

WEBMD CORP /NEW/
Form DEF 14A
October 17, 2001

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant

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Check the appropriate box:

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| <input type="checkbox"/> Preliminary Proxy Statement | <input type="checkbox"/> Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
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WEBMD CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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- No fee required.
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(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

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WEBMD CORPORATION

**669 River Drive, Center 2
Elmwood Park, New Jersey 07407-1361**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD NOVEMBER 16, 2001**

To WebMD Stockholders:

NOTICE IS HEREBY GIVEN that an annual meeting of stockholders of WebMD Corporation will be held at 9:30 a.m., Eastern time, on Friday, November 16, 2001 at the Marriott at Glenpointe, 100 Frank W. Burr Boulevard, Teaneck, NJ 07666, for the following purposes:

1. To elect three Class III directors of WebMD, each to serve a three-year term, or until his successor has been elected and qualified or until his earlier resignation or removal;
2. To consider and vote on a proposal to ratify and approve an amendment to WebMD's 2000 Long-Term Incentive Plan to increase the number of shares of WebMD common stock reserved for issuance under that Plan by 10 million shares, to a total of 20 million shares; and
3. To consider and transact such other business as may properly be brought before the annual meeting or any adjournment or postponement thereof.

Only stockholders of record at the close of business on September 28, 2001 will be entitled to vote at this meeting. The stock transfer books will not be closed.

All stockholders are cordially invited to attend the annual meeting in person. However, to ensure your representation at the annual meeting, you are urged to complete, sign, date and return the enclosed proxy card in the enclosed postage-prepaid envelope as promptly as possible.

By Order of the Board of Directors
of WebMD Corporation

Charles A. Mele
*Executive Vice President, General Counsel
and Secretary*

Elmwood Park, New Jersey
October 15, 2001

YOUR VOTE IS IMPORTANT.

**WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING,
PLEASE COMPLETE, SIGN, DATE AND RETURN YOUR PROXY.**

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Proxy Statement contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. These forward-looking statements are not based on historical facts, but rather reflect management's current expectations concerning future results and events. These forward-looking statements generally can be identified by use of statements that include phrases such as believe, expect, anticipate, intend, plan, foresee, likely, will or other similar words or phrases. Similarly, statements that describe our objectives, plans or goals are or may be forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be different from any future results, performance and achievements expressed or implied by these statements. Information about important risks and uncertainties that could affect future results, causing these results to differ materially from those expressed in our forward-looking statements, can be found in our other Securities and Exchange Commission filings. Other unknown or unpredictable factors also could have material adverse effects on our future results. The forward-looking statements included in this Proxy Statement are made only as of the date of this Proxy Statement. We expressly disclaim any intent or obligation to update any forward-looking statements to reflect subsequent events or circumstances.

WEBMD CORPORATION

**669 River Drive, Center 2
Elmwood Park, New Jersey 07407-1361**

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON NOVEMBER 16, 2001

This Proxy Statement and the enclosed form of proxy are furnished to stockholders of WebMD Corporation, a Delaware corporation, in connection with the solicitation of proxies by our Board of Directors from holders of outstanding shares of our common stock, par value \$.0001 per share, for use at our Annual Meeting of Stockholders to be held on Friday, November 16, 2001, at 9:30 a.m., Eastern time, at the Marriott at Glenpointe, 100 Frank W. Burr Boulevard, Teaneck, NJ 07666, and at any adjournment or postponement thereof. The date of this Proxy Statement is October 15, 2001 and it and a form of proxy are first being mailed or otherwise delivered to stockholders on or about October 17, 2001.

Please complete, date and sign the accompanying proxy and promptly return it in the enclosed envelope or otherwise mail it to us. All properly signed proxies that we receive prior to the vote at the annual meeting and that are not revoked will be voted (or withheld from voting) at the meeting according to the instructions indicated on the proxies or, if no direction is indicated, FOR the election of each of the nominees for director listed below in Proposal 1 and FOR ratification and approval of the proposed amendment to WebMD's 2000 Long-Term Incentive Plan in Proposal 2. A stockholder may revoke a proxy at any time before it is exercised at the annual meeting by taking any of the following actions:

delivering to the Secretary of WebMD, at its address set forth above, a written notice, bearing a date later than the date of the proxy, stating that the proxy is revoked,

signing and so delivering a proxy relating to the same shares and bearing a later date prior to the vote at the meeting, or

attending the meeting and voting in person, although attendance at the meeting will not, by itself, revoke a proxy.

Please note, however, that if a stockholder's shares are held of record by a broker, bank or other nominee and that stockholder wishes to vote at the annual meeting, the stockholder must bring to the meeting a letter from the broker, bank or other nominee confirming the stockholder's beneficial ownership of the shares.

Our Board of Directors does not know of any matter that is not referred to herein to be presented for action at the annual meeting. If any other matters are properly brought before the meeting, the persons named in the proxies will have discretion to vote on these matters in accordance with their judgment.

PROPOSALS TO BE CONSIDERED AT THE ANNUAL MEETING

The following proposals will be considered and voted on at the meeting:

Proposal 1: Election of three Class III directors of WebMD, each to serve a three-year term, or until his successor has been elected and qualified or until his earlier resignation or removal. The three nominees are:

Mark J. Adler, M.D.

Herman Sarkowsky

Michael A. Singer

Proposal 2: A proposal to ratify and approve an amendment to WebMD's 2000 Long-Term Incentive Plan to increase the number of shares of common stock reserved for issuance under that Plan by 10 million shares, to a total of 20 million shares.

Recommendations of Our Board of Directors

Our Board of Directors unanimously recommends that you vote FOR the election of each of the nominees for director listed in Proposal 1 and FOR the amendment to WebMD's 2000 Long-Term Incentive Plan in Proposal 2.

Record Date and Outstanding Shares

Our Board of Directors has fixed the close of business on September 28, 2001 as the record date for the determination of our stockholders entitled to notice of and to vote at our Annual Meeting. Only holders of record of our common stock at the close of business on the record date are entitled to notice of and to vote at the meeting. As of the close of business on the record date, there were 358,391,272 shares of our common stock outstanding and entitled to vote held of record by approximately 5,100 stockholders, although we believe that there are in excess of 100,000 beneficial owners of our common stock. No other voting securities of WebMD are outstanding.

After the record date for the Annual Meeting, WebMD purchased 35,000,000 shares of WebMD common stock from Quintiles Transnational Corp. See *Certain Relationships and Related Transactions* *Quintiles* below. In accordance with Delaware law, these shares (and other shares, if any, purchased by WebMD after the record date) will neither be entitled to vote nor be counted for quorum purposes at the Annual Meeting.

Vote and Quorum Required

Holders of our common stock are entitled to one vote for each share held as of the record date. Votes may be cast either in person or by properly executed proxy.

Quorum. The presence, in person or by properly executed proxy, of the holders of a majority of the shares entitled to vote at the annual meeting is necessary to constitute a quorum at the meeting. Shares of holders that are present in person or represented by proxy at the meeting, including shares that abstain from voting or that do not vote with respect to one or more proposals, will be counted for purposes of determining whether a quorum exists. If a quorum is not present, the annual meeting may be adjourned from time to time until a quorum is obtained.

Proposal 1 Election of Directors. Election of directors is by a plurality of the shares present in person or represented by proxy and entitled to vote at the meeting. Accordingly, the three nominees receiving the greatest number of votes for their election will be elected. Abstentions, broker non-votes and instructions on the accompanying proxy card to withhold authority to vote for one or more of the nominees will result in the respective nominees receiving fewer votes for their election.

Proposal 2 Proposal for Plan Amendment. The affirmative vote of the holders of a majority of the shares present or represented at the meeting and entitled to vote is required to ratify and approve the amendment to WebMD's 2000 Long-Term Incentive Plan in Proposal 2. Abstentions with respect to Proposal 2 will be treated as shares that are present or represented at the meeting, but will not be counted in favor of that proposal. Accordingly, an abstention from voting on Proposal 2 will have the same effect as a vote against that proposal. Broker non-votes with respect to Proposal 2 will not be considered as present or represented at the meeting and, accordingly, will have no impact on the outcome of the vote with respect to that proposal.

Expenses of Proxy Solicitation

We will pay the expenses of soliciting proxies from our stockholders to be voted at the annual meeting and the cost of preparing and mailing this Proxy Statement to our stockholders. Following the original mailing

of this Proxy Statement and other soliciting materials, we and our agents also may solicit proxies by mail, telephone, facsimile or in person. In addition, proxies may be solicited from our stockholders by our directors, officers and employees in person or by telephone, facsimile or other means of communication. These officers, directors and employees will not be additionally compensated, but may be reimbursed for reasonable out-of-pocket expenses in connection with the solicitation. Following the original mailing of this Proxy Statement and other soliciting materials, we will request brokers, custodians, nominees and other record holders of our common stock to forward copies of this Proxy Statement and other soliciting materials to persons for whom they hold shares of our common stock and to request authority for the exercise of proxies. In these cases, we will, upon the request of the record holders, reimburse these holders for their reasonable expenses. We have retained Innisfree M&A Incorporated, a proxy solicitation firm, for assistance in connection with the solicitation of proxies for our annual meeting at a cost of approximately \$6,500 plus reimbursement of out-of-pocket expenses.

No Appraisal Rights

Holders of our common stock are not entitled to dissenters' rights or appraisal rights with respect to the proposals to be considered at the annual meeting.

SECURITY OWNERSHIP BY PRINCIPAL STOCKHOLDERS AND MANAGEMENT

The following table sets forth information with respect to the beneficial ownership of our common stock as of October 15, 2001 by each person known by us to own beneficially more than 5% of our common stock, each of our directors, each of our named executive officers, as described below under the heading Executive Compensation, and by all of our directors and executive officers as a group.

The number and percentage of our shares of common stock owned is based on 322,608,574 shares outstanding as of October 15, 2001. Beneficial ownership is determined under the rules and regulations of the Securities and Exchange Commission, or SEC. Shares of common stock subject to options or warrants that are currently exercisable or exercisable within 60 days of October 15, 2001 are deemed to be outstanding and beneficially owned by the person holding the options or warrants for the purpose of computing the number of shares beneficially owned and the percentage ownership of that person. The shares subject to options or warrants held by a person are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person. Except as indicated in the footnotes to this table, and subject to applicable community property laws, these persons have sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by them. Unless otherwise indicated, the address of each of the beneficial owners identified is c/o WebMD Corporation, 669 River Drive, Center 2, Elmwood Park, New Jersey 07407-1361.

Name and Address of Beneficial Owner	Common Stock	Warrants	Options	Percent
Microsoft Corporation One Microsoft Way Bldg. 8 North Office 2211 Redmond, WA 98052	11,933,340	13,676,389		7.6
Mark J. Adler, M.D.	22,000(1)		33,500	*
Jeffrey T. Arnold 500 Peachtree Battle Atlanta, GA 30305	4,305,957(2)		4,486,741	2.7

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Paul A. Brooke	201,667(3)	75,000	*
Jack D. Dennison 1900 Ringtail Ridge Austin, TX 78746	69,630	1,000,000	*

Name and Address of Beneficial Owner	Common Stock	Warrants	Options	Percent
L. John Doerr c/o Kleiner, Perkins, Caufield & Byers 2750 Sand Hill Road Menlo Park, CA 94025	8,410,459(4)	29,359(4)	24,166	2.6
K. Robert Draughon	75,000		505,237	*
Patricia Fili-Kruschel			206,249	*
James V. Manning	819,047(5)		25,500	*
Marvin P. Rich			4,170,000	1.3
Herman Sarkowsky	549,994(6)		132,500	*
Michael A. Singer	9,222,625(7)		1,906,250	3.4
Joseph E. Smith	29,250		33,500	*
Charles G. V. Stevens c/o Microsoft Corporation One Microsoft Way Bldg. 8 North Office 2211 Redmond, WA 98052				*
Martin J. Wygod	9,782,539(8)		1,037,500	3.3
All executive officers and directors as a group (18 persons)	29,186,206	29,359	8,091,903	11.4

* Less than 1%.

- (1) Represents 22,000 shares held by Adler Family Trust.
- (2) Represents 2,946,780 shares held by Mr. Arnold and his wife, 911,829 shares held by Arnold Family Irrevocable Trust and 447,348 shares held by JT Arnold Enterprises LLLP.
- (3) Represents 201,667 shares held by PMSV Holdings LLC, of which Mr. Brooke is the managing member.
- (4) Represents 264,677 shares held by Mr. Doerr, 6,469,957 shares held and 27,891 shares issuable upon the exercise of warrants held by Kleiner Perkins Caufield & Byers VII L.P., 1,275,736 shares held by KPCB Java Fund and 400,089 shares held and 1,468 shares issuable upon the exercise of warrants held by KPCB Life Sciences Zaibatsu Fund II. KPCB Life Sciences Zaibatsu Fund II and KPCB VII are wholly controlled by KPCB VII Associates. KPCB Java Fund is controlled by KPCB VIII. Mr. Doerr is a general partner of KPCB VIII and KPCB VII Associates.
- (5) Represents 747,800 shares held by Mr. Manning and 71,247 shares held by Synetic Foundation, Inc., a charitable foundation of which Messrs. Wygod and Manning are trustees and share voting and dispositive power.
- (6) Represents 441,662 shares held by Mr. Sarkowsky, 70,832 shares held by Sarkowsky Family L.P. and 37,500 shares held by a charitable foundation of which Mr. Sarkowsky is a director.
- (7) Represents 9,171,875 shares held by MAS 1997 Family Limited Partners, the general partner of which is a company controlled by Mr. Singer and the sole limited partner of which is Mr. Singer, and 50,750 shares held by MDDS Partnership Limited, the general partner of which is controlled by Mr. Singer and the limited partners of which are Mr. Singer and certain of his family members.

- (8) Represents 7,447,029 shares held by Mr. Wygod, 1,613,347 shares held by River Edge Resources, Inc., which is controlled by Mr. Wygod, 7,600 shares held by Mr. Wygod's spouse, 161,332 shares held by SYNC, Inc., which is controlled by Mr. Wygod, 71,247 shares held by Synetic Foundation, Inc., a charitable foundation of which Messrs. Wygod and Manning are trustees and share voting and dispositive power, and 481,984 shares held by the Rose Foundation, a private charitable foundation of which Mr. Wygod and Charles A. Mele are trustees and share voting and dispositive power.

PROPOSAL 1:

ELECTION OF DIRECTORS

Nominees

Our Board of Directors is divided into three classes, one of which currently has three directors, one of which currently has two directors and one of which currently has four directors. At each annual meeting, the term of one of the classes of directors expires and WebMD stockholders vote to elect nominees for the directorships in that class for a new three-year term. At this year's annual meeting, the terms of the three Class III directors, Mark J. Adler, M.D., Herman Sarkowsky and Michael A. Singer, will expire. The Board of Directors has nominated each of these individuals for re-election at the annual meeting, to serve for a three-year term expiring at our annual meeting in 2004 and until his successor is elected and has qualified or until his earlier resignation or removal.

The persons named in the enclosed proxy intend to vote for the election of each of the three nominees, unless you indicate on the proxy card that your vote should be withheld for any or all of the nominees.

Our Board of Directors recommends a vote FOR the election of each of these nominees as directors.

We have inquired of each nominee and have determined that each will serve if elected. While our Board of Directors does not anticipate that any of the nominees will be unable to serve, if any nominee is not able to serve proxies will be voted for substitute nominees unless the Board of Directors chooses to reduce the number of directors serving on the Board.

Information Regarding Nominees and Continuing Directors

The names, ages and principal occupations of the nominees for election as Class III directors at the annual meeting and of the incumbent Class I and Class II directors are included below.

Nominees for election as Class III directors for a term expiring 2004:

Mark J. Adler, M.D.

45 Dr. Adler has served as a director of WebMD since September 2000. He served as a director of CareInsite from 1999 until September 2000. Dr. Adler is an oncologist and has been medical director of the San Diego Cancer Center since he founded it in 1991 and is a director of the San Diego Cancer Research Institute. He is also currently President and Chief Executive Officer of Medical Group of North County's internal medicine and oncology group, which is based in San Diego, California.

Herman Sarkowsky

76 Mr. Sarkowsky has served as a director of WebMD since November 2000. Mr. Sarkowsky has been President of Sarkowsky Investment Corporation, a private investment company, for more than five years. Mr. Sarkowsky also served as a director of Medical Manager Corporation and its predecessor, Syntetic, Inc., from 1989 until September 2000.

Michael A. Singer

54 Mr. Singer has served as Chief Executive Officer and President, Practice Management Sales and Services and as a director of WebMD since September 2000 and, since September 2001, as a member of WebMD's Office of the President. He served as a director of CareInsite from 1999 until September 2000. Mr. Singer was Vice Chairman and Co-Chief Executive Officer of Medical Manager from July 1999 until September 2000. Mr. Singer was Chairman of the Board and a Chief Executive Officer of Medical Manager Health Systems, Inc., then known as Medical Manager Corporation, and its predecessors for more than five years prior to July 1999. *Incumbent Class I directors with a term expiring 2002:*

L. John Doerr

50 Mr. Doerr has served as a director of WebMD since July 1997. He has been a general partner at Kleiner Perkins Caufield & Byers, or KPCB, a venture capital firm, since 1980. Prior to joining KPCB, Mr. Doerr worked at Intel Corporation for five years. He is also a director of Amazon.com, Inc., drugstore.com, Inc., Handspring, Inc., Homestore.com, Inc., Intuit Inc., Martha Stewart Living Omnimedia, Inc. and Sun Microsystems, Inc.

Joseph E. Smith

62 Mr. Smith has served as a director of WebMD since September 2000. Mr. Smith was a director of CareInsite from 1999 until September 2000. Mr. Smith served in various positions with Warner-Lambert Company, a pharmaceutical company, from March 1989 to September 1997, most recently as Corporate Vice President and a member of the Office of the Chairman and the firm's Management Committee. Mr. Smith is a director of Boren, LePore and Associates, Inc. and Claneil Enterprises, Inc. He also serves on the Board of Trustees of the International Longevity Center, a non-profit organization.

Incumbent Class II directors with a term expiring 2003:

Paul A. Brooke

55 Mr. Brooke has served as a director of WebMD since November 2000. Mr. Brooke has been the managing member of PMSV Holdings LLC, a private investment firm, since 1993 and a venture partner of MPM Bioventures, a venture capital firm specializing in the healthcare industry, since 1997. Mr. Brooke has also been an advisory director to each of Morgan Stanley Dean Witter & Co. and Skyline Partners since April 2000. From 1983 until April 1999, Mr. Brooke was a Managing Director and the Global Head of Healthcare Research and Strategy at Morgan Stanley. From April 1999 until May 2000, he was a Managing Director at Tiger Management LLC.

James V. Manning

54 Mr. Manning has served as a director of WebMD since September 2000. He served as a director of CareInsite from 1999 until September 2000. Mr. Manning was Vice Chairman of the Board of Medical Manager and its predecessor, Syntec, from March 1998 to July 1999, was its Chief Executive Officer from January 1995 to March 1998, was its President from July 1996 to March 1998 and, until March 1998, was an executive officer for more than five years. Until December 1994, Mr. Manning had been an executive officer of Medco for more than five years. Mr. Manning is also Chairman of the Board of Group 1 Software, Inc., a computer software company.

Charles G. V. Stevens

44 Mr. Stevens was elected as a director of WebMD in accordance with a May 1999 agreement we entered into with Microsoft Corporation in connection with our strategic alliance with Microsoft and has served in that capacity since May 2000. Mr. Stevens joined Microsoft in 1984 and has served as Vice President of Microsoft's Enterprise Partner Group since 1997. From 1994 until 1997, he served as Vice President, Far East of Microsoft. He served in various other capacities with Microsoft from 1984 until 1994.

Martin J. Wygod

61 Mr. Wygod has served as Chairman of the Board of Directors of WebMD since March 2001, as our Chief Executive Officer since October 2000 and as a director since September 2000. From September 2000 until October 2000, Mr. Wygod served as Co-Chief Executive Officer of WebMD. From May 1989 until September 2000, Mr. Wygod was Chairman of the Board and a director of Medical Manager and its predecessor, Synetic, until 1999. For part of that time, he was also Chief Executive Officer of Medical Manager. He also served as Chairman of the Board of CareInsite from 1999 until September 2000. He is also engaged in the business of racing, boarding and breeding thoroughbred horses, and is President of River Edge Farm, Inc.

No family relationship exists among any of the directors or executive officers. No arrangement or understanding exists between any director or executive officer and any other person pursuant to which any director was selected as a director or executive officer of WebMD, except:

Messrs. Manning, Singer, Smith and Wygod and Dr. Adler were appointed as directors in connection with the merger transactions in September 2000 involving WebMD, Medical Manager and CareInsite.

Mr. Stevens was appointed as a director pursuant to an agreement between WebMD and Microsoft that is no longer in effect. No agreement or understanding exists with respect to any future nomination of a representative of Microsoft.

Meetings and Committees of the Board of Directors

Our Board of Directors met 13 times, including telephone conference meetings, during 2000. In addition to meetings, our Board and its committees reviewed and acted upon matters by unanimous written consent. Each of our current directors attended, during the period in which he served as a director in 2000, 75% or more of the meetings held by our Board and the Board committees on which he served.

Our Board of Directors currently has three standing committees: a Compensation Committee, an Audit Committee and an Executive Committee. Our Board does not have a standing nominating committee. The entire Board performs those functions sometimes performed by a nominating committee.

The Compensation Committee, which met three times during 2000, is currently comprised of Dr. Adler and Messrs. Doerr and Smith. For a description of the responsibilities of the Compensation Committee, see Report of the Compensation Committee below.

The Audit Committee, which met four times during 2000, is currently comprised of Dr. Adler and Messrs. Doerr and Smith. For a description of the responsibilities of the Audit Committee, see Report of the Audit Committee below.

Effective March 20, 2001, our Board appointed an Executive Committee and delegated to the Executive Committee the power to exercise, to the fullest extent permitted by law, the powers of the entire Board. The Executive Committee is currently comprised of Messrs. Brooke, Doerr, Manning, Smith and Wygod.

Director Compensation

Our directors do not receive any cash fees for their service on our Board of Directors or any Board committee, but

they are entitled to reimbursement for all reasonable out-of-pocket expenses incurred in connection with their attendance at Board and Board committee meetings. All Board members are eligible to receive stock options under our 2000 Long-Term Incentive Plan and our 1996 Stock Plan, and outside

directors receive stock options pursuant to automatic grants of stock options under our 2000 Long-Term Incentive Plan annually on January 1. The options to purchase common stock of Medical Manager or CareInsite issued to those of our directors who previously were directors of those companies were converted into options to purchase WebMD common stock at the time of WebMD's merger transactions with those companies and remain outstanding.

In January 2000, we granted to Mr. Doerr and to each of the four other outside directors at that time options to purchase 20,000 shares of WebMD common stock under the 1996 Stock Plan with an exercise price equal to \$37.50 per share. In November 2000, we granted to Dr. Adler and to each of Messrs. Brooke, Manning, Sarkowsky and Smith options to purchase 30,000 shares of WebMD common stock under our 2000 Long-Term Incentive Plan with an exercise price equal to \$8.1875 per share.

Each of Messrs. Brooke, Doerr, Manning, Sarkowsky, Smith and Stevens and Dr. Adler received an automatic grant of options to purchase 20,000 shares of WebMD common stock, with an exercise price equal to \$7.9375 per share, in January 2001 and an additional grant of options to purchase 20,000 shares of WebMD common stock, with an exercise price equal to \$3.43 per share, in September 2001.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers and directors, and persons who own more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership of these securities with the SEC. Officers, directors and greater than ten percent beneficial owners are required by applicable regulations to furnish us with copies of all Section 16(a) forms they file. Based solely upon a review of the forms furnished to us, all of our directors and officers subject to the reporting requirements and each beneficial owner of more than ten percent of our common stock satisfied all applicable filing requirements except that Patricia Fili-Krushel, who was our Chief Executive Officer, Consumer Sales and Services until her resignation in July 2001, failed to timely file an initial report upon becoming an executive officer in April 2000, which report has been filed.

EXECUTIVE COMPENSATION

The following table sets forth information concerning the compensation earned for services rendered to WebMD by the named executive officers. The named executive officers are both individuals who served as our chief executive officer during 2000 and our four other most highly compensated executive officers who earned more than \$100,000 in 2000 and were serving as executive officers at the end of 2000.

In accordance with the rules of the SEC, this table does not include certain perquisites and other benefits received by the named executive officers which do not exceed the lesser of \$50,000 or 10% of any officer's salary and bonus disclosed in this table.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation	All Other Compensation
		Salary(\$)	Bonus(\$)	Awards	
				Securities Underlying Options(#)	
Martin J. Wygod Chairman of the Board of Directors and Chief Executive Officer	2000	\$ 300(1)	\$	(2)	\$
Jeffrey T. Arnold(3) Former Co-Chief Executive Officer	2000	197,917		4,000,000	4,005,000(4)(5)
	1999	41,667(6)		(7)	1,000(4)
Marvin P. Rich(8) Former President	2000	146,538(8)	500,000(8)	(9)	289,801(10)
Patricia Fili-Kruschel(11) Former Chief Executive Officer, Consumer Sales and Services	2000	727,564(12)	363,014(12)	550,000	
K. Robert Draughon Executive Vice President, Business Development	2000	280,429		350,000	6,000(4)
	1999	26,425(13)		(14)	715(4)
Jack D. Dennison(15) Former Executive Vice President, 1999 137,500 7,144 250,000 Co-General	2000	272,596		625,000	

Counsel and
Secretary

- (1) Mr. Wygod was not employed by us prior to our mergers with Medical Manager and CareInsite on September 12, 2000. As a result, only compensation that we paid to Mr. Wygod beginning on that date is reflected in this table.
- (2) Does not include options to purchase shares of Medical Manager common stock that we assumed in our merger with Medical Manager and that were converted in that merger into options to purchase 3,000,000 shares of our common stock at an exercise price of \$12.75 per share, 25,000 shares of our common stock at an exercise price of \$10.00 per share, 25,000 shares of our common stock at an exercise price of \$14.80 per share, 25,000 shares of our common stock at an exercise price of \$15.50 per share, 25,000 shares of our common stock at an exercise price of \$22.90 per share and 585,000 shares of our common stock at an exercise price of \$13.8462 per share.
- (3) Mr. Arnold served as our Chief Executive Officer until September 2000, when he became Co-Chief Executive Officer. Mr. Arnold resigned in October 2000.
- (4) Consists of automobile allowance.
- (5) Includes \$4,000,000 that we paid to Mr. Arnold pursuant to a letter agreement that we entered into with Mr. Arnold in connection with his resignation as our Co-Chief Executive Officer. For more information, see Compensation Arrangements with Executive Officers Arrangements with Mr. Arnold below.

- (6) Mr. Arnold was not employed by us prior to our merger with WebMD, Inc. on November 12, 1999. As a result, only compensation that we paid to Mr. Arnold beginning on that date is reflected in this table.
- (7) Does not include options to purchase shares of WebMD, Inc. common stock that we assumed in our merger with WebMD, Inc. and that were converted in that merger into options to purchase 2,486,741 shares of our common stock at an exercise price of \$6.04 per share.
- (8) Mr. Rich was not employed by us prior to our mergers with Medical Manager and CareInsite on September 12, 2000. As a result, only compensation that we paid to Mr. Rich beginning on that date is reflected in this table. In January 2001, we paid the entire amount of Mr. Rich's bonus for services rendered by him during 2000. Mr. Rich resigned in September 2001.
- (9) Does not include options to purchase shares of Medical Manager or CareInsite common stock that we assumed in our mergers with Medical Manager and CareInsite and that were converted in those mergers into options to purchase 1,125,000 shares of our common stock at an exercise price of \$25.80 per share, 1,125,000 shares of our common stock at an exercise price of \$11.55 per share, 750,000 shares of our common stock at an exercise price of \$6.00 per share, 585,000 shares of our common stock at an exercise price of \$52.4519 per share and 585,000 shares of our common stock at an exercise price of \$16.8269 per share.
- (10) Consists of relocation expense reimbursement and an amount sufficient to pay the taxes payable by Mr. Rich as a result of that reimbursement.
- (11) Ms. Fili-Krushel resigned in July 2001.
- (12) Ms. Fili-Krushel was not employed by us prior to April 10, 2000. As a result, only compensation that we paid to Ms. Fili-Krushel beginning on that date is reflected in this table. The amount of Ms. Fili-Krushel's bonus reflects the portion attributable to 2000.
- (13) Mr. Draughon was not employed by us prior to our merger with WebMD, Inc. on November 12, 1999. As a result, only compensation that we paid to Mr. Draughon beginning on that date is reflected in this table.
- (14) Does not include options to purchase shares of WebMD, Inc. common stock that we assumed in our merger with WebMD, Inc. and that were converted in that merger into options to purchase 554,798 shares of our common stock at an exercise price of \$0.81 per share, 136,770 shares of our common stock at an exercise price of \$6.04 per share and 248,674 shares of our common stock at an exercise price of \$8.05 per share.
- (15) Mr. Dennison served as our Executive Vice President, General Counsel and Secretary until September 2000, when he became Executive Vice President, Co-General Counsel and Secretary. Mr. Dennison resigned in January 2001.

The following table presents information concerning the options to purchase our common stock granted during the fiscal year ended December 31, 2000 to our named executive officers.

Option Grants in Fiscal 2000

Individual Grants

Name	Number of Securities Underlying Options Granted	Percent of Total Options Granted to Employees in 2000(1)	Exercise or Base Price Per Share	Market Price on Date of Grant	Expiration Date	Grant Date Present Value(2)
Martin J.Wygod	(3)					