

METROPOLITAN HEALTH NETWORKS INC  
Form DEF 14A  
May 27, 2005

**SCHEDULE 14A**  
**(Rule 14a-101)**  
**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**  
**Proxy Statement Pursuant to Section 14(a) of the Securities**  
**Exchange Act of 1934, as amended**

Filed by the registrant  x  
Filed by a party other than the registrant  o

Check the appropriate box:

- |                                       |  |                            |   |
|---------------------------------------|--|----------------------------|---|
| <input type="checkbox"/> o            | Preliminary Proxy Statement                  | <input type="checkbox"/> o | Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input checked="" type="checkbox"/> x | Definitive Proxy Statement                   |                            |   |
| <input type="checkbox"/> o            | Definitive Additional Materials              |                            |   |
| <input type="checkbox"/> o            | Soliciting Materials Pursuant to Rule 14a-12 |                            |   |

**METROPOLITAN HEALTH NETWORKS, INC.**  
(Name of Registrant as specified in its Charter)

**METROPOLITAN HEALTH NETWORKS, INC.**  
(Name of Person(s) Filing Proxy Statement)

Payment of filing fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- |     |   |
|-----|---|
| (1) | Title of each class of securities to which transaction applies:   |
| (2) | Aggregate number of securities to which transaction applies:  |
| (3) | Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined): |
| (4) | Proposed maximum aggregate value of transaction:  |
| (5) | Total fee paid: Fee paid previously with preliminary materials.   |

- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

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

**[INSERT METROPOLITAN HEALTH LOGO]**

**250 Australian Avenue  
Suite 400  
West Palm Beach, Florida 33401**

---

May 27, 2005

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of Metropolitan Health Networks, Inc. that will be held at the Marriott Hotel, 1001 Okeechobee Blvd., West Palm Beach, Florida on Thursday, June 23<sup>rd</sup>, 2005, at 10:00 a.m. EST. I look forward to greeting as many of our shareholders as possible.

Details of the business to be conducted at the 2005 Annual Meeting are given in the attached Notice of Annual Meeting and Proxy Statement.

Whether or not you attend the 2005 Annual Meeting it is important that your shares be represented and voted at the meeting. Therefore, I urge you to sign, date, and promptly return the enclosed proxy card in the enclosed postage-paid envelope. If you decide to attend the 2005 Annual Meeting, you will of course be able to vote in person, even if you have previously submitted your proxy card.

On behalf of the Board of Directors, I would like to express our appreciation for your continued interest in the affairs of Metropolitan.

Sincerely,

/s/ Michael M. Earley

**Michael M. Earley**  
Chairman and Chief Executive Officer

- i -

---

**METROPOLITAN HEALTH NETWORKS, INC.**

**250 Australian Avenue  
Suite 400  
West Palm Beach, Florida 33401**

---

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON THURSDAY, JUNE 23<sup>rd</sup>, 2005**

---

To the Shareholders of Metropolitan Health Networks, Inc.:

NOTICE IS HEREBY GIVEN that the 2005 Annual Meeting of Shareholders (the "2005 Annual Meeting") of Metropolitan Health Networks, Inc., a Florida corporation ("Metropolitan"), will be held on Thursday, June 23<sup>rd</sup>, 2005, at the Marriott Hotel, 1001 Okeechobee Blvd., West Palm Beach, Florida on Thursday, June 23<sup>rd</sup>, 2005, at 10:00 a.m. EST for the following purposes:

- To elect six members to Metropolitan's Board of Directors to hold office until the next annual meeting of shareholders or until their successors are duly elected and qualified;
- To consider and vote upon a proposal to approve of and ratify the selection of Kaufman, Rossin & Co., P.A. as Metropolitan's independent auditors for the fiscal year ending December 31, 2005;
- To consider and vote upon a proposal to approve the adoption of Metropolitan's Supplemental Stock Option Plan;
- To consider and vote upon a proposal to approve the adoption of Metropolitan's Omnibus Equity Compensation Plan; and
- To transact such other business as may properly come before the 2005 Annual Meeting or any adjournments or postponements thereof.

All shareholders are cordially invited to attend; however, only shareholders of record at the close of business on Friday, May 6<sup>th</sup>, 2005 are entitled to vote at the 2005 Annual Meeting or any adjournments thereof.

By Order of the Board of Directors,

/s/ Roberto L. Palenzuela, Esq.  
General Counsel and Secretary

West Palm Beach, Florida  
May 27, 2005

**THIS IS AN IMPORTANT MEETING AND ALL SHAREHOLDERS ARE INVITED TO ATTEND THE MEETING IN PERSON. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON, PLEASE COMPLETE, SIGN AND DATE THE ENCLOSED PROXY CARD AND RETURN IT PROMPTLY IN THE ENCLOSED RETURN ENVELOPE. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED**

**STATES. SHAREHOLDERS WHO EXECUTE A PROXY CARD MAY NEVERTHELESS ATTEND THE MEETING, REVOKE THEIR PROXY AND VOTE THEIR SHARES IN PERSON.**

- ii -

---

**TABLE OF CONTENTS**

PURPOSES OF THE MEETING	1
GENERAL INFORMATION ABOUT VOTING	2
Who can vote?	2
How do I vote by proxy?	2
When was this proxy statement sent to shareholders?	2
What if other matters come up at the 2005 Annual Meeting?	2
Can I change my vote after I return my proxy card?	2
Can I vote in person at the 2005 Annual Meeting rather than by completing the proxy card?	2
What do I do if my shares are held in "street name"?	2
How are votes counted?	2
Who pays for this proxy solicitation?	3
OUTSTANDING VOTING SECURITIES AND VOTING RIGHTS	3
SHAREHOLDER PROPOSALS	4
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	6
ELECTION OF DIRECTORS	8
DIRECTORS	8
Board of Directors and Board Meetings	10
Compensation of Directors	10
Shareholder Communication Policy	10
Board Committees and Committee Meetings	11
Report of the Audit & Finance Committee <sup>(1)</sup>	12
Compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended	13
Certain Relationships and Related Party Transactions	13
Legal Proceedings	14
EXECUTIVE COMPENSATION	14
Options Granted in the Year Ended December 31, 2004 to Named Executive Officers	14
Aggregated Options Exercises in Fiscal 2004 and Fiscal Year Ending	
Option Values	15
Employment Agreements	15
Compensation Committee Interlocks and Insider Participation	17
Compensation Committee Report on Executive Compensation	17
Committee Report on Chairman and Chief Executive Officer Compensation	17
PERFORMANCE GRAPH	18
INDEPENDENT PUBLIC ACCOUNTANTS	20
Fees	20

Pre-Approval Policies and Procedures of the Audit & Finance Committee	20
APPROVAL AND RATIFICATION OF INDEPENDENT AUDITORS	21
APPROVAL OF THE ADOPTION OF METROPOLITAN’S SUPPLEMENTAL PLAN	22
Summary of the Supplemental Plan	22
Supplemental Plan Benefits Table	24
Other Considerations	25
APPROVAL OF THE ADOPTION OF METROPOLITAN’S OMNIBUS PLAN	26
Summary of the Omnibus Plan	26
Omnibus Plan Benefits Table	30
Other Considerations	30
OTHER MATTERS	31
ANNUAL REPORT TO SHAREHOLDERS	31

**2005 ANNUAL MEETING OF SHAREHOLDERS  
OF  
METROPOLITAN HEALTH NETWORKS, INC.**

**PROXY STATEMENT**

THURSDAY, June 23<sup>rd</sup>, 2005, 10:00 a.m. EST,  
Marriott Hotel  
1001 Okeechobee Blvd.  
West Palm Beach, Florida

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Metropolitan of proxies from the holders of Metropolitan's common stock (the "Common Stock"), for use at the 2005 Annual Meeting to be held at Marriott Hotel, 1001 Okeechobee Blvd., West Palm Beach, Florida on Thursday, June 23<sup>rd</sup>, 2005, at 10:00 a.m. EST, or at any adjournment(s) or postponement(s) thereof, pursuant to the foregoing Notice of Annual Meeting of Shareholders.

The approximate date that this Proxy Statement and the enclosed form of proxy are first being sent to shareholders is May 27<sup>th</sup>, 2005. Shareholders should review the information provided herein in conjunction with Metropolitan's 2004 Annual Report on Form 10-K, which accompanies this Proxy Statement. The complete mailing address, including zip code, of Metropolitan's principal executive offices is 250 Australian Avenue, Suite 400, West Palm Beach, Florida 33401 and its telephone number is (561) 805-8500.

**PURPOSES OF THE MEETING**

At the 2005 Annual Meeting, Metropolitan's shareholders will consider and vote upon the following matters:

1. The election of six members to Metropolitan's Board of Directors to serve until the next Annual Meeting of Shareholders of Metropolitan or until their successors are duly elected and qualified;
2. To consider and vote upon a proposal to approve of and ratify the selection of Kaufman, Rossin & Co., P.A. as Metropolitan's independent auditors for the fiscal year ending December 31, 2005;
3. To consider and vote upon a proposal to approve the adoption of Metropolitan's Supplemental Stock Option Plan (the "Supplemental Plan");
4. To consider and vote upon a proposal to approve the adoption of Metropolitan's Omnibus Equity Compensation Plan (the "Omnibus Plan"); and
5. Such other business as may properly come before the 2005 Annual Meeting, including any adjournments or postponements thereof.

Unless contrary instructions are indicated on the enclosed proxy card, all shares represented by valid proxies received pursuant to this solicitation (and which have not been revoked in accordance with the procedures set forth below) will be voted: (1) **FOR** the election of the six nominees for director named below; (2) **FOR** the approval of and ratification of Kaufman, Rossin & Co., P.A. as Metropolitan's independent auditors for the fiscal year ending December 31, 2005; (3) **FOR** the approval of the adoption of Metropolitan's Supplemental Plan; and (4) **FOR** the approval Company's Omnibus Plan.



In the event a shareholder specifies a different choice by means of the enclosed proxy card, his or her shares will be voted in accordance with the specification so made. The Board of Directors does not know of any other matters that may be brought before the 2005 Annual Meeting nor does it foresee or have reason to believe that proxy holders will have to vote for substitute or alternate director nominees. In the event that any other matter should come before the 2005 Annual Meeting or any director nominee is not available for election, the persons named in the enclosed proxy card will have discretionary authority to vote all proxies not marked to the contrary with respect to such matters, in accordance with their best judgment.

- 1 -

---

## **GENERAL INFORMATION ABOUT VOTING**

### ***Who can vote?***

You can vote your shares of Common Stock if Metropolitan's records show that you owned the shares on Friday, May 6<sup>th</sup>, 2005. A total of 48,796,728 shares of Common Stock can vote at the 2005 Annual Meeting. You are entitled to one vote for each share of Common Stock. The enclosed proxy card shows the number of shares you can vote.

### ***How do I vote by proxy?***

Follow the instructions on the enclosed proxy card to vote on each proposal to be considered at the 2005 Annual Meeting. Sign and date the proxy card and mail it back to Metropolitan in the enclosed envelope. The proxyholders named on the proxy card will vote your shares as such shareholder instructs. If you sign and return the proxy card but do not vote on a proposal, the proxyholders will vote for you on that proposal. Unless you instruct otherwise, the proxyholders will vote for each of the six director nominees and in favor of all of the other proposals to be considered at the 2005 Annual Meeting.

### ***When was this proxy statement sent to shareholders?***

This proxy statement was first mailed on May 27, 2005 to Metropolitan's shareholders of record as of May 6<sup>th</sup>, 2005, the record date for voting at the 2005 Annual Meeting.

### ***What if other matters come up at the 2005 Annual Meeting?***

The matters described in this proxy statement are the only matters Metropolitan knows will be voted on at the 2005 Annual Meeting. If other matters are properly presented at the meeting, the proxyholders will vote your shares as they see fit.

### ***Can I change my vote after I return my proxy card?***

Yes. At any time before the vote on a proposal, you can change your vote either by giving Metropolitan's secretary a written notice revoking your proxy card or by signing, dating, and returning to Metropolitan a new proxy card. Metropolitan will honor the proxy card with the latest date.

### ***Can I vote in person at the 2005 Annual Meeting rather than by completing the proxy card?***

Although Metropolitan encourages you to complete and return the proxy card to ensure that your vote is counted, you can attend the 2005 Annual Meeting and vote your shares in person.

### ***What do I do if my shares are held in "street name"?***

If your shares are held in the name of your broker, a bank, or other nominee, that party should give you instructions for voting your shares.

### ***How are votes counted?***

Metropolitan will hold the 2005 Annual Meeting if holders of a majority of the shares of Common Stock entitled to vote either sign and return their proxy cards or attend the meeting. If you sign and return your proxy card, your shares will be counted to determine whether Metropolitan has a quorum even if you abstain or fail to vote on any of the proposals listed on the proxy card.



If your shares are held in the name of a broker or other nominee, and you do not instruct the nominee in a timely fashion how to vote your shares (so-called "Broker Nonvotes"), the broker or nominee may be able to vote your shares as the broker sees fit depending upon whether the proposal is a routine or non-routine proposal. For example, Broker Nonvotes will be counted as present to determine if a quorum exists at the 2005 Annual Meeting but will not be counted as present and entitled to vote on Proposal Nos. 3 or 4 as such are deemed "non-routine" by the American Stock Exchange ("AMEX") Company Guide.

***Who pays for this proxy solicitation?***

Metropolitan does. In addition to sending you these materials, Metropolitan may engage a proxy solicitation firm to contact you directly by telephone, mail or in person. Metropolitan will bear such costs, if any, which are not expected to exceed \$5,000.

**OUTSTANDING VOTING SECURITIES AND VOTING RIGHTS**

The Board of Directors has set the close of business on Friday, May 6<sup>th</sup>, 2005 as the record date (the "Record Date") for determining shareholders of Metropolitan entitled to notice of and to vote at the 2005 Annual Meeting. As of the Record Date, there were 48,796,728 shares of Common Stock issued and outstanding, all of which are entitled to be voted at the 2005 Annual Meeting. Each share of Common Stock is entitled to one vote on each matter submitted to shareholders for approval at the 2005 Annual Meeting. Shareholders do not have the right to cumulate their votes for directors.

Metropolitan's Amended and Restated Bylaws (the "Bylaws") provide that the presence, in person or by proxy, of the holders of record of a majority of the outstanding shares of Common Stock entitled to vote at the 2005 Annual Meeting is necessary to constitute a quorum.

Pursuant to the Florida Business Corporation Act (the "Act"), the six persons receiving the highest number of votes cast in his or her favor by the shares of Common Stock represented in person or by proxy at the 2005 Annual Meeting will be elected as directors (Proposal No. 1). Pursuant to Metropolitan's Bylaws and the Act, the affirmative vote of a majority of the outstanding shares of Common Stock represented in person or by proxy at the 2005 Annual Meeting is required to approve the ratification of auditors (Proposal No. 2), the approval of the adoption of the Supplemental Plan (Proposal No. 3); and the approval of the adoption of the Omnibus Plan (Proposal No. 4).

Abstentions are counted as present for purposes of determining the presence of a quorum. Abstentions are not counted as votes cast "for" or "against" the election of any director (Proposal No. 1). **However, abstentions are treated as present and entitled to vote and thus have the effect of a vote against the ratification of auditors (Proposal No. 2), the approval of the adoption of the Supplemental Plan (Proposal No. 3); and the approval of the adoption of the Omnibus Plan (Proposal No. 4).**

If less than a majority of the outstanding shares of Common Stock entitled to vote are represented at the 2005 Annual Meeting, a majority of the shares so represented may adjourn the 2005 Annual Meeting to another date, time or place, and notice need not be given for the new date, time or place, if the new date, time or place is announced at the 2005 Annual Meeting before an adjournment is taken. Prior to the 2005 Annual Meeting, Metropolitan will select one or more inspectors of election for the meeting. Such inspectors shall determine the number of shares of Common Stock represented at the 2005 Annual Meeting, the existence of a quorum and the validity and effect of proxies and shall receive, count and tabulate ballots and votes and determine the results thereof.

A list of shareholders entitled to vote at the 2005 Annual Meeting will be available at Metropolitan's offices, 250 Australian Avenue, Suite 400, West Palm Beach, Florida 33401, for a period of ten (10) days prior to the 2005 Annual Meeting and at the 2005 Annual Meeting itself, for examination by any shareholder.



## SHAREHOLDER PROPOSALS

Shareholder proposals for inclusion in the Proxy Statement for the annual meeting of shareholders to be held in the year 2006 must be received at the principal executive offices of Metropolitan not fewer than 90 days nor more than 120 days prior to June 23, 2006 i.e., between February 23<sup>rd</sup> and March 23<sup>rd</sup> 2006. This includes shareholder nominations of director candidates. If the date of the 2006 annual meeting has been changed by more than 30 days before or more than 70 days after June 23<sup>rd</sup>, 2006, shareholder proposals must be delivered to Metropolitan not earlier than the close of business on the 120<sup>th</sup> day prior to the 2006 annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made by Metropolitan. In the event that the annual meeting of shareholders in 2006 is delayed by more than 30 days, Metropolitan will announce the new deadline for shareholder director proposals in a Current Report on Form 8-K. Shareholders interested in submitting a proposal for inclusion in the proxy materials for the annual meeting of Shareholders in 2006 may also refer to Securities Exchange Commission ("SEC") Rule 14a-8 which further describes the procedures for doing so.

Separately and in addition to the timing requirements discussed above, Metropolitan's Bylaws require that a shareholder seeking to nominate a candidate for election to the Board of Directors include the following information in such shareholder's notice to Metropolitan:

As to each person whom the shareholder proposes to nominate for election as a director:

- the name and age of the nominee and, if applicable, all positions and offices held by such person in Metropolitan including the dates and terms of service;
- a description of any family relationship between the nominee and any director or executive officer of Metropolitan;
- a description of the business experience and principal occupations of the nominee for the past five years, including the name of the nominee's principal employers and the dates of service;
- a description of any relationship between any employer of the nominee during the past five years and Metropolitan;
  - a list of all directorships held by the nominee;
- a description of any legal proceedings involving the nominee or any entity for which the nominee served as an executive officer, including; without limitation, the filing of any petition under federal bankruptcy or state insolvency laws with respect to the nominee's property or business or any entity for which the nominee served as an executive officer within the preceding two (2) years; the conviction of the nominee or naming of the nominee as the subject of a criminal proceeding and any order or similar decree enjoining the nominee from engaging in specified activities; and
- a description of all arrangements or understandings between such shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by such shareholder;
- any other information relating to such person that is required to be disclosed in solicitations of proxies for election of directors or is otherwise required by Regulation 14A under the Securities Exchange Act of 1934, as amended;
- the nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected.

As to any other business that the shareholder proposes to bring before the meeting:

- a brief description of the business desired to be brought before the meeting including the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws of Metropolitan, the language of the proposed amendment),
  - the reasons for conducting such business at the meeting and
- any material interest in such business of such shareholder and the beneficial owner, if any, on whose behalf the proposal is made; and

As to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or other proposal is made:

- the name and address of such shareholder, as they appear on Metropolitan's books, and of such beneficial owner,
- the class and number of shares of capital stock of Metropolitan which are owned beneficially and of record by such shareholder and such beneficial owner,
- a representation that the shareholder is a holder of record of stock of Metropolitan entitled to vote at such meeting and or by proxy at the meeting to propose such business or nomination, and
- a representation whether the shareholder or the beneficial owner, if any, intends or is part of a group which intends (a) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of Metropolitan's outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (b) otherwise to solicit proxies from shareholders in support of such proposal or nomination.

In each case the notice must be given by personal delivery or by United States certified mail, postage prepaid, to the attention of Roberto L. Palenzuela, General Counsel and Secretary of Metropolitan, whose address is 250 Australian Avenue, Suite 400, West Palm Beach, Florida 33401. Any shareholder desiring a copy of Metropolitan's Bylaws will be furnished one without charge upon written request to the Secretary. A copy of Metropolitan's Bylaws is filed as an exhibit to Metropolitan's Current Report on Form 8-K filed on September 30, 2004, and is available at the SEC Internet website at [www.sec.gov](http://www.sec.gov)

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding Metropolitan's Common Stock beneficially owned as of the Record Date (i) by each person who is known by Metropolitan to beneficially own more than 5% of Metropolitan's Common Stock; (ii) by each of Metropolitan's directors and Metropolitan's Chief Executive Officer and the other three most highly compensated individuals serving as executive officers at the end of the 2004 fiscal year (collectively, the "Named Executive Officers"); and (iii) by the Named Executive Officers and directors as a group.

<b><u>Name of Beneficial Owner</u></b>	<b><u>Amount of Beneficial Ownership</u></b>	<b><u>Percentage of Class %</u></b>
Martin W. Harrison, M.D. (1)	5,112,169	10.18
Karl M. Sachs (2)	876,975	1.75
Debra A. Finnel (3)	832,459	1.66
David S. Gartner (4)	289,276	0.58
Michael M. Earley (5)	338,233	0.67
Roberto L. Palenzuela (6)	57,420	0.11
Eric Haskell (7)	40,333	0.08
Barry T. Zeman (8)	45,064	0.09
Norman Pessin (9)	2,596,655	5.17
Fundamental Management Corporation (10)	2,530,000	5.04
Directors and Executive Officers as a Group (8 persons)	7,591,929	15.56

(1) 250 Australian Ave., Suite 400, West Palm Beach, FL. 33401. Includes (1) 4,102,169 shares owned directly by Dr. Harrison, (2) 900,000 shares owned by H30, Inc., a corporation for which Dr. Harrison serves as a Director, (3) 40,000 shares issuable upon exercise of options at a price of \$0.91, expiring between November 2005 and November 2006, and (4) 70,000 shares issuable upon exercise of options at a price of \$0.70, expiring December 2008. Does not include 25,000 shares issuable upon the exercise of options at a price of \$1.83 that have not yet vested.

(2) 3675 Coral Way, Miami, Florida 33145. Includes 876,975 shares owned directly by Karl M. Sachs. Does not include 25,000 shares issuable upon the exercise of options at a price of \$1.83 that have not yet vested.

(3) 250 Australian Ave., Suite 400, West Palm Beach, FL. 33401. Includes (1) 32,459 shares owned directly by Debra A. Finnel, (2) 150,000 shares issuable upon the exercise of options at \$0.50 per share, expiring between October 2005 and October 2007, (3) 300,000 shares issuable upon the exercise of options at a price of \$1.00, expiring between 1/1/07 and 1/1/09, and (4) 350,000 shares issuable upon the exercise of options at a price of \$0.35, expiring in September 2008. Does not include 800,000 shares issuable upon the exercise of options at a price of \$1.83 that have not yet vested.

(4) 250 Australian Ave., Suite 400, West Palm Beach, FL. 33401. Includes (1) 109,276 shares owned directly by David S. Gartner and (2) 180,000 shares issuable upon the exercise of options at a price of \$0.35, expiring in September 2008. Does not include 150,000 shares issuable upon the exercise of options at a price of \$1.83 that have not yet vested.

(5) 250 Australian Ave., Suite 400, West Palm Beach, FL. 33401. Includes (1) 39,899 shares owned directly by Michael M. Earley, (2) 40,000 shares issuable upon the exercise of options at a price of \$0.30 per share, expiring between June 2005 and June 2006, (3) 25,000 shares issuable upon the exercise of options at a price of \$2.00 per share, expiring in September 2005 and (4) 233,334 shares issuable upon the exercise of options at a price of \$0.35 per share, expiring between December 2008 and December 2009. Does not include 116,666 shares issuable upon



the exercise of options at a price of \$0.35 per share or 400,000 shares issuable upon the exercise of options at a price of \$1.83 that have not yet vested.

(6) 250 Australian Ave., Suite 400, West Palm Beach, FL. 33401. Includes (1) 7,420 shares held by Roberto L. Palenzuela and (2) 50,000 shares issuable upon the exercise of options at a price of \$0.67, expiring March 2010. Excludes 100,000 shares issuable upon the exercise of options at a price of \$0.67 and 100,000 shares issuable upon the exercise of options at a price of \$1.83 that have not yet vested.

(7) 518 Candace Lane, Villanova, PA. 19085. Includes 40,333 shares owned directly by Eric Haskell. Does not include 25,000 shares issuable upon the exercise of options at a price of \$1.83 that have not yet vested.

- 6 -

---

(8) 26 Beaver Street, New York City, New York 10004. Includes 30,250 shares owned directly by Barry Zeman, 5,614 owned by his spouse and 9,200 held in his IRA. Does not include 25,000 shares issuable upon the exercise of options at a price of \$1.83 that have not yet vested.

(9) 605 Third Avenue, 14th floor, New York, NY, 10158. Includes (1) 50,000 shares owned by Norman H. Pessin, (2) 699,883 shares owned by Sandra F. Pessin and (3) 1,846,772 owned f/b/o Norman H. Pessin SEP IRA.

(10) 8567 Coral Way, #138, Miami, FL 33155. Includes (1) 930,000 shares owned by Active Investors II, Ltd. and (2) 1,600,000 shares owned by Active Investors III, Ltd.

- 7 -

---

**ELECTION OF DIRECTORS****(Proposal No. 1)**

Metropolitan's Board of Directors currently consists of six members. Six directors are to be elected at the 2005 Annual Meeting to hold office until the next annual meeting of shareholders and until their successors are elected and qualified. It is intended that the accompanying proxy will be voted in favor of the following persons to serve as directors unless the shareholder indicates to the contrary on the proxy. Under Florida law and Metropolitan's Articles of Incorporation, the six persons receiving the highest number of votes cast in his or her favor in person or by proxy at the 2005 Annual Meeting will be elected as directors of Metropolitan. Management expects that each of the nominees will be available for election, but if any of them is not a candidate at the time the election occurs, it is intended that such proxy will be voted for the election of another nominee to be designated by the Board of Directors to fill any such vacancy. Each of the six director nominees listed below has been approved by the Governance and Nominating Committee of the Board of Directors.

**DIRECTORS**

Our directors as of the date of this Proxy Statement are as follows:

<b><u>Name</u></b>	<b><u>Age</u></b>	<b><u>Position</u></b>
Michael M. Earley	49	Chairman of the Board of Directors and Chief Executive Officer
Debra A. Finnel	43	President, Chief Operating Officer and Director
Karl M. Sachs, CPA	69	Director
Martin W. Harrison, M.D.	52	Director
Eric Haskell, CPA	58	Director
Barry T. Zeman	59	Director

There are no family relationships among Metropolitan's officers and directors, nor are there any arrangements or understandings between any of the directors or officers of Metropolitan or any other person pursuant to which any officer or director was or is to be selected as an officer or director.

The Board of Directors has affirmatively determined that Karl M. Sachs, Martin W. Harrison, Eric Haskell and Barry T. Zeman meet the definition of "independent director" under Section 121A of the AMEX Company Guide.

**MICHAEL M. EARLEY**, Chairman and Chief Executive Officer has been employed by Metropolitan since March 10, 2003 and previously served as a director of Metropolitan from June 2000 to December 2002. Mr. Earley became Chairman of the Board of Directors in September 2004. Mr. Earley has been an advisor to public and privately owned companies, acting in a variety of management roles since 1997. From 1986 to 1997, he served in a number of senior management roles, including CEO and CFO of Intermark, Inc. and Triton Group Ltd., both publicly traded diversified holding companies. He was Chief Executive Office of Triton Group Management, a corporate consulting firm, from 1997 through December 1999. He was Chief Executive Officer of Collins Associates, an institutional money management firm, from January 2000 through December 2002. Mr. Earley was a self-employed corporate consultant from January 2002 through February 2003. Since August 2002, Mr. Earley has been serving as a director and member of the audit committee of MPower Communications, a publicly traded telecommunications company. Mr. Earley received his undergraduate degrees in Accounting and Business Administration from the University of San Diego. From 1978 to 1983, he was an audit and tax staff member of Ernst & Whinney.

**DEBRA A. FINNEL**, President and Chief Operating Officer, has been employed by Metropolitan since January 1999 and has served on the Board of Directors of Metropolitan since 2002. She has twenty years of healthcare experience in the South Florida market, specializing in managed care and risk contracting, including five years as Regional Director with FamilyCare, Inc., the largest affiliate of International Medical Centers, Inc., Florida's first Medicare+Choice HMO. Prior to joining Metropolitan, Ms. Finnel was President and Chief Operating Officer of Advanced HealthCare Consultants, Inc., which managed and owned physician practices in multiple states and provided turnaround consulting to managed care providers, MSOs, Independent Physician Associations and hospitals. She also has extensive experience in provider contracting, claims administration and customer service. Ms. Finnel has had an affiliated provider relationship with Humana Medical Plans since their inception in the Florida market in 1986 and has developed strong relationships with many senior healthcare executives throughout Florida, as well as state and federal government.

**MARTIN W. HARRISON, M.D.** has served as a Director of Metropolitan since June 1999 and currently serves as a member of Metropolitan's Compensation, Audit & Finance and Governance & Nominating Committees. From 2000 to March 2003, Mr. Harrison also served as an advisor to the Board of Directors of Metropolitan. Mr. Harrison is a self-employed medical doctor and has practiced medicine in South Florida, specializing in preventive and occupational medicine. Dr. Harrison completed his undergraduate training at the University of Illinois and obtained his postgraduate and residency training as well as his Masters in Public Health from Johns Hopkins University. Dr. Harrison is currently the owner of H30, Inc. a privately held biomedical product development company.

**KARL M. SACHS, CPA** rejoined the Board of Directors in September 2002 after previously serving as a Director of Metropolitan from March 1999 to December 2001. He currently serves on Metropolitan's Compensation, Audit & Finance and Governance & Nominating Committees. He is a founding partner of the Miami-based public accounting firm of Sachs & Focaraci, P.A. A certified public accountant for more than thirty years, Mr. Sachs is a member of the American Institute of Certified Public Accountants, Personal Financial Planning and Tax Sections; Florida Institute of Certified Public Accountants; and the National Association of Certified Valuation Analysts. The firm of Sachs & Focaracci, P.A. serves the financial and tax needs of its diverse clients in addition to providing litigation support services. Mr. Sachs is a qualified litigation expert for the U.S. Federal District Court, U.S. District Court, U.S. Bankruptcy Court and Circuit Courts of Dade and Broward Counties and has previously served as an auditor for the Internal Revenue Service. He is a graduate of the University of Miami where he received his Bachelors Degree in Business Administration in 1957.

**ERIC HASKELL, CPA** joined the Board of Directors of Metropolitan in August 2004. Mr. Haskell is a retired certified public accountant with over 30 years of experience in senior financial positions at several public and private companies and has significant expertise in the areas of acquisitions and divestitures, strategic planning and investor relations. From 1989 until April 2004, Mr. Haskell served as the Chief Financial Officer of Systems & Computer Technology Corp., a NASDAQ listed software and services corporation with annual revenues of approximately \$270 million. He currently serves on the Board of Directors and the Audit and Nominating Committees of Triton PCS Holdings, Inc., a publicly traded company and wireless communication services provider, and on the Board of Directors, Audit and Compensation Committees of Indus International Inc., a publicly traded company that develops, markets and implements software and service solutions for capital intensive industries worldwide. He also serves on the Board of Directors and Audit and Compensation Committees of eMoney Advisor, Inc., a provider of web-enabled comprehensive wealth planning solutions. Mr. Haskell has served on the Board of the Philadelphia Ronald McDonald House since 1996 and currently serves as Chairman of its Finance Committee. Mr. Haskell received his Bachelors Degree in Business Administration from Adelphi University in 1969.

**BARRY T. ZEMAN** joined the Board of Directors in August 2004. Mr. Zeman has 34 years of health care industry and hospital management experience. Mr. Zeman has operated in the capacity of President and/or Chief Executive Officer of several hospital organizations throughout the State of New York. He served as Associate Director of the Long Island Jewish Medical Center from 1971 through 1976. He served as Associate Director of Staten Island University Hospital from 1976 to 1979 and as President and Chief Executive Officer from 1979 to 1989. He was

President and Chief Executive Officer of St. Charles Hospital and Rehabilitation Center from 1991 through 2000. From 2000 through February 2003, Mr. Zeman served as President of the Parker Jewish Institute, a private not-for-profit rehabilitative, sub-acute and long-term care institution. In 1989, Mr. Zeman founded U.S. Business Development Corp., a private consulting firm offering comprehensive and consultative solutions to professionals in the areas of health care finance, construction, physician group practices, hospital association activities and health care law. He has served as President of U.S. Business Development Corp. since its inception. In May 2004, Mr. Zeman became Regional Business Development Manager for Wells Fargo Home Mortgage. He currently serves as the Chair of the Building & Grounds Committee and Secretary of the Board of Directors of Adelphi University and has served on the Board of Directors of Adelphi University since 1997. Mr. Zeman received his Bachelors Degree in Business Administration from the University of Cincinnati in 1969 and his Masters Degree in Public Health from the University of Pittsburgh in 1971.

- 9 -

---

### **Board of Directors and Board Meetings**

Each director is elected at Metropolitan's annual meeting of shareholders and holds office until the next annual meeting of stockholders, or until successors are elected and qualified. At present, Metropolitan's Bylaws provide for no less than one director and no greater than 11 directors. Currently, the Board of Directors of Metropolitan consists of six directors. The Bylaws permit the Board of Directors to fill any vacancy and such director may serve until the next annual meeting of shareholders or until his successor is elected and qualified. In 2004, the Board of Directors held 14 regular meetings and one special meeting. There were two votes by Unanimous Written Consent. All directors attended 75% or more of the aggregate of (i) the total number of meetings of the Board of Directors and (ii) the total number of meetings of committees of the Board of Directors held during the period that such person served on such committee.

Five members of the Board of Directors were able to attend Metropolitan's last annual meeting. Metropolitan has adopted a formal written policy regarding attendance by members of the Board of Directors at annual meetings of shareholders. While members of Metropolitan's Board of Directors are not required to be present at Metropolitan's annual meetings, all members of Metropolitan's Board of Directors are welcome and encouraged to attend.

### **Compensation of Directors**

In exchange for Board service for a full year in 2004, Metropolitan's non-employee Directors received cash compensation in the amount of \$36,000, and 25,000 options to acquire Metropolitan's Common Stock at the market price on the date of grant with a one-year vesting period. Additionally, each non-employee Director was paid \$6,000 for the year in Metropolitan's Common Stock for each committee membership and committee chairmanship. Non-employee directors who joined the Board in 2004 received 30,000 shares of Metropolitan's Common Stock upon joining the Board of Directors. Currently, two of the six Directors of Metropolitan are also employees of Metropolitan and do not receive additional compensation for their services as Directors. Metropolitan is a party to employment agreements with each of Michael M. Earley and Debra A. Finnel as further described in the section of this Proxy Statement entitled "Employment Agreements." Metropolitan reimburses all Directors for their expenses in connection with their activities as Directors of Metropolitan.

For fiscal year 2005, the Board of Directors retained the services of an independent consulting firm to review Metropolitan's compensation package for its non-employee Directors. After reviewing the recommendations of the consulting firm, effective January 1, 2005, the Board's compensation arrangement was amended to provide that Metropolitan's non-employee Directors will receive a retainer of \$20,000 for the full year of Board service in 2005. Additionally, the non-employee Directors will receive additional amounts ranging from \$500 to \$1,500 for attendance at Board and committee meetings. The Chairpersons of the Governance & Nominating Committee, Compensation Committee and Audit & Finance Committee will also receive an additional retainer of \$2,000, \$4,000 and \$6,000, respectively, per year for service in 2005. In addition, each non-employee Director will receive an annual grant of 25,000 options of Metropolitan's Common Stock, issuable at the market price at the date of grant with a one-year vesting period.

### **Shareholder Communication Policy**

In September 2004, the Board of Directors adopted a Shareholder Communication Policy for shareholders wishing to communicate with various Board committees and individual members of the Board of Directors. Shareholders wishing to communicate with the Board of Directors, Metropolitan's Governance & Nominating Committee, and specified individual members of the Board of Directors can send communications to the Board of Directors and, if applicable, to the Governance and Nominating Committee or to specified individual directors in writing c/o Roberto L. Palenzuela, General Counsel and Secretary, Metropolitan Health Networks, Inc., 250 Australian Avenue, Suite 400, West Palm Beach, Florida 33401. Metropolitan does not screen such mail and all such letters will be forwarded to the intended recipient.



## Board Committees and Committee Meetings

Metropolitan had three active committees in 2004, the Compensation Committee, the Governance & Nominating Committee and the Audit & Finance Committee.

The Compensation Committee's primary objectives include making recommendations to the Board of Directors regarding the compensation for our directors, executive officers, non-officer employees and consultants and administering Metropolitan's employee stock option plans. It is currently composed of Mr. Haskell, Mr. Sachs and Dr. Harrison. The Compensation Committee met 4 times in 2004. The Compensation Committee's report on Executive Officer and Chairman and Chief Executive Officer Compensation is included in this Proxy Statement on pages 17 - 18.

The primary objectives of Metropolitan's Governance & Nominating Committee include: (1) assisting the Board by identifying individuals qualified to become Board members and recommending to the Board the director nominees for the next annual meeting of shareholders; (2) overseeing the governance of the corporation including recommending to the Board Corporate Governance Guidelines for Metropolitan; (3) leading the Board in its annual review of the Board's performance; and (4) recommending to the Board director nominees for each Board Committee. It is currently composed of Mr. Zeman, Mr. Haskell, Mr. Sachs and Dr. Harrison. The Board of Directors has determined that Mr. Zeman, Mr. Haskell, Mr. Sachs and Dr. Harrison are "independent" as such term is defined by Rule 121A of the AMEX Company Guide. The Governance & Nominating Committee met 2 times in 2004.

The Board has adopted a charter for the Governance & Nominating Committee. The Governance & Nominating Committee Charter is posted on Metropolitan's website. The Internet address for Metropolitan's website is <http://www.metcare.com>.

The Governance & Nominating Committee Charter provides that shareholder nominees to the Board of Directors will be evaluated using the same guidelines and procedures used in evaluating nominees nominated by other persons.

In evaluating director nominees, the Governance & Nominating Committee considers the following factors:

- the appropriate size and the diversity of the Corporation's Board;
- the needs of the Corporation with respect to the particular talents and experience of its directors;
- the knowledge, skills and experience of nominees, including experience in technology, business, finance, administration or public service, in light of prevailing business conditions and the knowledge, skills and experience already possessed by other members of the Board;
  - familiarity with national and international business matters;
  - experience in political affairs;
  - experience with accounting rules and practices;
- whether such person qualifies as an "audit committee financial expert" pursuant to SEC rules;
- appreciation of the relationship of the Corporation's business to the changing needs of society; and
- the desire to balance the considerable benefit of continuity with the periodic injection of the fresh perspective provided by new members.





In identifying director nominees, the Governance & Nominating Committee will first evaluate the current members of the Board of Directors willing to continue in service. Current members of the Board with skills and experience that are relevant to Metropolitan's business and who are willing to continue in service shall be considered for re-nomination, balancing the value of continuity of service by existing members of the Board with that of obtaining a new perspective. Generally, the Governance & Nominating Committee strives to assemble a Board of Directors that brings to Metropolitan a variety of perspectives and skills derived from business and professional experience. In doing so, the Governance & Nominating Committee also considers candidates with appropriate non-business backgrounds. If any member of the Board does not wish to continue in service or if the Governance & Nominating Committee or the Board decides not to re-nominate a member for re-election, the Governance & Nominating Committee identifies the desired skills and experience of a new nominee in light of the criteria above. Other than the foregoing, there are no specific, minimum qualifications that the Governance & Nominating Committee believes that a Committee-recommended nominee to the Board of Directors must possess, although the Governance & Nominating Committee may also consider such other factors as it may deem are in the best interests of Metropolitan and its shareholders.

In its deliberations, the Governance & Nominating Committee is aware that Metropolitan's Board must be comprised of a majority of "independent" directors, as such term is defined by the AMEX Company Guide, and at least one director who qualifies as an "audit committee financial expert" as defined by SEC rules. The Governance & Nominating Committee also believes it appropriate for certain key members of Metropolitan's management to participate as members of the Board.

The Governance & Nominating Committee and Board of Directors are polled for suggestions as to individuals meeting the criteria of the Governance & Nominating Committee. Research may also be performed to identify qualified individuals. To date, Metropolitan has not engaged third parties to identify or evaluate or assist in identifying potential nominees, although Metropolitan reserves the right in the future to retain a third party search firm, if necessary. With respect to the nominees proposed for election at the 2005 Annual Meeting, all nominees have been recommended for re-election by the Governance & Nominating Committee.

The Audit & Finance Committee currently consists of Mr. Sachs, Mr. Haskell, Mr. Zeman and Dr. Harrison. The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities relating to (i) the quality and integrity of the Corporation's financial statements and corporate accounting practices, (ii) the Corporation's compliance with legal and regulatory requirements, (iii) the independent auditor's qualifications and independence and (iv) the performance of the Corporation's internal audit function and independent auditors. The Board of Directors has determined that Mr. Sachs and Mr. Haskell are "financial experts", as such term is defined under federal securities law, and are "independent", as such term is defined by Rule 121A of the AMEX Company Guide. The Audit & Finance Committee met 7 times in 2004.

The Board has adopted a charter for the Audit & Finance Committee. The Audit & Finance Committee Charter is posted on Metropolitan's website. The Internet address for Metropolitan's website is <http://www.metcare.com>.

#### **Report of the Audit & Finance Committee<sup>(1)</sup>.**

The Audit & Finance Committee is responsible for assisting the Board of Directors of Metropolitan in fulfilling its oversight responsibilities relating to (i) the quality and integrity of Metropolitan's financial statements and corporate accounting practices, (ii) Metropolitan's compliance with legal and regulatory requirements, (iii) the independent auditor's qualifications and independence and (iv) the performance of Metropolitan's internal audit function and independent auditors. The Audit & Finance Committee is also directly responsible for the nomination of the independent auditor to be proposed for shareholder approval in any proxy statement. In connection with its oversight role, the Audit & Finance Committee relies on the work and assurances of Metropolitan's management, which has the primary responsibility for financial statements and reports, including the system of internal controls, and of the independent auditors, who, in their report, express an opinion on the conformity of Metropolitan's annual financial

statements to generally accepted accounting principles in the United States.

- 12 -

---

In fulfilling its oversight responsibilities, the Audit & Finance Committee reviewed and discussed Metropolitan's audited financial statements contained in Metropolitan's Annual Report on Form 10-K for the year ended December 31, 2004 with management and Metropolitan's independent auditors including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements. The Audit & Finance Committee met with Metropolitan's independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of Metropolitan's internal controls, and the overall quality of Metropolitan's financial reporting. The Audit & Finance Committee has discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61 (Codification of Statements on Auditing Standards). In addition, the Audit Committee has received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). The Audit Committee has substantively discussed with the independent auditors the auditors' independence from Metropolitan and its management and has also considered the compatibilities of non-audit services performed by the independent auditors on behalf of Metropolitan with the auditors' independence.

Based upon the foregoing review and discussions, the Audit & Finance Committee recommended to the Board of Directors that the audited financial statements be included in Metropolitan's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 filed with the SEC on March 22, 2005. The Audit & Finance Committee and the Board of Directors have also recommended, subject to shareholder approval, the selection of Kaufman, Rossin & Co., P.A. as Metropolitan's independent auditors for the year ending December 31, 2005.

**The Audit & Finance Committee**

Karl M. Sachs, CPA  
Eric Haskell  
Barry T. Zeman

---

(1) The material in this Report of the Audit Committee shall not be deemed to be "soliciting material," or to be "filed" with the SEC or subject to Regulation 14A or 14C. This report is not to be incorporated by reference in any filing of Metropolitan under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended.

**Compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended**

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") requires Metropolitan's directors and executive officers, and persons who own more than ten percent (10%) of the outstanding Common Stock, to file with the SEC initial reports of ownership on Form 3 and reports of changes in ownership of Common Stock on Forms 4 or 5. Such persons are required by SEC regulation to furnish Metropolitan with copies of all such reports they file.

Based solely on its review of the copies of such reports furnished to Metropolitan or written representations that no other reports were required, Metropolitan believes that all Section 16(a) filing requirements applicable to its officers, directors and greater than ten (10%) percent beneficial owners have been complied during the year ended December 31, 2004 and through the date hereof except for the following: Barry T. Zeman failed to file on a timely basis one report on Form 3 and two reports on Form 4 with respect to seven transactions; Martin W. Harrison, M.D. failed to file on a timely basis four reports on Form 4 with respect to five transactions; Karl M. Sachs failed to file on a timely basis five reports on Form 4 with respect to eleven transactions; Roberto L. Palenzuela failed to file on a timely basis one report on Form 3 with respect to three transactions and one report on Form 4 with respect to one transaction; Eric Haskell failed to file on a timely basis one report on Form 3 and one report on Form 4 with respect to three transactions; David S. Gartner failed to file on a timely basis one report on Form 4 with respect to one

transaction; Debra A. Finnel failed to file on a timely basis one report on Form 4 with respect to one transaction; and Michael M. Earley failed to file on a timely basis one report on Form 4 with respect to one transaction.

**Certain Relationships and Related Party Transactions**

During the fiscal year ending December 31, 2004, Metropolitan paid Vitreo Retinal Consultants, a company owned by Dr. Salomon Melgen, \$295,000 for services rendered as a provider in Metropolitan's Provider Services Network. The fees paid were usual and customary for the services provided. Dr. Melgen resigned as a director of Metropolitan effective January 13, 2005.

- 13 -

---

**Legal Proceedings**

There are no pending, material legal proceedings to which any director, officer or affiliate of Metropolitan, any owner of record or beneficially of more than five percent of any class of voting securities of Metropolitan, or any associate of any such director, officer, affiliate of Metropolitan, or security holder is a party adverse to Metropolitan or any of its subsidiaries or has a material interest adverse to Metropolitan.

**EXECUTIVE COMPENSATION**

The following table presents information concerning the compensation awarded to, earned by or paid to the Named Executive Officers during Metropolitan's last three (3) completed fiscal years. No executive officer of Metropolitan or its subsidiaries, other than the Named Executive Officers, earned compensation in excess of \$100,000 during the fiscal year ended December 31, 2004.

<b><u>Name and Principal Position</u></b>	<b><u>Fiscal Year</u></b>	<b><u>Salary</u></b>	<b><u>Bonus (3)</u></b>	<b><u>Securities Underlying Options</u></b>	<b><u>All Other Compensation(4)</u></b>
Michael M. Earley (1) Chairman & CEO	2004	\$ 250,000	\$ 125,000	400,000	\$ 2,084
	2003	\$ 118,000	\$ 60,000	350,000	-
Debra A. Finnel	2004	\$			