

MEDIX RESOURCES INC  
Form 424B3  
August 10, 2001

Rule 424(b)(3)  
Reg. No. 333-63162

PROSPECTUS

**MEDIX RESOURCES, INC.**

**10,450,000 Shares of Common Stock**

The shareholders of Medix Resources, Inc. named herein will have the right to offer and sell up to an aggregate of 10,450,000 shares of our common stock under this Prospectus. Of these shares, up to 9,500,000 may be issued in connection with the draw down of funds by Medix under an equity line of credit, up to 900,000 may be issued as payments for services rendered, and up to 50,000 may be issued upon exercise of warrants to purchase our common stock.

Cornell Capital Partners, L.P. and Dutchess Private Equities Fund, L.P., two of the selling shareholders named herein, who are providers of the equity line of credit are statutory underwriters under Section 2a(11) of the Securities Act of 1933, as amended. See "Equity Line of Credit," "Selling Shareholders," and "Plan of Distribution."

Medix will not receive directly any of the proceeds from the sale of these shares by the selling shareholders. However, Medix will receive the proceeds of draws under the equity line and from the exercise of any warrants to purchase the shares to be sold hereunder. Medix will pay the expenses of registration of these shares.

The common stock is traded on the American Stock Exchange under the symbol "MXR". On August 6, 2001, the closing price of the common stock was reported as \$1.05.

The securities offered hereby involve a high degree of risk. See "RISK FACTORS" beginning on page 3 for certain risks that should be considered by prospective purchasers of the securities offered hereby.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus is August 6, 2001

**Supplements to this Prospectus**

A copy of each Form 10-Q and Form 8-K that is filed by Medix Resources, Inc. with the Securities and Exchange Commission after the date of this Prospectus shall be deemed to be a Supplement to this Prospectus, and must be physically delivered with this Prospectus to a prospective purchaser, together with a copy of the company's 2000 Form 10-KSB. Unless otherwise notified, this Prospectus, as amended or supplemented from time to time, may be used for sales by the persons named herein until April 30, 2002, at which time the audited financial statements incorporated herein by reference will become stale pursuant to Section 10(a)(3) of the Securities Act of 1933, as amended.

No dealer, salesman or other person has been authorized to give any information or to make any representation not contained in or incorporated by reference in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by us, the selling shareholders or any other person. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereof or that there has been no change in our affairs since such date.

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**FORWARD-LOOKING STATEMENTS**

This Prospectus and the documents incorporated by reference into this Prospectus contain forward-looking statements, which mean that they relate to events or transactions that have not yet occurred, our expectations or estimates for Medix's future operations, our growth strategies or business plans or other facts that have not yet occurred. Such statements can be identified by the use of forward-looking terminology such as "might," "may," "will," "could," "expect," "anticipate," "estimate," "likely," "believe," or "continue" or the negative thereof or other variations thereon or comparable terminology. The following risk factors contain discussions of important factors that

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should be considered by prospective investors for their potential impact on forward-looking statements included in this Prospectus and in the documents incorporated by reference into this Prospectus. These important factors, among others, may cause actual results to differ materially and adversely from the results expressed or implied by the forward-looking statements.

### **RISK FACTORS**

An investment in our common stock:

- o has a high degree of risk;
- o is highly speculative;
- o should only be considered by those persons or entities who can afford to lose their entire investment.

In addition to the other information contained in this Prospectus, the following risk factors should be carefully considered in evaluating our business and an investment in our shares. The order in which the following risk factors are presented does not indicate the relative magnitude of the risks described.

#### **Our Continuing Losses; Going Concern Exception; Our Need for Additional Financing**

We reported net losses of (\$5,415,000), (\$4,847,000) and (\$5,422,000) for the years ended December 31, 2000, December 31, 1999 and December 27, 1998, respectively, and a net loss of (\$2,259,000) for our 2001 first quarter ended March 31, 2001. At March 31, 2001, we had an accumulated deficit of (\$25,683,000) and a working capital deficit of (\$856,000). Our independent accountants have included a "going concern" exception in their audit report on our audited 2000 financial statements. See our Form 10-KSB for the fiscal year ended December 31, 2000.

We expect to continue to experience losses, in the near term, as we attempt to develop our Cymedix(R) software products. The current operation of our business and our ability to continue to develop our Cymedix software products will depend upon our ability to obtain additional financing. Currently, we are not receiving any significant revenues from the sale of our Cymedix software products. We are attempting to meet our current cash flow needs by raising capital in the private debt and equity markets and through the exercise of currently outstanding warrants. The development and marketing of the Cymedix software products require substantial capital investments. There can be no assurance that additional investments or financings will be available to us as needed to support the development of Cymedix products. Failure to obtain such capital on a timely basis could result in lost business opportunities, the sale of the Cymedix business at a distressed price or the financial failure of our company.

#### **Risk of Development Stage Company**

Since the sale of our remaining temporary staffing business in early 2000, we principally develop software for Internet-based communications and information management for medical service providers, through our wholly-owned subsidiary, Cymedix Lynx Corporation. Our software products are currently being tested by several different healthcare providers. However, our Cymedix software business has not yet generated any significant revenues.

Our company, through its subsidiary Cymedix Lynx Corporation, has only recently begun its medical software line of business through the

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acquisition of a development stage medical software business in 1998. Our company has little experience in marketing software products, providing software support services, evaluating demand for products, financing a software business and dealing with government regulation of software products. While we are putting together a team of experienced executives, they have come from different backgrounds and may require some time to develop an efficient operating structure and corporate culture for our company. We believe our structure of multiple offices serves our customers well, but it does present an additional challenge in building our corporate culture and operating structure.

Our products are still in the development stage and have not yet proven their effectiveness or their marketability. As a developer of software products, we will be required to anticipate and adapt to evolving industry standards and new technological developments. The market for our software products is characterized by continued and rapid technological advances in both hardware and software development, requiring ongoing expenditures for research and development, and timely introduction of new products and enhancements to existing products. The establishment of standards is largely a function of user acceptance. Therefore, such standards are subject to change. Our future success, if any, will depend in part upon our ability to enhance existing products, to respond effectively to technology changes, and to introduce new products and technologies to meet the evolving needs of our clients in the healthcare information systems market. The introduction of software products in that market has been slow due to the large number of small practitioners who are resistant to change and the costs associated with change, particularly in a period of rising pressure to reduce costs in the market. We are currently devoting significant resources toward the development of products. There can be no assurance that we will successfully complete the development of these products in a timely fashion or that our current or future products will satisfy the needs of the healthcare information systems market. Further, there can be no assurance that products or technologies developed by others will not adversely affect our competitive position or render our products or technologies noncompetitive or obsolete.

### **Product Liability Risks**

Certain of our products provide applications that relate to patient medical histories and treatment plans. Any failure by our products to provide accurate, secure and timely information could result in product liability claims against us by our clients or their affiliates or patients. We maintain insurance that we believes is adequate to protect against claims associated with the use of our products, but there can be no assurance that our insurance coverage would adequately cover any claim asserted against us. A successful claim brought against us in excess of our insurance coverage could have a material adverse effect on our results of operations, financial condition or business. Even unsuccessful claims could result in the expenditure of funds in litigation, as well as diversion of management time and resources.

### **There is Great Uncertainty in the Healthcare Industry**

The healthcare and medical services industry in the United States is in a period of rapid change and uncertainty. Governmental programs have been proposed, and some adopted, from time to time, to reform various aspects of the U.S. healthcare delivery system. Some of these programs contain proposals to increase government involvement in healthcare, lower reimbursement rates and otherwise change the operating environment for our customers. Particularly, the Health Insurance Portability and Accountability Act of 1996, and the regulations that are being

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promulgated thereunder, are causing the healthcare industry to change its procedures and incur substantial cost in doing so. We cannot predict with any certainty what impact, if any, these and future healthcare reforms might have on our business.

### **Risks of Infringement of Proprietary Technology**

Our wholly-owned subsidiary, Cymedix Lynx Corporation, has been granted certain patent rights, trademarks and copyrights relating to its software business. These patents and copyrights have been assigned by our subsidiary to the parent company, Medix. The patent rights and intellectual property legal issues for software programs, such as the Cymedix(R)products, are complex and currently evolving. Since patent applications are secret until patents are issued, in the United States, or published, in other countries, we cannot be sure that we are the first to file any patent application. In addition, there can be no assurance that competitors, many of which have far greater resources than we do, will not apply for and obtain patents that will interfere with our ability to develop or market product ideas that we have originated. Further, the laws of certain foreign countries do not provide the protection to intellectual property that is provided in the United States, and may limit our ability to market its products overseas. We cannot give any assurance that the scope of the rights that we have been granted are broad enough to fully protect our Cymedix software from infringement.

Litigation or regulatory proceedings may be necessary to protect our intellectual property rights, such as the scope of our patent. In fact, the computer software industry in general is characterized by substantial litigation. Such litigation and regulatory proceedings are very expensive and could be a significant drain on our resources and divert resources from product development. There is no assurance that we will have the financial resources to defend our patent rights or other intellectual property from infringement or claims of invalidity.

We also rely upon unpatented proprietary technology and no assurance can be given that others will not independently develop substantially equivalent proprietary information and techniques or otherwise gain access to or disclose our proprietary technology or that we can meaningfully protect our rights in such unpatented proprietary technology. We will use our best efforts to protect such information and techniques, however, no assurance can be given that such efforts will be successful. The failure to protect our intellectual property could cause us to lose substantial revenues and to fail to reach its financial potential over the long term.

### **Our Business is Highly Competitive**

Medical Information Software. Competition can be expected to emerge from established healthcare information vendors and established or new Internet related vendors. The most likely competitors are companies with a focus on clinical information systems and enterprises with an Internet commerce or electronic network focus. Many of these competitors will have access to substantially greater amounts of capital resources than we have access to, for the financing of technical, manufacturing and marketing efforts. Frequently, these competitors will have affiliations with major medical product companies or software developers, who will assist in the financing of such competitor's product development. We will seek to raise capital to develop Cymedix products in a timely manner, however, so long as our operations remain underfunded, as they now are, we will be at a competitive disadvantage.

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Software Development Personnel. The success of the development of our Cymedix software is dependent to a significant degree on our key management and technical personnel. We believe that our success will also depend upon our ability to attract, motivate and retain highly skilled, managerial, sales and marketing, and technical personnel, including software programmers and systems architects skilled in the computer languages in which our Cymedix products operate. Competition for such personnel in the software and information services industries is intense. The loss of key personnel, or the inability to hire or retain qualified personnel, could have a material adverse effect on our results of operations, financial condition or business.

### **Securities Law Issues**

We have raised substantial amounts of capital in private placements from time to time. The securities offered in such private placements were not registered with the Securities and Exchange Commission or any state agency in reliance upon exemptions from such registration requirements. Such exemptions are highly technical in nature and if we inadvertently failed to comply with the requirements of any of such exemptive provisions, investors would have the right to rescind their purchase of our securities or sue for damages. If one or more investors were to successfully seek such rescission or institute such suit, Medix could face severe financial demands that could material and adversely affect our financial position.

### **Impact of Shares Eligible for Future Sale**

As of August 6, 2001, we had 50,955,946 shares of common stock outstanding. As of that date, approximately 22,132,232 shares were issuable upon the exercise of outstanding options, warrants or other rights, and the conversion of preferred stock. Most of these shares will be immediately saleable upon exercise or conversion under registration statements we have filed with the U.S. Securities and Exchange Commission (the "SEC"). The exercise prices of options, warrants or other rights to acquire common stock presently outstanding range from \$0.19 per share to \$4.97 per share. During the respective terms of the outstanding options, warrants, preferred stock and other outstanding derivative securities, the holders are given the opportunity to profit from a rise in the market price of the common stock, and the exercise of any options, warrants or other rights may dilute the book value per share of the common stock and put downward pressure on the price of the common stock. The existence of the options, conversion rights, or any outstanding warrants may adversely affect the terms on which we may obtain additional equity financing. Moreover, the holders of such securities are likely to exercise their rights to acquire common stock at a time when we would otherwise be able to obtain capital on terms more favorable than could be obtained through the exercise or conversion of such securities.

### **Dilution Due to Equity Line of Credit**

The resale of the common stock that may be issued by us under the equity line of credit described herein will substantially increase the number of our publicly traded shares ("float"). If existing shareholders perceive that this increased float is not accompanied by a commensurate increase in value to the Company, then shareholder value--real or perceived--will be diluted. Such dilution could cause holders of our shares of common stock to sell, thus depressing the price of our common stock. Therefore, the very existence of the equity line financing could depress the market price of our common stock.

### **Risk of Additional Selling Pressure on Stock Price**

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The resale of the common stock that will be issued by us under the equity line of credit described herein could depress the market price of our common stock. This would occur if such resale took the form of heavy volume, or volume concentrated in a relatively short period, at levels greater than the trading activity of our stock could normally support. Furthermore, the terms of the equity line provide that we will sell shares of our common stock to the providers of the financing at 91% of the average of the three lowest of the daily volume-weighted average prices of our common stock during the 22-trading day period immediately before our request for the advance. Therefore, since all of the shares that are issued by us in connection with advances under the equity line financing will have a "built-in" discount of at least 9% upon issuance, this could produce an impetus for the providers of the equity line to resell their shares sooner or in greater quantity than they would otherwise. Such resale could have the effect of depressing our share price.

### **Volatility of Our Stock Price**

Historically, our common stock has experienced significant price fluctuations. This has been caused by factors such as:

- o negative announcements by our company or others, particularly in the technology sector;
- o regulatory, legislative or other developments affecting our company or the health care industry generally;
- o conversion of our preferred stock and convertible debt into common stock at conversion rates based on current market prices of our common stock and exercise of options and warrants at below current market prices; and
- o market conditions specific to technology and internet companies, the health care industry and general market conditions.

In addition, in recent years the stock market has experienced significant price and volume fluctuations. These fluctuations, which are often unrelated to the operating performance of specific companies, have had a substantial effect on the market price for many health care related companies. Factors such as those cited above, as well as other factors that may be unrelated to our operating performance may adversely affect the price of our common stock.

### **Application of Penny Stock Rules to Our Common Stock**

Trading of our common stock may be subject to the penny stock rules under the Securities Exchange Act of 1934, as amended, unless an exemption from such rules is available. Broker-dealers making a market in our common stock will be required to provide disclosure to their customers regarding the risks associated with our common stock, the suitability for the customer of an investment in our common stock, the duties of the broker-dealer to the customer and information regarding bid and ask prices for our common stock, and the amount and description of any compensation the broker-dealer would receive in connection with a transaction in our common stock. The application of these rules will likely result in fewer market makers making a market of our common stock and further restrict the liquidity of our common stock.

### **Absence of Common Stock Dividends**

We have not had earnings, but if earnings were available, it is our general policy to retain any earnings for use in our operation. Therefore, we do not anticipate paying any cash dividends on our common stock in the foreseeable future. Any payment of cash dividends on our

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common stock in the future will be dependent upon our financial condition, results of operations, current and anticipated cash requirements, plans for expansion, as well as other factors that the Board of Directors deems relevant. We anticipate that our future financing agreements will prohibit the payment of common stock dividends without the prior written consent of our lender(s).

### THE COMPANY

Medix Resources, Inc., a Colorado corporation, sold its supplemental staffing business, which operated under the tradenames "National Care Resources" and "TherAmerica" on February 19, 2000, and now principally develops software for Internet-based communications and information management for medical service providers, through its wholly-owned subsidiary, Cymedix Lynx Corporation.

We acquired Cymedix in January of 1998. Cymedix has developed an Internet-based communications and information management product, which we began marketing to medical professionals nationwide. Growth of the medical information management marketplace is being driven by the need to share significant amounts of clinical and patient information between physicians, their outpatient service providers, hospitals, insurance companies and managed care organizations. This market is one of the fastest-growing sectors in healthcare today, commanding a projected two-thirds of health care capital investments. The Cymedix(R) software contains patented elements that can be used to develop secure medical communications products that make use of the Internet. Using the Cymedix software, medical professionals can order, prescribe and access medical information from insurance companies and managed care organizations, as well as from any participating outpatient service provider, such as a laboratory, radiology center, pharmacy or hospital. We will provide the software at minimal charges to physicians and clinics, and will collect user fees whenever these products are used to provide services on the Internet. The products' relational database technology will provide physicians with a permanent, ongoing record of each patient's name, address, insurance or managed care affiliation, referral status, medical history, personalized notes and an audit trail of past encounters. Physicians will be able to electronically order medical procedures, receive and store test results, check patient eligibility, make medical referrals, request authorizations, and report financial and encounter information in a cost-effective, secure and timely manner.

On July 5, 2001, we received a written claim on behalf of a former employee relating to alleged unpaid severance and options that we are alleged to have wrongfully failed to permit the exercise of. No amount of damages was claimed in the letter. Based on a preliminary investigation, we have denied any liability in this matter, and do not expect any resolution of the matter, if legal action is taken, to have a material adverse impact on us. On June 15, 2001, we agreed to settle the matter of Michael J. Ruxin v. Cymedix Lynx Corporation and Medix Resources, Inc., filed in the District Court of the City and County of Denver (Case No. 00CV2997). We agreed to pay to the plaintiff \$35,000 and issue to him 2-year warrants to purchase 195,000 shares of the Company's common stock at \$.50. The case has been dismissed with prejudice. On May 2, 2001, we agreed to settle the matter of Guli R. Rajani v. Medix Resources, Inc., filed in the United States District Court, Southern District of New York, (00 Civ. 5061). We agreed to pay to the plaintiff \$20,000 and issue to him, over a period of 18 months, 3-year warrants to purchase 137,500 shares of the Company's common stock at \$0.50. The case has been dismissed with prejudice.



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Our principal executive office is located at 305 Madison Ave., Suite 2033, New York, NY 10165, and its telephone number is (212) 697-2509. Our principal administrative office is at 7100 East Belleview Ave., Greenwood Village, CO 80111, and its telephone number is (303) 741-2045. We also have offices in California, Georgia and New Jersey.

### EQUITY LINE OF CREDIT

#### Agreement

We have entered into an Equity Line of Credit Agreement with Cornell Capital Partners, L.P. ("Cornell"), and Dutchess Private Equities Fund, L.P. ("Dutchess"), dated as of June 12, 2001. Under the agreement, the two providers have committed to advance to us funds in an amount of up to \$10,000,000, as requested by us, over a 24-month period in return for common stock issued by us to the providers. However, the amount that may be advanced at any time is limited as follows:

- o There must be thirteen stock market trading days between any two of our requests for advances.
- o We can only request an advance if the volume weighted average price of the common stock, as reported by Bloomberg L.P. for the day before our request, is equal to or greater than the volume weighted average price as reported by Bloomberg L.P. for the 22 trading days before we make a request.
- o We will not be able to receive an advance amount that is greater than 175% of the average daily volume of our common stock over the 40 trading days prior to our advance request multiplied by the purchase price (calculated as provided in the next sentence).

The purchase price of our common stock issued in each advance will be equal to 91% of the three lowest daily volume weighted average prices during the 22 trading days before we make a request for an advance. Our agreement with the providers of our equity line financing contains mutual indemnities against losses, costs and expenses arising out of misrepresentations, breaches of warranties and agreements or other actions or inactions by the other party.

Advances will be made as requested by us, with 90% of an advance coming from Cornell, and 10% coming from Dutchess. We will receive the amount we have requested as an advance within 10 days of our request, subject to satisfying standard closing conditions. The issuance of our shares of common stock to Cornell and Dutchess in connection with the equity line financing will be exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) thereof. The sale of such shares by those providers of our equity line financing is being registered under this Registration Statement. We have agreed not to file any other registration statements for the public sale of our securities for ninety days from the effective date of this Registration Statement, with certain limited exceptions. We have also agreed that our executive officers and directors will not sell any shares of our common stock during the ten trading days following any advance request by us.

#### Registration Rights

We have agreed to maintain an effective registration statement for the sale of the shares issued to the providers of our equity line financing, as described above. If, at any time, the number of shares available under a registration statement is insufficient to cover all securities

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issued to the providers, we have agreed to use our best efforts to cause an amendment or new registration statement containing those shares to be declared effective. Our agreement with the providers of our equity line financing contains mutual indemnities against losses, costs and expenses arising out of the violation of by the other party of state and Federal securities laws. Insofar as indemnification for liabilities under the Securities Act of 1933, as amended, may be permitted under such agreement, we have been informed that in the opinion of the U.S. Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. Our agreements as to registration rights are only with the providers of our equity line financing and we have no obligations to assist or indemnify any other holder of the shares sold by them or to any underwriter designated by such holders.

### Compensation

We are selling our shares to the providers of our equity line financing at a 9% discount from the market price as described above. Yorkville Advisors's Management, LLC, an affiliate of

Cornell, will be paid by us 2.31% of each amount advanced to us under the equity line financing. Dutchess Advisors Limited an affiliate of Dutchess, will be paid by us 4.69% of each amount advanced to us under the equity line financing. Furthermore, upon the effective date of this Registration Statement, we will issue to Yorkville Advisors, 65,347 shares of common, and to Dutchess Advisors, 132,673 shares of common stock (of which 29,703 shares will be directed to Dutchess). And, on December 9, 2001, we will issue to Yorkville Advisors and Dutchess Advisors additional shares of our common stock in an amount equal to \$66,000 and \$134,000, respectively, divided by the purchase price, as described above, for shares advanced under the equity line financing as if an advance occurred on such date. In addition, we will pay each of the legal counsel to Cornell and Dutchess an aggregate amount of \$15,000 for their services, and pay escrow fees, in connection with this transaction.

### USE OF PROCEEDS

The net proceeds from the sale of shares will be received by the selling shareholders. Medix will not receive any of the proceeds from any sale of the shares by the selling shareholders. However, Medix will receive the proceeds from the advances under the equity line of credit and the exercise of warrants to purchase the shares to be sold hereunder. Such proceeds will be used as working capital.

### SELLING SHAREHOLDERS

The table below sets forth information as of August 6, 2001, with respect to the selling shareholders, including names, holdings of shares of common stock prior to the offering of the shares, the number of shares being offered for each account, and the number and percentage of shares of common stock to be owned by the selling shareholders immediately following the sale of the shares, assuming all of the offered shares are sold.

| Shares of<br>Common<br>Stock<br>Beneficially | Shares of<br>Common | Shares of Common<br>Stock to be |
|--|---------------------|---------------------------------|
|--|---------------------|---------------------------------|

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| Name                                    | Owned<br>Before the<br>Offering | Stock<br>Being<br>Offered | Beneficially Owned<br>After the Offering |            |
|---|---------------------------------|---------------------------|--|------------|
|   |                                 |                           | Number                                   | Percentage |
| Cornell Capital Partners,<br>L.P.       | 8,000,000                       | 8,000,000                 | 0  | 0%         |
| Dutchess Private Equities<br>Fund, L.P. | 1,500,000                       | 1,500,000                 | 0  | 0%         |
| Dutchess Advisors Limited               | 600,000                         | 600,000                   | 0  | 0%         |
| Yorkville Advisors<br>Management LLC    | 300,000                         | 300,000                   | 0  | 0%         |
| Fritz & Miller, P.C.                    | 5,467                           | 5,467                     | 0  | 0%         |
| Shapiro Forman Allen &<br>Miller LLP    | 11,200                          | 11,200                    | 0  | 0%         |
| Guli R. Rajani                          | 11,111                          | 11,111                    | 0  | 0%         |
| Nicole S. Rajani                        | 11,111                          | 11,111                    | 0  | 0%         |
| Ajay G. Rajani                          | 11,111                          | 11,111                    | 0  | 0%         |
| Total                                   | 10,450,000                      | 10,450,000                |  |            |

### Relationship Between Medix and the Selling Shareholders

The selling shareholders have or will acquire the shares of common stock indicated above in one of the following ways: (i) upon advancing funds to the Company under a equity line financing, (ii) in payment of certain of the Company's fee obligations in connection with the equity line financing, and (iii) upon the exercise of warrants issued in settlement of litigation. None of the persons listed above are affiliates or controlled by affiliates of the Company. We have a separate contractual obligation to file this registration with each of the selling shareholders, which was part of the inducement for them to invest in the Company.

Cornell Capital Partners, L.P. and Dutchess Private Equities Fund, L.P., who are the providers of the equity line financing, are statutory underwriters under Section 2a(11) of the Securities Act of 1933, as amended. The principals of Cornell Capital Partners, L.P. are Yorkville Advisors Management LLC, its general partner, and Mark Angelo, Joseph Donohue, Robert Ferrell, Matthew Beckman and Meir Levin. The principals of Dutchess Private Equities Fund, L.P. are Dutchess Capital Management LLC, its general partner, and Michael A. Novielli and Douglas H. Lighton, managing members and principal owners of the general partner.

### DESCRIPTION OF SECURITIES

Our authorized capital consists of 100,000,000 shares of common stock, par value \$.001 per share, and 2,500,000 shares of preferred stock. As of August 6, 2001, we had outstanding 50,955,946 shares of common stock, 1 share of 1996 Preferred Stock, 50 shares of 1999 Series B Preferred Stock and 375 shares of 1999 Series C Preferred Stock. As of such date, our common stock was held of record by approximately 390 persons and beneficially owned by approximately 9,500 persons.

#### Common Stock

Each share of common stock is entitled to one vote at all meetings of shareholders. Shareholders are not permitted to cumulate votes in the

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election of directors. Currently, the Board of Directors consists of six directors, who serve for staggered terms of three years, with at least two directors elected at every annual meeting. All shares of common stock are equal to each other with respect to liquidation rights and dividend rights. There are no preemptive rights to purchase any additional common stock. In the event of liquidation, dissolution or winding up of Medix, holders of the common stock will be entitled to receive on a pro rata basis all assets of Medix remaining after satisfaction of all liabilities and preferences of the outstanding preferred stock. The outstanding shares of common stock and the shares of common stock issuable upon conversion or exercise of derivative securities are or will be, as the case may be, duly and validly issued, fully paid and non-assessable.

### **Transfer Agent and Registrar**

We have retained Computershare Trust Company, Inc., 12039 W. Alameda Parkway, Suite Z-2, Lakewood, Colorado 80228, as Transfer Agent and Registrar for the our common stock, (303) 986-5400.

### **PLAN OF DISTRIBUTION**

The selling shareholders and any of their pledgees, donees, assignees and successors-in-interest may, from time to time, sell any or all of their shares of Common Stock on any stock exchange, market or trading facility on which the shares are traded. These sales may be at fixed or negotiated prices. The selling shareholders may use any one or more of the following methods when selling shares:

- o ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- o block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- o purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- o an exchange distribution in accordance with the rules of the applicable exchange;
- o privately negotiated transactions;
- o short sales;
- o broker-dealers may agree with the selling shareholders to sell a specified number of such shares at a stipulated price per share;
- o a combination of any such methods of sale; and
- o any other method permitted pursuant to applicable law.

The selling shareholders may also sell shares under Rule 144 under the Securities Act, if available, rather than under this prospectus.

The selling shareholders may also engage in short sales against the box, puts and calls and other transactions in securities of the Company or derivatives of Company securities and may sell or deliver shares in connection with these trades. The selling shareholders may pledge their

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shares to their brokers under the margin provisions of customer agreements. If a selling shareholder defaults on a margin loan, the broker may, from time to time, offer and sell the pledged shares. The selling shareholders have advised the Company that they have not entered into any agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of their shares other than ordinary course brokerage arrangements, nor is there an underwriter or coordinating broker acting in connection with the proposed sale of shares by the selling shareholders.

Broker-dealers engaged by the selling shareholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling shareholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated. The selling shareholders do not expect these commissions and discounts to exceed what is customary in the types of transactions involved.

Cornell Capital Partners, L.P. and Dutchess Private Equities Fund, L.P., and their affiliates, Yorkville Advisors Management LLC and Dutchess Advisors Limited, are each an "underwriter" under Section 2a(11) of the Securities Act of 1933, in connection with the resale of common stock under the Equity Line of Credit Agreement. Cornell Capital Partners, L.P. and Dutchess Private Equities Fund, L.P. will pay us 91% of the average of the 3 lowest closing bid price of our common stock for the 22 days immediately preceding the advance date. The discount on the purchase of the common stock to be received by them will be an underwriting discount. We retained Yorkville Advisors Management, LLC and Dutchess Advisors Limited as our consultants in connection with the equity line of credit financing. See "Equity Line of Credit."

Other selling shareholders and any broker-dealers or agents that are involved in selling the shares may be deemed to be "underwriters" within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act.

The Company is required to pay all fees and expenses incident to the registration of the shares, including fees and disbursements of counsel to certain of the selling shareholders. Otherwise, all discounts, commissions or fees incurred in connection with the sale of the common stock offered hereby will be paid by the selling shareholders. The Company has agreed to indemnify certain selling shareholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

Upon the Company being notified by a selling shareholder that any material arrangement has been entered into with a broker-dealer for the sale of shares through a block trade, special offering, exchange distribution or secondary distribution or a purchase by a broker or dealer, a supplement to this prospectus will be filed, if required, pursuant to Rule 424(b) under the Securities Act, disclosing (i) the name of each such selling shareholder and of the participating broker-dealer(s), (ii) the number of shares involved, (iii) the price at which such shares were sold, (iv) the commissions paid or discounts or concessions allowed to such broker-dealer(s), where applicable, (v) that such broker-dealer(s) did not conduct any investigation to verify the information set out or incorporated by reference in this prospectus, and (vi) other facts material to the transaction.

In order to comply with the securities laws of certain states, if

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applicable, the shares will be sold in such jurisdictions, if required, only through registered or licensed brokers or dealers. In addition, in certain states the shares may not be sold unless the Shares have been registered or qualified for sale in such state or an exemption from registration or qualification is available and complied with.

The Company has advised the selling shareholders that the anti-manipulative provisions of Regulation M promulgated under the Exchange Act may apply to their sales of the shares offered hereby.

### **INDEMNIFICATION OF OFFICERS AND DIRECTORS**

Article 109 of the Colorado Business Corporation Act generally provides that Medix may indemnify its directors, officers, employees and agents against liabilities in any action, suit or proceeding whether civil, criminal, administrative or investigative and whether formal or informal (a "Proceeding"), by reason of being or having been a director, officer, employee, fiduciary or agent of Medix, if such person acted in good faith and reasonably believed that his conduct, in his official capacity, was in the best interests of Medix (or, with respect to employee benefit plans, was in the best interests of the participants of the plan), and in all other cases that his conduct was at least not opposed to Medix's best interests. In the case of a criminal proceeding, the director, officer, employee or agent must have had no reasonable cause to believe that his conduct was unlawful. Under Colorado Law, Medix may not indemnify a director, officer, employee or agent in connection with a proceeding by or in the right of Medix if the director is adjudged liable to Medix, or in a proceeding in which the directors, officer employee or agent is adjudged liable for an improper personal benefit.

Our Articles of Incorporation provide that we shall indemnify its directors, and officers, employees and agents to the extent and in the manner permitted by the provisions of the laws of the State of Colorado, as amended from time to time, subject to any permissible expansion or limitation of such indemnification, as may be set forth in any shareholders' or directors' resolution or by contract.

Insofar as indemnification for liabilities under the Securities Act of 1933, as amended (the "Securities Act"), may be permitted to directors, officers or persons controlling Medix pursuant to the foregoing provisions, Medix has been informed that in the opinion of the Commission, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

### **AVAILABLE INFORMATION**

We are a reporting company and file our annual, quarterly and current reports, proxy material and other information with the SEC. Reports, proxy statements and other information concerning Medix filed with the Commission may be inspected and copied at the Public Reference Room maintained by the Commission at its office, 450 Fifth Street, N.W., Washington, D.C. 20549, as well as at the Regional Offices of the Commission at Citicorp Center, 300 West Madison Street, Chicago, Illinois 60661 and Seven World Trade Center, New York, New York 10048. Copies of such material can be obtained from the Public Reference Room of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. The public may obtain information about the Public reference room in Washington, D.C. by calling the SEC at 1-800-SEC-0330. Our SEC filings are also available at the SEC's Website at

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"http:\\www.sec.gov".

We have filed a registration statement under the Securities Act, with respect to the securities offered pursuant to this Prospectus. This Prospectus does not contain all of the information set forth in the registration statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. For further information, reference is made to the registration statement and the exhibits filed as a part thereof, which may be found at the locations and Website referred to above.

### **INCORPORATION OF CERTAIN INFORMATION BY REFERENCE**

The SEC allows us to "incorporate by reference" information that we file with them, which means that we can disclose important information to you by referring you to the documents filed with the SEC that contains that information. The information incorporated by reference is an important part of this Prospectus, and it is important that you review it before making your investment decision. We hereby incorporate by reference the documents listed below:

- (a) a copy of our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2000, filed with the SEC on March 21, 2001;
- (b) a copy of our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2001, filed with the SEC on May 14, 2001;
- (c) copies of the our Forms 8-K, filed with the SEC on January 9, January 16, January 17, January 29, February 1, February 20, March 15, March 27, April 5, April 11, April 23, May 24, June 12, June 22, and July 30, 2001.

We are delivering with this Prospectus a copy of the Form 10-KSB and the Form 10-Q referred to above. Any statement contained in a document incorporated or deemed to be incorporated by reference in this Prospectus, or made herein, shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any subsequently filed document, which also is or is deemed to be incorporated by reference herein, modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

We will provide without charge to each person, including any beneficial owner, to whom a copy of this Prospectus is delivered, upon oral or written request of any such person, a copy of any or all of the documents incorporated herein by reference, other than the exhibits to such documents (unless such exhibits are specifically incorporated by reference into the information that this Prospectus incorporates). Requests should be directed to Investor Relations Department, Medix Resources, Inc., 7100 E. Belleview Avenue, Suite 301, Greenwood Village, Colorado 80111, telephone (303) 741-2045.

### **LEGAL MATTERS**

The validity of the shares offered hereby is being passed upon for us by Lyle B. Stewart, P.C. Lyle B. Stewart, P.C. has been granted options to purchase 25,000 shares of Medix common stock at an exercise price of \$0.26 per share, and Mr. Stewart, individually, has been granted options to purchase 100,000 and 75,000 shares of Medix common stock at exercise

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prices of \$3.38 and \$0.92 per share, respectively.

### **EXPERTS**

The consolidated financial statements of Medix as of December 31, 2000, and for each of the two years in the period ended December 31, 2000 appearing in our 2000 Form 10-KSB have been audited by Ehrhardt Keefe Steiner & Hottman P.C., independent auditors, as stated in their report appearing therein, and have been incorporated herein by reference in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.