reduces overall health care costs and improves outcomes for patients.

CCS Consolidated has three types of revenue. First, CCS Consolidated accepts risk on the providing of post-acute services and receives a Per Member Per Month fee that is categorized as capitation revenue. Alternatively, CCS Consolidated provides services to health plans without accepting risk, and for these type of contracts, they may receive either an administration service fee or may provide these services on a fee-for-service basis. For risk contracts, the cost of services includes the cost of providing clinical care and the incurred claims.

CCS Consolidated s business strategy is to contract with health plans, government agencies, and employer groups to help them reduce health care costs while improving the quality of care. Patient Infosystems believes that the steadily rising cost of healthcare for employers, increasing demands on Medicare and Medicaid funding that are outpacing resources, and an emerging interest in care management and disease management services by the federal government and large insurers creates a fertile environment for the CCS Consolidated business model.

While CCS Consolidated has historically derived most of its income from risk-based contracts, it is currently diversifying its revenue sources by adding more administrative fee contracts. CCS Consolidated will continue to offer risk-based and non-risk-based post acute care management products, but where possible they will be linked to a Continuous Care Management service which will allow CCS Consolidated to follow the complex patients over the long term after their return to their home environment.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States, which require management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Management bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of certain assets and liabilities. Management believes that the accounting estimates employed and the resulting balances are reasonable; however, actual results may differ from these estimates under different assumptions or conditions.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably likely to occur could materially impact the financial statements. Management believes the following critical accounting policies reflect the significant estimates and assumptions used in the preparation of the consolidated financial statements of Patient Infosystems and CCS Consolidated.

Use of Estimates

In preparing the consolidated financial statements, we use estimates in determining the economic useful lives of our assets, provisions for doubtful accounts, claims liabilities, tax valuation allowances and various other recorded or disclosed amounts. Estimates require management to use its judgment. While we believe that our estimates for these matters are reasonable, if the actual amount is significantly different than the estimated amount, our assets, liabilities or results of operations may be overstated or understated.

Revenue Recognition

Prior to its merger with CCS Consolidated, Patient Infosystems principal sources of revenue were contracts for the provision of provider improvement services for federally funded health centers or disease, demand, case and utilization management services to self insured employers, health and welfare funds or other such entities that accept medical risk for defined populations. Deferred revenue represents amounts that may be billed in advance of delivery under these contracts.

For disease, demand, case and utilization management services, Patient Infosystems contracts may call for a per member per month, per employee per month or per-enrolled patient fee to be paid by the customer for a series of program services as defined in the contract or a fixed monthly fee which is intended to provide a defined set of services. The timing of customer payments varies by contract, but typically occurs in advance of the associated services being provided. Revenues from program operations are recognized ratably as the program services are delivered.

For its development contracts, Patient Infosystems program enhancements consist of specific changes or modifications to existing products requested by customers and are short-term in nature. Therefore, revenue is recognized upon delivery of the enhancement.

CCS Consolidated recognizes capitated revenue for contracts whereby it accepts risk. Capitated revenue is recorded by multiplying a contractually negotiated revenue rate per health plan member per month (PMPM) by the number of health plan members covered by its services during the month. These PMPM rates are initially determined during contract negotiations with customers based on estimates of the costs of our services, including the cost of claims. Such rates are generally renegotiated

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at contract renewal. In certain contracts, the PMPM rates differ depending on the health plan s lines of business, such as Medicare, Commercial or Medicaid. The PMPM rates will also differ in certain cases depending on the type of service provider, such as a skilled nursing facility or a home health provider. Contracts with health plans generally range from one to two years with provisions for subsequent renewal.

CCS Consolidated recognizes Administrative Services Only (ASO) revenue for contracts whereby it receives a fee for providing its services without it accepting risk for claims. Such contracts include those that pay a set fee each month. Other contracts include a PMPM ASO fee and other contracts include a per day per member case rate based on the number of health plan members who receive services during the month. Such fees are negotiated with the health plan or employer group based on estimated costs and anticipated level of services.

CCS Consolidated recognizes fee-for-service revenue for certain services provided for its customers and expenses paid on behalf of its customers for which it is generally reimbursed on a cost-plus basis during the period in which the services are provided.

Some of CCS Consolidated s revenues are based on contractual arrangements which may be subject to retroactive adjustments as final settlements are determined. Such amounts are recorded on an estimated basis in the period the related services are rendered and are adjusted in future periods upon final settlement.

Intangibles and Other Assets

Intangible and other assets consist primarily of websites, trademarks, customer relationships and goodwill associated with acquisitions. Patient Infosystems intangible assets are amortized over their respective estimated useful lives. Goodwill is not amortized to expense. Goodwill and identifiable intangible assets are reviewed annually for impairment and their recorded value is reduced whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Based on the evaluation performed as of March 31, 2005 for CCS Consolidated and December 31, 2005 for Patient Infosystems, management concluded that no impairment of recorded goodwill or intangible asset existed as of that date. The evaluation approach utilized is dependent on a number of factors, including estimates of future revenues and costs, appropriate discount rates and other variables. Management bases its estimates on assumptions believed to be reasonable, but which are inherently uncertain. Therefore, future impairments could result if actual results differ from those estimates.

Direct Service Costs

Direct service costs are comprised of the incurred claims paid to third-party providers for services for which CCS Consolidated is at risk and the related expenses of CCS Consolidated associated with the providing of its services. Network provider and facility charges for authorized services that have yet to be billed to CCS Consolidated are estimated and accrued in its Incurred But Not Reported (IBNR) claims payable liability. Such accruals are based on historical experience, current enrollment statistics, patient census data, adjudication and authorization decisions and other information. The IBNR liability is adjusted as changes in these factors occur and such adjustments are reported in the period of determination. Although it is possible that actual results could vary materially from recorded claims in the near term, management believes that the recorded IBNR liability is adequate.

The above listing is not intended to be a comprehensive list of all of Patient Infosystems and CCS Consolidated s accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by generally accepted accounting principles, with no need for

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management s judgment in their application. There are also areas in which management s judgment in selecting any available alternative would not produce a materially different result. See the notes to Patient Infosystems and CCS Consolidated s consolidated financial statements included in this prospectus, which contain additional accounting policies and other disclosures required by generally accepted accounting principles.

Results of Operations for Patient Infosystems

Year Ended December 31, 2005 Compared to Year Ended December 31, 2004

Revenues

Revenues are comprised of revenues from disease and demand management fees, case and utilization management fees provider improvement fees and other fees. Revenues increased 14% to $11,056,526 for the fiscal year ended December 31, 2005 from $9,699,325 for the fiscal year ended December 31, 2004. On a pro forma basis giving effect to the acquisition of CMI as of January 1, 2004, revenue would have decreased 27% from $15,135,334 for the fiscal year ended December 31, 2004 to $11,056,526 for the fiscal year ended December 31, 2005. A summary of these revenues by category is as follows for the fiscal years ended December 31:

Revenues	**2005**	**2004**	**2004** Pro Forma
Disease and demand management	$ 2,210,827	$ 2,345,848	$ 2,206,485
Case and utilization management	5,888,753	2,075,181	7,650,553
Provider improvement	2,928,818	5,259,301	5,259,301
Other Fees	28,128	18,995	18,995
Total	$ 11,056,526	$ 9,699,325	$15,135,334

Revenues from disease and demand management fees decreased 5.8% from $2,345,848 for the fiscal year ended December 31, 2004 to $2,210,827 for the fiscal year ended December 31, 2005. Disease and demand management revenues are generated as Patient Infosystems provides these services to its customers for their disease-specific programs, patient surveys, health risk assessments, patient satisfaction surveys and nurse help line programs. Park Place Entertainment, a customer which accounted for revenue of $438,705 in 2004, and a smoking cessation program which accounted for revenue of $415,579 in 2004, terminated their respective service agreements with Patient Infosystems effective December 31, 2004. Patient Infosystems was able to replace most, but not all, of this lost revenue through sales to a number of new customers. During 2005, Patient Infosystems devoted the majority of its sales and marketing efforts toward increasing revenue from disease, demand, case and utilization management services, but plans to retain most of its existing customers and to continue to add additional new clients through direct sales and through reselling arrangements with third party administrators. No assurances can be given that these revenues will increase, or that any change will be material to Patient Infosystems operating results.

Revenues from case and utilization management fees increased 183% from $2,075,181 for the fiscal year ended December 31, 2004 to $5,888,753 for the fiscal year ended December 31, 2005. Case and utilization management revenues are generated as Patient Infosystems wholly owned subsidiary, CMI, provides these services to its customers in support of their medical management needs. On a pro forma basis giving effect to the acquisition of CMI as of January 1, 2004, case and utilization management revenue decreased 23% to $5,888,753 for the year ended December 31, 2005 from $7,650,533 for the year ended December 31, 2004. Park Place Entertainment, which accounted for pro forma revenue of CMI of approximately $410,000 for the year ended December 31, 2004, terminated its

contract for CMI s case and utilization management services as of December 31, 2004. In addition, each of the Cayman Islands government, which accounted for pro forma revenue of CMI of approximately $268,000 for the year ended December 31, 2004, and UFCW Local 56, which accounted for pro forma revenues of CMI of approximately $334,000 for the year ended December 31, 2004, terminated their contracts for CMI s case and utilization management services during the year ended December 31, 2005. These contracts accounted for revenue of approximately $212,000 and $126,000, respectively, during the year ended December 31, 2005.

Revenues from provider improvement fee decreased 44% from $5,259,301 for the fiscal year ended December 31, 2004 to $2,928,818 for the fiscal year ended December 31, 2005. This decrease is due to Patient Infosystems reduced role in support of the Health Disparities Collaboratives funded by the Bureau of Primary Healthcare (BPHC) and administered by the Institute for Healthcare Improvement. Patient Infosystems is actively marketing its provider improvement services to other entities that have expressed interest in provider improvement services and is seeking opportunities to expand its role in the programs funded by the BPHC. No assurances can be given that these marketing efforts will replace any revenues lost nor that any such change will be material to Patient Infosystems operating results.

Revenues from other fees increased 48% from $18,995 for the fiscal year ended December 31, 2004 to $28,128 for the fiscal year ended December 31, 2005. Other revenue represents amounts that Patient Infosystems charges its customers for custom information technology services and right-to-use fees for Patient Infosystems Internet-based Case Management Support System. Patient Infosystems anticipates that other fee revenue will remain immaterial in future periods.

Costs and Expenses

Cost of sales includes salaries and related benefits, services provided by third parties, and other expenses associated with the development of Patient Infosystems customized disease state management programs, as well as the operation of each of its disease state management programs. Cost of sales increased 23% from $6,688,533 for the fiscal year ended December 31, 2004 to $8,213,711 for the fiscal year ended December 31, 2005. The increase in these costs primarily reflects operational costs required in support of increased revenues. The operational margin, being the percentage of revenues used to offset the cost of revenue, decreased from 31% for the year ended December 31, 2004 to 26% for the year ended December 31, 2005. This decrease was due to the loss of economies which resulted from the overall decrease in revenues.

Selling, general and administrative and marketing expenses increased 40% from $2,810,931 for the fiscal year ended December 31, 2004 to $3,932,216 for the fiscal year ended December 31, 2005. These costs consist primarily of salaries, related benefits and travel costs, sales materials, other marketing related expenses, costs of corporate operations, finance and accounting, human resources and other general operating expenses of Patient Infosystems. This increase was primarily due to a full year of expenses related to CMI resulting in an additional $859,000 of selling, general and administrative and marketing expenses and $410,000 of expenses related to the merger with CCS Consolidated, which costs cannot be capitalized because CCS Consolidated will be deemed to be the accounting acquirer as a result of the merger. Patient Infosystems intends to invest in and expand its sales and marketing process in future periods. To the extent that Patient Infosystems has limited funds available for sales and marketing, or cannot leverage its marketing partnerships adequately, it will likely be unable to invest in the necessary marketing activities to generate substantially greater sales.

Other Income/Expense is comprised of financing costs, interest, taxes and losses on investments. The totals are as follows for the fiscal years ended December 31:

	2005	2004
Financing costs	$ (1,689,244)	$ (812,630)
Interest expense	(270,421)	(126,828)
Interest income	23,680	5,419
Gain on investments	63,249	-
Other (expense) income	5,345	(892)
Total Expense	$ (1,867,391)	$ (934,931)

Financing costs increased to $1,689,244 for the fiscal year ended December 31, 2005 as compared to $812,630 for the fiscal year ended December 31, 2004. In 2004, Patient Infosystems issued warrants as compensation to guarantors of its debt. The $812,630 of financing costs represents the amortization of debt issuance costs associated with these warrants during the year ended December 31, 2004, which warrants were valued at $2,501,874 using the Black-Scholes method. As of December 31, 2005, this debt was satisfied in full by Patient Infosystems, and the guarantors were released from their guarantees on January 9, 2006. The remaining $1,689,244 in unamortized debt issuance costs were expensed as of December 31, 2005.

Interest expense is due to interest payments required on outstanding indebtedness. Interest expense increased to $270,421 for the fiscal year ended December 31, 2005 from $126,828 for the fiscal year ended December 31, 2004. The increase in interest expense was the result of borrowing additional funds to complete the acquisition of CMI on September 22, 2004, which debt remained outstanding until the fourth quarter of 2005.

Interest income was realized from insured money market investments, which consisted of certain working capital amounts not immediately needed to fund operations. These amounts are expected to continue to be immaterial in future periods.

On December 30, 2005, Patient Infosystems issued 177,050 units, which consisted of newly issued common stock of Patient Infosystems and shares of ACS held by Patient Infosystems. Patient Infosystems sold a total of 177,050 shares of its common stock and 88,525 shares of ACS common stock for $3.05 per unit in a private placement to institutional and other accredited investors. Gross proceeds to Patient Infosystems from this sale were approximately $540,000. Patient Infosystems attributed $79,862 of these proceeds to the sale of the 88,525 shares of ACS common stock. The carrying cost for the ACS shares sold was $16,613, resulting in a capital gain to Patient Infosystems of $63,249.

Preferred stock dividends

For the fiscal year ended December 31, 2005, Patient Infosystems recorded $722,303 in dividends on convertible preferred stock as compared to $904,918 for the year ended December 31, 2004. The decrease was due to fewer shares of preferred stock outstanding due to conversions of 25,000 shares of preferred stock into 250,000 shares of Patient Infosystems common stock during the year ended December 31, 2004 and 21,210 shares of preferred stock into 212,100 shares of common stock during the year ended December 31, 2005. All remaining shares of Patient Infosystems preferred stock were converted into shares of common stock on January 25, 2006.

Net loss

Patient Infosystems had a net loss attributable to common stockholders of $6,098,617 for the

fiscal year ended December 31, 2005, compared to $4,471,226 for the fiscal year ended December 31, 2004. This represents a loss of $0.55 per basic and diluted share for 2005 and $0.57 for 2004.

Discontinued operations

Discontinued operations are the historical net loss of American Caresource Holdings, Inc. (ACS), a wholly owned subsidiary which was distributed as a dividend to Patient Infosystems stockholders of record as of November 8, 2005. For the year ended December 31, 2005, Patient Infosystems reported ACS revenue of $3.7 million, operating expenses of $5.6 million and non-operating expenses of $0.5 million, with a resulting net loss of $2.4 million, as compared to revenue of $6.0 million, operating expenses of $8.0 million and non-operating expenses of $0.8 million, with a resulting net loss of $2.8 million for the year ended December 31, 2004. The ACS operating results reported by Patient Infosystems include only operating results achieved by ACS through November 8, 2005. There was no gain or loss recorded related to the distribution. Upon completion of the spin-off of ACS, ACS became a separate public registrant, and is required to publicly file separate reports under the Securities Exchange Act.

Results of Operations for CCS Consolidated

The following financial tables presents data regarding CCS Consolidated s results of operations, financial position and cash flows as of and for the years ended March 31, 2005 and 2004 and as of and for the nine months ended December 31, 2005 and 2004. Such data was derived from CCS Consolidated s financial statements. This information should be read in conjunction with (i) CCS Consolidated s historical consolidated financial statements as of and for the years ended March 31, 2005 and 2004 and the related notes thereto, and (ii) CCS Consolidated s unaudited interim consolidated financial statements as of and for the nine months ended December 31, 2005 and 2004, and the related notes thereto. All dollar amounts are stated in thousands of dollars:

	Nine Months Ended December 31,		Variance
	2005	**2004**	**Favorable (Unfavorable)**
Operating Results			
Capitated Revenue			
Health Net	$ 6,128	$ 29,832	$ (23,704)
Aetna	24,675	9,242	15,433
Total capitated revenue	**$ 30,803**	**$ 39,074**	**$ (8,271)**
Administrative Services Revenue			
Health Net	$ 3,629	$ -	$ 3,629
Aetna	27	1,032	(1,005)
Other	1,489	749	740
Total ASO revenue	**$ 5,145**	**$ 1,781**	**$ 3,364**
Fee-For-Service Revenue			
Health Net	$ 2,047	$ 5,064	$ (3,017)
Other	1,038	1,148	(110)
Total fee-for-service revenue	**$ 3,085**	**$ 6,212**	**$ (3,127)**
Total Revenue			
Health Net	$ 11,804	$ 34,896	$ (23,092)
Aetna	24,702	10,274	14,428
Other	2,527	1,897	630
Total revenue	**$ 39,033**	**$ 47,067**	**$ (8,034)**
Percentage of Revenue by Major Customer			
Health Net	30.2%	74.1%	(43.9)%
Aetna	63.3%	21.8%	41.5%
Other	6.5%	4.1%	2.4%
Total revenue	**100.0%**	**100.0%**	

	Nine Months Ended December 31,		Variance
	2005	**2004**	**Favorable (Unfavorable)**
Direct Service Costs			
Incurred claims	$ 27,695	$ 36,433	$ 8,738
Direct clinical expenses	7,912	6,236	(1,676)
Total direct service costs	**$ 35,607**	**$ 42,669**	**$ 7,062**
Direct Service Costs as a Percentage of Revenue			
Incurred claims as a percentage of total revenue	70.9%	77.4%	6.5%
Direct clinical expenses as a percentage of revenue	20.3%	13.3%	(7.0)%
Total direct service costs as a percentage of total revenue	**91.2%**	**90.7%**	**(0.5)%**
Gross profit	**$ 3,426**	**$ 4,398**	**$ (972)**
Gross profit as a percentage of total revenue	**8.8%**	**9.3%**	**(0.5)%**
Selling, General & Administrative Expenses			
Selling and administrative expenses	$ 4,562	$ 4,584	$ (22)
Severance and related expenses	-	377	377
Legal expenses (Lawsuit with State of Florida)	-	1,090	1,090
Total selling, general and administrative expenses	**$ 4,562**	**$ 6,051**	**$ 1,489**
Total depreciation and amortization expense	**$ 1,018**	**$ 939**	**$ (79)**
Operating loss from continuing operations	**$ (2,154)**	**$ (2,592)**	**$ 438**
Other Income (Expense)			
Interest income	$ 251	$ 109	$ 142
Interest expense:			
Interest on Line of Credit	(397)	(55)	(342)
Interest on Notes Payable	(46)	(32)	(14)
Debt guarantee expense	(655)	-	(655)
Interest on Capital Lease Obligations	(18)	(54)	36
Total interest expense	(1,116)	(141)	(975)
Net other income (expense)	**$ (865)**	**$ (32)**	**$ (833)**
Loss from continuing operations before income taxes	**$ (3,019)**	**$ (2,624)**	**$ (395)**
Income tax benefit (expense)	56	(24)	80
Loss from continuing operations	(2,963)	(2,648)	(315)
Income from discontinued operations	290	511	(221)
Net loss	**$ (2,673)**	**$ (2,137)**	**$ (536)**
EBITDA (loss) from continuing operations (1)	**$ (1,136)**	**$ (1,653)**	**$ 517**

	December 31,		Variance
	2005	2004	Favorable (Unfavorable)
Balance Sheet Data at End of Period			
Total Assets			
Cash and cash equivalents	$ 2,336	$ 3,639	$ (1,303)
Restricted cash available for current liabilities	5,913	9,165	(3,252)
Accounts receivable, net	2,760	4,371	(1,611)
Other current assets	725	1,272	(547)
Total current assets	**11,734**	**18,447**	**(6,713)**
Long term assets	5,481	5,357	124
Total assets	**$ 17,215**	**$ 23,804**	**$ (6,589)**
Liabilities and Stockholders' Deficit			
Claims payable	$ 9,429	$ 13,722	$ (4,293)
Other current liabilities	5,680	3,999	1,681
Total current liabilities	**15,109**	**17,721**	**(2,612)**
Line of Credit	8,000	5,500	2,500
Other long-term liabilities	453	811	(358)
Total liabilities	**23,562**	**24,032**	**(470)**
Stockholders' deficit	**(6,347)**	**(228)**	**(6,119)**
Total liabilities and stockholders' deficit	**$ 17,215**	**$ 23,804**	**$ (6,589)**

	Nine Months Ended December 31,		Variance
	2005	**2004**	**Favorable (Unfavorable)**
Cash Flow Data			
Cash provided by (used in) operating activities:			
Cash received by customers	$ 23,891	$ 42,028	$ (18,137)
Direct proved costs and claims settlements paid	(15,268)	(29,624)	14,356
Salary and benefits paid	(8,178)	(7,368)	(810)
Other operating income (expense), net	(4,864)	(4,606)	(258)
Net cash provided by (used in) operating activities	**(4,419)**	**430**	**(4,849)**
Cash provided by (used in) investing activities:			
Purchases of property and equipment	(324)	(84)	(240)
Restricted deposits, net	4,783	(2,565)	7,348
Net cash provided by (used in) investing activities	**4,459**	**(2,649)**	**7,108**
Cash provided by (used in) financing activities:			
Proceeds from borrowing under Line of Credit facility	1,850	4,000	(2,150)
Other financing activities, net	(986)	(956)	(30)
Net cash provided by (used in) financing activities	**864**	**3,044**	**(2,180)**
Net increase in cash and cash equivalents	**904**	**825**	**79**
Cash and cash equivalents, beginning of period	1,432	2,814	(1,382)
Cash and cash equivalents, end of period	**$ 2,336**	**$ 3,639**	**$ (1,303)**

	Year Ended March 31,		
	2005	**2004**	**Variance Favorable (Unfavorable)**
Operating Results			
Capitated Revenue			
Health Net	$ 38,990	$ 43,447	$ (4,457)
Aetna	17,774	-	17,774
Total capitated revenue	**$ 56,764**	**$ 43,447**	**$ 13,317**
Administrative Services Revenue			
Aetna	$ 1,038	$ 1,813	$ (775)
Other	1,097	730	367
Total ASO revenue	**$ 2,135**	**$ 2,543**	**$ (408)**
Fee-For-Service Revenue			
Health Net	$ 6,012	$ 8,270	$ (2,258)
Other	1,326	438	888
Total fee-for-service revenue	**$ 7,338**	**$ 8,708**	**$ (1,370)**
Total Revenue			
Health Net	$ 45,002	$ 51,717	$ (6,715)
Aetna	18,812	1,813	16,999
Other	2,423	1,168	1,255
Total revenue	**$ 66,237**	**$ 54,698**	**$ 11,539**
Percentage of Revenue by Major Customer			
Health Net	67.9%	94.6%	(26.7)%
Aetna	28.4%	3.3%	25.1%
Other	3.7%	2.1%	1.6%
Total revenue	**100.0%**	**100.0%**	

	Year Ended March 31,		Variance
	2005	**2004**	**Favorable (Unfavorable)**
Direct Service Costs			
Incurred claims	$ 53,561	$ 39,448	$ (14,113)
Direct clinical expenses	8,979	8,413	(566)
Total direct service costs	**$ 62,540**	**$ 47,861**	**$ (14,679)**
Direct Service Costs as a Percentage of Revenue			
Incurred claims as a percentage of total revenue	80.9%	72.1%	(8.8)%
Direct clinical expenses as a percentage of revenue	13.5%	15.4%	1.9%
Total direct service costs as a percentage of total revenue	**94.4%**	**87.5%**	**(6.9)%**
Gross profit	**$ 3,697**	**$ 6,837**	**$ (3,140)**
Gross profit as a percentage of total revenue	**5.6%**	**12.5%**	**(6.9)%**
Selling, General & Administrative Expenses			
Selling and administrative expenses	$ 6,127	$ 6,504	$ 377
Severance and related charges	558	277	(281)
Legal expenses (Lawsuit with State of Florida)	949	202	(747)
Unoccupied lease space write off	498	-	(498)
Stock option compensation expense	200	-	(200)
Total selling, general and administrative expenses	**$ 8,332**	**$ 6,983**	**$ (1,349)**
Total depreciation and amortization expense	**$ 1,356**	**$ 1,961**	**$ 605**
Operating loss from continuing operations	**$ (5,991)**	**$ (2,107)**	**$ (3,884)**
Other Income (Expense)			
Interest income	$ 187	$ 142	$ 45
Interest expense:			
Interest on Line of Credit	(157)	(65)	(92)
Interest on Notes Payable	(49)	(49)	-
Interest on Promissory Notes	-	(354)	354
Interest on Capital Lease Obligations	(46)	(102)	56
Total interest expense	(252)	(570)	318
Net other income (expense)	**$ (65)**	**$ (428)**	**$ 363**
Loss from continuing operations before income taxes	**$ (6,056)**	**$ (2,535)**	**$ (3,521)**
Income tax benefit	91	98	(7)
Loss from continuing operations	(5,965)	(2,437)	(3,528)
(Loss) income from discontinued operations	(524)	964	(1,488)
Net loss	**$ (6,489)**	**$ (1,473)**	**$ (5,016)**
EBITDA (loss) from continuing operations (1)	**$ (4,635)**	**$ (146)**	**$ (4,489)**

	March 31, 2005	2004	Variance Favorable (Unfavorable)
Balance Sheet Data at End of Year			
Total Assets			
Cash and cash equivalents	$ 1,432	$ 2,814	$ (1,382)
Restricted cash available for current liabilities	10,541	6,750	3,791
Accounts receivable, net	5,161	3,426	1,735
Other current assets	1,197	1,542	(345)
Total current assets	**18,331**	**14,532**	**3,799**
Long term assets	5,604	5,137	467
Total assets	**$ 23,935**	**$ 19,669**	**$ 4,266**
Liabilities and Stockholders Equity (Deficit)			
Claims payable	$ 15,032	$ 11,691	$ 3,341
Other current liabilities	6,504	4,010	2,494
Total current liabilities	**21,536**	**15,701**	**5,835**
Line of credit	6,150	1,500	4,650
Other long-term liabilities	632	575	57
Total liabilities	**28,318**	**17,776**	**10,542**
Stockholders equity (deficit)	**(4,383)**	**1,893**	**(6,276)**
Total liabilities and stockholders equity (deficit)	**$ 23,935**	**$ 19,669**	**$ 4,266**
Cash Flow Data			
Cash provided by (used in) operating activities:			
Cash received by customers	$ 56,644	$ 54,627	$ 2,017
Direct proved costs and claims settlements paid	(41,329)	(40,396)	(933)
Salary and benefits paid	(9,702)	(9,698)	(4)
Other operating income (expense), net	(5,539)	(5,558)	19
Net cash provided by (used in) operating activities	**74**	**(1,025)**	**1,099**
Cash provided by (used in) investing activities:			
Purchases of property and equipment	(517)	(274)	(243)
Restricted deposits, net	(4,560)	249	(4,809)
Net cash used in investing activities	**(5,077)**	**(25)**	**(5,052)**
Cash provided by (used in) financing activities:			
Proceeds from borrowing under Line of Credit facility	4,650	-	4,650
Proceeds from issuance of promissory notes	-	2,823	(2,823)
Proceeds from issuance of preferred stock	-	125	(125)
Other financing activities, net	(1,029)	(904)	(125)
Net cash provided by financing activities	**3,621**	**2,044**	**1,577**
Net increase (decrease) in cash and cash equivalents	**(1,382)**	**994**	**(2,376)**
Cash and cash equivalents, beginning of period	2,814	1,820	994
Cash and cash equivalents, end of period	**$ 1,432**	**$ 2,814**	**$ (1,382)**

(1) Earnings from continuing operations before interest, taxes, depreciation and amortization, or EBITDA from continuing operations, is a non-GAAP financial measure. This measure is not calculated in accordance with, or an alternative for, generally accepted accounting principles and may be different from non-GAAP measures used by other companies. We believe that the presentation of EBITDA from continuing operations, when shown in conjunction with the corresponding GAAP measure of earnings from continuing operations, provides useful information to management and investors regarding the financial and business trends relating to its results of operations. Additionally, for its internal budgeting purposes and for evaluating the company s performance, Patient Infosystems management uses financial statements that exclude income tax expense, interest expense and depreciation and amortization expense, as applicable, in addition to the corresponding GAAP measures. Presented below is a reconciliation of loss from continuing operations, which we believe to be the most comparable GAAP measure, to EBITDA from continuing operations:

	Year ended March 31,		**Nine Months ended December 31,**	
	2005	**2004**	**2005**	**2004**
Loss from continuing operations, GAAP basis	$ (5,965)	$ (2,437)	$ (2,963)	$ (2,648)
Income tax expense / (benefit)	(91)	(98)	(56)	24
Interest expense, net	65	428	865	32
Depreciation and amortization	1,356	1,961	1,018	939
EBITDA from continuing operations, non-GAAP basis	**$ (4,635)**	**$ (146)**	**$ (1,136)**	**$ (1,653)**

During the years ended March 31, 2005 and 2004 and the nine-month periods ended December 31, 2005 and 2004, CCS Consolidated accepted capitated risk from two of its customers, Health Net and Aetna.

Health Net

CCS Consolidated s contract with Health Net covered certain of its members in the states of Connecticut, New York and New Jersey. The lines of business for these members included Medicare, Medicaid and Commercial members, with the vast majority of the members residing in Connecticut. CCS Consolidated s services provided to these members included prior authorization of services to Skilled Nursing Facilities and Home Health agencies.

The medical loss ratio (MLR), which is defined as incurred claims divided by the related revenue, of the Health Net capitated risk business was 80.7% for the nine months ended December 31, 2004. We believe that this level of MLR generally produces sufficient margin to cover direct costs to administer the business and make a sufficient contribution to selling, general and administrative expenses in order to produce a profit.

Two events occurred subsequent to December 31, 2004 that resulted in the deterioration of this contract. First, the utilization rates of the Health Net members for CCS Consolidated s services increased. The average number of bed days for the biggest risk element of the Health Net contract increased 8% for the year ended March 31, 2005 as compared to the year ended March 31, 2004. Additionally, Health Net reduced the capitated PMPM rates it paid to CCS Consolidated as of the contract s renewal on January 1, 2005. Had the Health Net membership remained stable, the rate reduction would have resulted in decreased revenues of $2.25 million. However, Health Net also had a decrease in membership in certain accounts CCS Consolidated served, which caused an even greater reduction in CCS Consolidated s revenues.

These factors resulted in the Health Net capitated MLR increasing from 80.7% for the nine months ended December 31, 2004 to 93.4% for the nine months ended December 31, 2005.

During 2005, the Connecticut Insurance Department enacted legislation that raised capital requirements for all risk-bearing entities, and that would have required CCS Consolidated to commit approximately $13 million of capital to continue to take risk for the Health Net members in that state as of May 1, 2005. As this capital was not readily available, CCS Consolidated and Health Net mutually agreed to convert the Connecticut contract from capitated risk to an Administrative Services Only (ASO) contract as of May 1, 2005. CCS Consolidated continued to perform the same services under the contract as when the contract was on an at risk basis, but CCS Consolidated only received an administrative fee excluding the cost of claims, causing a large reduction in its revenue. CCS Consolidated remained at risk for Health Net members in the states of New York and New Jersey in the periods indicated in the table above.

The effect of this conversion is evident in the financial table above for capitated revenue and administrative services revenue related to Health Net. In addition, there are certain services provided by CCS Consolidated to Health Net members that CCS Consolidated pays and are reimbursed by Health Net generally on a cost-plus basis. These amounts are shown in the table above as fee-for-service revenue. While the fee-for-service MLR is generally favorable, the volume of Health Net fee-for-service revenue has decreased considerably as shown in the table above, as fewer of these services were outsourced to CCS Consolidated. The Health Net fee-for-service revenues for the nine months ended December 31, 2004 and the nine months ended December 31, 2005 were approximately $5.1 million and $2.0 million, respectively.

Total Health Net revenues for the nine months ended December 31, 2004 and the nine months ended December 31, 2005 were approximately $34.9 million and $11.8 million, respectively. The amount of these revenues available to pay expenses after the subtraction of the incurred claims on the Health Net business for these same periods were $7.1 million and $4.6 million, respectively.

On February 14, 2006, CCS Consolidated signed a Transition Agreement with Health Net that was effective as of January 1, 2006. The transition, which was effectively completed as of April 30, 2006, resulted in the de-delegation of services back to Health Net. Certain of the staff who formerly serviced the Health Net contract were transferred to new contracts, and the remaining positions were eliminated.

As noted above, the Health Net Connecticut business converted to an ASO basis on May 1, 2005. As of January 1, 2006, the contracts for New York and New Jersey were also converted to ASO basis.

CCS Consolidated received approximately $3.5 million in revenues for administrative services provided to Health Net from January 1, 2006 through the remainder of the contract, which is deemed adequate to fund any remaining expenses related to the HealthNet contract. While the revenues CCS Consolidated received under the Health Net contract have been reduced since March 31, 2005, the contract has not been profitable to CCS Consolidated during such period. As a result of the termination of the Health Net contract, we anticipate that CCS Consolidated s gross profit will not be materially adversely impacted.

	Year ended March 31, 2005	Year ended March 31, 2004	Nine months ended December 31, 2005	Nine months ended December 31, 2004
Health Net Revenues	$45.0 million	$51.7 million	$11.8 million	$34.9 million
Health Net contribution (loss) to overhead and profit	$0.9 million	$6.1 million	$(0.6) million	$2.6 million

Aetna

CCS Consolidated entered into contracts with Aetna in July 2003 to provide post-acute services to certain of its members in the states of New York and New Jersey. CCS Consolidated was compensated on an ASO basis when these contracts began. As noted in the financial table above, CCS Consolidated received $1.8 million in ASO fees from Aetna for the period of July 2003 through March 2004.

Effective May 1, 2004, one Aetna contract converted from an ASO basis to a capitated risk basis. Another Aetna contract converted from an ASO basis to a capitated risk basis on January 1, 2005. The effects of these conversions resulted in CCS Consolidated recording approximately $2.8 million in monthly capitation revenue associated with the Aetna contracts, instead of approximately $200 thousand in monthly ASO revenue as originally provided for under the contracts. Because CCS Consolidated is at risk for the claims under the capitation risk arrangement, it records incurred claims for the estimated incurred claims.

Because CCS Consolidated was providing services to these Aetna members on an ASO basis for several months prior to the conversion of these contracts to a capitation risk arrangement, CCS Consolidated was able to accurately price its risk services when it did convert the contracts to an at risk basis.

The following comparisons of CCS Consolidated s operating results refer to the financial data listed in the tables above.

Nine months ended December 31, 2005 compared to nine months ended December 31, 2004

Capitation Revenue

The decrease in capitation revenue of $8.3 million during the nine months ended December 31, 2005, when compared to the same period in the prior year, is the net result of the conversion of the Health Net Connecticut contract from capitation risk to an ASO basis on May 1, 2005 and the conversion of an Aetna contract from an ASO basis to capitated risk, both as discussed above.

ASO Revenue

The increase in ASO revenue of $3.4 million during the nine months ended December 31, 2005, when compared to the same period in the prior year, was also the net result of the contract conversions discussed above. Included in Other in the financial table above are various contracts that are growing gradually. Additionally, we have entered into a new contract for our CCM product that began in July 2005, as discussed under New Contracts below.

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Fee-for-Service Revenue

The decrease in fee-for-service revenue of $3.1 million during the nine months ended December 31, 2005, when compared to the same period in the prior year, is primarily related to the decrease in demand related to the Health Net contract, as discussed above.

Total Revenues

Our total revenues for the nine months ended December 31, 2005 aggregated $39.0 million, a decrease of $8.0 million, or 17.1%, from the same period of the prior year. This decrease was primarily the net result of the contract conversions discussed above.

Direct Service Costs

The decrease in our direct service costs of $7.1 million during the nine months ended December 31, 2005 when compared to the same period in the prior year is a net result of several factors, including:

The Health Net capitated MLR increased from 80.7% for the nine months ended December 31, 2004 to 93.4% for the nine months ended December 31, 2005 due to the increased utilization and the rate decrease effective January 1, 2005, both as discussed above. Conversely, the conversion for the Health Net Connecticut contract from capitated risk to ASO basis on May 1, 2005 resulted in significant decreases to capitated incurred claims related to Health Net. Adding to the decrease in Health Net incurred claims was the reduction in service levels for the Health Net fee-for-service business.
The conversions of the Aetna contracts discussed above resulted in an increase in Aetna incurred claims.

The net result of the Health Net and Aetna contract conversions resulted in a $8.6 million decrease in incurred claims for the nine months ended December 31, 2005 as compared to the prior year. The net decrease in revenues for these contract conversions was a decrease of $8.7 million for these same periods. Therefore, the amount of revenues remaining to pay expenses after the incurred expenses was essentially the same for these periods.
Direct clinical expenses, which are the costs directly involved with providing clinical services to the members of our customers, increased $1.7 million during the nine months ended December 31, 2005 when compared to the same period in the prior year. The majority of this increase is a result of the costs incurred in connection with the implementation of our new CCM product. Also included in the increase in direct clinical expenses are approximately $400 thousand of expenses related to a new contract for CCM services that began in July 2005.

Gross Profit

The net result of the contract conversions, increased utilization, implementation of the CCM product and the start-up expenses associated with the new contract was a $1.0 million reduction in gross profit, as shown in the financial table above, for the nine months ended December 31, 2005 when compared to the same period in the prior year.

Selling, general and administrative expenses

Selling, general and administrative expenses (SG&A) decreased by $1.5 million for the nine months ended December 31, 2005 when compared to the same period in the prior year. The total amount

of SG&A for the nine months ended December 31, 2004 included $1.1 million charge for a settlement and related legal fees related to a lawsuit with the State of Florida over the financial reconciliation of a contract. A compromise and settlement was subsequently reached by the parties on the matter. We expensed the entire amount of the settlement plus the estimated remaining legal costs during the year ended March 31, 2005, and no expenses were incurred on this matter during the nine months ended December 31, 2005. Additionally, the SG&A expenses for the nine months ended December 31, 2004 included $377 thousand of severance expenses.

Depreciation and amortization expense

The Company recognized $939 thousand and $1.0 million of depreciation and amortization for the nine months ended December 31, 2004 and 2005, respectively.

Interest Income (Expense), net

Interest income increased $142 thousand for the nine months ended December 31, 2005 when compared to the same period in the prior year due to the increase in restricted cash balances from $9.2 million at December 31, 2004 to $10.5 million at March 31, 2005 before decreasing again to $5.9 million at December 31, 2005. Interest expense increased by $975 thousand between these periods due to the increase in the line of credit balance from $1.5 million at December 31, 2004 to $8.0 million at December 31, 2005 and the expensing of warrants issued to the Company s primary investors. The Line of Credit is guaranteed by the primary investors. In exchange for the guarantees, the Company issued warrants to purchase Series AA convertible preferred stock. The excess of the fair market value over the exercise price is being amortized in accordance with the Line of Credit balance over the remaining term of the Line of Credit. See Liquidity and Capital Resources below for a further description of the restricted cash and the line of credit.

Net loss

The conversions of the Health Net and Aetna contracts, the increased utilization of the Health Net capitated risk, the expenses associated with the implementation of our CCM program, the start-up costs for the new contract that began in July 2005 and the debt guarantee expense resulted in an increase in the net loss of $0.5 million for the nine months ended December 31, 2005, when compared to the same period in the prior year.

Year ended March 31, 2005 compared to the year ended March 31, 2004

Capitation Revenue

The capitated revenue related to the Health Net contract decreased $4.5 million during the year ended March 31, 2005, when compared to the prior year, due primarily to the rate decrease effective January 1, 2005 and the decrease in Health Net membership, each described above. The capitated revenue related to Aetna of $17.8 million was due to the conversions from an ASO basis to capitated risk. These factors are explained in detail above. The net increase in capitated revenue for the year ended March 31, 2005, when compared to the prior year, was $13.3 million.

ASO Revenue

The decrease in ASO revenue of $408 thousand during the year ended March 31, 2005, when compared to the prior year, was also the result of the Aetna contract conversions discussed above. The decrease in the Aetna ASO fees was $775 thousand, which was partially offset by the increase in other contracts, which are growing gradually.

Fee-for-service Revenue

The decrease in fee-for-service revenue of $1.4 million during the year ended March 31, 2005, when compared to the prior year, is primarily related to the decrease in demand related to the Health Net contract, as discussed above.

Total Revenues

Total revenues for the year ended March 31, 2005 aggregated $66.2 million, an increase of $11.5 million, or 21.1%, from the prior year. This increase was primarily the net result of the increase of $17.0 million related to the Aetna contract conversions, partially offset by the $6.7 million decrease in Health Net revenues.

Direct Service Costs

The increase in direct service costs of $14.7 million for the year ended March 31, 2005, when compared to the prior year, is a net result of several factors, including:

While there was no increase in the absolute dollar value of capitated incurred claims related to Health Net, the decrease in Health Net capitated revenues of $4.5 million resulted in an increase in the Health Net capitated MLR from 76.7% for the year ended March 31, 2004 to 85.5% for the year ended March 31, 2005. The fee-for-service incurred claims related to Health Net decreased by $1.1 million due to the reduction in the fee-for-service demand levels. The total decrease in Health Net incurred claims was $1.1 million during the year ended March 31, 2005 when compared with the prior year, as compared to the net decrease in Health Net revenues of $6.7 million during the year ended March 31, 2005 when compared with the prior year.

The conversions of the Aetna contracts from ASO to risk, which increased capitated revenues of $17.8 million, resulted in a significant increase in direct service costs.

Direct clinical expenses, which are the costs directly involved in providing clinical services to the members of CCS Consolidated s customers, increased by $566 thousand during the year ended March 31, 2005 when compared to the prior year. The majority of this increase is a result of the costs of implementing of the new CCM product discussed above.

Gross Profit

The net result of the contract conversions, increased utilization and the expenses associated with the implementation of the CCM product, was a $3.1 million reduction in gross profit during the year ended March 31, 2005, when compared to the prior year, as shown in the financial table above.

Selling, general and administrative expenses

SG&A increased by $1.3 million during the year ended March 31, 2005, when compared to the prior year. This was primarily due to the following factors:

Severance and related charges incurred in connection with a reduction in force aggregated $558 thousand for the year ended March 31, 2005, which was an increase of $281 thousand for a similar reduction in force in the prior year;

As discussed above, there were a total of $949 thousand of expenses incurred in connection with a settlement with the State of Florida in the year ended March 31, 2005, which was an increase of $747 thousand over expenses recorded in the prior year;
During the year ended March 31, 2005, CCS Consolidated recorded $498 thousand of future rental payments related to the unoccupied warehouse space in its headquarters in Coral Springs, Florida, which it has been unable to sublease and for which there are no plans for future use; and
During the year ended March 31, 2005, CCS Consolidated entered into a separation agreement with its former president and chief operating officer. Under the terms of the separation agreement, this individual was granted a fully vested option to purchase shares of CCS Consolidated s common stock. CCS Consolidated recognized approximately $200 thousand of compensation expense associated with this grant.

The increase in SG&A described above during the year ended March 31, 2005 when compared to the prior year was partially offset by a decrease of $377 thousand due primarily to increased control of operating expenses.

Depreciation and amortization expense

The decrease in depreciation and amortization expense of $605 thousand during the year ended March 31, 2005 when compared to the prior year was due primarily to the increased age of the fixed assets and capital lease assets.

Interest Income (Expense), net

Interest income increased $45 thousand during the year ended March 31, 2005 when compared to the prior year due to the increase in restricted cash balances from $6.8 million at March 31, 2004 to $10.5 million at March 31, 2005. During the year ended March 31, 2003, CCS Consolidated issued promissory notes aggregating $2.7 million to its investors and issued additional promissory notes aggregating $2.8 million during the year ended March 31, 2004. These notes incurred interest, which was capitalized into the note balances. During the year ended March 31, 2004, CCS Consolidated recorded $354 thousand of interest expense associated with these notes. These notes were converted into preferred stock during April 2004, and no additional promissory note interest expense was incurred in connection with these notes during the year ended March 31, 2005. This decrease in interest expense was partially offset by increased interest expense of $92 thousand associated with the line of credit described under Liquidity and Capital Resources below, as the outstanding borrowings on the line of credit increased from $1.5 million at March 31, 2004 to $6.2 million at March 31, 2005.

Discontinued Operations

During the year ended March 31, 2005, CCS Consolidated terminated its contractual relationship with Oxford Health Plans, or Oxford. Pursuant to the contract termination provisions, CCS Consolidated performed under the terms of the contract through August 31, 2005. It has had no continuing involvement thereafter. Therefore, it accounts for its former contract with Oxford as discontinued operations.

The Oxford contract included risk sharing provisions and provided for an annual settlement after the conclusion of each contract year. Subsequent to March 31, 2005, Oxford submitted its calculation of the amount due from CCS Consolidated for the contract year ended December 31, 2004, which included many matters which CCS Consolidated believes are contrary to the terms of the contract, and it notified Oxford of the disputed items. Oxford does not agree with CCS Consolidated s position on these matters,

and it drew down a $500,000 letter of credit that had been established for Oxford s benefit pursuant to this contract. At March 31, 2005, CCS Consolidated recorded a liability based on its estimate of the potential liability in the contractual dispute with Oxford for services rendered through March 31, 2005, should it not prevail in its position on the matter. At this time, we believe that we are adequately reserved for any additional amounts due to Oxford.

CCS Consolidated also had remaining business during the year ended March 31, 2004 related to the cessation of operations in the State of Texas during the year ended March 31, 2003. These operations are also accounted for as discontinued operations. During the year ended March 31, 2004, it recognized income from discontinued operations of $964 thousand, but it recognized a loss from discontinued operations of $524 thousand for the year ended March 31, 2005.

Net loss

The decrease in the Health Net revenues, coupled with an increase in the Health Net MLR, the conversion of the Aetna contracts from ASO to capitated risk, the increase in SG&A expense, the decreases in depreciation, amortization and interest expense, and the increase in the net loss from discontinued operations, resulted in an increase in the net loss of $5.0 million during the year ended March 31, 2005 when compared to the prior year.

New Contracts

As discussed in Overview - Care Management Programs above, CCS Consolidated has changed its focus from CCS Consolidated s traditional post-acute, capitated risk strategy to its new CCM product. It implemented its first CCM program on January 1, 2005. In July 2005, CCS Consolidated implemented its second CCM customer. While there was only $416 thousand of revenue recognized in the nine months ended December 31, 2005 for this new customer, CCS Consolidated has experienced increased activity with this customer since December 31, 2005, which it expects to lead to increased revenue from this customer in future periods.

CCS Consolidated has already begun to experience benefits from the combined strengths and the expanded product offering of the resulting combination with Patient Infosystems. CCS Consolidated has already signed a new contract that will commence shortly. In addition, it has certain proposals that appear to be well-received by its potential customers, although there can be no guarantee that they will ultimately result in new customers or profitable opportunities.

Subsequent Events

Effective January 25, 2006, CCS Consolidated completed the merger with Patient Infosystems, pursuant to which CCS Consolidated became a wholly-owned subsidiary of Patient Infosystems. As described above, CCS Consolidated will be treated as the accounting acquirer in the merger. Accordingly, the results of operations of Patient Infosystems will be incorporated into the results of CCS Consolidated beginning January 25, 2006.

During January 2006, CCS Consolidated received notice from a customer that the customer would be terminating its agreement for skilled nursing facilities and home health utilization services effective as June 1, 2006, although the contract has recently been extended through at least July 1, 2006. CCS Consolidated believes that the impact of this termination will be a decrease in revenue of approximately $31 thousand per month and approximately $4,500 in gross profit per month.

Liquidity and Capital Resources

CCS Consolidated

Working Capital. At December 31, 2005, CCS Consolidated had a working capital deficit of $3.4 million as compared to working capital deficits at March 31, 2005 and March 31, 2004 of $3.2 million and $1.2 million, respectively. At December 31, 2005, CCS Consolidated had a deficit in stockholders equity of $6.3 million. Due to historical losses, CCS Consolidated has depended on capital infusions from its major investors and borrowings from a financial institution to fund its operations and to fund restricted deposits. If these additional funds were not available, CCS Consolidated would likely have been required to reduce its operations or take other measures to curtail losses. As discussed elsewhere in this prospectus, CCS Consolidated merged with Patient Infosystems on January 25, 2006. At the time the merger was completed, Patient Infosystems had significant working capital resulting from equity financings completed in late 2005. Accordingly, we do not believe we will need any further borrowings or raising of additional capital through December 31, 2006.

Capitated Risk Contracts. In connection with taking capitated risk, CCS Consolidated s customers require it to provide letters of credit for their protection in case CCS Consolidated does not have sufficient resources to pay the related claim liabilities. These letters of credit are generally collateralized by certificates of deposit and are shown in the financial table above as Restricted cash available for current liabilities. During the year ended March 31, 2005, CCS Consolidated issued letters of credit to Aetna related to the conversions of the Aetna contracts discussed above to capitated risk and thereby increased restricted cash by $2.9 million. CCS Consolidated also increased the restricted cash related to the Health Net contract by $1.6 million. While the Health Net contract in Connecticut converted from capitated risk to administrative services only on May 1, 2005, CCS Consolidated must continue to pay claims for many months after that date for claims incurred prior to that date. CCS Consolidated has an arrangement with Health Net to release restricted cash as claims are paid. Accordingly, the Health Net restricted cash was reduced by $4.1 million during the nine months ended December 31, 2005. As of December 31, 2005, CCS Consolidated had $2.5 million remaining in restricted cash related to the Health Net contract, which will be used to pay the remaining claim reserves related to Health Net capitated risk claims. We believe this amount is sufficient to pay these remaining claim obligations although there can be no guarantee that the claims will not exceed CCS Consolidated s restricted cash balances.

Cash received from customers shown in the financial table above is generally less than revenues recorded, primarily due to the Aetna capitated risk contracts. In connection with these contracts, CCS Consolidated records 100% of the capitated revenues and 100% of the capitated incurred claims. However, CCS Consolidated does not pay all the claims. Aetna also pays a portion of the claims, and consequently retains cash to pay these claims. There are reconciliations to be performed for the claims Aetna paid for periods in time that is to be compared to the cash it retained. If Aetna pays less than the cash it retained, it will owe this amount to us. If Aetna pays more than the cash it retained, we will owe Aetna this excess.

Comerica Line of Credit. CCS Consolidated is a party to a Loan and Security Agreement with Comerica Bank dated October 9, 2002, as amended on October 28, 2003, November 17, 2004 and January 12, 2006 (as so amended, the Loan and Security Agreement), pursuant to which it has an $8.0 million revolving line of credit. The line of credit bears interest at the lender s prime rate plus 1%, which was 8.25%, 6.75% and 5.00% at December 31, 2005, March 31, 2005 and March 31, 2004, respectively, and is scheduled to expire on June 30, 2007. The line of credit is collateralized by all of CCS Consolidated s assets, including its investment in all of its subsidiaries. In connection with the merger, each of Patient Infosystems and CMI was required to deliver to Comerica an unconditional guaranty of CCS Consolidated s obligations under the Loan and Security Agreement. The satisfaction of the obligations of CCS Consolidated under the Loan and Security Agreement are also guaranteed by subsidiaries of CCS Consolidated which became indirect subsidiaries of Patient Infosystems as a result of

the merger. The satisfaction of the obligations of CCS Consolidated under the Loan and Security Agreement are also guaranteed by certain of the former stockholders of CCS Consolidated who became stockholders of Patient Infosystems upon the closing of the merger. Under the terms of the guaranties, each participating primary investor unconditionally and irrevocably guarantees prompt and complete payment of its pro rata share of the amount owed under the line of credit.

In exchange for delivering guaranties to Comerica to satisfy the obligations of CCS Consolidated, in November 2004, these former stockholders of CCS Consolidated were issued warrants to purchase shares of capital stock of CCS Consolidated, which vested over time based on the outstanding balances under the Loan and Security Agreement. As part of the merger, the unvested portion of these warrants was terminated and replaced by Patient Infosystems with warrants to purchase shares of Patient Infosystems common stock (the Replacement Warrants). Each of the Replacement Warrants has an exercise price of $0.003172 per share of Patient Infosystems common stock. These Replacement Warrants vest through June 30, 2007 based on the outstanding balances under the Loan and Security Agreement. Additionally, 400,000 warrants to purchase Series AA Preferred Stock was issued in January 2006 in conjunction with the extension of the Line of Credit to June 30, 2007, with the same vesting term as the 2,000,000 guaranty warrants previously issued. If the Replacement Warrants fully vest and are exercised in full for a cash payment of the aggregate exercise price, the holders of the Replacement Warrants will receive an aggregate of 3,152,141 shares of Patient Infosystems common stock. These 3,152,141 shares of Patient Infosystems common stock were issued into escrow at the closing of the merger with CCS Consolidated. To the extent that the Replacement Warrants do not vest, or are not exercised in full, the shares of Patient Infosystems common stock underlying the Replacement Warrants will be released from escrow to all former stockholders of CCS Consolidated at the effective time of the merger in accordance with the Merger Agreement.

As of March 31, 2005 and March 31, 2004, principal balances of $6.2 million and $1.5 million, respectively, were outstanding under the line of credit. During June 2005, CCS Consolidated borrowed an additional $1.2 million under the line of credit, bringing the total amount outstanding to $7.35 million, and in December 2005, CCS Consolidated borrowed the remaining $650 thousand available under the line of credit, such that the maximum amount of $8.0 million is currently outstanding.

The Loan and Security Agreement contains representations and warranties and affirmative and negative covenants that are customary for credit facilities of this type. The Loan and Security Agreement could restrict CCS Consolidated s ability to, among other things, sell certain assets, change its business, engage in a merger or change in control transaction, incur debt, pay cash dividends, make investments and encumber its assets. The Loan and Security Agreement also contains events of default that are customary for credit facilities of this type, including payment defaults, covenant defaults, insolvency type defaults and events of default relating to liens, judgments, material misrepresentations and the occurrence of certain material adverse events.

Cash Flows. The net cash used in operating activities for the nine months ended December 31, 2005 was $4.4 million. This was due primarily to the payment of Health Net related capitated risk claims. As noted above, there was a reduction in restricted cash, included in cash provide by investing activities, to pay for most of this use of cash and cash equivalents.

Patient Infosystems(company acquired by CCS Consolidated)

Working Capital. At December 31, 2005, Patient Infosystems had a working capital surplus of $5.6 million as compared to a working capital deficit of $1.9 million at December 31, 2004. At December 31, 2005, Patient Infosystems had stockholders equity of $13.3 million. Through December 31, 2005 these amounts reflect the effects of Patient Infosystems continuing losses that have been funded, in part, by the issuance of equity. Patient Infosystems has never earned profits and, since its

inception, Patient Infosystems has primarily funded its operations, working capital needs and capital expenditures from the sale of its equity securities and borrowings from financial institutions. At the time the merger was completed, however, Patient Infosystems had significant working capital resulting from equity financings completed in late 2005. Accordingly, we believe that we will have sufficient capital resources that we will not need any further borrowings or raising of additional capital through December 31, 2006.

Wells Fargo Debt. During the years ended December 31, 2005 and 2004, Patient Infosystems was party to a credit agreement with Wells Fargo Bank under which Patient Infosystems was permitted to borrow up to $6,000,000. In connection with this credit facility, two of Patient Infosystems current directors, John Pappajohn and Derace Schaffer, M.D., guaranteed the satisfaction of Patient Infosystems obligations. In consideration for these guarantees, Mr. Pappajohn and Dr. Schaffer were issued warrants to purchase Patient Infosystems Series D Preferred Stock and common stock. During December 2005, the credit facility was repaid in full with the proceeds of sales of Patient Infosystems common stock.

Comerica Line of Credit. As described above, as a result of the effectiveness of the merger with CCS Consolidated, Patient Infosystems assumed a revolving line of credit with Comerica. The terms of the Loan and Security Agreement provide for a revolving line of credit of up to $8.0 million secured by a security interest in CCS Consolidated s assets, other than intellectual property. The maximum amount of $8.0 million is currently outstanding, and the outstanding balance under the line of credit bears interest at the lender s prime rate plus 1%, which was 8.25%, 6.75% and 5.00% at December 31, 2005, March 31, 2005 and March 31, 2004, respectively. The maturity date of the line of credit is June 30, 2007.

PIPE Financing. In October 2005, in connection with the merger with CCS Consolidated, Patient Infosystems sold 3,411,512 shares of its common stock for an average per share price of $3.52, for an aggregate of $12 million to accredited investors in a private placement exempt from registration under the Securities Act of 1933. Patient Infosystems paid $1,080,000 in fees to a placement agent and issued the placement agent a warrant to purchase 307,036 shares of Patient Infosystems common stock at $1.50 per share and an option to purchase 153,518 shares of ACS common stock at $6.00 per share. Patient Infosystems had other capitalized costs related to this private placement of $499,525 as of December 31, 2005.

On October 31, 2005, Patient Infosystems issued 547,224 shares of common stock valued at $3.44 per share and paid $17,351 in cash to the holders of Patient Infosystems preferred stock in lieu of accrued dividends which it was obligated to pay upon conversion of such preferred stock into common stock. John Pappajohn and Derace Schaffer, M.D., directors of Patient Infosystems, received 279,465 and 40,694 shares of Patient Infosystems common stock, respectively, and Principal Life Insurance Company, a beneficial owner of more than 5% of Patient Infosystems outstanding common stock, received 193,860 shares of Patient Infosystems common stock in satisfaction of the accrued dividends.

On December 30, 2005, Patient Infosystems issued 177,050 units which consisted of newly issued common stock and shares of ACS held by Patient Infosystems. Patient Infosystems sold a total of 177,050 shares of its common stock and 88,525 shares of ACS common stock for $3.05 per unit in a private placement to institutional and other accredited investors. Gross proceeds to the Patient Infosystems from this sale was approximately $540,000. The proceeds from the sale were used to repay indebtedness.

After paying related commissions and other offering costs, the aggregate net proceeds of the PIPE transactions were approximately $10.8 million. Patient Infosystems used $6.0 million of the net proceeds to retire its debt obligations under the Wells Fargo credit facility in full. Pursuant to the terms of the PIPE, Patient Infosystems is obligated to register the resale of the shares issued in the PIPE on behalf of the investors in the PIPE. Under the terms of the PIPE, Patient Infosystems will incur financial penalties

of 1% of the gross proceeds (approximately $120,000) per month if the effective date of the registration statement relating to these shares is delayed past March 1, 2006 until such time as the registration statement is declared effective. Because the closing of the merger between CCS Consolidated and Patient Infosystems was delayed until January 25, 2006, and because of subsequent delays in the registration process, the financial penalties described above will apply for at least two months and possibly more. The effective date of the registration statement will depend on a number of factors that are beyond our control. Any significant delays in the effectiveness of the registration statement could have a material adverse impact on our financial condition and liquidity position.

As a result of these issuances of equity, we believe that we have sufficient working capital and do not believe that we will need any further borrowings or raising of additional capital through December 31, 2006. However, in the event that the combined company experiences losses, its available capital will diminish, and in such case there can be no assurance given that we could raise either required working capital through the sale of its securities or that we could borrow the additional amounts needed on favorable terms, or at all. In such instance, if we are unable to identify additional sources of capital, we would likely be forced to curtail or cease operations.

Preferred Stock Dividend. On January 25, 2006, Patient Infosystems paid dividends in arrears totaling $192,785 to the holders of Patient Infosystems Series C and D Preferred Stock. In lieu of $178,036 of cash, John Pappajohn and Derace Schaffer M.D., directors of Patient Infosystems, received 23,733 and 2,387 shares of ACS common stock, respectively, and Principal Life Insurance Company, a beneficial owner of more than 5% of Patient Infosystems outstanding common stock, received 18,390 shares of ACS common stock in satisfaction of the accrued dividends. Such shares of ACS common stock were held by Patient Infosystems as available-for-sale securities.

Inflation

Inflation did not have a significant impact on either CCS Consolidated s or Patient Infosystems operations during 2005 and 2004. We continue to monitor the impact of inflation in order to minimize its effects through pricing strategies, productivity improvements and cost reductions.

Recent Accounting Pronouncements

In May 2005, the Financial Accounting Standards Board (FASB) issued SFAS No. 154, Accounting Changes and Error Corrections a replacement of APB Opinion No. 20 and FASB Statement No. 3 (SFAS No. 154), which replaces APB Opinion No. 20, Accounting Changes, and FASB Statement No. 3, Reporting Accounting Changes in Interim Financial Statements, and changes the requirements for the accounting for and reporting of a change in accounting principle. This Statement applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. SFAS No. 154 will be adopted by Patient Infosystems for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We do not expect adoption of the provisions of SFAS No. 154 to have a material impact on our consolidated financial statements, results of operations or liquidity.

In December 2004, the FASB issued Statement of Financial Accounting Standard (SFAS) No. 123(Revised), Share-Based Payment (SFAS No.123(R)), establishing accounting standards for transactions in which an entity exchanges its equity instruments for goods or services. SFAS No. 123(R) also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity s equity instruments, or that may be settled by the issuance of those equity instruments. SFAS No. 123(R) covers a wide range of share-based compensation arrangements

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including stock options, restricted stock plans, performance-based stock awards, stock appreciation rights, and employee stock purchase plans. SFAS No. 123(R) replaces existing requirements under SFAS No. 123, Accounting for Stock-Based Compensation, and eliminates the ability to account for share-based compensation transactions using APB Opinion No. 25. Because the merger between Patient Infosystems and CCS Consolidated resulted in CCS Consolidated being deemed to be the accounting acquirer under generally accepted accounting principles, and CCS Consolidated uses a March 31 year end, SFAS 123(R) will be in effect for Patient Infosystems beginning in periods ending after April 1, 2006. We are currently assessing the financial statement impact of adopting SFAS No. 123(R).

DESCRIPTION OF BUSINESS

General

Patient Infosystems, Inc. was incorporated in the State of Delaware on February 22, 1995 under the name DSMI Corp., changed its name to Disease State Management, Inc. on October 13, 1995, and then changed its name to Patient Infosystems, Inc. on June 28, 1996. Our principal executive offices are located at 46 Prince Street, Rochester, New York 14607, and its telephone number is (585) 242-7200. Our Internet addresses are www.ptisys.com and www.careguide.com. The information contained on our websites do not constitute part of, nor is it incorporated by reference into, this prospectus.

On January 25, 2006, Patient Infosystems merged with CCS Consolidated, Inc. (the Merger). CCS Consolidated is a national care management company providing higher-risk and elderly care management services to health plans, work/life benefits companies and self-funded employers.

At the closing of the merger, Patient Infosystems issued 43,224,352 shares of its common stock to the former stockholders of CCS Consolidated. This represented approximately 64% of the issued and outstanding voting shares of Patient Infosystems upon the closing of the merger, and as a result there was a change of control of Patient Infosystems.

In addition, under a stockholders agreement entered into at the closing of the merger, stockholders holding approximately 65% of the outstanding voting shares of Patient Infosystems common stock after the consummation of the merger have agreed to vote their shares in favor of the election of John Pappajohn, a current director of Patient Infosystems, Derace Schaffer, M.D., a current director of Patient Infosystems, and three individuals designated by holders of at least a majority of the Patient Infosystems common stock held by the former stockholders of CCS Consolidated who are parties to the stockholders agreement. The three new directors appointed were Mark L. Pacala, Daniel C. Lubin and Albert S. Waxman. As provided by the stockholders agreement, two additional directors may be added to the Patient Infosystems board of directors, which individuals must be unanimously approved by the other five members of the Patient Infosystems board of directors. These additional directors have not yet been appointed.

Because the former CCS Consolidated securityholders held approximately 63% of Patient Infosystems fully diluted shares of common stock immediately following the Merger, CCS Consolidated s designees to Patient Infosystems board of directors represent a majority of Patient Infosystems directors and CCS Consolidated s executive management represent a majority of the executive management of the combined company, CCS Consolidated is deemed to be the acquiring company for accounting purposes and the transaction is being accounted for as a reverse acquisition under the purchase method of accounting for business combinations in accordance with generally accepted accounting principles in the United States. Patient Infosystems has adopted March 31 as its fiscal year end, which was CCS Consolidated s fiscal year end.

On September 22, 2004, we acquired 100% of CBCA Care Management, Inc., or CMI, a New York corporation. CMI provides case and utilization management services primarily to self insured employers and health and welfare funds. We have sold case and utilization management services since 2000 and until 2004 outsourced the operations to CMI. We intend to continue to market case and utilization management services.

On December 31, 2003, we acquired the assets of American Caresource Corporation and formed American Caresource Holdings, Inc., or ACS, to operate those assets. ACS provides ancillary benefits

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management services, including a network of ancillary specialty providers and value-added services that assist its clients in controlling the cost of a range of ancillary medical services. On December 16, 2005, we distributed approximately 12 million shares of common stock of ACS as a dividend to our stockholders and retained approximately 300,000 shares of ACS, of which we closed on the sale of 88,525 shares on December 30, 2005. Following the spin-off of ACS shares, ACS became an independent public company with its own management and board of directors. Two of our directors, John Pappajohn and Derace Schaffer, also serve as directors of ACS.

Business of Patient Infosystems Prior to the Merger with CCS Consolidated

Patient Infosystems is a health management solutions company that integrates clinical expertise with advanced Internet, call center and data management capabilities. Founded in 1995 as a disease management company, Patient Infosystems has evolved to offer a comprehensive portfolio of products and services designed to improve patient clinical outcomes and quality of life, reduce healthcare costs and facilitate patient-provider-payor communication. These products are now marketed under the label Care Team Connect for Health.

Patient Infosystems has historically marketed its services to a broad range of clients, including self-insured employers and trust funds, insurance companies, pharmaceutical and medical equipment and device manufacturers, pharmacy benefit managers (PBMs), other healthcare payors, such as managed care organizations (MCOs) and healthcare providers, including integrated delivery networks (IDNs). Current marketing efforts are targeted to self-insured employers, employer groups, union health and welfare funds, and others who pay for the health care of defined populations.

During its first two years of operations, Patient Infosystems emphasized the development of pure disease management programs, which accounted for a substantial portion of its revenue through 1997. However, beginning in 1998, Patient Infosystems devoted resources to the development of broader applications of its technology platform, and its additional products grew to account for nearly 45% of the total revenue of Patient Infosystems during the fiscal year ended December 31, 2002. During 2003, Patient Infosystems further expanded its product mix to include services that support providers clinical improvement efforts. These services include support for development, training and maintenance of clinical registry software, consultative services in improvement methodologies and support of web-based informational and reporting resources.

Business of CCS Consolidated

CCS Consolidated is a national care management company providing high-risk and elderly care management services to health plans, work/life benefits companies, and self-funded employers. By providing comprehensive medical and psychosocial care management services for the highest-risk, medically complex members, CCS Consolidated enables clients to realize lower health care costs, while optimizing the quality of care and lifestyle of members. CCS Consolidated brings to its partnerships with private and government payors a highly specialized infrastructure and multi-disciplinary clinical care management staff to improve the appropriateness and reduce the overall costs of care. CCS Consolidated differentiates itself from utilization management companies by focusing on comprehensively managing care, rather than concentrating solely on authorizing individual health care services. CCS Consolidated believes that it is also unique in its integration of risk assessment and stratification processes, clinical care management pathways, disease management protocols, intensive multi-disciplinary staffing, and credentialed post-acute specialty provider networks, including a national network of field-based geriatric case managers.

CCS Consolidated coordinates care for elderly and chronically ill populations across the full spectrum of post-acute needs, including home health, acute rehabilitation and skilled nursing care. CCS

Consolidated works with customers to identify members who are medically complex and provides telephonic and face-to-face care management to people who need assistance in achieving recovery. By focusing on patients with complex medical profiles who generate the majority of health care costs, CCS Consolidated s strategy combines the use of lower cost care delivered outside the hospital with intensive patient-focused interventions to reduce the high cost of hospitalization and maximize an individual s health status and independence. CCS Consolidated believes that it has organized a proprietary delivery system that reduces overall health care costs and improves outcomes for patients.

CCS Consolidated was incorporated under the laws of the State of Delaware in March 1998 as a spin-off company of Integrated Health Services, Inc., a multi-billion dollar provider of post-acute care. CCS Consolidated s headquarters are located at 12301 N.W. 39th Street, Coral Springs, FL 33065, and its telephone number is (888) 721-9797 and website address is http://www.careguide.com.

CCS Consolidated s business strategy is to contract with health plans, government agencies, and employer groups to help them reduce health care costs while improving the quality of care. We believe that the steadily rising cost of healthcare for employers, increasing demands on Medicare and Medicaid funding that are outpacing resources, and an emerging interest in care management and disease management services by the federal government and large insurers creates a fertile environment for CCS Consolidated s business model.

While CCS Consolidated has historically derived the majority of its revenues from risk-based contracts, it is currently diversifying its revenue sources by adding more administrative fee contracts. CCS Consolidated will continue to offer risk-based and non-risk-based post acute care management products, but where possible it will link them to a Continuous Care Management (CCM) service which will allow CCS Consolidated to follow the complex patients over the long term after their return to their home environment. CCS Consolidated implemented its first CCM program on January 1, 2005 and in July 2005 implemented its second CCM customer.

CCS Consolidated has been able to deliver substantial cost savings for its clients by preventing hospital admissions and readmissions among the most complex and chronically ill members. These members account for a disproportionate share of medical spending, with a much higher number of hospitalizations and episodes of emergency care than the rest of the population. CCS Consolidated s focus is typically on only 0.5% to 6% of a plan s membership. These members are usually suffering from many illnesses simultaneously and often have non-medical concerns as well that contribute to poor health outcomes and high cost.

CCS Consolidated achieves these medical cost savings by developing an individualized, information-driven, physician-guided care management plan for each patient. Because CCS Consolidated is working with the most complex and chronically ill patients, the care management interventions are typically more intensive, involving face-to-face visits, regular telephonic contact, and, where indicated, remote tele-health interventions. Every effort is made to prevent medical destabilization, promote recovery, and help the patient remain in his or her home environment.

CCS Consolidated s approach to care management is holistic in nature, recognizing that factors other than physical maladies contribute to an individual s decline. CCS Consolidated s nurses, physicians, and licensed social workers consider environmental, psychological and social issues as they develop each care management plan.

Products and Capabilities

Patient Infosystems

Care Team Connect for Health

Care Team Connect for Health, which is Patient Infosystems principal product line, provides a complete solution for population health management that can be marketed as a comprehensive solution or a set of discrete services that complement a client s existing operations. Care Team Connect integrates a number of components that had historically been marketed by Patient Infosystems as stand alone products. During 2002, the clinical content of these components was revised and all components were migrated to an updated technology platform. During 2003, the Care Team Connect product was expanded to include certain wellness services, as well as utilization management and case management services, provided through subcontract relationships with partner organizations. During 2004, Patient Infosystems acquired CMI and now can provide utilization management and case management services without the need for a subcontractor. Care Team Connect includes the following:

- 24-hour nurse help/triage line;
- Population analysis and identification;
- Disease management services;
- Care management; and
- Smoking cessation program.

Nurse help line. The Care Team Connect for Health nurse help line is a triage, advice, referral and health-counseling service that provides employees and members with round-the-clock access to registered nurses who use algorithm-based assessment tools and have access to provider and/or network information. The help line can provide users with information about specific health problems or answers to their health-related questions. Patient Infosystems use of nationally recognized clinical algorithms allows it to assist callers in determining the most cost-effective options for acute care treatment and has effectively been able to reduce the use of emergency rooms and after-hours physician contact. Through the Nurse Help Line, individuals may also be identified for referral into disease management or case management intervention. The nurse help line is operated from Patient Infosystems Utilization Review Accreditation Commission (URAC) accredited call center.

Population analysis and identification. As part of its disease management services, Patient Infosystems provides comprehensive medical and pharmaceutical claims analysis that includes the administration of proprietary algorithms to identify patients with chronic disease and then stratify them by level of risk for high resource utilization.

The stratification algorithm employed is categorical in nature, as patients are classified into low, moderate, high and critical groupings. The data employed in the algorithm are both nominal (using claim codes known as ICD9 codes and procedure codes known as CPT codes) and ratio (usage of resources). The nominal data determines the presence of a particular chronic condition and thus identifies patients with a specific condition. A combination of the nominal and ratio data, as defined in the algorithm for each condition, determines the risk level for the individual patient.

Following identification and stratification, patients/employees can be enrolled into the appropriate (low, moderate or high) disease management intervention program.

The first time the claims analysis is completed on the client s historical claims data, the client will be provided with a summary report that profiles its population as related to health care dollars spent, prevalence of disease, and the numbers of identified at-risk members by risk level.

Claims data is used on a retrospective basis to assess the financial impact of the Care Team Connect programs and calculate savings and return on investment.

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Disease management services. Patient Infosystems disease management services are provided for individuals with a diagnosis of asthma, diabetes, hypertension, or congestive heart failure. These services are comprehensive in approach and focus on both the medical and behavioral aspects of chronic health care management. The programs involve clinical assessments and the delivery of messages on self-care, medication compliance and treatment adherence. Through monitoring and on-going assistance, they empower the participants to become more proficient and proactive in managing their disease or condition. By including 24-hour access to the nurse help line, participants always have a place to turn for questions or issues that arise with their disease. The long-term goal of Patient Infosystems disease management services is a judicious use of health care resources through health care education, as well as reinforcement of the provider s treatment plan.

The disease management programs are based on nationally recognized treatment guidelines for each disease state. The programs provide condition-specific assessment, support and education with behavior-based interventions according to the patient s identified risk level. Each of Patient Infosystems chronic condition management programs is reviewed and updated as needed on an annual basis to assure that these programs reflect current knowledge and practices in clinical management.

Disease management interventions include various components according to the risk level of the target individual. These components are as follows:

Low risk:	Quality of life surveys
	Reminders
	Static educational mailings
	24-hour nurse help line
Moderate risk:	Nurse engagement
	Quality of life surveys
	Chronic condition management program
	Reminders
	Static educational mailings
	24-hour nurse help line
High risk:	Nurse engagement
	Quality of life surveys
	Gold chronic condition management program
	Telemonitoring signs and symptoms assessment
	Reminders
	Static educational mailings
	24-hour nurse help line
Critical risk:	Dedicated registered nurse as disease care manager

Baseline clinical assessment and treatment action plan

Regularly scheduled on-going clinical patient assessments

Disease management program components

Nurse engagement call

Moderate, high and critical risk disease management programs generally begin with a nurse engagement call. The nurse care counselor explains the specific program for which the member is targeted and the benefits of the program, while starting to build a relationship with the member. The

nurse care counselor confirms the patient s acceptance to participate and obtains pertinent member information.

The nurse intervention assesses specific areas of clinical management based on national clinical practice guidelines. Specific to each disease, these include the following types of information:

Healthcare utilization;

Disease status;

Functional status;

Quality of care;

Treatment adherence and self-care practices;

Education/knowledge; and

Motivation and program evaluation.

The assessment focuses on the most important health behaviors that the patient must manage in order to effectively control symptoms of his or her disease.

Chronic condition management program

Moderate risk patients are generally enrolled in Patient Infosystems chronic condition management programs. Each of the chronic condition management programs utilize a combination of telephone and mail interventions to monitor patients while providing educational information about disease-specific treatment guidelines.

By providing unique, individually tailored intervention strategies, Patient Infosystems provides each patient with personalized, educational feedback and positive reinforcement, both verbally and through written communication. Each telephonic intervention also generates an on-demand published report for the patient s physician/case manager.

High risk patients are enrolled in Patient Infosystems gold chronic condition management program. The gold program includes all of the components of the chronic condition management programs described previously, ***plus*** the incorporation of symptom assessment and monitoring throughout the duration of the contract.

Disease care management for critical risk patients

Disease care management is a specialized clinical intervention. The highly specialized clinical support by a registered nurse may provide the management and coordination of patient care services for critical-risk individuals in a population. The program s key functions are the following:

One-on-one support by a dedicated registered nurse;

Establishing an extensive baseline clinical assessment and treatment action plan; and

Regularly scheduled on-going clinical patient assessments that include extensive disease monitoring and surveillance.

Care management services. Care management programs include the components of utilization management and case management and are designed to ensure that participants receive quality medical care at the best possible price, while maximizing plan benefits. The programs assist in avoiding unnecessary expenditures with an objective, information-intensive approach that combines clinical judgment with accepted practice patterns.

Care management services comply with URAC standards and are further developed to ensure compliance with the legislative requirements of the states in which utilization review functions are performed.

The data collected from the Care Team Connect for Health interventions is stored in an integrated information warehouse which links the numerous programs and services. This integrated data warehouse allows Patient Infosystems clients, the patient s providers and other associated service providers access to program data as necessary in order to best manage the member s health.

Smoking Cessation Services. During 2003, Patient Infosystems began providing the call center operations for a smoking cessation program which is owned by and marketed by Behavioral Solutions. Patient Infosystems has the right to independently market this program for direct sales.

Provider innovation and improvement support

In 2003, Patient Infosystems expanded its role in services to certain federally funded health centers that are sponsored by the Bureau of Primary Healthcare through the Institute for Healthcare Improvement that promote disease management programs directly to the providers in the health centers.

Population Health Disease Management Systems and Strategies

Patient Infosystems provides technical assistance to the health centers relative to management of chronic disease. This includes organizations such as the federal government, health plans, state primary care associations, and the National Association of Community Health Centers.

Learning Organization Services

Patient Infosystems serves as a teaching organization promoting improvement in care delivery systems. This includes logistics support for learning sessions, training; recruitment, development and support of faculty, subject matter experts in key topics; training in improvement methods and knowledge management of best practices. Topics include chronic disease management, idealized clinical practice design and the business case for planned care. Patient Infosystems collaborates with the Institute for Healthcare Improvement on such initiatives.

Technical assistance

Patient Infosystems assists with the development of clinical registries used to more effectively manage patients with chronic disease. Patient Infosystems services include (i) project management and Implementation of a patient registry for federally qualified health centers through a national initiative known as the Health Disparities Collaboratives and (ii) Patient Infosystems provides technical assistance in web based reporting applications for clinical outcomes. This project is administered as a subcontract through the Institute for Healthcare Improvement.

Outcome Assessment, Data Collection and Reporting

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Patient Infosystems collects data about clinical, financial, quality of life and satisfaction. This data is analyzed and outcomes are reported.

CCS Consolidated

CCS Consolidated presently offers three major service-based products:

CCS Care Solutions . CCS Care Solutions provides a single point of access to the post-acute continuum of services including post-hospital discharge planning, utilization/case management, quality management, and financial responsibility for acute inpatient rehabilitation, skilled nursing facility care, home health care, durable medical equipment and home infusion services. CCS Consolidated has developed significant expertise in managing the post-acute care management cycle and is able to significantly reduce errors and readmissions to the hospital.

Continuous Care Management. Continuous Care Management (CCM) is CCS Consolidated s disease management product for chronically and complexly ill members. Member populations typically include 0.5% to 6% of a health plan s membership. CCM proactively identifies the highest risk health plan members, such as frail, elderly individuals and other persons with multiple chronic diseases or complex medical illness, provides comprehensive multi-disciplinary physician-guided care planning and structured care management interventions in order to mitigate risk and improve patients health status and quality of life. CCM features evidence-based physician-guided treatment guidelines, remote monitoring technology, a network of skilled nursing facilities and home health providers, and a national network specialized care managers, who provide face-to-face and in-home member assessments. Designed for patients with multiple co-morbidities, CCM involves the management of the full range of medical and psychosocial conditions affecting a patient, using preventative care management before, during and after a post-acute episode.

CareGuide@Home . CareGuide@Home is a national care management program that uses CCS Consolidated s national specialized care manager network to provide in-home assessments, comprehensive care plans and hands-on assistance to access community-based supportive services for homebound seniors and their families and caregivers. Clients for this program include national health plans, employee assistance programs and work/life companies.

Customers and Sales and Marketing

Patient Infosystems

Through 1997, Patient Infosystems efforts focused primarily on the development of disease management programs. Beginning in 1998, Patient Infosystems began aggressively marketing the other services that its technology platform can provide, including demand management, patient surveys, pharmaceutical support programs and outcomes analysis. During 2003 and 2004, Patient Infosystems marketed its integrated Care Team Connect for Health product. Its target market is the organization that pays for health care services on behalf of its members, employees or beneficiaries. These industry organizations include several groups: insurance companies, managed care organizations, third party administrators (TPAs), health and welfare funds organized under the Taft-Hartley Labor Act, purchasing coalitions, and self-funded employer groups.

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Patient Infosystems currently employs a sales and marketing staff of five persons to market its services. In addition, the senior members of Patient Infosystems management are actively engaged in marketing Patient Infosystems programs.

Patient Infosystems has agreements in place with several organizations to co-market Patient Infosystems products and services. These agreements are in place with Loge Group, LLC, formerly CBCA, Gilsbar, CHA Health, POMCO, A&I Benefit Plan Administrator and ppoNext. All of these organizations provide third-party administrator or preferred provider services. These agreements permit either company to co-market and sub-contract for the services of the other company.

CCS Consolidated

As of December 31, 2005, CCS Consolidated had post-acute care management contracts with health plans covering approximately 65,000 Medicare, approximately 544,000 commercial and approximately 133,000 Medicaid lives in the northeastern United States. Additionally, approximately 1.6 million members in Florida have access to CCS Consolidated s services through their health plans and approximately 843,000 employees have access to CareGuide@Home through employee assistance work/life programs sold by distributors.

For the years ended March 31, 2005 and 2004, approximately 68% and 95%, respectively, of CCS Consolidated s revenues were earned under contracts with affiliates of a single company, Health Net, Inc. In addition, during the year ended March 31, 2005, approximately 28% of CCS Consolidated s revenues were earned under contracts with Aetna Health Plans. Effective as of January 2006, CCS Consolidated signed a transition agreement with Health Net which resulted in the general termination of services by CCS Consolidated to Health Net as of April 30, 2006.

Competition

The healthcare industry and the market for healthcare information products is highly competitive and subject to continual change in the manner in which services are provided. Other entities, whose financial, research, staff, and marketing resources may exceed our resources, are marketing care management and disease management services or have announced an intention to offer such services. These entities include disease management companies, special healthcare companies, major pharmaceutical companies, healthcare organizations, independent care management organizations, provider groups, pharmacy benefit management companies, healthcare information system and software vendors, and other entities that provide services to health plans and self-insured employers. Many of these competitors have substantial installed customer bases in the health care industry and the ability to fund significant product development and acquisition efforts. We also compete against other companies that provide statistical and data management services, including clinical trial services to pharmaceutical companies. In addition, many payor organizations, including health plans, have internal network development and medical case management staff that provide services similar to those provided by Patient Infosystems and its subsidiaries. Many of our competitors have significantly greater financial resources, and these companies also compete with Patient Infosystems in recruiting and retaining qualified personnel. Our failure to compete effectively could have a material adverse affect on our business.

We believe that we have advantages over some of our competitors because of the comprehensive clinical nature of our product offerings, our established reputation for providing care to enrollees with chronic diseases, our hands-on approach, our ability to manage many diseases simultaneously, and the financial and medical outcomes of our programs; however, we cannot assure you that we can compete effectively with these companies.

Consolidation has been, and may continue to be, an important factor in all aspects of the healthcare industry, including the health and care support sector. While we believe the size of our customers and membership base provides us with the economies of scale to compete even in a consolidating market, we cannot assure you that it can effectively compete with companies formed as a result of industry consolidation or that we can retain existing customers if they are acquired by other health plans which already have or are not interested in health and care support programs.

Research and Development

Research and development expenses consist primarily of salaries, related benefits and administrative costs allocated to our research and development personnel. These personnel are actively involved in the conversion of our technology platform to a fully web-enabled design. Patient Infosystems research and development expenses were $145,396, or 1.3% of total revenues, for the fiscal year ended December 31, 2005, and $130,443, or 1.3% of total revenues, for the fiscal year ended December 31, 2004. We anticipate that the amount spent on research and development may increase in future periods as we update our products.

Government Regulation

Governmental regulation impacts us in a number of ways in addition to those regulatory risks presented under Risk Factors above. The health care industry is subject to extensive regulation by both the federal and state governments. A number of states have extensive licensing and other regulatory requirements applicable to companies that provide health care services. While many of the governmental and regulatory requirements affecting healthcare delivery do not directly affect us, our client health plans must comply with a variety of regulations including the licensing and reimbursement requirements of federal, state and local agencies. Additionally, services provided to health benefit plans in certain cases are subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended, or ERISA.

Furthermore, state laws govern the confidentiality of patient information through statutes and regulations that safeguard privacy rights. In addition, on August 21, 1996 Congress passed the Health Insurance Portability and Accountability Act of 1996, or HIPAA, which extensively restricts the use and disclosure of individually-identifiable health information by certain entities. This legislation required the Secretary of the Department of Health and Human Services to adopt national standards for electronic health transactions and the data elements used in such transactions. We are contractually required to comply with certain aspects of the regulations and are required to comply with any applicable state laws or regulations related to privacy that are more restrictive than the federal privacy laws. Beginning April 20, 2005, health plans, most healthcare providers and certain other entities were required to comply with federal security regulations issued pursuant to HIPAA, which require the use of administrative, physical and technical safeguards to protect the confidentiality, integrity and availability of electronic individually-identifiable health information. We are contractually required to comply with certain aspects of the confidentiality and security regulations.

We and our customers may be subject to federal and state laws and regulations that govern financial and other arrangements among health care providers. Furthermore, we and our customers may be subject to federal and state laws and regulations governing the submission of false healthcare claims to the government and private payers. Our participation in programs being administered by federal agencies may subject us directly to various laws and regulations applicable to entities contracting to provide services to federal programs, including but not limited to provisions related to billing and reimbursement and the False Claims Act. Violations of the False Claims Act are punishable by treble damages and penalties of up to $11,000 per false claim. Actions may be brought under the False Claims Act by the

government as well as by private individuals, known as whistleblowers, who are permitted to share in any settlement or judgment.

When a private party brings an action under the False Claims Act under the whistleblower provisions, the defendant will generally not be aware of the lawsuit until the government makes a determination whether it will intervene and take a lead in the litigation. There are many potential bases for liability under the False Claims Act. Although liability under the False Claims Act arises when an entity knowingly submits a false claim for reimbursement to the federal government, the False Claims Act defines the term knowingly broadly. Thus, although simple negligence generally will not give rise to liability under the False Claims Act, submitting a claim with reckless disregard for its truth or falsity can constitute knowingly submitting a claim. In some cases, whistleblowers or the federal government have taken the position that entities who allegedly have violated other statutes, such as the fraud and abuse provisions of the Social Security Act, have thereby submitted false claims under the False Claims Act. From time to time, participants in the health care industry, including us, may be subject to actions under the False Claims Act, and it is not possible to predict the impact of such actions.

Certain of our subsidiaries are licensed to take risk in certain states. These subsidiaries must meet certain minimum capital and surplus tests as well as file quarterly and annual filings with state regulatory authorities. We believe that all of our subsidiaries are in compliance with such requirements.

Certain of our professional healthcare employees, such as nurses, must comply with individual licensing requirements. All of our healthcare professionals who are subject to licensing requirements are licensed in the state in which they are physically present. Multiple state licensing requirements for healthcare professionals who provide services telephonically across state lines may require us to license some of our healthcare professionals in more than one state. We continually monitor legislative, regulatory and judicial developments in telemedicine; however, new judicial decisions, agency interpretations, or federal or state legislation or regulations could increase the requirement for multi-state licensing of certain of our health professionals, which would increase administrative costs.

Changes in laws governing reimbursement under governmental programs such as Medicare and Medicaid may also affect us. Legislative and regulatory bodies may continue to reduce the funding of the Medicare and Medicaid programs in an effort to reduce overall federal health-care spending. In recent years, federal legislation has reduced or significantly altered Medicare and Medicaid reimbursements. These changes, future legislative initiatives or government regulation could adversely affect our operations or reduce the demand for our services.

Various federal and state laws regulate the relationships among providers of healthcare services, other healthcare businesses and physicians. The fraud and abuse provisions of the Social Security Act provide civil and criminal penalties and potential exclusion from the Medicare and Medicaid programs for persons or businesses who offer, pay, solicit or receive remuneration in order to induce referrals of patients covered by federal healthcare programs (which include Medicare, Medicaid, TriCare and other federally funded health programs). While we believe that our business arrangements with health plans and medical directors comply with these statutes, these fraud and abuse provisions are broadly written, and we do not yet know the full extent of their application. Therefore, we are unable to predict the effect, if any, of broad enforcement interpretation of these fraud and abuse provisions.

Employees

As of May 1, 2006, we had 211 full time and 24 part-time employees. None of our employees is represented by a union, and we are not aware of any activities seeking such organization. We consider our relations with our employees to be good.

PROPERTIES

Patient Infosystems executive and corporate offices are located in Rochester, New York in approximately 9,000 square feet of leased office space. CBCA Care Management, Inc., a subsidiary of Patient Infosystems, leases 6,600 square feet of office space in Dallas, Texas and 6,400 square feet of office space in Las Vegas, Nevada. CCS Consolidated, Inc., a subsidiary of Patient Infosystems, leases approximately 76,000 square feet of office space for its corporate headquarters in Coral Springs, Florida and leases approximately 3,300 square feet of office space in Southfield, Michigan. These operating leases expire at various times between June 30, 2006 and October 31, 2009. CCS Consolidated, Inc. also has a lease for approximately 34,000 square feet of office space in New York City expiring July 31, 2010, of which 83% is subleased. Patient Infosystems expects to lease new facilities that expire during 2006.

These facilities are in good condition, and Patient Infosystems believes that its and its subsidiaries offices are suitable to meet their current needs.

LEGAL PROCEEDINGS

One of CCS Consolidated s subsidiaries entered into a Health Services Agreement with Oxford Health Plans (NY) Inc., or Oxford, pursuant to which each party made payments to the other based on services provided. As permitted by the agreement, the subsidiary terminated the agreement by written notice to Oxford, which termination was effective as of August 31, 2005. Oxford contends that the subsidiary owes it approximately $1.5 million for the periods through August 31, 2005, while Patient Infosystems believes that Oxford owes the subsidiary approximately $180,000 for the period ending December 31, 2004. Patient Infosystems has not yet determined whether Oxford owes the subsidiary any amounts for 2005, other than an unpaid $75,000 administrative fee for the month of August 2005. Negotiations to settle the matter have been unsuccessful to date. On July 22, 2005, over the subsidiary s objections, Oxford drew down on a $500,000 letter of credit that had been provided under the contract. CCS Consolidated received a letter dated September 8, 2005 from Oxford requesting that it replenish the existing letter of credit in the amount of approximately $1.5 million, but CCS Consolidated has denied this request. CCS Consolidated received a letter from Oxford dated October 25, 2005 indicating that Oxford has submitted the matter to the American Health Lawyers Association for binding arbitration, seeking to compel the subsidiary to replenish the letter of credit in the amount of approximately $1.5 million and to pay Oxford approximately $1.0 million. CCS Consolidated has filed counterclaims against Oxford for amounts that CCS Consolidated contends are owed by Oxford under the agreement. The arbitration is scheduled for June 2006. We are vigorously defending against Oxford s claims, although there can be no assurance regarding the ultimate outcome of this matter.

We are also subject to various legal claims and actions incidental to our business, including professional liability claims. We maintain insurance, including insurance covering professional liability claims, with customary deductible amounts. There can be no assurance that (i) claims will not be filed against us in the future, (ii) prior experience with respect to the disposition of litigation is representative of the results that will occur in future cases or (iii) adequate insurance coverage will be available at acceptable prices for incidents arising or claims made in the future. Except for the Oxford matter described above, there are no pending legal or governmental claims to which we are a party that we believe would, if adversely resolved, have a material adverse effect on our operations.

MANAGEMENT

The names, ages and positions of our current directors and executive officers as of May 12, 2006 are as follows:

Name	Age	Position
Chris E. Paterson	45	President and Chief Executive Officer
Glen A. Spence	51	Executive Vice President and Chief Financial Officer
M. Ileana Welte	49	Senior Vice President and Chief Marketing Officer
Ann M. Boughtin	53	Executive Vice President and Chief Operating Officer
Rex M. Dendinger II	53	Senior Vice President and Chief Information Officer
Roger Louis Chaufournier	48	President and Chief Executive Officer, Provider Improvement Subsidiary
Christine St. Andre	55	Chief Operating Officer, Provider Improvement Subsidiary
Kent A. Tapper	49	Vice President, Finance, Sarbanes-Oxley and SEC Compliance
Marc L. Pacala	50	Director
Albert S. Waxman, Ph.D.	65	Chairman and Director
Daniel C. Lubin	46	Director
Derace L. Schaffer, M.D.	58	Director
John Pappajohn	77	Vice Chairman and Director

There are no familial relationships among our directors and/or officers. Directors hold office until the next annual meeting of our stockholders and until their respective successors have been elected and qualified.

Executive Officers

Chris E. Paterson, Ph.D., 45. Dr. Paterson became the President and Chief Executive Officer of Patient Infosystems on January 25, 2006. Prior to that, Dr. Paterson was President and Chief Executive Officer of CCS Consolidated and a member of its board of directors since January 2005. He joined CCS Consolidated as Executive Vice President in July 2004. From 2002 to 2004, Dr. Paterson served as the President of the Central Region of UnitedHealth Group s AmeriChoice Corporation, having served as CEO of AmeriChoice health plans in Pennsylvania from 1998 to 2002. From 1990 to 1998, he worked with Merit Behavioral Care Corporation, serving in such positions as Executive Vice President of the Eastern Division and President of Tennessee Behavioral Health. Dr. Paterson has served on the boards of such entities as the City of Philadelphia Department of Health and the American Heart Association Southeastern Pennsylvania Region. Dr. Paterson received his Ph.D. in psychology from Ohio State University, interned at the University of Florida and served on the faculty of the University of Miami early in his career.

Glen A. Spence, 51. Mr. Spence became the Executive Vice President and Chief Financial Officer of Patient Infosystems on January 25, 2006. Prior to that, he had served as the Executive Vice President and Chief Financial Officer of CCS Consolidated since March 2003. From 2000 to 2003, Mr. Spence was a partner in the firm of Tatum Partners, which specializes in providing Chief Financial Officers to clients in a variety of industries. Mr. Spence was employed by John Alden Financial

Corporation, a publicly-held life and health insurer, from 1981 to 1999 in a variety of finance positions, including serving as the Senior Vice President of Finance and Accounting. Mr. Spence has also functioned as a financial consultant, interim chief financial officer and an educator at CPA continuing education seminars. Mr. Spence started his career in public accounting working for Haskins & Sells, a predecessor of Deloitte and Touche, and later at KPMG. As a seasoned finance executive, Mr. Spence is versed in strategic and operational planning, rapid growth, initial public offerings, leveraged buyouts, mergers and acquisitions, regulatory affairs, underwriting, turnarounds, and SEC reporting. He holds a B.S. degree from Emporia State University, is a member of the American Institute of Certified Public Accountants and the Florida Institute of Certified Public Accountants, and holds a CPA license in the state of Florida.

M. Ileana Welte, 49. Ms. Welte became the Chief Marketing Officer and Senior Vice President of Patient Infosystems on January 25, 2006. Prior to that, she was CCS Consolidated s Senior Vice President and Chief Clinical Officer. Ms. Welte joined CCS Consolidated as the executive director of CareGuide@Home in June 2001 after the acquisition of CareGuide, Inc. by CCS Consolidated. She has extensive experience in the design of programs providing care management services to the elderly and chronically ill. With a background in building sales, business development and technology operations, Ms. Welte has built a clinical organization focused on providing quality health care to the elderly and chronically ill through application of evidence based medicine and innovative technologies. Prior to joining CareGuide@Home full-time, Ms. Welte served as a senior operations and clinical consultant for business development and sales strategies for CareGuide@Home from 2000 to 2001. Before joining CCS Consolidated and CareGuide@Home, Ms. Welte served as vice president of business development for Interval Research, Electric Planet, a Paul Allen company from 1997 to 1999 and Vice President of Sales for Maxis, Inc. from 1992 to 1997. Ms. Welte holds a B.S.N. degree and has post graduate education in Geriatric Care Management.

Ann M. Boughtin, 53. Ms. Boughtin became the Executive Vice President and Chief Operating Officer of Patient Infosystems on January 25, 2006. Prior to that, she had served as CCS Consolidated s Senior Vice President and Chief Marketing Officer since August 2005. From September 2003 to August 2005, Ms. Boughtin served as general manager for the TennCare Partners Program, a $450 million service operated by Magellan Health Services for the Tennessee Medicaid program. Previously, she was vice president of business development for Comprehensive Neuroscience, Inc. where she worked from June 2001 to September 2003, She was vice president of marketing and business development from June 2000 through April 2001 for Centromine, a privately held technology company, providing an ASP enterprise solution for the behavioral health industry. She was vice president of managed care for Psychiatric Solutions, Inc., a company providing behavioral healthcare management services, from July 1998 until June 2000. Ms. Boughtin began her career as assistant executive director of a large, non-profit agency, and went on to spend 15 years in the New York State Office of Mental Health, where she worked as one of the 50 top executives. Ms. Boughtin holds a Master s in Public Administration (MPA), and an MS and PS in Political Science, all from the State University of New York at Brockport.

Rex M. Dendinger II, 53. Rex Dendinger II became Patient Infosystems Senior Vice President and Chief Information Officer on January 25, 2006. Prior to that, he had been CCS Consolidated s Senior Vice President and Chief Information Officer since November 2005. Prior to joining CCS Consolidated, from September 2003 to November 2005, Mr. Dendinger served as interim chief executive officer and chief information officer at a number of firms, providing vital expertise to start-up organizations, executive leadership to a regional claims administration firm, and supported merger and acquisition transactions. From July 1998 to September 2003, Mr. Dendinger served as chief information officer of Magellan Health Services, where he was responsible for technology strategy and operations for a $100 million leader in the managed care industry. At Saint Vincent Health System in Pennsylvania from 1996 to 1998, Mr. Dendinger directed a corporate information technology initiative to re-engineer the entire

corporate network, accommodating a newly designed infrastructure and software platform. Mr. Dendinger holds a B.S. degree in Computer Science from Lockyear College.

Roger Louis Chaufournier, 48. As of January 25, 2006, Mr. Chaufournier will serve as the President and Chief Executive Officer of Patient Infosystems provider improvement subsidiary. Mr. Chaufournier had been the President and Chief Executive Officer of Patient Infosystems since April 1, 2000 and was a member of the Board of Directors from November 2004 to January 25, 2006. Prior to joining Patient Infosystems, Mr. Chaufournier was President of the STAR Advisory Group, a healthcare consulting firm he founded in 1998. From August 1996 to July 1999, Mr. Chaufournier was the Chief Operating Officer of the Managed Care Assistance Company, a company that developed and operated Medicaid health plans. Managed Care Assistance Company filed for protection under the federal bankruptcy laws in June 2000. From 1993 to 1996, Mr. Chaufournier was Assistant Dean for Strategic Planning for the Johns Hopkins University School of Medicine. In addition, Mr. Chaufournier spent twelve years in progressive leadership positions with the George Washington University Medical Center from 1981 to 1993.

Christine St. Andre, 55. As of January 25, 2006, Ms. St. Andre will serve as the Chief Operating Officer of Patient Infosystems provider improvement subsidiary. Ms. St. Andre had been the Executive Vice President and Chief Operating Officer of Patient Infosystems since June 5, 2000. Ms. St. Andre has more than 20 years experience managing complex healthcare organizations. From 1994 to 2000, Ms. St. Andre was Chief Executive Officer for the University of Utah Hospitals and Clinics. Prior to 1994, Ms. St. Andre served as Chief Executive Officer of George Washington University Medical Center. Ms. St. Andre s career in healthcare began in the area of information technology at the Thomas Jefferson University.

Kent Tapper, 49. As of January 25, 2006, Mr. Tapper became the Vice President, Finance, Sarbanes-Oxley and SEC Compliance of Patient Infosystems. Mr. Tapper had been the Vice President, Financial Planning of Patient Infosystems since April 1999. Mr. Tapper had also served as Chief Information Officer and Vice President, Systems Engineering and has been with Patient Infosystems since July 1995. Mr. Tapper was the acting Chief Financial Officer of Patient Infosystems from April 2000 to January 25, 2006. From 1992 to 1995, Mr. Tapper served as Product Manager, Audio Response and Call Center Platforms for Northern Telecom, Inc. From 1983 to 1992, Mr. Tapper held Product Manager, Systems Engineering Manager and various engineering management positions with Northern Telecom.

Directors

Mark L. Pacala, 50. Mr. Pacala became a member of the board of directors of Patient Infosystems as a result of the merger with CCS Consolidated. He has been a director of CCS Consolidated since 2002. He has over 20 years of operational and general management experience in services, technology and healthcare companies. He has been a Managing Director of Essex Woodlands Health Ventures since January 2004 and was a Venture Partner of Essex Woodlands Health Ventures from April 2002 to December 2003. From October 2001 to January 2003, Mr. Pacala was self-employed as a venture capital consultant. He served as Chief Executive Officer of American WholeHealth, Inc., an integrative health network company that combines conventional medicine, alternative medicine, nutrition and wellness, from September 1996 to September 2001. Prior to American WholeHealth, he served as Chief Executive Officer of Forum Group, a public senior housing and healthcare company with revenues in excess of $200 million, which was later sold to Marriott Corporation. From 1989 to 1994, Mr. Pacala was a Senior Vice President and General Manager at The Walt Disney Company, and he served as Director of Corporate Planning and Vice President of Operations at Marriott Corporation from 1984 to 1989. He began his career as a banker in 1977 at Manufacturers Hanover Trust Co. and transitioned to strategic planning in healthcare at Booz, Allen and Hamilton. Mr. Pacala currently serves on the board of

directors of Health Grades, Inc., a provider of proprietary healthcare provider ratings and advisory services. He received a B.A. degree from Hamilton College where he graduated magna cum laude and Phi Beta Kappa, and later received an MBA degree from Harvard Business School, where he graduated with distinction.

Albert S. Waxman, Ph.D., 65. Dr. Waxman became a member of the board of directors of Patient Infosystems as a result of the merger with CCS Consolidated and also serves as its Chairman. He has been a director of CCS Consolidated since 1998. He is a co-founder and senior managing member of Psilos Group Managers, LLC, a venture capital firm specializing in e-health and healthcare services investments since 1998. Prior to co-founding Psilos Group Managers, LLC, Dr. Waxman was, from 1993 to 1998, chairman and chief executive officer of Merit Behavioral Care Corporation, a healthcare company, and its predecessor companies, American Biodyne and Medco Behavioral Care, a subsidiary of Merck & Co., until its acquisition by Magellan Health Services in February 1998. Prior to American Biodyne, Dr. Waxman founded and served as President, Chairman and Chief Executive Officer of Diasonics, Inc. He holds several U.S. and foreign patents for display, imaging and diagnostic technologies and products. Dr. Waxman serves on the board of directors of Orthometrix, Inc. and is a director of several Psilos portfolio companies, including Comprehensive NeuroScience, HealthEdge, Health Hero Network and Active Health Management. He also serves on the Board of Directors of the New York City Investment Fund, a $100 million venture capital fund formed in 1996 by leading corporations and financial executives. Dr. Waxman received a B.S.E.E. degree from City College of New York and M.A. and Ph.D. degrees from Princeton University. He serves on the Advisor Council of Princeton University s School of Engineering and Applied Sciences.

Daniel C. Lubin, 46. Mr. Lubin became a member of the board of directors of Patient Infosystems as a result of the merger with CCS Consolidated. He has been a director of CCS Consolidated since January 2005. Mr. Lubin also served as a member of the board of directors of CCS Consolidated from 1998 to 2001. Mr. Lubin has been a managing member of Radius Ventures, LLC, a New York City venture capital firm, since 1997. From 1994 to 1997, Mr. Lubin was a director in the Investment Banking Division of Schroder Wertheim & Co., where he shared responsibility for managing the firm s Health Care Group. In 1991, Mr. Lubin co-founded and was a managing director of KBL Healthcare Inc., a health and life sciences venture capital and investment banking organization, and served as president and chief operating officer of KBL Healthcare Acquisition Corp., a publicly-traded strategic acquisition fund. His prior affiliations include Manufacturers Hanover Trust, and the Center for Strategic and International Studies, where he served as Special Assistant to the Chairman. He was a founder of Cambridge Heart, Inc., a healthcare company engaged in the research, development and commercialization of products for the non-invasive diagnosis of cardiac disease. Mr. Lubin currently serves on the board of directors of BioLok International Inc., and EyeTel Imaging, Inc., each portfolio companies of Radius Ventures, LLC. He also serves on the Board of Trustees for The Haverford School. He earned a BS cum laude in Foreign Service from the Georgetown University School of Foreign Service and an MBA with honors from Harvard Business School.

Derace L. Schaffer, M.D., 58. Dr. Schaffer has been a director of Patient Infosystems since its inception in February 1995 and served as Chairman of the Board of Directors until November 2004. Dr. Schaffer is the founder and CEO of the Lan Group, a venture capital firm specializing in healthcare and high technology investments which position he has held for more than the last five years. He also serves as a director for the following public companies: Healthcare Acquisition Corporation, American Caresource Holdings, Inc. and Allion Healthcare, Inc. He received his postgraduate radiology training at Harvard Medical School and Massachusetts General Hospital, where he served as Chief Resident. Dr. Schaffer is Clinical Professor of Radiology at the Cornell Medical School.

John Pappajohn, 77. Mr. Pappajohn has been a director of Patient Infosystems since its inception in February 1995, and served as its Secretary and Treasurer from inception through May 1995. Since 1969, Mr. Pappajohn has been the sole owner of Pappajohn Capital Resources, a venture capital firm and President of Equity Dynamics, Inc., a financial consulting firm, both located in Des Moines, Iowa. He also serves as a director for the following public companies: Healthcare Acquisition Corporation, American Caresource Holdings, Inc., Allion Healthcare, Inc., MC Informatics, Inc. and Pace Health Management Systems, Inc. He also serves as Chairman for Healthcare Acquisition Corporation.

EXECUTIVE COMPENSATION

The following table sets forth information concerning the annual and long-term compensation for services in all capacities to Patient Infosystems and its subsidiaries for each of the fiscal years ended December 31, 2005, 2004 and 2003 for each person who served as Patient Infosystems Chief Executive Officer during the fiscal year ended December 31, 2005, and the other executive officers of Patient Infosystems who received compensation in excess of $100,000 during the fiscal year ended December 31, 2005 (the Named Executive Officers).

Summary Compensation Table

		Annual Compensation		Long-Term Compensation Awards Securities
Name and Principal Position	**Year**	**Salary**	**Bonus**	**Underlying Options (#)**
Roger L. Chaufournier, President and Chief Executive Officer (1)	2005	$268,790	$ -	0
	2004	250,007	50,000	400,000
	2003	219,611	25,385	0
Christine St. Andre, Vice President, Chief Operating Officer (2)	2005	$217,258	$ -	- 0
	2004	200,016	40,000	200,000
	2003	184,050	22,212	0
Kent A. Tapper, Vice President, Financial Planning (3)	2005	$163,697	$ -	0
	2004	127,934	30,000	125,000
	2003	124,154	14,913	0

(1) Effective as of January 25, 2006, in connection with the merger with CCS Consolidated, Mr. Chaufournier became the CEO of Patient Infosystems provider improvement division.

(2) Effective as of January 25, 2006, in connection with the merger with CCS Consolidated, Ms. St. Andre became the Chief Operating Officer of Patient Infosystems provider improvement division.

(3) Effective as of January 25, 2006, in connection with the merger with CCS Consolidated, Mr. Tapper became the Vice President of Finance, Sarbanes-Oxley and SEC Compliance of Patient Infosystems.

2005 Option Grants

No stock options/SAR grants were made to the named executive officers of Patient Infosystems during 2005, and accordingly the option table required by Item 402(c) of Regulation S-B is not presented.

The following tables set forth certain information regarding unexercised options held by the named executive officers of Patient Infosystems at December 31, 2005 and grants of options during 2005 to these individuals. The tables do not give effect to grants of options that occurred after December 31, 2005. For additional information with respect to these grants, see Stock Option Plan, below. The tables also do not reflect any impact of the merger with CCS Consolidated, which was completed after December 31, 2005.

Aggregated Option Exercises during 2005

and Option Values on December 31, 2005

	Shares acquired on exercise (#)	**Value realized ($)**	**Number of securities underlying unexercised options at December 31, 2005(#)(1)**		**Value of unexercised in-the-money options at December 31, 2005($)(2)**	
Name			**Exercisable**	**Unexercisable**	**Exercisable**	**Unexercisable**
Roger L. Chaufournier	-	-	273,332	160,000	$ -	$ -
Christine St. Andre	25,000	$ 50,125	120,000	67,500	$ -	$ -
Kent A. Tapper	3,000	$ 7,000	83,333	50,000	$ -	$ -

(1) Under the terms of the Patient Infosystems Amended and Restated Stock Option Plan, all outstanding options vested upon the change of control that resulted from the completion of the merger with CCS Consolidated on January 25, 2006. However, on January 25, 2006, prior to the closing of the merger, all options held by the named executive officers were cancelled and exchanged for warrants to purchase unregistered shares of Patient Infosystems common stock. Such warrants have an exercise price equal to $0.95 per share. Mr. Chaufournier, Ms. St. Andre and Mr. Tapper received warrants for 325,000, 150,000 and 100,000 shares, respectively, in connection with this exchange, each of which was fully vested as of such date.

(2) As of December 31, 2005, the fair market value of one share of Patient Infosystems common stock did not exceed the exercise price of any of the options held by the named executive officers.

Compensation of Directors

Patient Infosystems directors do not receive compensation pursuant to any standard arrangement for their services as directors. All directors are reimbursed for expenses incurred in connection with attending meetings, including travel expenses to such meetings.

Patient Infosystems non-employee directors were previously eligible to participate in Patient Infosystems Stock Option Plan. However, the Stock Option Plan expired in accordance with its terms during 2005, and no further grants may be made from such plan. With respect to prior grants made pursuant to the Stock Option Plan, non-employee directors received a one-time grant of a non-qualified stock option to purchase 36,000 shares of common stock at an exercise price equal to the fair market value per share on the date of their initial election to the board of directors. Such non-qualified stock options vest as to 20% of the option grant on the first anniversary of the grant, and 20% on each subsequent

anniversary. The option is exercisable only during the non-employee director s term and automatically expires on the date such director s service terminates. Upon the occurrence of a change of control, as defined in the Stock Option Plan, all outstanding unvested options immediately vest.

Employment Agreements

As part of, and effective upon, the merger with CCS Consolidated, Patient Infosystems entered into employment agreements with each of Chris Paterson, Glen Spence, Roger Chaufournier, Christine St. Andre and Kent Tapper. The material terms of these agreements are described below.

Chris Paterson

Under the terms of Dr. Paterson s employment agreement, he is employed in the capacity of president and chief executive officer of Patient Infosystems. His employment agreement has an initial one year term, which automatically renews for additional one-year periods unless earlier terminated by Patient Infosystems or Dr. Paterson. Dr. Paterson s base salary under the employment agreement is $250,000 per year, and Dr. Paterson is eligible for a discretionary calendar year bonus in an amount up to 50% of his base salary, subject to his achievement of mutually agreed upon performance goals. In addition, Dr. Paterson is eligible for any other bonus payments as may be awarded by Patient Infosystems board of directors. Dr. Paterson s options to purchase shares of CCS Consolidated common stock were assumed by Patient Infosystems at the closing of the Merger, and the vesting of such options was partially accelerated so that one quarter of the shares underlying the options were vested as of the closing of the Merger, with the remainder vesting in 36 equal monthly installments over the next three years. Dr. Paterson is also eligible to receive options to purchase shares of Patient Infosystems common stock under Patient Infosystems stock option plans on the same basis as similarly situated employees. The decision to grant any such options and the terms of such options will be within the discretion of Patient Infosystems board of directors.

In the event that Dr. Paterson s employment is terminated by Patient Infosystems without cause or by Dr. Paterson for good reason (each as defined in his employment agreement), subject to Dr. Paterson s entering into and not revoking a separation agreement and release in a form acceptable to Patient Infosystems, Dr. Paterson will be entitled to receive: (i) severance payments equal to his then applicable base salary for a period of twelve months; (ii) a pro rated portion of any annual bonus that he would have received had he remained employed through the calendar year for which the bonus is calculated; and (iii) if he timely elects and remains eligible for continued coverage under COBRA, that portion of the COBRA premiums that Patient Infosystems was paying prior to the date of termination for as long as he is receiving severance payments under the employment agreement (or until he is eligible for health care coverage under another employer s plan, whichever period is shorter).

Glen Spence

Under the terms of Mr. Spence s employment agreement, he is employed in the capacity of chief financial officer of Patient Infosystems. His employment agreement has an initial one year term, which automatically renews for additional one-year periods unless earlier terminated by Patient Infosystems or Mr. Spence. Mr. Spence s base salary under the employment agreement is $215,000 per year, and Mr. Spence is eligible for a discretionary calendar year bonus in an amount up to 20% of his base salary, subject to his achievement of mutually agreed upon performance goals. In addition, Mr. Spence is eligible for any other bonus payments as may be awarded by Patient Infosystems board of directors. Certain of Mr. Spence s options to purchase shares of CCS Consolidated common stock were assumed by Patient Infosystems at the closing of the Merger, and the vesting of such options was partially accelerated so that one quarter of the shares underlying the options were vested as of the closing of the Merger, with the remainder vesting in 36 equal monthly installments over the next three years. Mr. Spence is also eligible to receive options to purchase shares of Patient Infosystems common stock under Patient Infosystems stock option plans on the same basis as similarly situated employees. The decision to grant

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any such options and the terms of such options will be within the discretion of Patient Infosystems board of directors.

In the event that Mr. Spence s employment is terminated by Patient Infosystems without cause or by Mr. Spence for good reason (each as defined in his employment agreement), subject to Mr. Spence s entering into and not revoking a separation agreement and release in a form acceptable to Patient Infosystems, Mr. Spence will be entitled to receive: (i) severance payments equal to his then applicable base salary for a period of six months; (ii) a pro rated portion of any annual bonus that he would have received had he remained employed through the calendar year for which the bonus is calculated; and (iii) if he timely elects and remains eligible for continued coverage under COBRA, that portion of the COBRA premiums that Patient Infosystems was paying prior to the date of termination for as long as he is receiving severance payments under the employment agreement (or until he is eligible for health care coverage under another employer s plan, whichever period is shorter).

Ileana Welte

Under the terms of Ms. Welte s employment agreement, she is employed in the capacity of chief clinical officer and senior vice president of Patient Infosystems. Her employment agreement has an initial one year term, which automatically renews for additional one-year periods unless earlier terminated by Patient Infosystems or Ms. Welte. Mr. Welte s base salary under the employment agreement is $180,000 per year, and Ms. Welte is eligible for a discretionary calendar year bonus in an amount up to 20% of her base salary, subject to her achievement of mutually agreed upon performance goals. In addition, Ms. Welte is eligible for any other bonus payments as may be awarded by Patient Infosystems board of directors. Ms. Welte is also eligible to receive options to purchase shares of Patient Infosystems common stock under Patient Infosystems stock option plans on the same basis as similarly situated employees. The decision to grant any such options and the terms of such options will be within the discretion of Patient Infosystems board of directors.

In the event that Ms. Welte s employment is terminated by Patient Infosystems without cause or by Ms. Welte for good reason (each as defined in her employment agreement), subject to Ms. Welte s entering into and not revoking a separation agreement and release in a form acceptable to Patient Infosystems, Ms. Welte will be entitled to receive: (i) severance payments equal to her then applicable base salary for a period of six months; (ii) a pro rated portion of any annual bonus that she would have received had she remained employed through the calendar year for which the bonus is calculated; and (iii) if she timely elects and remains eligible for continued coverage under COBRA, that portion of the COBRA premiums that Patient Infosystems was paying prior to the date of termination for as long as she is receiving severance payments under the employment agreement (or until she is eligible for health care coverage under another employer s plan, whichever period is shorter).

Ann Boughtin

Under the terms of Ms. Boughtin s employment agreement, she is employed in the capacity of chief marketing officer and senior vice president of Patient Infosystems. Her employment agreement has an initial one year term, which automatically renews for additional one-year periods unless earlier terminated by Patient Infosystems or Ms. Boughtin. Mr. Boughtin s base salary under the employment agreement is $180,000 per year, and Ms. Boughtin is eligible for a discretionary calendar year bonus in an amount up to 20% of her base salary, subject to her achievement of mutually agreed upon performance goals. In addition, Ms. Boughtin is eligible for any other bonus payments as may be awarded by Patient Infosystems board of directors. Ms. Boughtin is also eligible to receive commissions pursuant to Patient Infosystems commission plan, in accordance with the terms and conditions of that plan. Ms. Boughtin is also eligible to receive options to purchase shares of Patient Infosystems common stock under Patient

Infosystems stock option plans on the same basis as similarly situated employees. The decision to grant any such options and the terms of such options will be within the discretion of Patient Infosystems board of directors.

In the event that Ms. Boughtin s employment is terminated by Patient Infosystems without cause or by Ms. Boughtin for good reason (each as defined in her employment agreement), subject to Ms. Boughtin s entering into and not revoking a separation agreement and release in a form acceptable to Patient Infosystems, Ms. Boughtin will be entitled to receive: (i) severance payments equal to her then applicable base salary for a period of six months; (ii) a pro rated portion of any annual bonus that she would have received had she remained employed through the calendar year for which the bonus is calculated; and (iii) if she timely elects and remains eligible for continued coverage under COBRA, that portion of the COBRA premiums that Patient Infosystems was paying prior to the date of termination for as long as she is receiving severance payments under the employment agreement (or until she is eligible for health care coverage under another employer s plan, whichever period is shorter).

Rex Dendinger III

Under the terms of Mr. Dendinger s employment agreement, he is employed in the capacity of chief information officer and senior vice president of Patient Infosystems. His employment agreement has an initial one year term, which automatically renews for additional one-year periods unless earlier terminated by Patient Infosystems or Mr. Dendinger. Mr. Dendinger s base salary under the employment agreement is $168,000 per year, and Mr. Dendinger is eligible for a discretionary calendar year bonus in an amount up to 20% of his base salary, subject to his achievement of mutually agreed upon performance goals. In addition, Mr. Dendinger is eligible for any other bonus payments as may be awarded by Patient Infosystems board of directors. Certain of Mr. Dendinger s options to purchase shares of CCS Consolidated common stock were assumed by Patient Infosystems at the closing of the Merger, and the vesting of such options was partially accelerated so that one quarter of the shares underlying the options were vested as of the closing of the Merger, with the remainder vesting in 36 equal monthly installments over the next three years. Mr. Dendinger is also eligible to receive options to purchase shares of Patient Infosystems common stock under Patient Infosystems stock option plans on the same basis as similarly situated employees. The decision to grant any such options and the terms of such options will be within the discretion of Patient Infosystems board of directors.

In the event that Mr. Dendinger s employment is terminated by Patient Infosystems without cause or by Mr. Dendinger for good reason (each as defined in his employment agreement), subject to Mr. Dendinger s entering into and not revoking a separation agreement and release in a form acceptable to Patient Infosystems, Mr. Dendinger will be entitled to receive: (i) severance payments equal to his then applicable base salary for a period of six months; (ii) a pro rated portion of any annual bonus that he would have received had he remained employed through the calendar year for which the bonus is calculated; and (iii) if he timely elects and remains eligible for continued coverage under COBRA, that portion of the COBRA premiums that Patient Infosystems was paying prior to the date of termination for as long as he is receiving severance payments under the employment agreement (or until he is eligible for health care coverage under another employer s plan, whichever period is shorter).

Roger Chaufournier

Under the terms of Mr. Chaufournier s employment agreement, he is employed in the capacity of President of Patient Infosystems provider improvement division, reporting to the chief executive officer of Patient Infosystems. His employment agreement has an initial one year term, which automatically renews for additional one-year periods unless earlier terminated by Patient Infosystems or Mr. Chaufournier. Mr. Chaufournier s base salary under the employment agreement is $262,500 per year, and

Mr. Chaufournier is eligible for a calendar year bonus if Patient Infosystems board of directors determines in its sole reasonable discretion that the earnings before charges for interest, taxes, depreciation and amortization (EBITDA) for Patient Infosystems provider improvement division for the year has exceeded $1,000,000, and Mr. Chaufournier remains employed by Patient Infosystems through the end of the calendar year. If both these conditions are met, Mr. Chaufournier s bonus shall be equal to a percentage of such EBITDA as follows:

12% of the EBITDA of the provider improvement division over $1,000,000 but less than $2,000,000;

18% of the EBITDA of the provider improvement division over $2,000,000 but less than $3,000,000;

24% of the EBITDA of the provider improvement division over $3,000,000 but less than $4,000,000; and

30% of the EBITDA of the provider improvement division over $4,000,000.

In addition, Mr. Chaufournier is eligible to receive options to purchase shares of Patient Infosystems common stock under Patient Infosystems stock option plans on the same basis as similarly situated employees. The decision to grant any such options and the terms of such options will be within the discretion of Patient Infosystems board of directors.

In the event that Mr. Chaufournier s employment is terminated by Patient Infosystems without cause or by Mr. Chaufournier for good reason (each as defined in his employment agreement), subject to Mr. Chaufournier s entering into and not revoking a separation agreement and release in a form acceptable to Patient Infosystems, Mr. Chaufournier will be entitled to receive: (i) severance payments equal to his then applicable base salary for a period of twelve months; (ii) a pro rated portion of any annual bonus that he would have received had he remained employed through the calendar year for which the bonus is calculated; and (iii) if he timely elects and remains eligible for continued coverage under COBRA, that portion of the COBRA premiums that Patient Infosystems was paying prior to the date of termination for as long as he is receiving severance payments under the employment agreement (or until he is eligible for health care coverage under another employer s plan, whichever period is shorter).

Christine St. Andre

Under the terms of Ms. St. Andre s employment agreement, she is employed in the capacity of Chief Operating Officer of Patient Infosystems provider improvement division. Her employment agreement has an initial one year term, which automatically renews for additional one-year periods unless earlier terminated by Patient Infosystems or Ms. St. Andre. Ms. St. Andre s base salary under the employment agreement is $210,000 per year, and Ms. St. Andre will be eligible for a calendar year bonus if Patient Infosystems board of directors determines in its sole reasonable discretion that the EBITDA for the provider improvement division for the year has exceeded $1,000,000, and Ms. St. Andre remains employed by Patient Infosystems through the end of the calendar year. If both these conditions are met, Ms. St. Andre s bonus shall be equal to a percentage of such EBITDA as follows:

8% of the EBITDA of the provider improvement division over $1,000,000 but less than $2,000,000;

12% of the EBITDA of the provider improvement division over $2,000,000 but less than $3,000,000;

16% of the EBITDA of the provider improvement division over $3,000,000 but less than $4,000,000; and

20% of the EBITDA of the provider improvement division over $4,000,000.

In addition, Ms. St. Andre is eligible to receive options to purchase shares of Patient Infosystems common stock under Patient Infosystems stock option plans on the same basis as similarly situated employees. The decision to grant any such options and the terms of such options will be within the discretion of Patient Infosystems board of directors.

In the event that Ms. St. Andre s employment is terminated by Patient Infosystems without cause or by Ms. St. Andre for good reason (each as defined in her employment agreement), subject to Ms. St. Andre s entering into and not revoking a separation agreement and release in a form acceptable to Patient Infosystems, Ms. St. Andre will be entitled to receive: (i) severance payments equal to her then applicable base salary for a period of twelve months; (ii) a pro rated portion of any annual bonus that she would have received had she remained employed through the calendar year for which the bonus is calculated; and (iii) if she timely elects and remains eligible for continued coverage under COBRA, that portion of the COBRA premiums that Patient Infosystems was paying prior to the date of termination for as long as she is receiving severance payments under the employment agreement (or until she is eligible for health care coverage under another employer s plan, whichever period is shorter).

Kent Tapper

Under the terms of Mr. Tapper s employment agreement, he is employed in the capacity of Vice President of Finance, Sarbanes-Oxley and SEC Compliance, reporting to the chief financial officer of Patient Infosystems. His employment agreement has an initial one year term, which automatically renews for additional one-year periods unless earlier terminated by Patient Infosystems or Mr. Tapper. Mr. Tapper s base salary under the employment agreement is $175,000 per year, and Mr. Tapper is eligible for any other bonus payments as may be awarded by Patient Infosystems board of directors. In addition, Mr. Tapper is eligible to receive options to purchase shares of Patient Infosystems common stock under Patient Infosystems stock option plans on the same basis as similarly situated employees. The decision to grant any such options and the terms of such options will be within the discretion of Patient Infosystems board of directors. Mr. Tapper will relocate to the Coral Springs, Florida area by the end of July 2006, and Patient Infosystems has agreed to pay travel and commuting expenses until such relocation is complete and up to $30,000 in relocation costs plus amounts associated with income taxes thereon. In the event that Mr. Tapper terminates his employment with Patient Infosystems within one year after his relocation to Florida, Mr. Tapper will be required to repay a prorated portion of such relocation costs.

In the event that Mr. Tapper s employment is terminated by Patient Infosystems without cause or by Mr. Tapper for good reason (each as defined in his employment agreement), subject to Mr. Tapper s entering into and not revoking a separation agreement and release in a form acceptable to Patient Infosystems, Mr. Tapper will be entitled to receive: (i) severance payments equal to his then applicable base salary for a period of six months; (ii) a pro rated portion of any annual bonus that he would have received had he remained employed through the calendar year for which the bonus is calculated; and (iii) if he timely elects and remains eligible for continued coverage under COBRA, that portion of the COBRA premiums that Patient Infosystems was paying prior to the date of termination for as long as he is receiving severance payments under the employment agreement (or until he is eligible for health care coverage under another employer s plan, whichever period is shorter).

STOCK OPTION PLAN

Patient Infosystems Amended and Restated Stock Option Plan (the Plan) was adopted by the board of directors and stockholders in 1995 and amended as of December 2004 and expired in 2005 on the tenth anniversary of its adoption. As of December 31, 2005, 1,434,028 shares of Common Stock are reserved for issuance under the now expired Plan. No new grants can be made under the Plan.

As of December 31, 2005, options to acquire 1,434,028 shares of Common Stock were outstanding to employees and directors of Patient Infosystems. The following table sets forth information regarding the number of options outstanding and the exercise price of these options.

Number of Options Outstanding at December 31, 2005	**Exercise Price**
116,666	$1.80
29,165	2.25
1,027,500	2.28
171,200	2.80
50,000	3.08
12,500	6.00
6,417	16.50
2,500	22.56
16,666	24.72
706	29.26
708	33.00
1,434,028	

Of these options, 68,745 of the options granted before December 31, 2003 were fully vested, and 1,027,500 were granted on January 9, 2004, 449,000 of which vested immediately and 250,000 of which were granted to directors in consideration for their service and vest as to one-third of the shares on the date of grant, one-third on the first anniversary of the date grant and one-third on the second anniversary of the date of grant. The remaining options and all other options granted under the Plan vest as to 20% of the option grant on the first anniversary of the date of grant, and 20% on each subsequent anniversary.

Under the terms of the Plan, all outstanding options immediately vest upon a change of control event. A qualifying change of control event did occur on January 25, 2006, and all options became vested on that date.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL

OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of our common stock as of May 11, 2006, by

- each person we know to be the beneficial owner of 5% or more of our outstanding shares of common stock;
- each person who served as Patient Infosystems Chief Executive Officer during the fiscal year ended December 31, 2005, and the other executive officers of Patient Infosystems who received compensation in excess of $100,000 during the fiscal year ended December 31, 2005, whom we refer to as the Named Executive Officers;
- each current director and executive officer of Patient Infosystems; and
- all executive officers and directors of Patient Infosystems as a group.

Percentages are based on a total of 67,538,976 shares of common stock outstanding as of May 11, 2006. Unless otherwise indicated, the address of each listed stockholder is c/o Patient Infosystems, 46 Prince Street, Rochester, NY 14607.

Beneficial Owner	Shares Beneficially Owned	Percentage Beneficially Owned
Executive Officers and Directors		
Marc L. Pacala(2) (15)	14,651,556	21.7%
Albert S. Waxman(3)	9,447,075	14.0%
John Pappajohn(4)(15)	8,419,957	12.5%
Daniel C. Lubin(5)(15)	6,485,953	9.6%
Derace L. Schaffer, M.D.(6)	1,169,947	1.7%
Chris E. Paterson(8)*	1,017,666	1.5%
Roger L. Chaufournier(7)**	325,000	(1)
Glen A. Spence(11)*	254,416	(1)
Christine St. Andre(9)**	175,000	(1)
M. Ileana Welte(12)*	127,208	(1)
Kent A. Tapper(10)**	103,008	(1)
Ann M. Boughtin*	-	(1)
Rex M. Dendinger II*	-	(1)
All directors and executive officers as a group (13 persons) (16)	41,764,841	60.0%
Five Percent Stockholders of Common Stock		
Principal Life Insurance 801 Grand Ave. Des Moines, IA 50392	3,745,350	5.5%
Entities affiliated with Essex Woodlands Health Ventures (2) (15) 190 South LaSalle Street, Suite 2800	14,651,556	21.6%

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Hickory Venture Capital Corporation (13) (15) 301 Washington Street, NW, Suite 301 Huntsville, AL 35801	8,427,911	12.5%
Radius Venture Partners I, L.P. (5) (15) 400 Madison Avenue, 8th Floor New York, NY 10017	6,485,953	9.6%
Entities affiliated with Psilos Group Partners (14) (15) 625 Avenue of the Americas, 4th Floor New York, NY 10011	5,939,685	8.8%

*Became an executive officer of Patient Infosystems effective January 25, 2006 upon completion of the merger with CCS Consolidated.

**Named Executive Officer.

(1) Less than 1%.

(2) Consists of 1,615,589 shares of common stock held of record by Essex Woodlands Health Ventures Fund V, L.P. and 12,678,199 shares of common stock held of record by CCS Consolidated Holdings, LLC. Mr. Pacala is a general partner of Essex Woodlands Health Ventures Fund V, L.P. and is a manager of CCS Consolidated Holdings, LLC and shares voting and dispositive power with respect to the shares held by each of these entities and disclaims beneficial ownership of the shares in which he has no pecuniary interest. Amount also includes 357,768 shares of common stock issuable upon exercise of a warrant held by Essex Woodlands Health Ventures Fund V, L.P. and exercisable within 60 days of May 11, 2006.

(3) Consists of 729,503 shares of common stock held of record by Psilos Group Partners II, L.P., 5,013,169 shares of common stock held of record by CCS Consolidated Holdings, LLC, 35,466 shares of common stock held of record by CCP/Psilos CCS, LLC and 3,668,937 shares of common stock currently held by an escrow agent for the benefit of certain former stockholders of CCS Consolidated, over which Dr. Waxman exercises voting power. Dr. Waxman is a managing member of, or managing member of the general partner of, Psilos Group Partners, L.P., Psilos Group Partners II, L.P. and CCP/Psilos CCS, LLC. Dr. Waxman is also a manager of CCS Consolidated Holdings, LLC. As a result, Dr. Waxman shares voting and dispositive power with respect to the shares held by these entities and disclaims beneficial ownership of the shares in which he has no pecuniary interest. Shares of common stock issuable upon exercise of a warrant held by Psilos Group Partners II, L.P. and exercisable within 60 days of May 11, 2006 are included in the number of shares set forth above over which Dr. Waxman exercises voting power in his capacity as party to the escrow agreement.

(4) Consists of 6,625,521 shares held of record by Mr. Pappajohn, 30,000 shares held of record by Halkis, Ltd., a sole proprietorship owned by Mr. Pappajohn, 30,000 shares held of record by Thebes, Ltd., a sole proprietorship owned by Mr. Pappajohn s spouse, 30,000 shares held directly by Mr. Pappajohn s spouse, 1,666,936 shares held by a voting trust and a fully vested and exercisable warrant to purchase 37,500 shares of common stock. Mr. Pappajohn disclaims beneficial ownership of the shares owned by Thebes, Ltd., by his spouse and by the voting trust.

(5) Consists of 244,647 shares of common stock held of record by Radius Venture Partners I, L.P. and 6,187,129 shares held of record by CCS Consolidated Holdings, LLC. Mr. Lubin is a general partner of Radius Venture Partners I, L.P., shares voting and dispositive power with respect to the shares held by Radius Venture Partners I, L.P. and disclaims beneficial ownership of the shares in which he has no pecuniary interest. Jordan Davis, another general partner of Radius Venture Partners I, L.P., is a manager of CCS Consolidated Holdings, LLC and shares voting and dispositive power with respect to

the shares held by Radius Venture Partners I, L.P. and disclaims beneficial ownership of the shares in which he has no pecuniary interest. Amount also includes 54,177 shares of common stock issuable upon exercise of a warrant held by Radius Venture Partners I, L.P. and exercisable within 60 days of May 11, 2006.

(6) Consists of 1,120,447 shares held of record by Dr. Schaffer, 12,000 shares held of record by Dr. Schaffer s children and a fully vested and exercisable warrant to purchase 37,500 shares of common stock.

(7) Consists of a fully vested and exercisable warrant to purchase 325,000 shares of common stock.

(8) Consists of 1,017,666 shares of common stock issuable pursuant to early exercise features of an option exercisable within 60 days. Of these shares, 720,847 shares underlying this option are not vested and would not be transferable by Dr. Paterson until vested. Accordingly, Dr. Paterson is not deemed to have investment power over such shares.

(9) Consists of 25,000 shares held of record by Ms. St. Andre and a fully vested and exercisable warrant to purchase 150,000 shares of common stock.

(10) Consists of 3,008 shares held of record by Mr. Tapper and a fully vested and exercisable warrant to purchase 100,000 shares of common stock.

(11) Consists of 254,416 shares of common stock issuable pursuant to early exercise features of an option exercisable within 60 days. Of these shares, 180,211 shares underlying this option are not vested and would not be transferable by Mr. Spence until vested. Accordingly, Mr. Spence is not deemed to have investment power over such shares.

(12) Consists of 127,208 shares of common stock issuable pursuant to early exercise features of an option exercisable within 60 days. Of these shares, 90,106 shares underlying this option are not vested and would not be transferable by Ms. Welte until vested. Accordingly, Ms. Welte is not deemed to have investment power over such shares.

(13) Consists of 968,814 shares of common stock held of record by Hickory Venture Capital Corporation and 7,244,557 shares held of record by CCS Consolidated Holdings, LLC. Amount also includes 214,542 shares of common stock issuable upon exercise of a warrant held by Hickory Venture Capital Corporation and exercisable within 60 days of May 11, 2006.

(14) Consists of 729,503 shares of common stock held of record by Psilos Group Partners II, L.P., 5,013,169 shares of common stock held of record by CCS Consolidated Holdings, LLC and 35,466 shares of common stock held of record by CCP/Psilos CCS, LLC. Albert S. Waxman, a director of, Psilos Group Partners, L.P., Psilos Group Partners II, L.P. and CCP/Psilos CCS, LLC. Amount also includes 161,547 shares of common stock issuable upon exercise of a warrant held by Psilos Group Partners II, L.P. and exercisable within 60 days of May 11, 2006.

(15) As described in greater detail in footnotes 2, 3, 5 and 13, certain of these entities are members of CCS Consolidated Holdings, LLC. CCS Consolidated Holdings owns of record an aggregate of 31,123,053 shares of common stock. The managers of CCS Consolidated Holdings, who share voting and investment power over the securities held of record by CCS Consolidated Holdings, are Albert Waxman, Mark Pacala, Jordan Davis and Thomas Noojin. Each of these individuals disclaims beneficial ownership of the shares in which he has no pecuniary interest. The shares of common stock held by CCS Consolidated Holdings, LLC will be distributed to its members pursuant to a limited liability company agreement.

(16) Consists of 34,379,678 shares held of record, 1,666,936 shares held by a voting trust, 3,668,937 shares held by an escrow agent, 650,000 shares issuable upon exercise of fully vested warrants, and 1,399,290

shares pursuant to early exercise features of the stock options. Of these shares underlying stock options, 991,164 shares are not vested and would not be transferable until vested.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Between April 2003 and January 2004, Patient Infosystems issued 840,118 shares of Series D 9% Cumulative Convertible Preferred Stock (Series D Preferred Stock) under the terms of the Note and Stock Purchase Agreement dated April 11, 2003 and amended on September 10, 2003. John Pappajohn and Derace Schaffer, M.D., two current directors of Patient Infosystems, purchased 435,233 and 5,318 shares, respectively, of Series D Preferred Stock. The shares of Series D Preferred Stock have been converted into common stock on a 10-for-1 basis in accordance with their terms.

In January 2004, Patient Infosystems borrowed $200,000 for working capital from Mr. Pappajohn which was repaid in March 2004 using the proceeds of the sale of Patient Infosystems common stock. During the three month period ended September 30, 2004, Patient Infosystems borrowed $570,000 of working capital from Mr. Pappajohn which was repaid in September 2004 using the proceeds of a line of credit with Wells Fargo Bank Iowa, N.A. (Wells Fargo) which indebtedness was guaranteed by Mr. Pappajohn.

On December 31, 2003, Patient Infosystems entered into the Third Addendum to the Second Amended and Restated Credit Agreement with Wells Fargo, which extended the term of the $3,000,000 credit facility from January 2, 2004 to July 31, 2005. Dr. Schaffer and Mr. Pappajohn guaranteed this extension. In consideration of their guarantees, in February 2004, Patient Infosystems granted to Dr. Schaffer and Mr. Pappajohn warrants to purchase an aggregate of 47,500 shares of Series D Preferred Stock, which warrants have been exercised and the underlying shares have been converted to common stock. Patient Infosystems valued these warrants at $1,085,375 using the Black-Scholes method.

On September 21, 2004, Patient Infosystems entered into the Fourth Addendum to the Second Amended and Restated Credit Agreement with Wells Fargo, which increased the amount of the credit facility to $7,000,000 and extended the term to July 31, 2006. Dr. Schaffer and Mr. Pappajohn guaranteed these extensions. In consideration of their guarantees, in September 2004 Patient Infosystems granted to Dr. Schaffer and Mr. Pappajohn warrants to purchase an aggregate of 1,000,000 shares of Patient Infosystems common stock for $1.68 per share. Patient Infosystems valued these warrants at $1,416,500 using the Black-Scholes method.

On February 2, 2005, Patient Infosystems wholly owned subsidiary ACS entered into the First Addendum to the Credit Agreement with Wells Fargo, which increased the amount of ACS s credit facility to $3,000,000. Dr. Schaffer and Mr. Pappajohn, directors of both Patient Infosystems and ACS, guaranteed this extension. Also on February 2, 2005, Patient Infosystems entered into the Fifth Addendum to the Second Amended and Restated Credit Agreement with Wells Fargo, which decreased the amount of Patient Infosystems credit facility to $6,000,000. ACS repaid $1,000,000 of debt to Patient Infosystems using its credit facility, which Patient Infosystems used to retire $1,000,000 of its credit facility. In consideration of the guarantees, ACS issued warrants to Mr. Pappajohn and Dr. Schaffer to purchase 974,950 shares of ACS common stock at the fair market value per share on the date of grant.

On October 31, 2005, Patient Infosystems issued 547,224 shares of common stock valued at $3.44 per share and paid $17,351 in cash to the holders of Patient Infosystems preferred stock in lieu of accrued dividends which it was obligated to pay upon conversion of such preferred stock into common stock. John Pappajohn and Derace Schaffer, M.D., directors of Patient Infosystems, received 279,465 and 40,694 shares of Patient Infosystems common stock, respectively, and Principal Life Insurance Company, a beneficial owner of more than 5% of Patient Infosystems outstanding common stock, received 193,860 shares of Patient Infosystems common stock in satisfaction of the accrued dividends.

On January 25, 2006, Patient Infosystems paid dividends in arrears totaling $192,785 to the holders of Patient Infosystems Series C and D Preferred Stock. In lieu of $178,036 of cash, John Pappajohn and Derace Schaffer, M.D., directors of Patient Infosystems, received 23,733 and 2,387 shares of ACS common stock, respectively, and Principal Life Insurance Company, a beneficial owner of more than 5% of Patient Infosystems outstanding common stock, received 18,390 shares of ACS common stock in satisfaction of the accrued dividends. Such shares of ACS common stock were held by Patient Infosystems as available-for-sale securities.

DESCRIPTION OF SECURITIES

We are authorized to issue 100,000,000 shares of capital stock, divided into (i) 80,000,000 shares of common stock, par value $0.01 per share and (ii) 20,000,000 shares of preferred stock, par value $0.01 per share. As of May 11, 2006, there are 67,538,976 shares of common stock outstanding, held of record by approximately 357 stockholders. There are no shares of our preferred stock outstanding.

Common Stock

The holders of common stock are entitled to one vote for each share held of record in the election of directors and in all other matters to be voted on by the stockholders. There is no cumulative voting with respect to the election of directors. As a result, the holders of more than 50% of the shares voting for the election of directors can elect all of the directors. Holders of common stock are entitled:

- to receive any dividends as may be declared by the board of directors out of funds legally available for such purpose after payment of accrued dividends on the outstanding shares of preferred stock; and

- in the event of our liquidation, dissolution, or winding up, to share ratably in all assets remaining after payment of liabilities and after provision has been made for each class of stock having preference over the common stock.

All of the outstanding shares of common stock are validly issued, fully paid and nonassessable. Holders of common stock have no preemptive right to subscribe for or purchase additional shares of any class of our capital stock.

Authorized Preferred Stock

Our board of directors has the authority within the limitations set forth in our certificate of incorporation to provide by resolution for the issuance of preferred stock, in one or more classes or series, and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences and the number of shares constituting any series or the designation of such series.

Warrants

As of May 11, 2006, there are outstanding warrants to purchase 1,089,536 shares of our common stock. All of such warrants are fully vested. This excludes the Replacement Warrants issued as part of the merger with CCS Consolidated to certain former holders of CCS Consolidated capital stock who are guarantors of CCS Consolidated s obligations under its line of credit with Comerica Bank. The shares underlying the Replacement Warrants have been deposited into escrow and may be acquired by such former CCS Consolidated stockholders based upon the outstanding balance of the line of credit. To the extent that the Replacement Warrants do not vest, or are not exercised in full, the shares of our common

stock underlying the Replacement Warrants will be released from escrow to all former stockholders of CCS Consolidated in accordance with the Merger Agreement.

Of the 1,089,536 shares underlying outstanding warrants described above, 307,036 shares are being registered in the registration statement of which this prospectus is a part and are issuable upon exercise of warrants that we have issued to the selling stockholders.

Market for Common Stock

Shares of our common stock are listed on the OTC Bulletin Board under the symbol PATY.

Transfer Agent and Registrar

Our transfer agent and registrar is Continental Stock Transfer and Trust Company, 17 Battery Place, New York, New York 10004.

Shares Eligible for Future Sale

As of May 11, 2006, we had an aggregate of 67,538,976 shares of common stock outstanding. If all options and warrants currently outstanding to purchase shares of common stock were to be exercised, there would be an aggregate of 70,478,582 shares of common stock outstanding. Of the 70,478,582 shares, up to 7,914,613 shares are freely tradable without restriction or further registration under the Securities Act, except for any shares purchased by an affiliate, which will be subject to the resale limitations of Rule 144 promulgated under the Securities Act.

All of the remaining shares of common stock currently outstanding are restricted securities or owned by affiliates, as those terms are defined in Rule 144, and may not be sold publicly unless they are registered under the Securities Act or are sold pursuant to Rule 144 or another exemption from registration. The restricted securities are not eligible for sale without registration under Rule 144. The table below provides additional information on the number of shares that may be publicly sold and the dates that they become eligible for sale. As of May 11, 2006, there were outstanding options to purchase 1,850,070 shares of our common stock.

Date	Number of shares eligible for sale	Comment
-		-

Currently	7,933,580	Shares outstanding other than (i) the shares being sold pursuant to this prospectus, (ii) shares issued in connection with the merger with CCS Consolidated and (iii) shares held by: - John Pappajohn; - Derace Schaffer; - Principal Life Insurance Company; - Christine St. Andre; - Kent Tapper; - Psilos Group Partners, L.P., Psilos Group Partners II, L.P. and CCP/Psilos CCS, LLC (collectively, Psilos); - Essex Woodlands Health Ventures Fund IV, L.P. and Essex Woodlands Health Ventures Fund V, L.P. (collectively Essex Woodlands); - Hickory Venture Capital Corporation (Hickory); - Radius Venture Partners I, L.P. (Radius); - CCS Consolidated Holdings LLC (CCS Holdings); and - SG Cowen Securities Corp. and its affiliates (collectively, SG Cowen); and
		issuable upon immediately exercisable options and warrants other than options and warrants held by directors and executive officers and warrants issued to the placement agent in the 2005 PIPE financing, the shares underlying which are being registered on the registration statement of which this prospectus is a part
Upon the effective date of this prospectus	3,895,598	Shares sold in Patient Infosystems PIPE offerings during October 2005 and December 2005 and shares issuable upon exercise of warrants issued to the placement agent in such transaction.
January 25, 2007	2,142,962	Shares issued in the merger, except for shares issued to: Psilos, Essex Woodlands, Hickory, Radius, CCS Holdings, and SG Cowen.
July 25, 2007	52,750,005	Shares (i) issued in the merger (excluding shares deposited into escrow in the merger) to Psilos, Essex Woodlands, Hickory, Radius, CCS Holdings and SG Cowen; and (ii) held by John Pappajohn, Derace Schaffer, Principal Life Insurance Company, Roger Chaufournier, Christine St. Andre and Kent Tapper (including shares underlying exercisable options

		and warrants).
		These shares will remain subject to volume limitations of Rule 144 for the following 12 month period.
Various dates	3,756,437	Shares (i) underlying options and warrants (other than those listed above) that are immediately exercisable and that vest and become exercisable and transferable, subject to the terms thereof, at various times in the future (including options currently held by Chris Paterson, Glen Spence and Ileana Welte and warrants held by former directors); and (ii) shares deposited into escrow at the closing of the merger which, when released to former CCS Consolidated stockholders, will become transferable on January 25, 2007 or July 25, 2007, depending on which stockholders such shares are released to.

The sale and distribution of these shares, or the perception that such sales or distributions might occur, may cause a decline in the market price of our common stock.

Rule 144

Generally, under Rule 144 as currently in effect, subject to the satisfaction of certain other conditions, a person, including any of our affiliates or persons whose shares are aggregated with an affiliate, who has owned restricted shares of common stock beneficially for at least one year, is entitled to sell, within any three-month period, a number of shares that does not exceed the greater of:

1% of the then outstanding shares of common stock; or

the average weekly trading volume of shares of common stock during the four calendar weeks preceding such sale.

A person who is not an affiliate, has not been an affiliate within three months prior to sale, and has beneficially owned the restricted shares for at least two years is entitled to sell such shares under Rule 144(k) without regard to any of the limitations described above.

Charter and Bylaws Provisions and Delaware Anti-Takeover Statute

Patient Infosystems is subject to Section 203 of the Delaware General Corporation Law regulating corporate takeovers. This section prevents Delaware corporations from engaging under certain circumstances, in a business combination, which includes a merger or sale of more than 10% of the corporation s assets, with any interested stockholder, or a stockholder who owns 15% or more of the corporation s outstanding voting stock, as well as affiliates and associates of any such persons, for three years following the date such stockholder became an interested stockholder, unless (i) the business combination or the transaction in which such stockholder became an interested stockholder is approved by the board of directors prior to the date the interested stockholder attained such status; (ii) upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned by (x) persons who are directors and also officers and (y) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or (iii) on or after the date the interested stockholder attained such status the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

Our certificate of incorporation and bylaws do not provide for cumulative voting in the election of directors. Our bylaws eliminate the right of stockholders to call special meetings of stockholders. These and other provisions may have the effect of delaying, deferring or preventing hostile takeovers or changes in the control or management of Patient Infosystems, even if doing so would be beneficial to our stockholders.

Reports to Stockholders

Patient Infosystems has complied, and will continue to comply, with the periodic reporting, proxy solicitation and other applicable requirements of the Securities Exchange Act of 1934.

SELLING STOCKHOLDERS

The following tables list the names of each holder of common stock and warrants, respectively, offered for sale by this prospectus, and for each such selling stockholder, the number of shares owned by such selling stockholder and the number of shares that may be offered for resale under this prospectus. To the extent permitted by law, the selling stockholders who are not natural persons may distribute shares, from time to time, to one or more of their respective affiliates, which may sell shares pursuant to this prospectus. We have registered the shares to permit the selling stockholders and their respective permitted assignees or other successors in interest that receive their shares from the selling stockholders after the date of this prospectus to resell the shares. An aggregate of up to 3,895,598 shares of our common stock may be offered and sold pursuant to this prospectus by the selling stockholders.

No selling stockholder has held any position or office or had a material relationship with Patient Infosystems or CCS Consolidated or their respective affiliates within the past three years other than as a result of the ownership of our common stock and other securities.

The following table sets forth certain information as of May 11, 2006 regarding the sale by the selling stockholders of 3,895,598 shares of common stock in this offering. None of the selling stockholders beneficially owns greater than 1% of our common stock.

Selling Stockholder(1)	Shares Beneficially Owned Before the Offering (2)	Shares to be Registered Pursuant to this Offering	Shares Beneficially Owned After the Offering
Alastair McEwan	27,933	27,933	0
Alessandro Corale	6,984	6,984	0
Alexander Sepulveda	13,967	13,967	0
Andrew W. Miller	7,268	7,268	0
Anne Bivona IRA	10,175	10,175	0
Arco Van Nieuwland	279,330	279,330	0
Arnold Urson	27,933	27,933	0
Atef Awadallah	2,907	2,907	0
Barry Wojcik	43,605	43,605	0
Bernard Ochs	13,967	13,967	0
Bill Barrett	7,268	7,268	0
Blake Williams	14,535	14,535	0
Brian and Julia M. Renner	14,535	14,535	0
Brian Billet	7,268	7,268	0
Brian J. Smith	2,907	2,907	0
Brian R. Pollack - IRA	3,634	3,634	0
Burrach Willi	11,309	11,309	0
Carlos E. Perez	14,535	14,535	0
Carrin Reid - IRA	3,489	3,489	0
Charles & Deanna West	5,233	5,233	0
Charles Mader	12,798	12,798	0
Curtis J. & Dorothy Bailey	14,535	14,535	0
Dale A. Crenwelge	14,535	14,535	0

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Dale Williams	13,967