

MEDIX RESOURCES INC  
Form DEF 14A  
September 07, 2001

**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:

- 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 Sec. 240.14a-11(c) or Sec. 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):

- 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:  
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- 5) Total fee paid:

Fee paid previously with preliminary materials.

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

**MEDIX RESOURCES, INC.**  
**305 Madison Avenue, Suite 2033**  
**New York, New York 10165**  
**(212) 697-2509**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**  
**TO BE HELD ON OCTOBER 16, 2001**

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Medix Resources, Inc., a Colorado corporation (the "Company"), will be held at 180 Tices Lane, East Brunswick, New Jersey, on Tuesday, October 16, 2001 at 10:00 a.m., local time, for the following purposes:

1. To elect four (4) members to the Company's seven-person Board of Directors, who will serve staggered terms, as provided in the attached Proxy Statement, and until their successors are duly elected and qualified;
2. To ratify and approve an increase from 10 million to 13 million in the number of shares of the Company's common stock, par value \$.001 per share (the "Common Stock"), authorized and reserved for issuance upon the exercise of options pursuant to the Company's 1999 Stock Option Plan;
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, 2001; 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 29, 2001, 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, 2000, a Proxy Statement and a proxy card accompany this notice. These materials were sent to shareholders on or about September 7, 2001.

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.

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By Order of the Board of Directors

Gary L. Smith  
Secretary

New York, New York  
September 7, 2001

**MEDIX RESOURCES, INC.**  
**305 Madison Avenue, Suite 2033**  
**New York, New York 10165**  
**(212) 697-2509**

**PROXY STATEMENT**  
**ANNUAL MEETING OF SHAREHOLDERS**  
**TO BE HELD ON OCTOBER 16, 2001**

**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 16, 2001, at 10:00 a.m., local time, or at any adjournment(s) thereof, for the purposes set forth herein and in an accompanying Notice of Annual Meeting of Shareholders. The Annual Meeting will be held at the Company's office at 180 Tices Lane, East Brunswick, New Jersey. The telephone number of that office is (732) 937-5050. These proxy solicitation materials were mailed on or about September 7, 2001 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 29, 2001 (the "Record Date") are entitled to vote at the Annual Meeting. On the Record Date, 52,010,304 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

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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 increase from 10 million shares to 13 million shares authorized and reserved for issuance under the Company's 1999 Stock Option Plan will occur if the proposal receives a majority of the total votes cast in person or by proxy, assuming a quorum is present. The ratification of the appointment of our independent public accountants will be approved by the shareholders if the number of votes cast for such ratification 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 absence of votes on non-routine matters are "broker non-votes." Abstentions and broker non-votes shall be counted towards the presence of a quorum. However, they will not be counted and will have no effect in the election of directors and the vote on the ratification of the appointment of independent public accountants. In voting on the increase in the number of shares authorized under the Company's 1999 Stock Option Plan, abstentions will have the effect of "no" votes, and broker non-votes will not be counted as votes cast.

The principal executive offices of the Company are located at 305 Madison Avenue, Suite 2033, New York, New York 10165. 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 four (4) members of the Company's Board of Directors; (2) the approval of the increase in the number of shares authorized and reserved under the Company's 1999 Stock Option Plan from 10 million to 13 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, 2001; 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 2002 Annual Meeting of Shareholders must deliver such proposals to us no later than March 31, 2002 in order to be included in the Proxy Statement and form of Proxy relating to the 2002 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

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of six or more members, the Board shall be classified into three classes as nearly equal in number as possible. Because two of our directors have been elected by the Board of Directors to fill vacancies on the Board since the last Annual Meeting, four directors will be elected at the upcoming Annual Meeting. The Board of Directors has nominated current directors to fill these four Board positions. 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 four nominees, as listed below. Because of the staggered terms of the Company's Board of Directors, three directors will be elected for a new term of three years, and one director will be elected to complete a term with one year remaining. Messrs. John R. Prufeta, Patrick W. Jeffries and Ms. Joan E. Herman will be elected for three years, and Mr. Guy L. Scalzi will be elected for one year. At the next Annual Meeting, unless a vacancy on the Board is filled during the year, only 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 until such person's successor has been elected and qualified.

The nominees are as follows:

Name	Position With the Company	Age	First Elected
John R. Prufeta (1) (3)	President, Chief Executive Officer and Director	41	1999
Joan E. Herman (2) (4)	Director	48	2000
Patrick W. Jeffries	Director	48	2001
Guy L. Scalzi	Director	55	2001

- (1) Member of the Executive Committee
- (2) Member of the Audit Committee
- (3) Member of the Nomination Committee
- (4) Member of the Compensation Committee

### **Biographical Information.**

*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

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Yale University, an MBA from Western New England College, and an A.B. in mathematics from Barnard College.

*Patrick W. Jeffries.* 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.

*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 graduated from St. John's University with a B.S. in management, and from the Executive Program, OPM at Harvard University, Graduate School of Business.

*Guy L. Scalzi* Mr. Scalzi is Vice President 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.

### **Board and Committee Meetings in 2000**

The Board of Directors of the Company held a total of twelve meetings during the year ended December 31, 2000 (three in person and nine by telephone), and signed one Unanimous Written Consent in lieu of a meeting. During the same period, the Audit Committee of the Board of Directors met five times (once in person and four by telephone) and signed one Unanimous Written Consent, the Nominating Committee met three times by telephone, the Executive Committee met once in person and the Compensation Committee did not meet. During 2000, 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. The Nominating Committee will consider Board nominee suggestions from our shareholders. Any such suggestions in connection with the 2002 Annual Meeting should be made to the Committee in writing on or before March 31, 2002.

### **Directors Compensation**

The Company has adopted the policy of compensating non-employee Directors, \$1,000 for attending each regular quarterly Board meeting in person, and \$250 for attendance at Board meetings by telephone. The Board of Directors has also authorized payment of reasonable travel or other out-of-pocket expenses incurred

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by non-employee Directors for attending Board or committee meetings. Notwithstanding this policy, during 2000, payments to directors were significantly below this level. Ms. Joan Herman waived her Director fees altogether, and other Directors elected to eliminate their fees for some portion of the year. As a result, during 2000, Ms. Joan Herman, Mr. Samuel Havens, Dr. David Skinner and Mr. John T. Lane were each paid \$0, \$3,750, \$3,750, and \$3,750, respectively, for their services to the Company as Directors. From time to time, the Board of Directors grant non-employee Directors options to acquire shares of Common Stock as compensation for their services to the Company as Directors. During 2000, we did not grant any options to non-employee Directors. During 2000, we paid Mr. Havens \$52,000 in fees for consulting services.

**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	41	President and Chief Executive Officer
Patricia A. Minicucci	52	Executive Vice President, Operations
Gary L Smith	47	Executive Vice President, Chief Financial Officer and Secretary
Louis E. Hyman	33	Executive Vice President and Chief Technology Officer
Brian R. Ellacott	44	Senior Vice President, Business Development

### 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

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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.

*Gary L. Smith.* Mr. Smith joined the Company as Executive Vice President and Chief Financial Officer in December of 2000. From 1995 to 2000, Mr. Smith was with Provident Group, a financial advisory firm serving companies operating in emerging market countries, where he was a principal. Previously, Mr. Smith was an executive of American Express Bank, the international banking arm of the financial services conglomerate American Express Corporation (NYSE: AXP), where he held various senior financial positions, most recently as Senior Director and Commercial Banking Head, London Branch. He holds a BSc degree in Economics from the Wharton School and an MSc in Accounting and Finance from the London School of Economics.

*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. Prior to that, since March 9, 2001, he was a consultant to the Company, serving as interim Chief Technology Officer. From September 1999 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 a Senior Vice President. 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").

Name and Principal	Fiscal	Annual Compensation	Long-Term Compensation
		-----	-----
			Securities Underlying Options/Warrants



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Position	Year	Salary	Bonus	Other (1)	(Shares)
John R. Prufeta, President and CEO	2000	\$120,000	0		600,000
	1999	\$171,000 (2)	0		925,000
David R. Pfeil, former Executive Vice President and CTO and President and COO of Subsidiary (3)	2000	\$165,385	\$100,000		0
	1999	\$287,000 (4)	0		800,000
Patricia A. Minicucci, Executive Vice President for Operations	2000	\$163,846	0		400,000
Michael W. Knepper, former Senior Vice President for Mergers and Acquisitions (5)	2000	\$146,731	0		400,000
Brian R. Ellacott Senior Vice President for Business Development	2000	\$125,769	0		150,000
John P. Yeros Former President and CEO (6)	2000	\$ 77,500 (6)	0	\$291,495 (6)	0
	1999	\$199,650	0		1,250,000
	1998	\$180,442	0		500,000

- (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) Mr. Pfeil resigned as an employee, officer and director of both the Company and its subsidiary, Cymedix Lynx Corporation, effective as of March 2, 2001.
- (4) During 2000 and 1999, we paid two companies affiliated with Mr. Pfeil approximately \$184,000 and \$284,000 respectively for Mr. Pfeil's services, for travel related expenses and software development and web-site hosting and development services and purchase of computer equipment. He became an employee of the Company in early 2000 and resigned effective March 2, 2001.
- (5) Mr. Knepper's employment terminated on April 21, 2001.
- (6) John P. Yeros, resigned as President, Chairman of the Board of Directors and as a Director on March 1, 2000. On that date he entered into a 21-month Consulting Agreement with us, which was terminated in November 2000. The compensation shown above under "Salary" was paid while still an employee of the Company and the amount shown under "Other" was paid as consulting and termination fees.

Stock Option Awards In August 1999, our Board of Directors approved and

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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, the 1999 Plan was approved by our shareholders. 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. All grants of options to employees in 2000 were made under the 1999 Plan. See "INCREASE OF AUTHORIZED AND RESERVED SHARES FOR ISSUANCE UNDER STOCK OPTION PLAN."

Option information for fiscal 2000 relating to the Named Officers is set forth below:

Name	Number of Shares of Common Stock Underlying Options Granted in 2000	Percentage of Total Options Granted to Employees in 2000	Exercise Price	Expiration Date
John R. Prufeta	600,000	27.0%	\$4.97	10/13/09
David R. Pfeil	0	0%		
Patricia A. Minicucci	400,000	18.0%	\$4.97	3/1/05
Michael W. Knepper	400,000	18.0%	\$3.97	2/10/05
Brian R. Ellacott	150,000	6.8%	\$3.97	2/10/05

### Option Exercises and Year-End Values in

Name	Shares Exercised	Value Realized	Number of Shares Underlying Unexercised Options at Year-End		Value of Unexe In-the-Money O at Year-En
			Exercisable	Unexercisable	Exercisable
John R. Prufeta	0	0	775,000 (2)	750,000	\$446,875
David R. Pfeil	250,000	\$325,625	550,000	0	\$398,750
Patricia A. Minicuccu	0	0	250,000	150,000	0
Michael W. Knepper	0	0	400,000	0	0
Brian R. Ellacott	0	0	100,000	50,000	0
Ellacott					

- (1) The dollar values are calculated by determining the difference between \$1.125 per share, the fair market value of the Common Stock at December 31, 2000, 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.

The Company has no retirement, pension or profit-sharing program for the benefit of its directors, executive officers or other employees, although the Company does maintain a 401(k) Plan for participation by all employees, including executive officers, for contributions by employees, but with no matching by the Company. In the future, the Board of Directors may recommend one or more such programs for adoption by the Company.

**Employment Agreements**

Mr. Prufeta's Employment Agreement, which has an initial term of two years, ending on January 31, 2002, provides that he will be compensated at the base salary of \$120,000 annually, plus a commission of 2.5% of certain gross revenue of the Company, subject to certain exclusions. He will hold the positions of President and Chief Executive Officer and report to the Board of Directors. Pursuant to his Employment Agreement, Mr. Prufeta has been granted options to purchase 400,000 shares of Common Stock at \$.50 per share, and 600,000 shares of Common Stock at \$4.97 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 term, subject to the right of the employee to continue to receive 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.

Ms. Minicucci's Employment Agreement, which has an initial term of two years, ending on March 1, 2002, provides that she will be compensated at the salary of \$200,000 annually. She will hold the position of Executive Vice President, Operations, and report to the President and CEO. Pursuant to her Employment Agreement, she has been granted options to purchase 400,000 shares of Common Stock at \$4.97 per share, which vest over the 2-year term of his Employment Agreement. 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 term, subject to the right of the employee to continue to receive 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 his then current year's base and bonus pay.

Mr. Smith's Employment Agreement, which has an initial term of two years, ending on December 11, 2002, provides that he will be compensated at the salary of \$200,000 annually. He will hold the position of Executive Vice President and Chief Financial Officer, and report to the President and CEO. Pursuant to his Employment Agreement, he has been granted options to purchase 250,000 shares of Common Stock at \$1.125 per share, which vest over the 2-year term of his Employment Agreement. 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 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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Mr. Hymans's Employment Agreement, which has an initial term of two years, ending on May 14, 2003, provides that he will be compensated at the salary of \$ 200,000 annually. He will hold the position of Executive Vice President and Chief Financial Officer, and report to the President and CEO. Pursuant to his 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 Employment Agreement. 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 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. Ellacott's Employment Agreement, which has an initial term of two years, ending on March 1, 2002, provides that he will be compensated at the salary of \$150,000 annually. He will hold the position of Senior Vice President, Business Development. Pursuant to his Employment Agreement, he has been granted options to purchase 150,000 shares of Common Stock at \$3.97 per share, which vest over the 2-year term of his Employment Agreement. His Employment Agreement provided 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, subject to the right of the employee to continue to receive 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.

### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding beneficial ownership of Common Stock as of August 29, 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 52,010,304 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 respect to the shares shown, except as noted.

Name and Address -----	Number of Shares -----	Percentage of Common Stock Outstanding -----
John R. Prufeta 305 Madison Avenue New York, New York	1,948,000 (1)	3.7%
John T. Lane 94 Sixth Street Garden City, New Jersey	550,000 (2)	1.0%
Dr. David B. Skinner 525 East 68th Street New York, New York	200,000 (3)	*

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Samuel H. Havens 58 Winged Foot Drive Livingston, New Jersey	200,000 (3)	*
Joan E. Herman One Wellpoint Way Thousand Oaks, California	0 (4)	0%
Patrick W. Jeffries 15332 Antioch Street Pacific Palisades, California	100,000 (3)	*
Guy L. Scalzi The Chrysler Building, 37th Floor 42nd and Lexington Streets New York, New York	100,000 (3)	*
Patricia A. Minicucci 305 Madison Avenue New York, New York	450,000 (3)	*
Gary L. Smith 305 Madison Avenue New York, New York	225,000 (3)	*
Louis E. Hyman 180 Tices Lane East Brunswick, New Jersey	77,500 (3)	*
Brian R. Ellacott 101 Village Parkway Building One Marietta, Georgia	225,000 (3)	*
All directors and executive officers as a group (11 persons)	4,075,500	7.4%

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\* Less than one percent

- (1) Mr. Prufeta owns 748,000 shares of Common Stock, with the remainder available upon the exercise of warrants and options held by him, including 25,000 shares covered by options granted to a company that is an affiliate of Mr. Prufeta.
- (2) All of Mr. Lane's reported holdings 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 Preferred Stock (100% of the outstanding shares of that class), and 25 shares of the Company's 1999 Series C Convertible Preferred Stock (3% of the outstanding shares of that class).
- (3) Represents shares of Common Stock available upon the exercise of outstanding options.
- (4) Ms. Herman has declined the grant of any options.

### CERTAIN BUSINESS RELATIONSHIPS

We have adopted a policy that any transactions with directors or officers or any entities in which they are also officers or directors or in which they

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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.

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 2000, we have paid OPP approximately \$ 93,000 as reimbursements for rents and services for our New York office space, which is leased in the name of OPP. In addition, we have paid OPP employee search fees of approximately \$ 152,000 during 2000, 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 our contractual arrangements with OPP.

During 1999, we paid two companies affiliated with Mr. David Pfeil, a former officer and director of the Company, approximately \$135,000 for Mr. Pfeil's services, approximately \$36,000 in reimbursements for his travel and related expenses, and approximately \$113,000 for software development and web-site hosting and development services and purchases of computer equipment. During 2000, we have paid such companies approximately \$54,000 for software development services, \$12,000 for travel and related expenses and \$118,000 for purchases of computer equipment.

On March 15, 2000, our subsidiary, Cymedix Lynx Corporation, merged with Automated Design Concepts, Inc. ("ADC"), which had been wholly-owned by Mr. Pfeil. Mr. Pfeil received \$100,000 in cash and 60,400 shares of our common stock valued at \$374,000, as consideration for such acquisition. In connection with that acquisition, we leased certain office space used by the acquired business from Mr. Pfeil and his wife. The lease has a term two-year term ending February 28, 2002 and provides for rental payments at the rate of \$1,000 per month. Prior to the merger, the leased offices were used by ADC and another company owned by Mr. Pfeil, who moved from a consulting role to positions as President and Chief Operating Officer of Cymedix in connection with the merger. Mr. Pfeil has since also become Executive Vice President and Chief Technology Officer of Medix.

During 1999, we entered into an agreement 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 agreement provides for a production program to install the software broadly among WPM managed providers. The agreement provides that the Company will nominate a representative of WPM to be elected to the Company's Board of Directors. Ms. Herman is that representative. The agreement also provided the WPM would be granted warrants covering up to 6,000,000 shares of Common Stock, which vest upon the occurrence of certain performance criteria.

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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. The warrants vest in 1,000,000 share increments. At August 29, 2001, warrants covering 1,000,000 shares had vested.

During 1998, in connection with its acquisition of the predecessor Cymedix Corporation, the Company assumed an obligation to pay the law firm of Douglas Stahl, Esq., a former director of the Company, \$82,127 in fees and reimbursements owed to it by Cymedix Corporation. During 1998, the Company paid \$32,978 of those fees and fees for additional legal services to Mr. Stahl's firm. During 1999, the Company paid Mr. Stahl's firm \$66,355.

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 the marketing of our software products. During 2000, we paid Mr. Havens \$ 52,000 for his services. As of March 9, 2001, Mr. Havens has elected to forego payment for his consulting services indefinitely.

### **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 1999, except for Gary Smith, who inadvertently filed his Form 3 late, and David Pfeil, a former officer and director, who inadvertently filed a Form 4 late.

### **INCREASE OF SHARES AUTHORIZED AND RESERVED FOR ISSUANCE UNDER STOCK OPTION PLAN**

The Company adopted its 1999 Stock Option Plan (the "Plan") in 1999. The purposes of the Plan are to enable the Company to provide opportunities for employees, directors and consultants to acquire a proprietary interest in the Company, to increase incentives for such persons to contribute to the Company's performance and further success, and to attract and retain individuals with exceptional business, managerial and administrative talents, who will contribute to the progress, growth and profitability of the Company.

Currently, the Company's shareholders have approved the reservation of 10 million shares of the Company's Common Stock for issuance under the Plan. At a Board of Directors meeting held on August 21, 2001, the Board authorized the amendment of the Plan to increase the number of shares of Common Stock reserved under the Plan by 3 million shares, the ratification and approval of which is being sought at the Annual Meeting. As of August 29, 2001, the additional 3 million shares that will be issuable under the Plan, if the amendment is ratified and approved, had an aggregate market value of \$2,490,00. As of that date, the Company had issued 3,000,000 shares upon exercise of options under the Plan, had options covering 5,598,375 shares outstanding under the Plan, and had 1,401,625 shares currently reserved for issuance under the Plan. Outstanding options were held by 30 employees of the Company, and outstanding options covering 3,757,125 shares had vested. The exercise price of granted options range from \$0.19 to \$4.97.

The Board is recommending to the shareholders that the increase by the

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Board of Directors in the number of shares authorized and reserved for issuance under the Plan be ratified and approved. As the Company expands its work force to meet the demand for its products and services, it will be important that it has available sufficient option resources to fashion attractive compensation packages. The Board determined that the current number of available options may not be adequate to meet those need over the next year. None of the options to be ratified and approved by this vote of the shareholders has been granted as of the date hereof, nor is any such grant expected to be made before the vote of shareholders.

Options granted under the 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 the Company are eligible for ISOs. As of August 29, 2001, there were 31 eligible officers and employees. The Board of Directors or Compensation Committee 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 each option grant may differ and are set forth in the optionee's individual stock option agreement. Such options generally vest over a period of several years and expire after up to ten years. The Plan provides that in no event shall the exercise price of either ISOs or NQOs be less than the fair market value per share of the Common Stock on the date of such grant. 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 the Company's Common Stock, by delivery of options granted under the Plan or a combination of any of these methods.

The Plan may be administered by the Compensation Committee (the "Committee") or the Board of Directors. The Committee is made up of two or more directors who are "Non-Employee Directors" as defined in Rule 16b-3 issued under the Securities Exchange Act of 1934 (the "Act"). The Committee may correct any defect, supply any omission, accelerate the vesting schedule of options already granted, or reconcile any inconsistency in the Plan or any stock option agreement, subject to the requirements of the Code. The Board, without further action of the shareholders of the Company, except as may be required by the Code or the American Stock Exchange listed company regulations, may at any time suspend or terminate the Plan in whole or in part or amend the Plan in such respects as the Board may deem appropriate and in the best interests of the Company, subject, however, to the rights of optionees with outstanding options. Any increase in the number of shares authorized to be issued under the Plan will be presented to shareholders for approval under the current requirements of the Code for ISOs.

Optionees are not taxed on the grant (or generally on the exercise) of ISOs. The difference between the exercise price of an ISO and the fair market value of a share of Common Stock received upon the exercise of the ISO may be subject to the federal alternative minimum tax. If an optionee exercises an ISO and disposes of any shares of Common Stock received by such optionee as a result of such exercise within two years of the date of grant or within one year after the issuance of such shares to such optionee, the Company is entitled to a tax deduction and the optionee will be taxed, as ordinary income, on the lesser of the gain on sale or the difference between the exercise price and the fair market value of a share at the time of exercise. The optionee will also have a capital gain to the extent that the sale price exceeds the fair market value on the date of exercise. If the shares are not sold by the optionee before the end of those periods, the optionee will have a capital gain or capital loss upon sale of the shares to the extent that the sale price differs from the exercise price. No tax effect will result to the Company by reason of grant or exercise of ISOs, or upon the disposition of shares after expiration of two years from



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the date of grant or one year from the date of exercise.

NQOs are not taxed upon grant. The optionee is taxed, as ordinary income, on the exercise of such option to the extent that the fair market value on the date of exercise exceeds the exercise price. The optionee's basis for determining capital gain or capital loss upon the sale of the shares is the higher of the fair market value on the date of exercise and the exercise price. The Company is entitled to a deduction equal to the ordinary income realized by the optionee upon the exercise of NQOS.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE 'FOR' THE RATIFICATION AND APPROVAL OF THE INCREASE IN THE NUMBER OF SHARES AUTHORIZED AND RESERVED FOR ISSUANCE UNDER THE COMPANY'S 1999 STOCK OPTION PLAN. THE INCREASE SHALL BE RATIFIED AND APPROVED IF A MAJORITY OF THE VOTES CAST ON THE PROPOSAL AT THE ANNUAL MEETING ARE CAST IN FAVOR OF RATIFICATION AND APPROVAL OF THE PLAN.**

### **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 2001 fiscal year and recommends that the Company's Shareholders ratify such appointment. 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 was paid by the Company \$92,306 for professional services rendered for the audit of our annual financial statements for the fiscal year 2000 and the review of quarterly financial statements included in our Quarterly Reports on forms 10-QSB filed during that year.

**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. As required by recently adopted regulations regarding audit committees, the Board has adopted a Charter for our Audit Committee, which is attached hereto as Exhibit A. The Charter specifies the scope of the Audit Committee's responsibilities and how it should carry out those responsibilities.

The Audit Committee has reviewed and discussed the audited financial

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statements of the Company for the fiscal year ended December 31, 2000 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 representative of the firm.

Based upon the above review and discussions, the Audit Committee recommended to the Board of Directors the inclusion of Company's 2000 audited financial statements in our 2000 Annual Report on Form 10-KSB 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, 2000, as filed with the Securities and Exchange Commission, 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.

### **EXHIBIT A**

MEDIX RESOURCES, INC.  
Audit Committee Charter  
June 1, 2000 (Amended July 26, 2000)

The Audit Committee ("the Committee"), of the Board of Directors ("the Board") of Medix Resources, Inc., a Colorado corporation ("the Company"), will have the oversight responsibility, authority and specific duties as described below.

#### Section 1. Composition of the Committee

The Committee will be comprised of three or more directors as determined by the Board. The members of the Committee will meet the independence and experience requirements of the American Stock Exchange ("AMEX"). The members of the Committee will be elected annually and will be listed in the annual report to shareholders. The requirements of the AMEX will be reviewed by the Board annually in connection with the election of the Committee. One of the members of the Committee will be elected Committee Chair by the Board.

#### Section 2. Responsibility of the Committee

The Committee is a part of the Board. It's primary function is to assist the Board in fulfilling its oversight responsibilities with respect to (i) the annual financial information to be provided to shareholders and the Securities and Exchange Commission (SEC); (ii) the system of internal controls that management has established; and (iii) the external audit process. In addition, the Committee provides an avenue for communication between the independent

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accountants, financial management and the Board. The Committee should have a clear understanding with the independent accountants that they must maintain an open and transparent relationship with the Committee, and that the ultimate accountability of the independent accountants is to the Board and the Committee. The Committee will make regular reports to the Board concerning its activities.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor or to assure compliance with laws and regulations and the Company's business conduct guidelines.

### Section 3. Authority of the Committee

Subject to the prior approval of the Board, the Committee is granted the authority to investigate any matter or activity involving financial accounting and financial reporting, as well as the internal controls of the Company. In that regard, the Committee will have the authority to approve the retention of external professionals to render advice and counsel in such matters to the Committee, and through the Committee, to the Board. All employees will be directed to cooperate with respect thereto as requested by members of the Committee.

### Section 4. Meetings

The Committee is to meet at least once annually to review the Company's audited financial statements with the independent accountants and as many additional times as the Committee deems necessary. Meetings of the Committee shall be called by the Committee Chair after clearing the date and time with the other members of the Committee. Content of the agenda for each meeting should be cleared by the Committee Chair. The Committee is to meet in separate executive sessions with the chief financial officer and independent accountants at least once each year and at other times when considered appropriate. The operating procedures of the Committee are subject to the provisions of the Company's Bylaws, as the may be amended from time to time.

### Section 5. Attendance

Committee members will strive to be present at all meetings. As necessary or desirable, the Committee Chair may request that members of management and representatives of the independent accountants be present at Committee meetings.

### Section 6. Duties

In carrying out its oversight responsibilities, the Committee will:

1. Review and reassess the adequacy of this charter annually and recommend any proposed changes to the Board for approval. This should be done in compliance with applicable AMEX Audit Committee Requirements.
2. Review with the Company's management and independent accountants the Company's accounting and financial reporting controls. Obtain annually in writing from the independent accountants their letter as to the adequacy of such controls.
3. Review with the Company's management and independent accountants significant accounting and reporting principles, practices and procedures applied by the Company in preparing its financial statements. Discuss with the independent accountants their judgements about the quality, not just

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the acceptability, of the Company's accounting principles used in financial reporting.

4. Review the scope and general extent of the independent accountants' annual audit. The Committee's review should include an explanation from the independent accountants of the factors considered by the accountants in determining the audit scope, including the major risk factors. The independent accountants should confirm to the Committee that no limitations have been placed on the scope or nature of their audit procedures. The Committee will review annually with management the fee arrangement with the independent accountants.
  5. Inquire as to the independence of the independent accountants and obtain from the independent accountants, at least annually, a formal written statement delineating all relationships between the independent accountants and the Company as contemplated by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees.
  6. Have a predetermined arrangement with the independent accountants that they will advise the Committee of any matters identified through procedures followed for interim quarterly financial statements, and that such notification is to be made prior to the related press release or, if not practicable, prior to filing Forms 10-QSB.
  7. At the completion of the annual audit, review with management and the independent accountants the following:
    - The annual financial statements and related footnotes and financial information to be included in the Company's annual report to shareholders and on Form 10-KSB.
    - Results of the audit of the financial statements and the related report thereon and, if applicable, a report on changes during the year in accounting principles and their application.
    - Significant changes to the audit plan, if any, and any serious disputes or difficulties with management encountered during the audit. Inquire about the cooperation received by the independent accountants during their audit, including access to all requested records, data and information. Inquire of the independent accountants whether there have been any disagreements with management which, if not satisfactorily resolved, would have caused them to issue a nonstandard report on the Company's financial statements.
    - Other communications as required to be communicated by the independent accountants by Statement of Auditing Standards (SAS) 61 as amended by SAS 90 relating to the conduct of the audit. Further, receive a written communication provided by the independent accountants concerning their judgment about the quality of the Company's accounting principles, as outlined in SAS 61 as amended by SAS 90, and that they concur with management's representation concerning audit adjustments.
- If deemed appropriate after such review and discussion, recommend to the Board that the financial statements be included in the Company's annual report on Form 10-KSB.
8. After preparation by management and review by independent accountants, approve the report required under SEC rules to be included in the Company's annual proxy statement. This charter is to be published as an appendix to the proxy statement every three years.

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9. Discuss with the independent accountants the quality of the Company's financial and accounting personnel. Also, elicit the comments of management regarding the responsiveness of the independent accountants to the Company's needs.
10. Meet with management and the independent accountants to discuss any relevant significant recommendations that the independent accountants may have, particularly those characterized as 'material' or 'serious'. Typically, such recommendations will be presented by the independent accountants in the form of a Letter of Comments and Recommendations to the Committee. The Committee should review responses of management to the Letter of Comments and Recommendations from the independent accountants and receive follow-up reports on action taken concerning the aforementioned recommendations.
11. Recommend to the Board the selection, retention or termination of the Company's independent accountants.
12. Review with management the Company's taxation position and the policies applicable to that position.
13. Review with management and the independent accountants the methods used to establish and monitor the Company's policies and procedures with respect to minimizing the Company's exposure to fraud, and with respect to unethical or illegal activities by Company employees that may have a material impact on the financial statements.
14. Generally as part of the review of the annual financial statements, receive an oral report(s), at least annually, from the Company's general counsel concerning legal and regulatory matters that may have a material impact on the financial statements.
15. As the Committee may deem appropriate, obtain, weigh and consider expert advice as to Audit Committee related rules of the AMEX, Statements on Auditing Standards and other accounting, legal and regulatory provisions.
16. Review with management the adequacy of the Company's insurance programs and the level of risk exposure which is appropriate for the Company.
17. Generally, administer the Company's "conflict of interest" policy, including the evaluation of the policy, recommendations to the Board to amend the policy, and recommendations to management regarding the implementation of the policy.
18. Direct any special projects or investigation deemed necessary by the Board, and otherwise to undertake any function delegated to it by the Board.

[Form of Proxy Card]

MEDIX RESOURCES, INC. 305 Madison Avenue, Suite 2033  
New York, New York 10165

PROXY FOR ANNUAL MEETING OF  
SHAREHOLDERS  
October 16, 2001

The undersigned hereby appoints each of John R. Prufeta and Gary L. Smith, individually, as proxy and attorney-in-fact for the undersigned, with full power of substitution, to vote on behalf of the undersigned at the Company's 2001

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Annual Meeting of Shareholders to be held on October 16, 2001 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: Class 2 (3 years) - Patrick W. Jeffries, Joan E. Herman and John R. Prufeta Class 1 (1 year) - Guy L. Scalzi

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

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2. To ratify and approve the Board of Directors' increase in the number of shares authorized and reserved for issuance under the Company's 1999 Stock Option Plan, from 10 million shares of the Company's common stock to 13 million shares.

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 2001 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.

