

MEDIX RESOURCES INC  
Form PRE 14A  
August 16, 2002

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934**

**[Amendment No. \_\_\_ ]**

Filed by Registrant  [X]

Filed by a Party other than the Registrant  [ ]

Check the appropriate box:

- [X] Preliminary Proxy Statement
- [ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- [ ] Definitive Proxy Statement
- [ ] Definitive Additional Materials
- [ ] Soliciting Material Pursuant to ss.240.14a-11(c) or ss.240.14a-12

**Medix Resources, Inc.**

**(Name of Registrant as Specified in Its Charter)**

**Medix Resources, Inc.**

**(Name of Person(s) Filing Proxy Statement)**

Payment of Filing Fee (Check the appropriate box):

- [X] No fee required.
- [ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

- 1) Title of each class of securities to which transaction applies:
- 2) Aggregate number of securities to which transaction applies:
- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11. Set forth amount on which filing fee is calculated and state how it was determined:
- 4) Proposed maximum aggregate value of transaction:
- 5) Total fee paid:

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- 1) Amount Previously Paid:
- 2) Form Schedule or Registration Statement No.:
- 3) Filing Party:
- 4) Date Filed:

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MEDIX RESOURCES, INC.  
420 Lexington Ave., Suite 1830  
New York, New York 10170  
(212) 697-2509

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON OCTOBER 8, 2002

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Medix Resources, Inc., a Colorado corporation (the "Company"), will be held at \_\_\_\_\_, on Tuesday, October 8, 2002 at 10:00 a.m., local time, for the following purposes:

1. To elect two (2) members to the Company's seven-person Board of Directors, who will serve 3-year terms, and until their successors are duly elected and qualified;
2. To approve an amendment to the Company's Articles of Incorporation to increase the number of shares of the Company's common stock, par value \$.001 per share (the "Common Stock"), authorized for issuance from 100 million to 125 million;
3. To ratify the appointment of Ehrhardt Keefe Steiner & Hottman PC, independent public accountants, to audit the financial statements of the Company for the fiscal year ending December 31, 2002; and
4. To transact such other business as may properly come before the Annual Meeting or any adjournments(s) thereof.

The Board of Directors has fixed the close of business on August 22, 2002, as the record date (the "Record Date") for determining the Shareholders entitled to receive notice of, and to vote at, the Annual Meeting. A complete list of shareholders entitled to vote at the Annual Meeting will be available, upon written demand, for inspection during normal business hours by any shareholder of the Company prior to the Annual Meeting, for a proper purpose, at the Company's offices located at the address set forth above. Only shareholders of record on the Record Date are entitled to notice of, and to vote at, the Annual Meeting and any and all adjournments or postponements thereof.

A copy of the Company's Annual Report to Shareholders for the fiscal year ended December 31, 2001, a Proxy Statement and a proxy card accompany this notice. These materials were sent to shareholders on or about August 30, 2002.

**ALL SHAREHOLDERS ARE CORDIALLY INVITED TO ATTEND THE ANNUAL MEETING IN PERSON. HOWEVER, TO ENSURE YOUR REPRESENTATION AT THE ANNUAL MEETING, YOU ARE URGED TO MARK, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE IN THE POSTAGE-PREPAID ENVELOPE ENCLOSED FOR THAT PURPOSE. ANY SHAREHOLDER ATTENDING THE ANNUAL MEETING MAY VOTE IN PERSON EVEN IF SUCH SHAREHOLDER HAS PREVIOUSLY RETURNED A PROXY CARD.**

By Order of the Board of Directors

Mark W. Lerner  
Secretary

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New York, New York  
August 30, 2002

**MEDIX RESOURCES, INC.**  
420 Lexington Ave., Suite 1830  
New York, New York 10170  
(212) 697-2509

**PROXY STATEMENT**  
**ANNUAL MEETING OF SHAREHOLDERS**  
**TO BE HELD ON OCTOBER 8, 2002**

**INFORMATION CONCERNING SOLICITATION AND VOTING**

**General**

The enclosed Proxy is solicited on behalf of the Board of Directors of Medix Resources, Inc., a Colorado corporation (the "Company"), for use at the Annual Meeting of Shareholders to be held on October 8, 2002, at 10:00 a.m., local time, or at any adjournment(s) thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Shareholders. The Annual Meeting will be held at \_\_\_\_\_. These proxy solicitation materials were mailed on or about August 30, 2002 to all shareholders listed in the shareholder records of the Company as of the Record Date (as that term is defined below). The Company will bear the cost of this solicitation.

**Record Date and Quorum**

Shareholders of record at the close of business on August 22, 2002 (the "Record Date") are entitled to vote at the Annual Meeting. On the Record Date, \_\_\_\_\_ shares of the Company's common stock, \$0.001 par value per share (the "Common Stock"), were outstanding. Shareholders holding at least one-third of all shares of Common Stock represented in person or by proxy, shall constitute a quorum for the transaction of business at the Annual Meeting.

**Revocability of Proxies**

Any Proxy given pursuant to this solicitation may be revoked by the person or entity giving it at any time before its use by delivering to the Company a written notice of revocation or a duly executed Proxy Card bearing a later date or by attending the Annual Meeting and voting in person. An appointment of proxy is revoked upon the death or incapacity of the shareholder appointing the proxy if the Secretary or other officer or agent of the Company who is authorized to tabulate votes receives notice of such death or incapacity before the proxy exercises his authority under the appointment.

**Voting and Solicitation**

Each outstanding share of Common Stock shall be entitled to one (1) vote on each matter submitted to a vote at the Annual Meeting. Assuming a quorum is present, those candidates receiving the most votes shall be elected as directors of the Company. Approval of the proposed amendment to the Company's Articles of Incorporation to increase the number of shares of the Company's Common Stock authorized for issuance from 100 million to 125 million, and ratification of the appointment of our independent public accountants, will be approved by the shareholders if the number of votes cast for such proposals exceeds the number of votes cast against it, assuming a quorum is present. Where brokers have not received any instructions from their clients on how to vote on a particular proposal, brokers are permitted to vote on routine proposals but not on non-routine matters. The absences of votes on non-routine matters are "broker non-votes." Abstentions and broker non-votes shall be counted towards the

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presence of a quorum. However, they will not be counted and will have no effect in the election of directors or on the other votes to be taken at the Annual Meeting.

The principal executive offices of the Company are located at 420 Lexington Ave., Suite 1830, New York, New York 10170. In addition to the use of the mails, proxies may be solicited personally, by telephone or by facsimile, and the Company may reimburse brokerage firms and other persons holding shares of the Company's Common Stock in their names or in the names of their nominees, for their reasonable expenses in forwarding proxy solicitation materials to the beneficial owners. The Company may retain the services of a professional proxy solicitation firm, in which case the Company will pay such firm its standard fees for such services and reimburse such firm for its out-of-pocket expenses.

### **Matters to Be Brought Before the Annual Meeting**

The matters to be brought before the Annual Meeting include: (1) the election of two (2) members of the Company's Board of Directors; (2) approval of the proposed amendment to the Company's Articles of Incorporation to increase the number of shares of the Company's Common Stock authorized for issuance from 100 million to 125 million; (3) the ratification of the appointment of Ehrhardt Keefe Steiner & Hottman PC, independent public accountants, to audit the financial statements of the Company for the fiscal year ending December 31, 2002; and (4) the transaction of such other business as may properly come before the Annual Meeting or any adjournment(s) thereof.

### **Deadline for Receipt of Shareholder Proposals for Next Annual Meeting**

Shareholders of the Company who intend to present proposals at the Company's 2003 Annual Meeting of Shareholders must deliver such proposals to us no later than March 31, 2003 in order to be included in the Proxy Statement and form of Proxy relating to the 2003 Annual Meeting of Shareholders. In addition, if we receive notice of a shareholder proposal after that date, then the persons named in that Proxy Statement and form of Proxy will have discretionary authority to vote on such shareholder proposal, without discussion of such proposal in the Proxy Statement and without such proposal appearing as a separate item on the form of Proxy.

## **ELECTION OF DIRECTORS**

### **Nominees**

Our Board of Directors currently consists of seven directors. Our Directors are Mr. Samuel H. Havens, Ms. Joan E. Herman, Mr. Patrick W. Jeffries, Mr. John T. Lane, Mr. John R. Prufeta, Mr. Guy L. Scalzi, and Dr. David B. Skinner. Pursuant to the Company's Articles of Incorporation, whenever our Board consists of six or more members, the Board shall be classified into three classes as nearly equal in number as possible. The terms of two directors terminate at the 2002 Annual Meeting, Messrs. Havens and Scalzi. The Board of Directors has nominated those two current directors to fill these positions for a three year term. The Board of Directors recommends that the Shareholders vote "FOR" the director nominees listed below. Unless otherwise instructed, the proxy holder will vote the proxies received by him for management's nominees, as listed below. At the next Annual Meeting, unless a vacancy on the Board is filled during the year, two directors will be elected for a three-year term each.

In the event any management nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who shall be designated by the current Board of Directors to fill the vacancy. It is not expected that any nominee will be unable or will decline to serve as a director. The term of office of each person elected as a director will continue until the end of his or her respective term as stated above, and

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until such person's successor has been elected and qualified.

The nominees are as follows:

<b>Name</b>	<b>Position With the Company</b>	<b>Age</b>	<b>First Elected</b>
Samuel H. Havens(1)	Director	59	1999
Guy L. Scalzi (2)	Director	56	2001

- (1) Member of the Finance and Nominating Committees of the Board of Directors
- (2) Member of the Nominating Committee of the Board of Directors

**Biographical Information on Nominees.**

Samuel H. Havens. Prior to his retirement in 1996, Mr. Havens served as President of Prudential Healthcare for five years. He had begun his career with The Prudential Insurance Company as a group sales representative in 1965, and served in various posts in Prudential healthcare operations over three decades. Since retiring, Mr. Havens has served on the Board and as a consultant to various healthcare organizations. He is a member of the Board of Advisors of Temple Law School and the Editorial Board of Managed Care Quarterly. Mr. Havens completed the Executive Program in Business Administration at Columbia University. He holds a JD degree from Temple Law School, a CLU from the American College of Life Underwriters, and a BA degree from Hamilton College.

Guy L. Scalzi Mr. Scalzi is Vice President and Chief Operating Officer of First Consulting Group Management Services, LLC, a healthcare information technology consultant. Prior to joining that company in January 2000, he was Senior Vice President and Chief Information Officer for New York Presbyterian Healthcare System from April 1996 to December 1999. From January 1995 to March 1996, Mr. Scalzi was Director of Planning for Information Services at New York Hospital-Cornell Medical Center. From June 1993 to December 1994, he was Chief Information Officer, The Hospital for Joint Diseases, New York University Medical Center. From 1984 to 1993, he was a founder and senior executive with DataEase International, Inc., an international PC software development and marketing company. Mr. Scalzi has an MBA from Manhattan College and a B.S. degree from The State University of New York at Oswego.

**Current Board Members**

Listed below is information about the current members of our Board of Directors and the Committees on which they serve.

<b>Name</b>	<b>Date of Birth</b>	<b>Position</b>	<b>Director Since</b>
Samuel H. Havens (4) (5)	6/19/43	Director and Chair of the Nominating Committee	1999
Joan E. Herman (2) (3)	6/2/53	Director and Chair of the Audit Committee	2000
Patrick W. Jeffries(4)	1/25/53	Director and Chair of the Finance Committee	2001
John T. Lane (1) (2) (3) (4)	4/13/42	Director and Chairman of The Board	1999
John R. Prufeta (1) (4) (5)	7/1/60	President, Chief Executive Officer and a Director	1999
Guy L. Scalzi(5)	7/18/46	Director	2001

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Dr. David B. Skinner (1) 4/28/35 Director and Chair of the 1999  
(2) (3) Compensation Committee

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- (1) Member of the Executive Committee
- (2) Member of the Audit Committee
- (3) Member of the Compensation Committee
- (4) Member of the Finance Committee
- (5) Member of Nominating Committee

The following is biographical information about those directors whose information does not appear elsewhere in this proxy statement.

John T. Lane. Prior to his retirement from J.P. Morgan & Company in 1994, Mr. Lane was head of that firm's U.S. Private Clients Group. He also served as Chairman of J.P. Morgan, Florida; a Director of Morgan Shareholder Services, J.P. Morgan of California, and Morgan Futures; and a member of the firm's Credit Policy committee. Earlier, he held a number of positions in the J. P. Morgan organization, which he joined in 1968. Since retiring from J.P. Morgan, Lane has served as a consultant to various organizations. Mr. Lane currently serves on the Boards of Acme Metals Incorporated and Biospecifics Technologies Corp., whose common shares are publicly traded. Mr. Lane holds an MBA degree from the University of Michigan, and a BA degree from Dartmouth College.

Joan E. Herman. Ms Herman is the Group President of WellPoint's Senior, Specialty, and State Sponsored Programs division and is responsible for the Company's Dental, Life & AD&D, Pharmacy, Behavioral Health, Workers' Compensation Managed Care Services, Senior Services, and Disability businesses. She is also responsible for WellPoint's State Sponsored Programs, which include MediCal and Healthy Families. In 1999, a WellPoint affiliate entered into an agreement with the Company to implement a pilot program for the introduction of Cymedix(R) software to healthcare providers identified by such affiliate. Ms. Herman serves on the Company's Board of Directors pursuant to the terms of that agreement. Prior to joining WellPoint in 1998, Ms. Herman was the Senior Vice President, Strategic Development and Senior Vice President, Group Insurance for Phoenix Home Life Mutual Insurance Company. Ms. Herman has served as chairman of the board of Leadership Greater Hartford and been a member of the board of directors of the American Academy of Actuaries, the American Leadership Forum, the Hartford Ballet, the Greater Hartford Arts Council, and the Children's Fund of Connecticut. She is a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. Ms. Herman holds an MA in Mathematics from Yale University, an MBA from Western New England College, and an A.B. in mathematics from Barnard College.

Patrick W. Jeffries. In March 2002, Mr. Jeffries became the Executive Vice President for IT and Central Services of WellPoint Health Networks Inc. Mr. Jeffries is the founding partner of Health Technology Partners, LLC and a predecessor company, which was founded in 1997 and provides consulting services for healthcare and technology companies. From August 1997 to March 1999, Mr. Jeffries was the CEO and Chairman of the Board of OpTx Corporation, during which time he lead this disease management company in its transition from a late development stage company to commercial profitability. From December 1995 to July 1997, he was Executive Vice President of Salick Health Care, Inc., a national system of cancer treatment facilities. From 1985 to 1995, Mr. Jeffries was first an associate and then a partner of McKinsey & Company, Inc., an international management consulting firm. He holds an MBA from Cornell University and a BSEE from Washington University.

Dr. David B. Skinner. Dr. Skinner is President Emeritus of the New York-Presbyterian Hospital and the New York-Presbyterian Healthcare System. He was Vice Chairman/President and CEO of the Society of the New York Hospital and its Healthcare System and subsequently of the merged institution for 13 years.

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He is also a professor of cardiothoracic surgery and surgery at the Weill Medical College of Cornell University, professor of surgery at Columbia University College of Physicians and Surgeons, and an attending surgeon at New York Presbyterian Hospital. He was professor of surgery at Johns Hopkins University School of Medicine from 1968 to 1972, and professor and chairman of surgery at the University of Chicago, Pritzker School of Medicine from 1973 to 1987. Dr. Skinner has been awarded numerous honorary degrees, faculty appointments, corporate directorships, and domestic and international honors, awards, and prizes. Dr. Skinner holds a BA degree, with high distinction, from the University of Rochester and an MD degree, cum laude, from Yale University.

### **Board and Committee Meetings in 2001**

The Board of Directors of the Company held a total of sixteen meetings during the year ended December 31, 2001 (three in person and thirteen by telephone). During the same period, the Audit Committee of the Board of Directors met six times (once in person and five meetings by telephone) and the Compensation Committee met once by telephone and signed two unanimous consents. During 2001, all members of the Company's Board of Directors attended over 75% of the meetings of the Board of Directors and its Committees on which they served that occurred while they were directors, except for Dr. Skinner, who missed seven of 23 Board and Committee meetings. The Nominating Committee will consider Board nominee suggestions from our shareholders. Any such suggestions in connection with the 2003 Annual Meeting should be made to the Committee in writing on or before March 31, 2003.

### **Directors Compensation**

In 1999, we adopted the policy of compensating non-employee Directors, \$1,000 for attending each regular quarterly Board meeting in person, and \$250 for attendance by telephone. The Board of Directors has also authorized payment of reasonable travel or other out-of-pocket expenses incurred by non-employee directors for attending Board or committee meetings. Notwithstanding this policy, during 2001, the Directors waived such fees but not reimbursements for out-of-pocket expenses. Independently, Ms Joan Herman has waived her director fees altogether, based on WellPoint company policy.

From time to time, the Board of Directors will grant non-employee Directors options to acquire shares of Common Stock as compensation for their services to the Company as Directors. During 2001, we granted options covering 200,000 shares of Common Stock each to Mr. Jeffries and Mr. Scalzi, at the time they became Directors, which are exercisable at \$.78 per share.

In January 2002, the Directors discontinued the policy of cash fees to Directors for attending Board or committee meetings. Instead, each non-employee Director (other than Ms. Herman) was compensated for their services in 2002 through the grant of options to purchase 40,000 shares of our Common Stock.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE 'FOR' EACH OF THE ABOVE NOMINEES TO THE COMPANY'S BOARD OF DIRECTORS. ASSUMING A QUORUM IS PRESENT, THOSE CANDIDATES RECEIVING THE MOST VOTES WILL BE ELECTED AS DIRECTORS OF THE COMPANY.**

### **EXECUTIVE OFFICERS**

The following table sets forth the (i) the names of the current executive officers of the Company, (ii) their ages, and (iii) the capacities in which they serve the Company. All of the Company's executive officers devote full-time to the Company's business and affairs.

Name	Age	Position(s) With the Company
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John R. Prufeta	42	President and Chief Executive Officer
Patricia A. Minicucci	53	Executive Vice President, Operations
Mark W. Lerner	48	Executive Vice President, Chief Financial Officer and Secretary
Louis E. Hyman	34	Executive Vice President and Chief Technology Officer
Brian R. Ellacott	45	Senior Vice President and Regional CEO

### **Executive Officers Biographical Information**

John R. Prufeta. Mr. Prufeta joined the Company as a full time employee and as its President and Chief Executive Officer on March 1, 2000. Mr. Prufeta also is the Chairman of the Board of the Company's Cymedix Lynx subsidiary. He had been appointed to the position of Chief Executive Officer while a consultant to the Company in October 1999. Prior to that he was the Managing General Partner of The Creative Group, Creative Health Concepts, and TCG Development, and the President and Chief Executive Officer of Creative Management Strategies, Inc. for over 11 years. Those affiliated companies cover a wide spectrum of services within the healthcare industry. He was elected to the Company's Board of Directors in April 1999. A 1983 graduate of St. John's University with a B.S. in management, Mr. Prufeta graduated from the Executive Program, OPM at Harvard University, Graduate School of Business.

Patricia A. Minicucci. In March 2000, Ms. Minicucci joined the Company as Executive Vice President, Operations. Prior to joining Medix's staff, Ms. Minicucci served as Executive Vice President and a Principal of Creative Health Concepts. In 1995, she founded and was Chief Executive Officer of Practice Paradigms, an organization serving primary care physicians. Prior to founding Practice Paradigms, Minicucci was Senior Vice President-Managed Care with Empire Blue Cross Blue Shield and, before that, President-Employee Benefits Division with Washington National Corporation. Ms. Minicucci began her career in healthcare at CIGNA Corporation where she held numerous positions, including President-South Central Division, CIGNA Healthplan Inc.; Vice President-Human Resources Division, Employee Benefits Group; Vice President-Human Resources Department, Group Insurance Division; and Regional Vice President-Field Claim Operations, Group Insurance Division. She holds a B.A. in History from Russell Sage College.

Mark W. Lerner. Mr. Lerner became the Executive Vice President and Chief Financial Officer of the Company on July 1, 2002. Prior to joining the Company he served as Vice President, Finance, Operations and Development for Boardroom, Inc., a publisher of business information, from June, 2000, and as Senior Vice President, e-commerce at Weinstein & Holtzman, Inc., a wholesaler and distributor to the construction and real estate industry, from 1998 to June, 2000. Mr. Lerner served as Chief Financial Officer and Vice President of Finance and Operations, of the Science & Professional Division of The Thomson Corporation, from 1993 to 1998. Prior to 1993 he served in various financial positions at Pfizer, Inc. over eleven years. He received his BS in Finance degree from Miami University of Ohio, and his MBA degree from Emory University.



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Louis E. Hyman. On May 14, 2001, Mr. Hyman became an officer of the Company with the titles of Executive Vice President and Chief Technology Officer. From March 9 to May 14, 2001, he was a consultant to the Company, serving as interim Chief Technology Officer. From September 2000 until joining Medix, Mr. Hyman was President and CEO of Ideal Technologies, Inc., a healthcare integration consulting firm. Mr. Hyman held senior technology management and executive positions with CareInsite, Inc. (from August 1999 to September 2000 as Vice President of Information Technology) and LaPook Lear Systems Inc. (from August 1992 to August 1999 as Vice President and Director of Technology), both of which were merged into WebMD, Inc. in September 2000. As a result of these transactions, Mr. Hyman maintained his position as Vice President of Information Technology with WebMD through November 2000, where he played a key role in WebMD's integration efforts as well as initiatives to improve the Company's profitability. He graduated Summa Cum Laude from St. John's University where he earned a B.S. degree in Computer Science.

Brian R. Ellacott. In March 2000, Mr. Ellacott joined the Company as Senior Vice President of Business Development. In Mid-2001, Mr. Ellacott was appointed as the Division CEO for Southeast Region Markets. Mr. Ellacott served as president of Cosmetic Surgery Consultants from November 1998 until March 2000, when he joined Medix Resources, Inc. From 1996 to 1998 he was Executive Vice President of Alignis Inc., an alternative healthcare PPO. Before that, he was president-Bibb Hospitality (Atlanta) for The Bibb Company. Mr. Ellacott began his career in healthcare at Baxter International/American Hospital Supply where he held numerous positions, including Director of National Accounts (Chicago); Director of Marketing (Australia); Director of Marketing (Canada); Systems Manager (Canada); Regional Manager (British Columbia); and Product Manager (hospital products). He holds a B.A. in Business Administration, with Honors, from Wilfrid Laurier University (Waterloo, Canada).

### Executive Officer Compensation

*Summary Compensation Table.* The following table sets forth the annual and long-term compensation for services in all capacities to the Company for the three years ended December 31, 2000, awarded or paid to, or earned by our President and our four other most highly compensated officers (the "Named Officers").

*Summary Compensation Table.* The following table sets forth the annual and long-term compensation for services in all capacities to the Company for the three years ended December 31, 2001, awarded or paid to, or earned by our Chief Executive Officer ("CEO") and our four other most highly compensated officers (the "Named Officers").

Name and Principal Position	Fiscal Year	Annual Compensation			Long-Term Compensation
		Salary	Bonus	Other(1)	Securities Underlying Options (Shares)
John R. Prufeta President and CEO	2001	\$114,000	0		425,000
	2000	\$120,000	0		600,000
	1999	\$171,000 (2)	0		925,000
Louis E. Hyman, Executive Vice President and Chief Technology Officer	2001	\$156,625 (3)	0		250,000

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Patricia A. Minicucci	2001	\$197,000	0	175,000
Executive Vice President for Operations	2000	\$163,846	0	400,000
Gary L. Smith(4), former Executive Vice President and Chief Financial Officer	2001	\$197,000	0	175,000
	2000	\$ 2,430	0	250,000
Brian R. Ellacott	2001	\$165,000	0	175,000
Senior Vice President	2000	\$125,769	0	150,000

- (1) Other annual compensation, except as noted, is made up of automobile allowances, and disability and health insurance premiums, in amounts less than 10% of the officer's annual salary plus bonus.
- (2) During 1999, Mr. Prufeta served as a consultant to the Company pursuant to a consulting agreement between the Company and his employer, Creative Management Strategies, Inc., which company was paid or accrued the amount shown above and received options to purchase 25,000 shares of Common Stock, included in the amount shown. He became an employee of the Company in early 2000.
- (3) During 2001, Mr. Hyman, through an affiliated entity, served as a consultant to Medix before he became a full time employee and executive officer. This amount includes the consulting compensation to his firm. He also received a grant of options to purchase 20,000 shares for his consulting services.
- (4) Mr. Smith's employment with the Company terminated in July, 2002.

**Stock Option Awards.** In August 1999, our Board of Directors approved and authorized our 1999 Stock Option Plan (the "1999 Plan"), which is intended to grant either non-qualified stock options or incentive stock options, as described below. In 2000, our shareholders approved the 1999 Plan. The purpose of the 1999 Plan is to enable our company to provide opportunities for certain officers and key employees to acquire a proprietary interest in our company, to increase incentives for such persons to contribute to our performance and further success, and to attract and retain individuals with exceptional business, managerial and administrative talents, who will contribute to our progress, growth and profitability.

Options granted under our 1999 Plan include both incentive stock options ("ISOs"), within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), and non-qualified stock options ("NQOs"). Under the terms of the Plan, all officers and employees of our company are eligible for ISOs. Our company determines in its discretion, which persons will receive ISOs, the applicable exercise price, vesting provisions and the exercise term thereof. The terms and conditions of option grants differ from optionee to optionee and are set forth in the optionees' individual stock option agreement. Such options generally vest over a period of one or more years and expire after up to ten years. In order to qualify for certain preferential treatment under the Code, ISOs must satisfy the statutory requirements thereof. Options that fail to satisfy those requirements will be deemed NQOs and will not receive preferential treatment under the Code. Upon exercise, shares will be issued upon payment of the exercise price in cash, by delivery of shares of Common Stock, by

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delivery of options or a combination of any of these methods. At our 2001 Annual Meeting, our shareholders approved an increase of 3,000,000 shares to 13,000,000 as the amount of total shares of our Common Stock reserved for issuance under the 1999 Plan.

As of August 1, 2002, we had issued 5,246,085 shares of our Common Stock upon exercise of options to current or former employees and directors, and have 7,308,000 shares currently covered by outstanding options held by current or former employees and directors, with exercise prices ranging from \$.19 to \$4.97. Such options have been granted under the 1999 Plan and earlier stock option plans.

### Equity Compensation Plan Information

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity Compensation Plans Approved by Shareholders	6,669,500	\$1.39	6,330,500
Equity Compensation Plans Not Approved by Shareholders	8,272,779	\$0.54	0
<b>Total</b>	<b>14,942,279</b>	<b>\$0.92</b>	<b>6,330,500</b>

Option information for fiscal 2001 relating to the Named Officers is set forth below:

### Options Granted in 2001

Name	Number of Shares of Common Stock Underlying Options Granted in 2001	Percentage of Total Options Granted to Employees in 2001	Exercise Price	Expiration Date	Valuation under Black- Scholes Pricing Method(1)
John R. Prufeta	400,000	21.2%	\$.62	4/17/06	\$217,755
	25,000	1.3%	\$.60	3/23/06	\$13,171
Louis E. Hyman	230,000	12.2%	\$.61	5/14/06	\$123,190
	20,000	1.1%	\$.70	3/03/03	\$15,580
Patricia A. Minicucci	150,000	7.9%	\$.61	5/14/06	\$80,341
	25,000	1.3%	\$.60	3/23/06	\$13,171
Gary L. Smith	150,000	7.9%	\$.61	5/14/06	\$80,341

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	25,000	1.3%	\$.60	3/23/06	\$13,171
Brian R. Ellacott					
	150,000	7.9%	\$.61	5/14/06	\$80,341
	25,000	1.3%	\$.60	3/23/06	\$13,171

(1) The Black-Scholes option-pricing model estimates the options fair value by considering the following assumptions: the options exercise price and expected life, the underlying current market price of the stock and expected volatility, expected dividends and the risk free interest rate corresponding to the term of the option. The fair values calculated above use expected volatility of 132%, a risk-free rate of 5.5%, no dividend yield and anticipated exercise at the end of the term.

### Option Exercises and Year-End Values in Fiscal 2001

Name	Shares Exercised	Value Realized	Number of Shares Underlying Unexercised Options at Year-End		Value of Unexercised In-the-Money Options at Year-End(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
John R. Prufeta	0	0	1,450,000 (2)	500,000	\$258,250	\$80,000
Louis E. Hyman	0	0	112,500	137,500	\$8,325	\$12,375
Patricia A. Minicucci	0	0	575,000	0	\$16,000	\$0
Gary L. Smith	0	0	325,000	100,000	\$16,000	\$0
Brian R. Ellacott	0	0	312,500	12,500	\$16,000	\$0

(1) The dollar values are calculated by determining the difference between \$0.70 per share, the fair market value of the Common Stock at December 31, 2001, and the exercise price of the respective options.

(2) Includes options covering 25,000 of these shares were granted to a company that is an affiliate of Mr. Prufeta for executive search services.

Medix has no retirement, pension or profit-sharing program for the benefit of its directors, executive officers or other employees, but the Board of Directors may recommend one or more such programs for adoption in the future. Medix does not make any contributions to its 401(k) Plan for its employees.

### **Employment Agreements**

Mr. Prufeta's Employment Agreement, which has an initial term of one year and renews in automatic one year increments thereafter, provides that he will be compensated at the base salary of \$275,000 annually, plus a bonus of \$400,000, subject to certain performance criteria. He holds the positions of President and Chief Executive Officer and reports to the Board of Directors. Pursuant to his Employment Agreement, Mr. Prufeta has been granted options to purchase 200,000 shares of Common Stock at \$.70 per share, which vest upon the occurrence of certain performance goals. His Employment Agreement provides for termination at any time by the employee with or without cause or by the Company with cause. The Employment Agreement is also subject to termination by the Company without cause, after the initial one-year of the term subject to the right of the employee to continue to receive salary and pro-rata bonus compensation for 6 months. The Employment Agreement also contains a non-compete provision that extends for a period of one year after termination or resignation of the employee, as well as certain confidentiality provisions. The Employment Agreement contains provisions providing that, upon the occurrence of a "Triggering Event" (defined to include a change in ownership of 50% of the outstanding shares of the Company's Common Stock through a merger or otherwise) during the term of his employment, he will receive a lump sum payment equal to his then current year's base and bonus pay.

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Ms. Minicucci's Employment Agreement, which has an initial term of one year and renews in automatic one year increments thereafter, provides that she will be compensated at the base salary of \$245,000 annually, plus eligibility for bonus consideration, subject to certain performance criteria. She holds the position of Executive Vice President, Operations, and reports to the President and CEO. Pursuant to her Employment Agreement, Ms. Minicucci has been granted options to purchase 125,000 shares of Common Stock at \$.70 per share, which vest on a time-based schedule. Her Employment Agreement provides for termination at any time by the employee with or without cause or by the Company with cause. The Employment Agreement is also subject to termination by the Company without cause, after the initial one-year of the term subject to the right of the employee to continue to receive salary and pro-rata bonus compensation for 6 months. The Employment Agreement also contains a non-compete provision that extends for a period of one year after termination or resignation of the employee, as well as certain confidentiality provisions. The Employment Agreement contains provisions providing that, upon the occurrence of a "Triggering Event" (defined to include a change in ownership of 50% of the outstanding shares of the Company's Common Stock through a merger or otherwise) during the term of her employment, she will receive a lump sum payment equal to her then current year's base and bonus pay.

Mr. Lerner's Employment Agreement, which has an initial term of one year and renews in automatic one year increments thereafter, provides that he will be compensated at the base salary of \$207,000 annually, plus eligibility for bonus consideration, subject to certain performance criteria. He holds the positions of Executive Vice President and Chief Financial Officer and reports to the President and CEO. Pursuant to his Employment Agreement, Mr. Lerner has been granted options to purchase 275,000 shares of Common Stock at \$.38 per share, which vest upon a time-based schedule. His Employment Agreement provides for termination at any time by the employee with or without cause or by the Company with cause. The Employment Agreement is also subject to termination by the Company without cause, after the initial one-year of the term subject to the right of the employee to continue to receive salary and pro-rata bonus compensation for 6 months. The Employment Agreement also contains a non-compete provision that extends for a period of one year after termination or resignation of the employee, as well as certain confidentiality provisions. The Employment Agreement contains provisions providing that, upon the occurrence of a "Triggering Event" (defined to include a change in ownership of 50% of the outstanding shares of the Company's Common Stock through a merger or otherwise) during the term of his employment, he will receive a lump sum payment equal to his then current year's base and bonus pay.

Mr. Hyman's original Employment Agreement, which had an initial term of two years, ending on May 14, 2003, provided that he be compensated at the salary of \$ 200,000 annually. In 2002, the Company executed a new Employment Agreement which has an initial term of one year and renews in automatic one year increments thereafter, provides that he will be compensated at the base salary of \$225,000 annually, plus eligibility for bonus consideration, subject to certain performance criteria. He holds the position of Executive Vice President and Chief Technology Officer, and reports to the President and CEO. Pursuant to his original Employment Agreement, he has been granted options to purchase 230,000 shares of Common Stock at \$0.61 per share, which vest over the 2-year term of his original Employment Agreement. Pursuant to his new Employment Agreement, Mr. Hyman has been granted options to purchase 125,000 shares of Common Stock at \$.70 per share, which vest upon a time-based schedule. His Employment Agreement provides for termination at any time by the employee with or without cause or by the Company with cause. The Employment Agreement is also subject to termination by the Company without cause, after the initial one-year of the term subject to the right of the employee to continue to receive salary and pro-rata bonus compensation for 6 months. The Employment Agreement also contains a non-compete provision that extends for a period of one year after

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termination or resignation of the employee, as well as certain confidentiality provisions. The Employment Agreement contains provisions providing that, upon the occurrence of a "Triggering Event" (defined to include a change in ownership of 50% of the outstanding shares of the Company's Common Stock through a merger or otherwise) during the term of his employment, he will receive a lump sum payment equal to his then current year's base and bonus pay

Mr. Ellacott's Employment Agreement, which has an initial term of one year and renews in automatic one year increments thereafter, provides that he will be compensated at the base salary of \$180,000 annually, plus eligibility for bonus consideration, subject to certain performance criteria. He initially held the position of Senior Vice President, Business Development, and recently was appointed as Senior Vice President and Southeast Division Market CEO, reporting to the Executive Vice President, Operations. Pursuant to his Employment Agreement, Mr. Ellacott has been granted options to purchase 50,000 shares of Common Stock at \$.59 per share, which vest upon a time-based schedule. His Employment Agreement provides for termination at any time by the employee with or without cause or by the Company with cause. The Employment Agreement is also subject to termination by the Company without cause, after the initial one-year of the term subject to the right of the employee to continue to receive salary and pro-rata bonus compensation for 6 months. The Employment Agreement also contains a non-compete provision that extends for a period of one year after termination or resignation of the employee, as well as certain confidentiality provisions. The Employment Agreement contains provisions providing that, upon the occurrence of a "Triggering Event" (defined to include a change in ownership of 50% of the outstanding shares of the Company's Common Stock through a merger or otherwise) during the term of his employment, he will receive a lump sum payment equal to his then current year's base and bonus pay

### **Board Compensation Committee Report on Executive Compensation**

The Compensation Committee of the Board of Directors (the "Committee") administers the Medix stock option plans and oversees our executive compensation, subject to approval of its recommendations by the Board of Directors. Executive compensation includes base salaries, annual incentives and long term stock option plans, as well as any executive benefits and/or prerequisites.

Our general compensation philosophy for our executive officers, including our Chief Executive Officer ("CEO"), is to offer competitive compensation packages that are designed to attract and retain key executives critical to the success of the Company. At present, packages include annual cash compensation (salaries) and long-term compensation consisting of options to purchase the Company's stock, to align the interests of management with those of the Company's shareholders. Beginning with calendar year 2002, executive packages will include variable amounts of annual bonus potential, tied to specific performance goals for the Company and the individual executives. The Committee intends to review the performance and compensation of executives annually, in conjunction with the performance of the Company. Incentive Stock Option awards are based upon the Committee's judgment as to the relative rank and contribution of each executive (or other employee) to the success and survival of the Company.

In addition, the Company has entered into employment agreements with its executive officers, as outlined earlier in this report.

Compensation Committee,

Dr. David B. Skinner, Chairman  
Ms. Joan E. Herman  
Mr. John T. Lane

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### Compensation Committee Interlocks and Insider Participation

In 1999, we entered into agreements with WellPoint Pharmacy Management ("WPM") to implement a pilot program for the introduction of Cymedix(R) software to healthcare providers identified by WPM. After the required testing of the software, the agreements provide for a production program to install the software broadly among WPM managed providers. One of the agreements provides that Medix will nominate a representative of WPM to be elected to the Company's Board of Directors. Ms. Herman is that representative. Such agreement also provided that WPM would be granted warrants evidencing the right to purchase up to 6,000,000 shares of Common Stock, which vest upon the occurrence of certain performance criteria. The agreement provides for the grant of warrants covering 3,000,000 shares with an exercise price of \$0.30 per share, and warrants covering 3,000,000 shares with an exercise price of \$0.50 per share, all expiring five years from the date of grant, September 8, 2004. In February 2002, the warrant agreement was amended to revise the performance criteria and to add an additional right to purchase up to 1,000,000 additional shares at \$1.75 per share. At March 15, 2002, warrants covering 1,850,000 shares, exercisable at \$.30 per share, had vested.

### COMPARISON OF CUMULATIVE TOTAL RETURNS

The following graph and data points table compare the performance of the Company's common stock with the performance of the AMEX-U.S. Index, as adjusted, and as provided by the American Stock Exchange and a Custom Composite Index (4 stocks) over the five year period extending through the end of 2001. The graph and tabular information assume that \$100 was invested on December 31, 1996 in the Company's common stock, the AMEX-U.S. Index and the Custom Composite Index, with any dividends being reinvested. The Company has provided this graph and the tabular information using publicly available information that it has no reason to believe is not accurate. However, the Company takes no responsibility for such information.

The Custom Composite Index includes Cybear, AllScripts, WebMD and ProxyMed, companies that the Company believes are its peers and that are involved in the same or similar lines of business. The Company believes that this peer group is a better comparison than broader indices, which are publicly available. Data for Cybear, AllScripts and WebMD were not available for periods prior to 1999.

Based on the reinvestment of \$100 beginning December 31, 1996

	12/31/1996	12/31/1997	12/31/1998	12/31/1999	12/31/2000	12/31/2001
Medix Resources, Inc. (1)	\$100	\$23	\$9	\$288	\$100	\$65
AMEX U.S. Index (as adjusted)	\$100	\$125	\$134	\$177	\$166	\$151
Custom Composite Index	\$100	\$98	\$165	\$138	\$16	\$20

(1) Medix acquired its Cymedix Internet software and services business in January of 1998. Before then it operated only a medical temporary staffing business. It did not dispose of all of its medical staffing business until February 2000.

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Since 1996, we have had a policy that any transactions with directors or officers or any entities in which they are also officers or directors or in which they have a financial interest, will only be on terms that would be reached in an arms-length transaction, consistent with industry standards and approved by a majority of our disinterested directors. This policy provides that no such transaction shall be either void or voidable solely because of such relationship or interest of such directors or officers, or solely because such directors are present at the meeting of the Board of Directors or a committee thereof that approves such transaction, or solely because their votes are counted for such purpose. In addition, interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or a committee thereof that approves such a transaction. We have also adopted a policy that any loans to officers, directors and 5% or more shareholders are subject to approval by a majority of the disinterested directors. All of the transactions described below have been approved according to this policy.

Before Mr. Prufeta was elected to our Board of Directors in 1999, OnPoint Partners (formerly known as Creative Management Strategies) ("OPP"), a company partially owned by Mr. John Prufeta, entered into agreements with us to provide executive search services and sales and marketing services to us. In connection with those agreements, we issued a 3-year option to acquire up to 25,000 shares of our Common Stock at an exercise price of \$0.55 per share to OPP. We also paid such company \$71,000 during 1999. In addition, for Mr. Prufeta's service to us as Chief Executive Officer until he became a full-time employee, and the above services provided by the affiliated company, we have paid \$110,000 to OPP in 2000. At the time Mr. Prufeta became a full-time employee of the Company in January of 2000, such agreements with OPP were terminated. During 2001 and 2000, we have paid OPP approximately \$111,000 and \$93,000, respectively, as reimbursements for rents and services for our former New York office space, which was leased in the name of OPP. In addition, we have paid OPP employee search fees of approximately \$38,361 and \$152,000 during 2001 and 2000, respectively, for their employee search services. OPP is a recognized provider of executive and employee search services to all areas of the health care industry, and provides its services to us at standard rates. The Board of Directors, through the Audit Committee, reviews and approves of any contractual arrangements with OPP.

We have entered into a consulting agreement with Mr. Samuel Havens, which provides that we pay Mr. Havens \$5,000 per month for his consulting services in connection with our marketing efforts. During 2001, we paid Mr. Havens \$20,000 for his services. Mr. Havens deferred his monthly payment from May, 2001 through March, 2002. Currently, the accrued amount payable to Mr. Havens is \$55,000. Monthly payments began again in April, 2002.

See "EXECUTIVE COMPENSATION - Compensation Committee Interlocks and Insider Participation" for a description of other related party transactions.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding beneficial ownership of Common Stock as of August 1, 2001, by (i) each person known by the Company to own beneficially more than 5 % of the outstanding shares of Common Stock, (ii) each director and executive officer and (iii) all executive officers and directors as a group. On such date, we had 62,923,624 shares of Common Stock outstanding. Shares not outstanding but deemed beneficially owned by virtue of the right of any individual to acquire shares within 60 days are treated as outstanding only when determining the amount and percentage of Common Stock owned by such individual. Each person has sole voting and investment power with



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respect to the shares shown, except as noted.

Name and Address -----	Number of Shares -----	Percentage of Class -----
John R. Prufeta 420 Lexington Ave., Suite 1830 New York, New York	2,453,000 (1)	3.8%
John T. Lane 94 Sixth Street Garden City, New York	705,000 (2)	1.1
Samuel H. Havens 58 Winged Foot Drive Livingston, New Jersey	255,000 (3)	*
Joan E. Herman One Wellpoint Way Thousand Oaks, California	None (4)	0%
Patrick W. Jeffries One Wellpoint Way Thousand Oaks, California	355,000 (5)	*
Guy L Scalzi The Chrysler Building, 37th Floor 42nd and Lexington Ave. New York, New York	230,000 (6)	*
David B. Skinner, M.D. 525 East 68th Street New York, New York	230,000 (7)	*
Louis E. Hyman 420 Lexington Ave., Suite 1830 New York, New York	355,000 (8)	*
Patricia A. Minicucci 420 Lexington Ave., Suite 1830 New York, New York	737,500 (9)	1.2%
Mark W. Lerner 420 Lexington Ave., Suite 1830 New York, New York	78,125 (6)	*
Brian Ellacott 101 Village Parkway Building One Marietta, Georgia	400,000 (10)	*
All directors and executive officers as a group (11 persons)	5,798,725	8.6%

\*Less than 1% of the outstanding shares

- 
- (1) Mr. Prufeta owns 862,000 shares of Common Stock, with the remainder available upon the exercise of warrants and options held by him.
- (2) Mr. Lane owns 62,500 of these shares, the remainder are available upon the conversion or exercise of convertible preferred stock, warrants and options held by him, including 50 shares of the Company's 1999 Series B Convertible

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Preferred Stock (100% of the outstanding shares of that class), and 25 shares of the Company's 1999 Series C Convertible Preferred Stock (25% of the outstanding shares of that class).

- (3) Mr. Havens owns 12,500 of these shares, with the remainder available upon the exercise of warrants and options held by him.
- (4) Ms. Herman has declined the grant of any options based on WellPoint company policy.
- (5) Mr. Jeffries owns 62,500 of these shares, with the remainder available upon the exercise of warrants and options held by him.
- (6) Represents shares of Common Stock available upon the exercise of outstanding options.
- (7) Dr. Skinner owns 200,000 of these shares, with the remainder available upon the exercise of options held by him.
- (8) Mr. Hyman owns 50,000 of these shares, with the remainder available upon the exercise of warrants and options held by him.
- (9) Ms. Minicucci owns 50,000 of these shares, with the remainder available upon the exercise of warrants and options held by her.
- (10) Mr. Ellacott owns 25,000 of these shares, with the remainder available upon the exercise of warrants and options held by him.

### **COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT OF 1934**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires directors and executive officers, and persons who own more than 10% of a registered class of a company's equity securities, to file with the U. S. Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of the Company's common stock and other equity securities. Officers, directors and greater than 10% shareholders are required by Securities and Exchange Commission regulations to furnish the Company with copies of all Section 16(a) reports they file. Based solely upon such reports, we believe that none of such persons failed to comply with the requirements of Section 16(a) during 2001.

### **AMENDMENT TO ARTICLES OF INCORPORATION TO INCREASE NUMBER OF SHARES OF COMMON STOCK AUTHORIZED FOR ISSUANCE**

The Board of Directors has determined that it is in the best interest of the Company to amend the Company's Articles of Incorporation to increase the number of authorized shares of the Company's Common Stock from 100,000,000 to 125,000,000. The text of the proposed Articles of Amendment is attached hereto as Exhibit A.

As of August 8, 2002, there were 62,923,624 shares of the Company's Common Stock outstanding, leaving 37,076,376 shares of Common Stock authorized but unissued. However, as of August 8, 2002, the Company had entered into commitments to issue (i) 7,308,000 shares of its Common Stock upon the exercise of outstanding options, (ii) 18,310,312 shares of its Common Stock upon the exercise of warrants, (iii) 310,000 shares of its Common Stock upon the conversion of outstanding Preferred Stock of the Company, and (iv) 3,000,000 shares of its Common Stock upon the conversion of outstanding Promissory Notes. Further, an additional 6,330,500 shares, under the Company's 1999 Stock Option Plan, may be issued upon the exercise of options yet to be granted. These commitments, in the aggregate, obligate the Company, on a contingent basis, to issue up to 35,258,812 of the Company's Common Stock, which almost equals the 37,076,376 shares of authorized but unissued Common Stock out of which it can satisfy such obligations.

In addition to satisfying the Company's current commitments as described above, the Company will be required to raise additional capital to finance its operations and to finance the development of its subsidiary's Cymedix software

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products. The purpose of the proposed Amendment includes providing the Company with greater flexibility in financing these cash requirements, by providing it with adequate authorized Common Stock to commit in future financings. The Board of Directors has determined that the Company soon will be restricted in its financing options due to the limited amount of authorized but unissued shares of Common Stock provided for in its Articles of Incorporation. Therefore, the Board has determined that the Company's Articles of Incorporation must be amended to authorize additional shares of Common Stock that may then be issued as approved by the Company's Board of Directors. The Company is currently funding its operations principally by issuing common stock and warrants from time to time in private transactions at a discount to market. Failure to authorize this amendment could limit the Company's ability to raise capital to fund its operations

The Company's shareholders will have no appraisal rights under Colorado law with respect to the Amendment or any equity financing that the Company may undertake after its adoption. In addition, shareholders do not have any preemptive rights to participate in any future issuance of Common Stock, and therefore will suffer dilution of ownership upon such issuance. The issuance of additional shares could also have the effect of diluting the earnings per share and book value of existing shares of Common Stock. Although the authorization of the additional shares is not intended as an anti-takeover device, the additional shares could be used to dilute the stock ownership of persons seeking to gain control of the Company, which could preclude existing shareholders from taking advantage of such a situation.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE 'FOR' APPROVAL OF THE ARTICLES OF AMENDMENT TO THE ARTICLES OF INCORPORATION. SUCH AMENDMENT SHALL BE APPROVED IF A PLURALITY OF THE SHARES REPRESENTED AT THE SPECIAL MEETING VOTE IN FAVOR OF THE AMENDMENT.**

### **RATIFICATION OF APPOINTMENT OF ACCOUNTANTS**

The Board of Directors has appointed Ehrhardt Keefe Steiner & Hottman PC, independent public accountants, to audit the Company's financial statements for the 2002 fiscal year and recommends that the Company's Shareholders ratify such appointment. The same firm audited the Company's financial statements last year. Representatives of Ehrhardt Keefe Steiner & Hottman PC are expected to be present at the Annual Meeting, and will have the opportunity to make a statement if they desire, and are expected to be available to respond to appropriate questions.

Ehrhardt Keefe Steiner & Hottman PC billed by the Company the amount of Audit Fees identified in the table below for professional services rendered for the audit of our annual financial statements for the fiscal year 2001 and the review of quarterly financial statements included in our Quarterly Reports on Forms 10-Q filed during that year. In addition, in 2001, that firm billed the amount identified as All Other Fees in the table below for tax-related consulting and other professional services.

#### Auditors' Fees in 2001

Audit Fees:	
Annual audit	\$66,472
Quarterly reviews	\$28,039
Financial Information Systems	
Design and Implementation Fees	\$ 0
All Other Fees	\$20,085

The Audit Committee of the Board of Directors has considered whether the

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provision of the services represented by All Other Fees in the table above is compatible with maintaining our accountant's independence. The Audit Committee concluded that our accountant's independence was not compromised by providing these services.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE 'FOR' THE RATIFICATION OF EHRHARDT KEEFE STEINER & HOTTMAN PC TO AUDIT THE COMPANY'S FINANCIAL STATEMENTS FOR THE 2001 FISCAL YEAR. SUCH APPOINTMENT SHALL BE RATIFIED IF A PLURALITY OF THE SHARES VOTED ON THE PROPOSAL AT THE ANNUAL MEETING ARE VOTED IN FAVOR OF THE APPOINTMENT.**

### **AUDIT COMMITTEE REPORT**

The Audit Committee of our Board of Directors has three members, who are independent directors as required by The American Stock Exchange. They are Ms. Joan E. Herman, Chair of the Committee, Mr. John T. Lane and Dr. David B. Skinner. They have provided this report to the shareholders.

The Committee's principal function is to oversee the Company's financial reporting process on behalf of the Board of Directors. The Company's management has the primary responsibility for preparing our financial statements and our reporting process, including the Company's system of internal controls. In carrying out its duties, the Committee provides an open avenue of communications between the Board of Directors, management and the Company's independent public accountants. Our independent public accountants are ultimately accountable to the Board and the Committee and are responsible for expressing an opinion on the conformity of the Company's audited financial statements with generally accepted accounting principals. The Audit Committee Charter, adopted by the Board of Directors, specifies the scope of the Audit Committee's responsibilities and how it should carry out those responsibilities. Copies of the Charter are available to its shareholders of record upon written request to the Company.

The Audit Committee has reviewed and discussed the audited financial statements of the Company for the fiscal year ended December 31, 2001 with the Company's management and independent accountants. The Audit Committee discussed with Ehrhardt, Keefe, Steiner & Hottman PC, our independent public accounting firm, the matters required to be discussed by Statement on Auditing Standards No. 61 (Communications with Audit Committees). The Audit Committee has also received and reviewed the written disclosures and letter from that firm required by Independence Standards Board Standard No.1 (Independence Discussion with Audit Committees) and has discussed its independence with representatives of the firm.

Based upon the above review and discussions, the Audit Committee recommended to the Board of Directors the inclusion of Company's 2001 audited financial statements in our 2001 Annual Report on Form 10-K for filing with the Securities and Exchange Commission.

### **OTHER MATTERS**

Management knows of no other matters to be submitted to the Annual Meeting. If any other matters properly come before the Annual Meeting, it is intended that the person named in the enclosed form of Proxy will vote such Proxy in accordance with his judgment.

### **ANNUAL REPORT TO SECURITIES AND EXCHANGE COMMISSION**

A copy of the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2001, as filed with the Securities and Exchange Commission,

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is enclosed herewith as the Company's Annual Report to Shareholders. Additional copies thereof may be obtained by Shareholders, without charge, by written request to Investor Relations Department, Medix Resources, Inc., 7100 East Belleview Ave., Suite 301, Englewood, CO 80111, (303) 741-2045.

**ARTICLES OF AMENDMENT  
TO  
ARTICLES OF INCORPORATION  
OF  
MEDIX RESOURCES, INC.**

**Exhibit A**

Pursuant to the provisions of the Colorado Business Corporation Act, as amended (the "Act"), Medix Resources, Inc., a corporation organized under the laws of the State of Colorado, by its President, does hereby certify as follows:

1. The name of the Corporation is Medix Resources, Inc.

2. The Board of Directors of said Corporation has consented to, authorized and passed resolutions at a meeting duly held on August 20, 2002, declaring that the amendment to the Articles of Incorporation contained herein is advisable and decided to present such amendment to the shareholders of the Corporation at the Annual Meeting of shareholders.

3. Upon notice given to each shareholder of record entitled to vote on such amendment to the Articles of Incorporation in accordance with the requirements of the Act, the Annual Meeting of the shareholders of the Corporation was held on October 8, 2002, at which meeting holders representing a quorum were present in person or represented by proxy, and the number of votes cast for the amendment by each voting group entitled to vote separately on the amendment was sufficient for approval by the voting group.

4. The amendment approved was as follows:

Section I of Article IV of the Corporation's Articles of Incorporation is amended in its entirety to read as follows:

"Section 1. Classes and Shares Authorized. The total number of shares of Common Stock that the Corporation shall have authority to issue is One Hundred Twenty-Five Million (125,000,000) shares of Common Stock, \$0.001 par value per share. The total number of shares of Preferred Stock that the Corporation shall have authority to issue is Two Million Five Hundred Thousand (2,500,000) shares of Preferred Stock, \$1.00 par value per share."

5. Medix Resources, Inc. has caused these Articles of Amendment to Articles of Incorporation to be filed, effective as of the date of filing of these Articles of Amendment to Articles of Incorporation with the Secretary of State of the State of Colorado.

[Form of Proxy Card]

MEDIX RESOURCES, INC.  
420 Lexington Ave., Suite 1830  
New York, New York 10170

PROXY FOR ANNUAL MEETING OF SHAREHOLDERS  
October 8, 2002

The undersigned hereby appoints each of John R. Prufeta and Mark W. Lerner, as

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proxy and attorney-in-fact for the undersigned, with full power of substitution, to vote on behalf of the undersigned at the Company's 2002 Annual Meeting of Shareholders to be held on October 8, 2002 and at any adjournment(s) or postponement(s) thereof, all shares of the Common Stock, \$.001 par value, of the Company standing in the name of the undersigned or which the undersigned may be entitled to vote as follows:

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED SHAREHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED "FOR" ITEMS 1, 2 AND 3. In their discretion, the proxies are hereby authorized to vote upon such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof, hereby revoking any proxy or proxies heretofore given by the undersigned. In the event any nominee listed below is unable or declines to serve as a director at the time of the Annual Meeting, this proxy will be voted for any nominee who shall be designated by the then Board of Directors to fill the vacancy.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS.

1. Election of Directors.....FOR ALL NOMINEES [ ] WITHHOLD AUTHORITY [ ]  
(except as indicated below) to vote for all nominees

Nominees: - Samuel H. Havens and Guy L. Scalzi, terms of 3 years

To withhold authority to vote for any individual nominee, write that individual's name in this space:

-----

2. To approve the proposed amendment to the Company's Articles of Incorporation to increase the number of shares of the Company's Common Stock authorized for issuance from 100 million to 125 million.

FOR [ ] AGAINST [ ] ABSTAIN [ ]

3. Ratify the selection by the Board of Directors of Ehrhardt Keefe Steiner & Hottman as the Company's independent public accountants, to audit the financial statements of the Company for the 2002 fiscal year:

FOR [ ] AGAINST [ ] ABSTAIN [ ]

Please sign exactly as name appears at left:

Signature:

\_\_\_\_\_

Second Signature (if held jointly):

\_\_\_\_\_

Date: \_\_\_\_\_

When shares are held by joint tenants, both must sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in the corporate name by president or other authorized officer. If a partnership, please sign in partnership name by authorized person.

PLEASE MARK, SIGN, DATE AND MAIL THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.