

MEDIX RESOURCES INC  
Form 10-K/A  
April 15, 2002

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

Form 10-K/A  
Amendment No.2

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the Fiscal Year Ended December 31, 2001

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from \_\_\_\_\_ TO \_\_\_\_\_

Commission File Number 0-24768

MEDIX RESOURCES, INC.  
(Name of small business issuer in its charter)

**Colorado**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**84-1123311**  
(IRS Employer  
Identification No.)

**420 Lexington Avenue, Suite 1830**  
**New York, New York 10170**  
(Address of Principal Executive Offices)

Issuer's Telephone Number: **(212) 697-2509**

Securities Registered Under Section 12(b) of the Exchange Act:  
**Common Stock - \$.001 Par Value.**

Securities Registered Under Section 12(g) of the Exchange Act:  
**None**

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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-X contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant as of March 15, 2002 was approximately \$31,707,233 (for purposes of the foregoing calculation only, each of the registrant's officers and directors is deemed to be an affiliate).

There were 58,386,516 shares of registrant's Common Stock outstanding as of March 15, 2001.

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Documents incorporated by reference:

**None**

Medix Resources, Inc. hereby amends Item 11 of its Form 10-K filed with the Commission on April 1, 2002, solely to completely restate the material under the heading "Comparison of Cumulative Total Returns." This restatement is being made due to the fact that, as originally filed, the Company inadvertently used erroneous data points for the American Stock Exchange index used for comparative purposes. No other changes in the Form 10-K have been made.

## **ITEM 11. EXECUTIVE COMPENSATION**

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

(1) Other annual compensation, except as noted, is made up of automobile allowances, and disability and health insurance premiums, in amounts less

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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.

**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 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 March 15, 2002, we had issued 5,736,560 shares of our Common Stock upon exercise of options to current or former employees and directors, and have 6,568,667 shares currently covered by outstanding options held by current or former employees and directors, with exercise prices ranging form \$.19 to \$4.97. Such options have been granted under the 1999 Plan and earlier stock option plans.

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

Name ----	Number of Shares of Common Stock Underlying Options Granted in 2001	Options Granted in 2001			Valuation under Black-Scholes Pricing Method(1)
		Percentage of Total Options Granted to Employees in 2001 ----	Exercise Price -----	Expiration Date -----	

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John R. Prufeta	400,00	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
	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**

<u>Name</u>	<u>Shares Exercised</u>	<u>Value Realized</u>	<u>Number of Shares Underlying Unexercised Options at Year-End</u>	<u>Value of Unexercised In-the-Money Options at Year-End(1)</u>		
				<u>Exercisable</u>	<u>Unexercisable</u>	<u>Unexercisable</u>
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

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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 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 holds the position of Executive Vice President and Chief Technology Officer, and reports to the President and CEO. Pursuant to his Employment Agreement, he has been granted options to purchase 230,000 shares of Common Stock at \$.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.

Ms. Minicucci's Employment Agreement, which had an initial term of two years, ending on March 1, 2002, provided that she be compensated at the salary of \$200,000 annually. Such term has been extended to May 1, 2002. She holds the position of Executive Vice President, Operations, and reports 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 holds the position of Executive Vice President and Chief Financial Officer, and reports 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

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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 had an initial term of two years, ending on March 1, 2002, provided that he be compensated at the salary of \$150,000 annually. Such term has been extended to May 1, 2002. In March 2001, Mr. Ellacott's annual salary was increased to \$175,000. 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, 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 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, 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.

### **Director 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, non-employee Directors will be compensated for their services through the grant of options to purchase our Common Stock. As of January 22, 2002, each Director, except Ms. Herman based on the policy referred to above, has been granted options to purchase 40,000 shares of Common Stock at an exercise price of \$0.70 per share. Those options vest in quarterly 10,000 share increments, from the date of grant, provided that the Director remains on the Board of the Company.

In 1999, we 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. Mr. Havens has deferred his monthly payment since April, 2001, with the accrued amount payable to Mr. Havens at March 15, 2002 being \$55,000. During 2001, we paid Mr. Havens \$20,000 for his services.

### **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

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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

### **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. In February 2002, Wellpoint Health Networks Inc., the parent of WPM made a secured convertible loan to Medix of \$1,000,000. See "DESCRIPTION OF BUSINESS - Recent Developments" for a description of the terms of both these agreements. In addition, Mr. Jeffries, who became a director of ours in 2001, is an officer and consultant to Wellpoint Health Network.

### **Comparison of Cumulative Total Returns**

The following graph and data point tables 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.

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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.	\$ 100	\$ 23	\$ 9	\$ 288	\$ 100	\$ 65
AMEX Composite Index	\$ 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.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Form 10-K/A to be signed on its behalf by the undersigned hereunto duly authorized.

MEDIX RESOURCES, INC.

Date: April 10, 2002

By: /s/ Gary L. Smith

Executive Vice President and  
Chief Financial Officer