

WEBMD CORP /NEW/  
Form 10-K/A  
April 30, 2003

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**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**Form 10-K/A**  
**Amendment No. 1 to**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2002**

**or**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from            to**

Commission file number: 0-24975

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**WebMD Corporation**

*(Exact name of registrant as specified in its charter)*

**Delaware**  
*(State of incorporation)*

**94-3236644**  
*(I.R.S. employer identification no.)*

**669 River Drive, Center 2**  
**Elmwood Park, New Jersey**  
*(Address of principal executive office)*

**07407-1361**  
*(Zip code)*

**(Registrant's telephone number including area code): (201) 703-3400**

**Securities registered pursuant to Section 12(b) of the Act: None**

**Securities registered pursuant to Section 12(g) of the Act:**

**Common Stock, par value \$.0001 per share**

**(Title of each class)**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act) during the preceding 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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference into Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

## Edgar Filing: WEBMD CORP /NEW/ - Form 10-K/A

As of June 28, 2002, the aggregate market value of the registrant's common stock held by non-affiliates was approximately \$1,533,835,956 (based on the closing price of the common stock of \$5.63 per share on that date, as reported on the Nasdaq Stock Market's National Market and, for purposes of this computation only, the assumption that all of the registrant's directors and executive officers are affiliates). As of March 7, 2003, there were 303,935,066 shares of common stock outstanding.

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The charts below list our directors and executive officers and are followed by biographic information about them.

**Directors**

Name	Age	Positions
Martin J. Wygod(1)	63	Chairman of the Board and Chief Executive Officer
Mark J. Adler, M.D.(2)(3)(4)	46	Director
Paul A. Brooke(1)(2)	57	Director
Neil F. Dimick	53	Director
Roger C. Holstein	50	Director and President
James V. Manning(1)(4)	56	Director
Herman Sarkowsky(3)	77	Director
Michael A. Singer	55	Director and Chief Executive Officer, WebMD Medical Manager
Joseph E. Smith(1)(2)(3)	64	Director

(1) Member of the Executive Committee

(2) Member of the Audit Committee

(3) Member of the Compensation Committee

(4) Member of the Nominating Committee

**Executive Officers**

Name	Age	Positions
Martin J. Wygod	63	Chairman of the Board and Chief Executive Officer
Roger C. Holstein	50	President
Thomas P. Apker	46	Chief Executive Officer, WebMD Envoy
Wayne P. Gattinella	50	President, WebMD Health
William G. Midgette	47	Chief Executive Officer, Porex
Michael A. Singer	55	Chief Executive Officer, WebMD Medical Manager
K. Robert Draughon	43	Executive Vice President, Business Development
Kirk G. Layman	44	Executive Vice President, Administration
Charles A. Mele	46	Executive Vice President, General Counsel and Secretary
Anthony Vuolo	45	Executive Vice President and Chief Financial Officer
Steven Zatz, M.D.	46	Executive Vice President, Professional Information Services and Chief Medical Officer

*Martin J. 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



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until its merger with WebMD in September 2000, Mr. Wygod was Chairman of the Board and a director of Medical Manager Corporation and its predecessor, Syntec, Inc. For part of that time, he was also Chief Executive Officer of Medical Manager. He also served as Chairman of the Board of CareInsite, Inc. from 1999 until its acquisition by WebMD in September 2000. He is also engaged in the business of racing, boarding and breeding thoroughbred horses, and is President of River Edge Farm, Inc.

*Roger C. Holstein* has served as President of WebMD since October 2002 and as a director since December 2002. He served as Chief Executive Officer, WebMD Health from June 2001 to October 2002 and as a member of the Office of the President of WebMD from September 2001 until October 2002. He served as Executive Vice President, Marketing and Strategic Planning of WebMD from October 2000 until June 2001. Mr. Holstein served as Executive Vice President Sales & Marketing and a director of CareInsite from March 1999 until the acquisition of CareInsite by WebMD in September 2000. Mr. Holstein was Executive Vice President Marketing and Sales of Medical Manager from 1997 to July 1999. He was a Special Consultant to Merck-Medco Managed Care, L.L.C., a pharmacy benefits manager, from 1996 to 1998.

*Mark J. Adler, M.D.*, has served as a director of WebMD since September 2000. He served as a director of CareInsite from 1999 until its acquisition by WebMD in 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 President and Chief Executive Officer of the internal medicine and oncology group of Medical Group of North County, which is based in San Diego, California.

*Thomas P. Apker* has served as Chief Executive Officer of WebMD Envoy since May 2002. He served as Chief Operating Officer of WebMD from December 2000 to May 2002. He also served as a member of WebMD's Office of the President from September 2001 to October 2002. From March 1990 until January 1999, Mr. Apker was Senior Vice President of Operations at Merck-Medco and its predecessors.

*Paul A. 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 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.

*Neil F. Dimick* has served as a director of WebMD since December 2002. Mr. Dimick served as Executive Vice President and Chief Financial Officer of AmerisourceBergen Corporation, a wholesale distributor of pharmaceuticals, from 2001 to 2002 and as Senior Executive Vice President and Chief Financial Officer and a director of Bergen Brunswig Corporation, a wholesale distributor of pharmaceuticals, for more than five years prior to its merger in 2001 with AmeriSource Health Corporation to form AmerisourceBergen. He also serves as a member of the Board of Directors of Alliance Imaging Inc., a provider of outsourced diagnostic imaging services to hospitals and other health care companies.

*K. Robert Draughon* has served as WebMD's Executive Vice President, Business Development since November 1999. From February 1998 until November 1999, he served as Chief Financial Officer of WebMD, Inc. From January 1988 to February 1998, he served as Chief Investment Officer for Fuqua Capital Corporation, a private investment firm based in Atlanta, Georgia.

*Wayne P. Gattinella* has served as President, WebMD Health since August 2001. Previously, Mr. Gattinella was Executive Vice President and Chief Marketing Officer for PeoplePC, an Internet service provider, from April 2000 to August 2001. From February 1998 to March 2000, Mr. Gattinella was President of North America for MemberWorks, Inc., a marketing services company. From January 1992 to February 1998, Mr. Gattinella was Executive Vice President of Marketing for Merck-Medco and its predecessors.

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*Kirk G. Layman* has served as Executive Vice President, Administration of WebMD since April 2002. From September 2000 to April 2002, Mr. Layman served as Senior Vice President, Finance of WebMD. Mr. Layman served as Senior Vice President Finance and Chief Accounting Officer of Medical Manager and its predecessor, Syntec, from March 1999 until its merger with WebMD in September 2000 and served as Vice President Financial Analysis of Syntec from May 1997 to March 1999. Prior to joining Syntec, Mr. Layman was with the accounting firm of Arthur Andersen, where he was a partner since 1995.

*James V. Manning* has served as a director of WebMD since September 2000. He served as a director of CareInsite from 1999 until its acquisition by WebMD in September 2000. Mr. Manning was a member of the Board of Medical Manager and its predecessor, Syntec, from 1989 until its merger with WebMD in September 2000, was Vice Chairman of the Board 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 Merck-Medco and its predecessors for more than five years. Mr. Manning is also Chairman of the Board of Group 1 Software, Inc., a computer software company.

*Charles A. Mele* has served as Executive Vice President, General Counsel and Secretary of WebMD since January 2001. He served as Executive Vice President and Co-General Counsel of WebMD from September 2000 until January 2001. He served as a director of CareInsite from 1998 until its acquisition by WebMD in September 2000. Mr. Mele was Executive Vice President General Counsel of Medical Manager and its predecessor, Syntec, from March 1998 until its merger with WebMD in September 2000 and was Vice President General Counsel of Syntec from July 1995 to March 1998. Mr. Mele is also a director of Group 1 Software, Inc.

*William G. Midgette* has served as Chief Executive Officer, Porex since August 2002. For more than five years prior to that, Mr. Midgette served in senior management positions at C.R. Bard, Inc., a healthcare products company, most recently as President, Bard International.

*Herman 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 and its predecessor, Syntec, from 1989 until September 2000.

*Michael A. Singer* has served as Chief Executive Officer, WebMD Medical Manager and as a director of WebMD since September 2000. He also served as a Member of the Office of the President from September 2001 to October 2002. Mr. Singer served as a director of CareInsite from 1999 until its acquisition by WebMD in September 2000. Mr. Singer was Vice Chairman and Co-Chief Executive Officer of Medical Manager from July 1999 until its merger with WebMD in September 2000. Mr. Singer was Chairman of the Board and 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.

*Joseph E. 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 also serves on the Board of Trustees of the International Longevity Center, a non-profit organization.

*Anthony Vuolo* has served as Executive Vice President and Chief Financial Officer of WebMD since September 2000. Mr. Vuolo was Senior Vice President Business Development and Treasurer of Medical Manager from March 1999 until its merger with WebMD in September 2000 and was Executive Vice President Finance and Administration and Chief Financial Officer of Medical Manager and its predecessor, Syntec, from March 1998 until March 1999 and held senior management positions at Syntec for more than five years prior to March 1998.



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*Steven Zatz, M.D.* has served as Executive Vice President, Professional Information Services since January 2002 and as Chief Medical Officer since September 2001. Dr. Zatz served as Executive Vice President, Internet Portals and Applications Services of WebMD from October 2000 to January 2002. Dr. Zatz was a Senior Vice President, Medical Director of CareInsite from June 1999 until the acquisition of CareInsite by WebMD. Prior to joining CareInsite, Dr. Zatz was senior vice president of RR Donnelley Financial in charge of its healthcare business from October 1998 to May 1999. From August 1995 to May 1998, Dr. Zatz was the president of Physicians Online, an online portal for physicians.

The terms of Messrs. Brooke, Manning and Wygod will expire at our Annual Meeting of Stockholders in 2003, the terms of Dr. Adler and Messrs. Sarkowsky and Singer will expire at our Annual Meeting in 2004, and the terms of Messrs. Dimick, Holstein and Smith will expire at our Annual Meeting in 2005.

No family relationship exists among any of our 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 that Messrs. Manning, Singer, Smith and Wygod and Dr. Adler were originally appointed as directors in connection with the merger transactions in September 2000 involving WebMD, Medical Manager and CareInsite.

**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 on Forms 3, 4 and 5. 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 3, 4 and 5 furnished to us during or with respect to 2002, 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.

**Table of Contents****Item 11. Executive Compensation****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 our chief executive officer and our four other most highly compensated executive officers who earned more than \$100,000 in 2002. 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	2002	\$ 1,400,000	\$ 475,000		
Chairman of the Board of Directors and Chief Executive Officer	2001	350,750(1)		1,395,000	
	2000	300(2)		(3)	
Roger C. Holstein	2002	480,000	450,000	1,000,000	
President	2001	450,000	175,000	500,000	
	2000	121,250(2)		(4)	
Charles A. Mele	2002	450,000	350,000		
Executive Vice President, General Counsel and Secretary	2001	450,000	100,000	500,000	
	2000	135,000(2)		(5)	
Michael A. Singer	2002	450,000	170,000		
Chief Executive Officer, WebMD Medical Manager	2001	450,000	100,000	500,000	
	2000	135,000(2)		(6)	
Anthony Vuolo	2002	450,000	200,000		
Executive Vice President and Chief Financial Officer	2001	450,000	100,000	500,000	
	2000	135,000(2)		(7)	

- (1) Mr. Wygod's annual salary was increased to \$1.4 million per year, effective as of October 1, 2001.
- (2) Messrs. Wygod, Holstein, Mele, Singer and Vuolo were 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 those executive officers beginning on that date is reflected in this table.
- (3) 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 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.

- (4) 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 20,000 shares of our common stock at an exercise price of \$5.20 per share, 625,000 shares of our common stock at an exercise price of \$12.90 per share, 625,000 shares of our common stock at an exercise price of \$13.95 per share, 234,000 shares of our common stock at an exercise price of \$13.8462 per share and 750,000 shares of our common stock at an exercise price of \$11.55 per share.

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- (5) 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 75,000 shares of our common stock at an exercise price of \$5.80 per share, 487,500 shares of our common stock at an exercise price of \$12.90 per share, 212,500 shares of our common stock at an exercise price of \$14.75 per share, 208,000 shares of our common stock at an exercise price of \$13.8462 per share, 187,500 shares of our common stock at an exercise price of \$18.20 per share, 97,500 shares of our common stock at an exercise price of \$34.2308 per share, 625,000 shares of our common stock at an exercise price of \$11.55 per share and 200,000 shares of our common stock at an exercise price of \$12.75 per share.
- (6) 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 1,625,000 shares of our common stock at an exercise price of \$28.55 per share and 1,125,000 shares of our common stock at an exercise price of \$11.55 per share.
- (7) 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 100,000 shares of our common stock at an exercise price of \$4.60 per share, 312,500 shares of our common stock at an exercise price of \$4.00 per share, 77,500 shares of our common stock at an exercise price of \$12.90 per share, 125,000 shares of our common stock at an exercise price of \$13.95 per share, 125,000 shares of our common stock at an exercise price of \$14.75 per share, 97,500 shares of our common stock at an exercise price of \$13.8462 per share, 187,500 shares of our common stock at an exercise price of \$18.20 per share, 97,500 shares of our common stock at an exercise price of \$34.2308 per share, 625,000 shares of our common stock at an exercise price of \$11.55 per share and 200,000 shares of our common stock at an exercise price of \$12.75 per share.

The following table presents information concerning the options to purchase our common stock granted during the fiscal year ended December 31, 2002 to our named executive officers.

**Option Grants in Fiscal 2002**

<u>Name</u>	<u>Number of Securities Underlying Options Granted</u>	<u>Percent of Total Options Granted to Employees in 2002</u>	<u>Exercise or Base Price Per Share</u>	<u>Expiration Date</u>	<u>Grant Date Present Value</u>
Martin J. Wygod					
Roger C. Holstein	1,000,000(1)	21.2%(2)	\$ 5.71	10/23/12	\$ 4,204,740(3)
Charles A. Mele					
Michael A. Singer					
Anthony Vuolo					

- (1) These options vest and become exercisable with respect to 20% of the shares on the first, second, third, fourth and fifth anniversaries of the date of grant.
- (2) Based upon the total number of options that we granted to our employees during 2002.
- (3) The estimated grant date present value reflected in the above table is determined using the Black-Scholes model. The material assumptions and adjustments incorporated in the Black-Scholes model in estimating the value of the options reflected in the above table include the following: (a) the option exercise price, (b) the exercise of options within three years of the date that they become exercisable, (c) a risk-free interest rate of 1.85% per annum and (d) volatility of 0.9. The ultimate values of the options will depend on the future market price of our common stock, which cannot be forecast with reasonable accuracy. The actual value, if any, an optionee will realize upon exercise of an option will depend on the excess of the market value of our common stock over the exercise price on the date

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the option is exercised. We cannot assure you that the value realized by an optionee will be at or near the value estimated by the Black-Scholes model or any other model applied to value the options.

The following table sets forth information with respect to the named executive officers concerning exercisable and unexercisable options held as of December 31, 2002. The values of in-the-money options are based on the year-end closing price of our common stock as of December 31, 2002 of \$8.55 and are net of the option exercise price.

**Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values**

Name	Shares Acquired on Exercise(#)	Value Realized(\$)	Number of Securities Underlying Unexercised Options at December 31, 2002		Value of Unexercised In-the-Money Options at December 31, 2002	
			Exercisable	Unexercisable	Exercisable (\$)	Unexercisable (\$)
Martin J. Wygod	51,000	\$258,570	2,614,999	2,414,001	\$2,119,675	\$4,761,605
Roger C. Holstein			1,932,066	1,801,934	853,330	4,546,670
Charles A. Mele			1,647,133	870,867	853,330	1,706,670
Michael A. Singer			2,354,166	895,834	853,330	1,706,670
Anthony Vuolo	100,000	337,000	1,420,833	926,667	2,275,205	1,706,670

**Compensation of Non-Employee Directors**

Our non-employee directors each receive an annual retainer of \$25,000. Members of the Audit Committee receive an additional annual retainer of \$15,000. Directors do not receive per meeting fees, 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 non-employee directors 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. In January 2002, Messrs. Brooke, Doerr, Manning, Sarkowsky and Smith and Dr. Adler each received an automatic annual grant of options to purchase 20,000 shares of WebMD common stock, with an exercise price equal to \$7.06 per share. In November 2002, Messrs. Brooke, Manning, Sarkowsky and Smith and Dr. Adler each received an additional grant of options to purchase 20,000 shares of WebMD common stock, with an exercise price equal to \$6.99 per share. In December 2002, upon his appointment to the Board, Mr. Dimick received a grant of options to purchase 20,000 shares of WebMD common stock, with an exercise price equal to \$8.84 per share. Options granted to Mr. Doerr in 2002 were cancelled when he did not seek reelection to our Board of Directors on October 24, 2002.

**Compensation Arrangements with Executive Officers*****Arrangements with Martin J. Wygod***

In October 2001, we entered into a five-year employment agreement with Martin J. Wygod. The employment agreement provides that Mr. Wygod will be Chairman and Chief Executive Officer of WebMD. Mr. Wygod may elect to serve solely as Chairman of the Board and to perform duties commensurate with that position, in which case his resignation as Chief Executive Officer shall not terminate his employment agreement or result in any change in his compensation or the other terms of his employment. Mr. Wygod currently receives an annual base salary of \$1,400,000.

In the event of termination of Mr. Wygod's employment by us without cause or by Mr. Wygod for good reason, as those terms are defined in his employment agreement, Mr. Wygod would become a consultant for us and would be entitled to receive a consulting fee equal to his salary and continuation of benefits for two years or, if longer, the expiration of the term of the employment period. In addition, all options, or other forms of equity compensation, granted to Mr. Wygod which have not vested prior to the



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date of termination would be vested as of the date of termination and, assuming there has not been a change in control (as defined in the employment agreement), would continue to be exercisable as long as he remains a consultant (or longer if the plan or agreement expressly provided). In the event that Mr. Wygod's employment is terminated due to death or disability, he would receive the same benefits as described above.

The employment agreement provides that, in the event of a change in control (as defined in the employment agreement, which definition includes certain business combination transactions) of WebMD, all outstanding options and other forms of equity compensation would become immediately vested on the date of the change in control and, if following the change in control, Mr. Wygod's employment terminates for any reason other than cause, they will continue to be exercisable until the tenth anniversary of the applicable date of grant. A change in control is also an event that constitutes "good reason" for purposes of a termination by Mr. Wygod.

The employment agreement contains confidentiality obligations that survive indefinitely and non-solicitation and non-competition obligations that continue until the second anniversary of the date his employment has ceased.

The employment agreement contains a tax gross-up provision relating to any excise tax that Mr. Wygod incurs by reason of his receipt of any payment that constitutes an excess parachute payment as defined in Section 280G of the Internal Revenue Code.

### ***Arrangements with Roger C. Holstein***

We are party to an employment agreement, dated October 23, 2002, with Roger C. Holstein, our President, which provides for an employment period through December 31, 2007. Mr. Holstein currently receives an annual base salary of \$600,000. Mr. Holstein is entitled to a bonus of \$450,000 for the year ended December 31, 2002, and beginning in 2003, and continuing each year for the duration of his employment. Mr. Holstein is eligible to receive a bonus of up to 100% of his base salary in the event that the Company attains certain specified performance goals.

In the event of the termination of Mr. Holstein's employment by us "without cause" or by Mr. Holstein for "good reason," as those terms are defined in Mr. Holstein's employment agreement, he would be entitled to: (a) the greater of (i) a two year continuation of his base salary in effect immediately prior to the effectiveness of the employment agreement (\$450,000 per year) or (ii) a continuation of his base salary in effect at the time of termination for six months for each six month period from the effectiveness of the employment agreement (in no event will such salary continuation continue for longer than three years); and (b) continued participation in our benefit plans (or comparable plans) for the duration of the severance period. In addition, all options granted to Mr. Holstein shall remain outstanding and continue to vest, and shall otherwise be treated as if Mr. Holstein remained employed by the Company, through the second anniversary of the termination date.

Mr. Holstein may terminate his employment upon 30 days notice at any time after 11 months following a Change in Control (as defined in the employment agreement) and, if this occurs: (a) Mr. Holstein would be entitled receive the greater of (i) the salary continuance he would be entitled to if his employment were terminated "without cause" or for "good reason" or (ii) a continuation of his base salary through October 23, 2007; (b) his participation in our benefit plans (or comparable plans) would continue for the duration of the severance period; and (c) all options granted to Mr. Holstein which have not vested prior to the date of termination would be vested as of the date of termination and all such options would remain exercisable as if he remained in our employ through the expiration date specified in the respective stock option plans and agreements.

Mr. Holstein may also terminate his employment upon 30 days notice at any time after the 11 month anniversary of the date on which Mr. Wygod is neither Chairman of the Board nor Chief Executive Officer of WebMD. If Mr. Holstein terminates his employment in those circumstances: (a) he would be entitled to salary continuation from the date of termination through the second anniversary thereof; (b) his

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participation in our benefit plans (or comparable plans) would continue for the duration of the severance period; and (c) all options granted to Mr. Holstein which have not vested prior to the date of termination would be vested as of the date of termination and all such options would remain outstanding as if Mr. Holstein remained in the employ of the Company until the earlier of (i) five years from the date of termination and (ii) the date on which the stock option would have expired under the terms of the applicable stock option plan or agreement. Mr. Holstein (or his estate) would have the same rights in the event of Mr. Holstein's permanent disability (as defined in the employment agreement) or his death.

If Mr. Holstein's employment is terminated by us for cause or by him without good reason, he is not entitled to any further compensation or benefits. In addition, Mr. Holstein would not be entitled to any additional rights or vesting with respect to the stock options following the date of termination.

The employment agreement contains confidentiality obligations that survive indefinitely and non-solicitation and non-competition obligations that end on the second anniversary of the date of cessation of Mr. Holstein's employment.

The employment agreement contains a tax gross-up provision relating to any excise tax that Mr. Holstein incurs by reason of his receipt of any payment that constitutes an excess parachute payment as defined in Section 280G of the Internal Revenue Code.

***Arrangements with Charles A. Mele***

We are party to an employment agreement with Charles A. Mele, our Executive Vice President, General Counsel and Secretary, which provides for an employment period through July 1, 2006. Mr. Mele currently receives an annual base salary of \$450,000 and is entitled to receive a bonus in the same form and amount received by any other executive officer with similar responsibilities and compensation.

In the event of the termination of Mr. Mele's employment due to his death or disability, by us without cause or by Mr. Mele for good reason, as those terms are defined in Mr. Mele's employment agreement, he would be entitled to: (i) continuation of his base salary through the later of eighteen months and the expiration of the term of the agreement; (ii) any bonuses that he would have normally been entitled to through the term of his employment agreement (the amount of the bonus for years subsequent to the year in which the termination of employment occurred will be equal to the bonus received for the year of termination) and (iii) continued participation in our benefit plans (or comparable plans) for thirty-six months. In addition, all options granted to Mr. Mele which have not vested prior to the date of termination would be vested as of the date of termination and all such options would remain exercisable as if he remained in our employ through the expiration date specified in each applicable stock option agreement. A change in control (which is defined in the employment agreement) of WebMD is an event that constitutes good reason.

If Mr. Mele's employment is terminated by us for cause or by him without good reason, he is not entitled to any further compensation or benefits. In addition, Mr. Mele would not be entitled to any additional rights or vesting with respect to the stock options following the date of termination.

The employment agreement contains confidentiality obligations that survive indefinitely and non-solicitation and non-competition obligations that end on the later of the second anniversary of the date employment has ceased and the last day of the term of the agreement.

The employment agreement contains a tax gross-up provision relating to any excise tax that Mr. Mele incurs by reason of his receipt of any payment that constitutes an excess parachute payment as defined in Section 280G of the Internal Revenue Code.

***Arrangements with Michael A. Singer***

We are party to an employment agreement with Michael A. Singer, Chief Executive Officer, WebMD Medical Manager, which provides for an employment period through July 23, 2004. Mr. Singer currently receives an annual base salary of \$450,000.



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In the event of the termination of Mr. Singer's employment by us without cause or by Mr. Singer for good reason, as those terms are defined in Mr. Singer's employment agreement, he would be entitled to: (i) continuation of his base salary in effect at the time of termination for a period of two years and (ii) continued participation in our benefit plans (or comparable plans) for the duration of the severance period or, if earlier, until he is eligible for comparable plans with a subsequent employer. In addition, the option granted to Mr. Singer on June 5, 2000 will be deemed fully vested and exercisable on the date of termination and would remain exercisable for the duration of the severance period. If a change in control (as defined in the employment agreement) occurs, Mr. Singer may resign for good reason at any time after the six month anniversary of the change in control (or immediately if the incumbent directors did not approve the change in control).

The merger with Medical Manager constituted a change in control and an event of good reason for purposes of Mr. Singer's employment agreement after the six month anniversary of the merger date (March 12, 2001). On September 5, 2000, Mr. Singer agreed that if he resigned following March 12, 2001 as a result of the Medical Manager merger, his severance benefits would be based upon an annual base salary of \$250,000 and his June 5, 2000 option would not vest. The option granted to Mr. Singer on July 23, 1999 was deemed fully vested on the six month anniversary of the merger.

In the event of the termination of Mr. Singer's employment due to his death or disability, he would be entitled to a continuation of his base salary and benefits for the period through the expiration of the term of the agreement. In addition, the option granted to Mr. Singer on June 5, 2000 will be deemed fully vested and exercisable on the date of termination and would remain exercisable through such period.

If Mr. Singer's employment is terminated by us for cause, he is not entitled to any further compensation or benefits. In addition, Mr. Singer would not be entitled to any additional rights or vesting with respect to the stock options following the date of termination.

The employment agreement contains confidentiality obligations that survive indefinitely and non-solicitation and non-competition obligations that end on the later of (a) the first anniversary of the date of termination; (b) July 23, 2004; or (c) the last day on which Mr. Singer is receiving severance or benefits following his separation from the employ of our company.

***Arrangements with Anthony Vuolo***

We are party to an employment agreement with Anthony Vuolo, our Executive Vice President, Chief Financial Officer, which provides for an employment period through July 1, 2006. Mr. Vuolo currently receives an annual base salary of \$450,000 and is entitled to receive a bonus in the same form and amount received by any other executive officer with similar responsibilities and compensation.

In the event of the termination of Mr. Vuolo's employment due to his death or disability, by us without cause or by Mr. Vuolo for good reason, as those terms are defined in Mr. Vuolo's employment agreement, he would be entitled to: (i) continuation of his base salary through the later of eighteen months and the expiration of the term of the agreement; (ii) any bonuses that he would have normally been entitled to through the term of his employment agreement (the amount of the bonus for years subsequent to the year in which the termination of employment occurred will be equal to the bonus received for the year of termination); and (iii) continued participation in our benefit plans (or comparable plans) for thirty-six months. In addition, all options granted to Mr. Vuolo which have not vested prior to the date of termination would be vested as of the date of termination and all such options would remain exercisable as if he remained in our employ through the expiration date specified in each applicable stock option agreement. A change in control (as defined in the employment agreement) of WebMD is an event that constitutes good reason.

If Mr. Vuolo's employment is terminated by us for cause or by him without good reason, he is not entitled to any further compensation or benefits. In addition, Mr. Vuolo would not be entitled to any additional rights or vesting with respect to the stock options following the date of termination.

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The employment agreement contains confidentiality obligations that survive indefinitely and non-solicitation and non-competition obligations that end on the later of the second anniversary of the date employment has ceased and the last day of the term of the agreement.

The employment agreement contains a tax gross-up provision relating to any excise tax that Mr. Vuolo incurs by reason of his receipt of any payment that constitutes an excess parachute payment as defined in Section 280G of the Internal Revenue Code.

**Compensation Committee Interlocks and Insider Participation**

The current members of the Compensation Committee of our Board of Directors are Mark J. Adler, M.D., Herman Sarkowsky and Joseph E. Smith. L. John Doerr, who did not seek reelection as a member of the Board of Directors in 2002, also served as a member of the Compensation Committee in 2002.

No interlocking relationship exists between our Board of Directors or Compensation Committee and the board of directors or compensation committee of any other company, nor has any interlocking relationship existed in the past.

**Table of Contents****Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**  
**Security Ownership of Certain Beneficial Owners and Management**

The following table sets forth information with respect to the beneficial ownership of WebMD common stock, as of April 9, 2003 (except where otherwise indicated), by each person or entity known by us to beneficially own more than 5% of our common stock, by each of our directors, by each of our named executive officers, as described below under Executive Compensation, and by all of our directors and executive officers as a group. Except as indicated in the footnotes to this table, and subject to applicable community property laws, the persons listed in the table below 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.

<b>Name and Address of Beneficial Owner</b>	<b>Common Stock(1)</b>	<b>Options(2)</b>	<b>Total Shares</b>	<b>Percent of Outstanding(2)</b>
FMR Corp. 82 Devonshire Street Boston, Massachusetts 02109	33,123,998(3)		33,123,998	10.9
Mark J. Adler, M.D.	32,000(4)	70,582	102,582	*
Paul A. Brooke	371,667(5)	44,582	416,249	*
Neil F. Dimick				*
Roger C. Holstein	20,636(6)	2,119,566	2,140,202	*
James V. Manning	859,047(7)	82,582	941,629	*
Charles A. Mele	249,781(8)	1,843,716	2,093,497	*
Herman Sarkowsky	570,994(9)	344,582		