I TRAX INC
Form 10QSB
May 15, 2003

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

FORM 10-QSB

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: March 31, 2003

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT

Commission File Number: 0-30275

I-TRAX, INC.
(Exact name of small business issuer in its charter)

Delaware	23-3057155
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Logan Square, 130 N. 18th Street, Suite 2615
Philadelphia, Pennsylvania 19103
(Address of principal executive offices)

(215) 557-7488
(Issuer's telephone number)

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the last practicable date: As of May 2, 2003, the Registrant had 9,372,727 shares of its $0.001 par value common stock outstanding.

Transitional Small Business Disclosure Format (check one): Yes [ ] No [X]

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

I-TRAX, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders
of I-trax, Inc.

We have reviewed the accompanying condensed consolidated balance sheet of I-trax, Inc. (a Delaware corporation) and Subsidiaries as of March 31, 2003, and the related condensed consolidated statements of operations, stockholders' equity and cash flows for the three-month period then ended.. These financial statements are the responsibility of the company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the condensed financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet as of December 31, 2002, and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended (not presented herein); and in our report dated March 5, 2003, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2002, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

GOLDSTEIN GOLUB KESSLER LLP
New York, New York

May 7, 2003

I-TRAX, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31, 2003 (unaudited
Current assets:	
Cash	$ 32
Deposit on potential acquisition	
Accounts receivable, net	493
Prepaid expenses	150
Other current assets	28
Total current assets	704
Office equipment, furniture, leasehold improvements and software development costs, net	560
Deferred marketing costs, net	1,171
Goodwill	8,424
Intangible assets, net	2,467
Debt issuance cost, net	191
Security deposits	31
Total assets	$ 13,551

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities	
Credit line payable	300
Accounts payable	1,000
Accrued expenses	960
Due to officers, directors and other related parties	464
Capital lease payable	59
Deferred revenue	528
Other current liabilities	
Total current liabilities	3,312
Capital lease obligation, net of current portion	96
Promissory notes and debenture payable, net of discount	1,498
Due to officers and directors	1,224
Total liabilities	6,132
Total liabilities	
Commitments and contingencies (Note 7)	

Stockholders' equity	
Preferred stock - $.001 par value, 2,000,000 shares authorized, -0- issued and outstanding	
Common Stock - $.001 par value, 100,000,000 shares authorized, 9,372,727 shares issued and outstanding	9
Additional paid in capital	39,219
Accumulated deficit	(31,810
Total stockholders' equity	7,418
Total liabilities and stockholders' equity	$ 13,551

See accompanying notes to consolidated financial statements (unaudited).

I-TRAX, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 30, 2003 AND 2002
(UNAUDITED)

	Three months ended March 31, 2003
Revenue:	
Technology licenses	$ 914,702
Services	701,429
Total revenue	1,616,131
Cost of revenue:	
Technology licenses	16,014
Services	300,066
Total cost of revenue	316,080
Gross profit	1,300,051
Operating expenses:	
General and administrative	308,504
Salary and related benefits	858,863
Research and development	--
Depreciation and amortization	436,548
Marketing and publicity	81,757
Total operating expenses	1,685,672

Operating loss	(385,621)
Other income (expenses):	
Amortization of debt issuance costs	(57,525)
Costs in connection with uncompleted acquisition	(200,000)
Interest expense	(320,527)
Total other income (expenses)	(578,052)
Net loss	$ (963,673)
Loss per common share:	
Basic and diluted	$ (.10)
Weighted average number of shares outstanding:	9,372,727

See accompanying notes to consolidated financial statements (unaudited).

I-TRAX, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2003
(UNAUDITED)

	Common Stock		Additional Paid-in Capital	Ac D
	Shares	Amount		
Balances at December 31, 2002	9,372,727	$ 9,372	$ 39,236,119	$ (3
Issuance of compensatory stock options			23,942	
Mark to market of warrants granted for investor relations services and stock options granted to a former employee	--	--	(40,382)	
Net loss for the quarter ended March 31, 2003	--	--	--	
Balances at March 31, 2003	9,372,727	$ 9,372	$ 39,219,679	$ (3

See accompanying notes to consolidated financial statements (unaudited).

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I-TRAX, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2003 AND 2002
(UNAUDITED)

	Three months ended March 31, 2003
Operating activities:	
Net loss	$ (963,673)
Adjustments to reconcile net loss to net cash used in operating activities:	
Accretion of discount on notes payable charged to interest expense	133,961
Accretion of beneficial conversion value of debenture	118,581
Amortization of option liability	(13,423)
Amortization of debt issuance costs	57,525
Depreciation and amortization	436,548
Issuance of securities for services	(16,440)
Write off of deposit on cancelled acquisition	200,000
Changes in operating assets and liabilities, net of acquisitions:	
Decrease (increase) in:	
Accounts receivable	104,276
Prepaid expenses	(73,058)
Other current assets	(7,430)
(Decrease) increase in:	
Accounts payable	81,238
Accrued expenses	217,349
Deferred revenue	(851,815)
Net cash used in operating activities	(576,361)
Investing activities:	
Proceeds from repayment of note receivable	--
Cash used for property, equipment and software development costs	(190,624)
Proceeds from partial release of security deposit	--
Net cash to acquire WellComm Group, Inc.	--
Net cash used in investing activities	(190,624)
Financing activities:	
Principal payments on capital leases	(528)
Repayment to related parties	(140,000)
Proceeds from officers, directors and other related parties	579,500
Proceeds from sale of common stock	--
Proceeds from sale of debenture option	--
Costs of issuance of debenture	--

Proceeds from issuance of debenture	--
Net cash provided by financing activities	438,972
Net decrease in cash	(328,013)
Cash at beginning of period	360,166
Cash at end of period	$ 32,153
Supplemental disclosure of non-cash flow information:	
Cash paid during the year for:	
Interest	$ 15,612

(Continues on following page.)

I-TRAX, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2003 AND 2002

(Continues from previous page.)

	Three months ended March 31, 2003
Schedule of non-cash investing activities:	
Issuance of 1,488,000 shares of common stock and granting of 112,000 stock options in connection with acquisition of WellComm Group, Inc.	$ --
Issuance of common stock and warrants for finder fee	$ --

See accompanying notes to consolidated financial statements (unaudited).

I-TRAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1--ORGANIZATION

I-trax, Inc. (the "Company") provides focused disease management and comprehensive health management solutions designed to improve the health of the populations it serves while reducing the cost of medical care. The Company was incorporated in the State of Delaware on September 15, 2000. The Company's common stock is traded on the American Stock Exchange under the symbol "DMX."

As of March 31, 2003, the Company had three wholly owned subsidiaries: I-trax Health Management Solutions, Inc. (formerly known as I-Trax.com, Inc.) ("Health Management"), a corporation, and iSummit Partners, LLC and WellComm Group, LLC, each a single member limited liability company.

NOTE 2--INTERIM RESULTS AND BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information, the instructions to Form 10-QSB and Items 303 and 310(B) of Regulation S-B. In the opinion of management, the unaudited financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial position as of March 31, 2003 and the results of the operations and cash flows for the three months ended March 31, 2003. The results for the three months ended March 31, 2003 are not necessarily indicative of the results to be expected for any subsequent quarter or the entire fiscal year ending December 31, 2003. The balance sheet at December 31, 2002 has been derived from the audited financial statements at that date.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the Securities and Exchange Commission's rules and regulations.

For the three months ended March 31, 2003, the Company capitalized software development costs amounting to $187,500 since technological feasibility has been achieved.

Loss per common share is computed pursuant to SFAS No. 128, "Earnings Per Share." Basic loss per share is computed as net income (loss) available to common shareholders divided by the weighted average number of common shares outstanding for the period. Diluted loss per share reflects the potential dilution that could occur from common shares issuable through stock options, warrants, and convertible debt. As of March 31, 2003 and 2002, 3,863,604 and 2,386,049, respectively, of options and warrants were excluded from the diluted loss per share computation, as their effect would be anti-dilutive.

These unaudited financial statements should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended December 31, 2002 as included in the Company's report on Form 10-KSB for the fiscal year ended December 31, 2002 filed on April 15, 2003.

I-TRAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 3--ACQUISITION OF WELLCOMM GROUP, INC.

On February 6, 2002, the Company acquired all of the issued and outstanding common stock of WellComm Group, Inc. by issuing 1,488,000 shares of common stock valued at $9,746,400, granting 112,000 options valued at $733,600 to acquire common stock at a nominal exercise price and paying approximately $2,200,000 in cash. The aggregate acquisition price amounted to approximately $12,680,000. The financial statements include the operations of WellComm from February 1, 2002 forward.

The following unaudited pro forma results of operations of the Company give effect to the acquisition of WellComm for the quarter ended March 31, 2002 as if the acquisition was consummated at the beginning of that period.

	Three months ended March 31, 2002
Total revenue	$ 660,136
Total expenses	$ 2,835,031
Net loss	$ (2,174,895)
Pro forma net loss per share: Basic and Diluted	$ (.24)
Weighted average number of shares outstanding: Basic and Diluted	9,036,190

NOTE 4--RELATED PARTY TRANSACTIONS

At December 31, 2002, the Company had loans outstanding to certain officers and directors amounting to $1,024,598 and $225,000 to a relative of the Company's Chief Operating Officer.

During February 2003, pursuant to a promissory note, the former Chief Executive Officer of WellComm, now a member of the Company's Board of Directors, advanced $200,000 to the Company for working capital. The loan carries interest at 8% per year and it matures in February 2004.

During the three months ended March 31, 2003, the Company's Chief Executive and Operating Officers, along with certain stockholders and the former Chief Executive Officer of WellComm, now a member of the Company's Board of Directors, advanced the Company a total of $379,500 for working capital. The Company's Chief Executive and Operating Officers have committed to continue to fund the Company until it generates positive cash flow from operations and raises additional funds in the private placement described in Note 10, but at least through January 1, 2004.

During February 2003, the Company repaid $140,000 representing a portion of a loan made by a relative of the Company's Chief Operating Officer. The outstanding balance to this individual as of March 31, 2003 is $85,000 and is due on demand.

I-TRAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 4--RELATED PARTY TRANSACTIONS (cont'd)

At March 31, 2003, $464,500 of the outstanding amount has been classified as a current liability as it is due on demand and $1,224,598 has been classified as a long-term liability as it is subordinated to the convertible debenture.

Interest expense associated with related party loans and advances amounted to $29,386 and $14,292 for the three months ended March 31, 2003 and 2002, respectively.

NOTE 5--PROMISSORY NOTES PAYABLE

On March 2, 2001 the Company borrowed $692,809 from an investor group that included a venture capital fund managed by the Company's Chief Executive Officer. Such sum is included in promissory notes and debenture payable on the accompanying consolidated balance sheet. The loan bears interest at 8% per annum, with a default rate of 12% per annum, and is due five years from original date of issuance. The Company also granted to this investor group warrants to purchase 364,694 shares of common stock exercisable at $0.50 per share, which were exercised in the first quarter of 2002.

The value assigned to detachable warrants of $459,854 is being accreted to interest expense over the five-year term of the underlying promissory notes. For the three months ended March 31, 2003 and 2002, the amount accreted to interest expense was $22,677 and $22,677, respectively. At March 31, 2003, the carrying value of the notes amounted to $425,714 and is included in the promissory notes and debenture payable in the accompanying consolidated balance sheet.

NOTE 6--CONVERTIBLE DEBENTURE

The Company funded the acquisition of WellComm by selling a 6% convertible senior debenture in the aggregate principal amount of $2,000,000 to Palladin Opportunity Fund LLC. Pursuant to the purchase agreement, the Company also issued Palladin a warrant to purchase an aggregate of up to 307,692 shares of common stock at an exercise price of $5.50 per share. The outstanding principal and any interest under the debenture are payable in full on or before February 3, 2004. Further, outstanding principal and any interest may be converted at any time at the election of Palladin into common stock. The current conversion price under the debenture is $3.03. The current conversion price is subject to "reset" as of August 4, 2003 but only if the closing bid price for the Company's common stock averaged during a period of 20 consecutive trading days ending on August 3, 2003, is less than the then current conversion price.

The value assigned to the warrant of $890,272 was recorded as a discount to the debenture and is being accreted to interest expense over the life of the debenture. For the three months ended March 31, 2003 and 2002, $111,284 and $74,189, respectively, of the discount, is accreted to interest expense. The Company also recorded $118,581 and $79,054 of interest expense for the three months ended March 31, 2003 and 2002, respectively, for the amortization of the portion of the beneficial conversion value of the debenture. The beneficial conversion value, which amounted to $948,651, represents the difference between the fair market value of the common stock on the date the debenture was sold and the price at which the debt could be converted into common stock. As of March 31, 2003, the carrying value of the debenture amounted to $1,072,703 and is included in the promissory notes and debenture payable in the accompanying consolidated balance sheet.

NOTE 7--COMMITMENTS AND CONTINGENCIES

Nature of Business

The Company is subject to risks and uncertainties common to growing technology companies, including rapid technological developments, reliance on continued development and acceptance of the Internet and health care applications utilizing the Internet, intense competition and a limited operating history.

Significant Customers

Financial instruments, which may expose the Company to concentrations of credit risk, consist primarily of accounts receivable. As of March 31, 2003, two customers represented 20% and 20%, respectively of the total accounts receivable. For the three months ended March 31, 2003, the Company had one unrelated customer, which accounted for 43% of total revenues.

Risk Based Contracts

The Company enters into risk-based contracts in certain disease management arrangements. These contracts are generally for terms of three to five years and provide that a percentage of the Company's fees may be refunded to a client if the Company does not save the client a certain percentage of the expenses incurred by individuals whose health is managed by the Company. As of March 31, 2003, the Company was a party to one risk-based contract, which the Company expects to implement during the second quarter.

NOTE 8--STOCKHOLDERS' EQUITY

Warrants

The following table summarizes the Company's activity as it relates to its warrants for the three months ended March 31, 2003:

Balance outstanding at January 1, 2003	2,132,953
Quarter ended March 31, 2003:	
Granted	--
Exercised	--
Balance outstanding at March 31, 2003	2,132,953

I-TRAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 8--STOCKHOLDERS' EQUITY (cont'd)

Options

The table below summaries the activity in the Company's stock option plans for the three months ended March 31, 2003:

	Incentive Options	Non-Qualified Options	Non-Plan Non-Qualified Options
Outstanding as of			
January 1, 2003	735,829	535,973	439,000
Granted	20,000	40,000	--
Exercised	--	--	--
Forfeited/Expired	(127,971)	(40,000)	--
Outstanding as of March 31, 2003	627,858	535,973	439,000
Vesting Dates:			
December 31, 2003	133,261	157,670	75,834
December 31, 2004	109,350	47,667	39,168
December 31, 2005	58,265	19,335	26,668
December 31, 2006	13,334	--	--
December 31, 2007	--	--	--
Thereafter	--	--	20,000

As of March 31, 2003, there were outstanding an aggregate of 902,279 of exercisable plan and non-plan options with exercise prices ranging from $.01 to $10.00.

For the three months ended March 31, 2003, the Company recorded $23,942 for compensation expense in connection with grants to independent consultants.

The Company accounts for its employee incentive stock option plans using the intrinsic value method in accordance with the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," as permitted by SFAS No. 123. . Had the Company determined compensation expense base on the fair value at the grant dates for those awards consistent with the method of SFAS 123, the Company's net loss per share would have been increased to the following pro forma amounts:

I-TRAX, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 8--STOCKHOLDERS' EQUITY (cont'd)

Options (cont'd)

	For the three Months ended March 31, 2003	For the thr Months end March 31, 2002
Net loss as reported	$ (963,673)	$ (2,1
Add back intrinsic value of the options issued to employee and charged to operations	-	1
Deduct total stock based employee compensation expense determined under fair value based methods for all awards	(710,365)	(8
Pro forma net loss	$ (1,674,038)	$ (2,8
Basic and diluted net loss per share as reported	$ (.10)	$
Pro forma basic and diluted net loss per share	$ (.18)	$

NOTE 9--AGREEMENT TO ACQUIRE DxCG, INC.

On November 8, 2002, the Company entered into a merger agreement to acquire DxCG, Inc. for a total purchase price of approximately $10,000,000, of which the Company intended to pay $6,000,000 in cash and $4,000,000 in common stock. Under the terms of this agreement and at the time this agreement was executed, the Company deposited $200,000 into an escrow account. This sum was intended to be released to DxCG if DxCG terminated the merger agreement because the Company failed to satisfy certain conditions to closing, including third party financing for the cash portion of the purchase price. The Company did not secure the financing by January 31, 2003 and accordingly such agreement was terminated resulting in the Company charging the $200,000 to earnings.

NOTE 10--SUBSEQUENT EVENTS

Related Party Transactions

During May 2003, the Company's Chief Executive Officer advanced $150,000 to the Company for working capital. Such advance is due on demand with an interest rate of 8% per annum.

Private Placement Memorandum

During March 2003, the Company commenced a private placement in order to raise additional funds. The Company is offering to sell up to 1,000,000 Units of equity securities, each consisting of one share of common stock and one warrant to acquire one share of common stock.

Item 2. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

The following discussions of the financial condition and related results of operations of I-trax, Inc. and its subsidiaries should be reviewed in conjunction with our financial statements and related notes appearing on the preceding pages as well as our audited financial statements for the fiscal year ended December 31, 2002, incorporated into our Form 10-KSB, filed on April 15, 2003.

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements, which are based upon current expectations and involve a number of risks and uncertainties. In order for I-trax, Inc. to utilize the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, investors are hereby cautioned that these statements may be affected by important factors, which are set forth below and elsewhere in this report, and consequently, actual operations and results may differ materially from those expressed in these forward-looking statements. The important factors include our ability to continue as a going concern and our ability to execute contracts for disease management services and software technology.

Our Business

I-trax has historically developed enterprise and client server applications for collecting disease specific data at the point-of-care for several large hospitals and medical centers. In 2001, we expanded our product lines by developing additional software applications, adding services, and completing several strategic acquisitions.

I-trax now provides focused disease management and comprehensive health management solutions designed to improve the health of the populations we serve while reducing the cost of medical care. Our solutions are designed to meet the needs of insurers, employers and consumers seeking to reduce costs and improve the quality of care by enabling healthcare organizations to evolve from fragmented care management practices into a cohesive and efficient system of healthcare management. Our solutions are fully integrated, use a single-data platform that allows all caregivers to share records and enable our clients to provide true coordination of care.

Our Services

Our services are divided into three portfolios: Prediction, Prevention and Care Management. The specific services in each portfolio are:

Prediction

First, we license third party software to analyze our clients' historical information to predict future healthcare costs. By using predictive modeling, we identify our clients' future healthcare costs, the health conditions that will drive those costs and the people within our clients' populations who are at risk for those conditions.

Prevention

Second, we use what we believe to be state-of-the-art demand management and nurse triage services to effect our targeted interventions. Our services incorporate nationally recognized, evidence-based clinical guidelines to ensure that all caregivers and consumers are following the best practices. We also link the key stakeholders in this care delivery effort--consumers, physicians and care managers--through secure, web-based solutions. These solutions facilitate real-time sharing of information and support the adherence to our population and disease management programs. Our prevention products and services include:

o MyNurseLine(TM)--24 hours per day, 7 days per week demand management and nurse triage service staffed by skilled nurses;
o DoctorsLine(TM)--an after-hours custom triage and administrative outsourcing service;
o Health-e-Community(TM)--a specialized enrollment, marketing and fulfillment service;

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o eImmune(R)--a clinical immunization and related adverse events tracking system;
o Medicive(R) Medical Enterprise Data System--a proprietary software architecture developed to collect, store, retrieve and analyze a broad range of information used in the healthcare industry, which serves as the foundation for our Care Coordination Platform offerings;
o Health-e-Coordinator(TM)--a web-based care management application; o MyFamilyMD(TM)--a consumer health management portal; and
o CarePrime(R)--a clinical care application for physicians and clinicians.

Care Services

Finally, we offer what we believe to be the industry's most comprehensive health management and disease management solutions. Our disease management solutions currently address congestive heart failure (CHF), coronary artery disease (CAD), asthma, diabetes, lower back pain and chronic obstructive pulmonary disease (COPD). We also develop programs using evidenced-based guidelines based on our clients' requests. Health-e-Life Program(TM) is our comprehensive end-to-end solution for care management.

Listing on the American Stock Exchange

Effective January 3, 2003 we completed a 1-for-5 reverse stock split. Our board of directors and stockholders authorized the reverse stock split in connection with the then pending application to list our common stock on the American Stock Exchange. We began trading on the American Stock Exchange on January 15, 2003 under the symbol "DMX."

Corporate Overview

I-trax was incorporated in the State of Delaware on September 15, 2000. We currently have three wholly owned subsidiaries: I-trax Health Management Solutions, Inc. (formerly known as I-Trax.com, Inc.) ("Health Management"), a corporation, and iSummit Partners, LLC and WellComm Group, LLC, each a single member limited liability company. We conduct our operations through Health Management and WellComm Group, LLC.

Our Customers

As of March 31, 2003, we served approximately 62 customers. Our customers include physician groups, hospitals, health plans, including plans providing Medicaid and Medicare covered services, universities and colleges and agencies and branches of the United States government.

We continue to focus our marketing efforts on the following markets: health plans and health insurers; self-insured employers; military, government and public health agencies; college and university student health services; and hospital and health systems.

Results of Operations

Three Months Ended March 31, 2003 Compared to Three Months Ended March 31, 2002.

Revenue for the three months ended March 31, 2003 was $1,616,131, an increase of $1,209,774 or 298% from $406,357 for the three months ended March 31, 2002. Total revenue was comprised of two components: (1) prevention and care services revenue of $701,429; and (2) technology license and services revenue of $914,702, of which $702,000 represents revenue from the exclusive license of CarePrime(R) and MyFamilyMD(TM) we granted to UICI and certain related software development work. We contracted this revenue in the third quarter of 2002 and we are recognizing it based on delivering required deliverables. We expect that in future periods we will generate a significant portion of our revenue from delivery of prevention services, such as MyNurseLine(TM), and care services that we deliver using the Health-e-Program(TM).

Cost of revenue for the three months ended March 31, 2003 was $316,080, an increase of 21% from $262,165 for the three months ended March 31, 2002. The increase is attributable to the personnel costs required to service our prevention and care services contracts. We expect that in future periods our cost of revenue will increase

or decrease in proportion to volume of business. This is because we expect to derive a significant portion of our future revenue from prevention and care services contracts, which require human involvement proportionate to the size of the contract.

Outsourced research and development costs were $-0- for the three months ended March 31, 2003 as compared to $119,500 for the three months ended March 31, 2002, a decrease of 100%. The decrease was attributable in significant part to a shift of some software development work from a subcontractor to in-house. Despite the decrease, we expect to continue to spend funds on adding functionality to our products including to the MyFamilyMD(TM) application by adding MedWizard(R) tools, on CarePrime(TM) application, which interacts with MyFamilyMD(TM) and its MedWizard(R) tools, and on Health-e-Coordinator(TM) application by adding additional disease capabilities. Commencing in the first quarter of 2003, we began to capitalize certain costs, which are primarily developer labor costs based on which project the developers were working on and the stage of development of the applicable project. For the three months ended March 31, 2003, we capitalized $187,500, which includes outsourced services and certain internal costs.

General and administrative expenses (excluding salary and related benefits which are discussed separately below) decreased from $382,119 for the three months ended March 31, 2002 to $308,504 for the three months ended March 31, 2003, a decrease of 19%. Our ability to reduce general and administrative expenses is attributable to increased efficiencies and the implementation of stringent budgetary controls. We believe that currently, we have the resources to handle increased revenue with minimal incremental fixed costs.

Salary and related benefits were $858,863 for the three months ended

March 31, 2003 as compared to $1,182,899 for the three months ended March 31, 2002. The decrease in salary and related benefits from the three months ended March 31, 2002 to the three months ended March 31, 2003 was $324,036 or 27%. Again, the reduction in salary and related benefits costs is a direct result of continued efforts by us to consolidate certain functions and improve efficiencies.

Depreciation and amortization expenses were $436,548 for the three months ended March 31, 2003, as compared to $219,987 for the three months ended March 31, 2002. The increase is primarily attributable to the amortization of the value of intangible assets acquired in the WellComm acquisition.

Marketing and advertising expenses were $81,757 for the three months ended March 31, 2003 as compared to $170,456 for the three months ended March 31, 2002. The decrease of 52% resulted from stringent budgetary constraints.

Interest expense for the three months ended March 31, 2003 was $320,527, increasing by $135,768 or 74% from $184,759 for the three months ended March 31, 2002. For the three months ended March 31, 2003, interest expense includes the amortization and accretion on items related to the $2,000,000 debenture as follows: $118,581 associated with the beneficial conversion feature of the debenture; and $133,961 associated with the value of the warrants issued with the debenture. The balance of $67,985 is associated with interest on other debt and related party loans. Generally, the beneficial conversion value represents the benefit to the investor that results from purchasing an immediately convertible debenture with a conversion price that is less than fair market value on the date of purchase after first allocating a portion of the proceeds from the debenture to the associated warrants.

Amortization of debt issuance and conversion costs was $57,525 and $36,384 for the three months ended March 31, 2003 and 2002, respectively. These were costs incurred in selling the $2,000,000 debenture to Palladin and are being amortized over the two year life of the debenture.

During the quarter ended March 31, 2003, in connection with the termination of our agreement to acquire DxCG, Inc., a Boston-based predictive modeling company, we charged $200,000 to earnings. This sum was released to DxCG following DxCG's termination of the merger agreement because certain conditions to closing were not satisfied, including third party financing for the cash portion of the purchase price.

Our net loss was $963,673 for the three months ended March 31, 2003 as compared to a net loss of $2,151,912 the three months ended March 31, 2002, a decrease of 55%.

Liquidity and Capital Resources

Working Capital Deficiency

As of March 31, 2003, we had a working capital deficiency of $2,608,126. Through March 31, 2003 and the date of this report, we have been able to finance these deficits with loans from our senior management team, their affiliates and a director. Although we continue to run cash flow deficits as of the date of this report, we also continue to make progress towards producing positive cash flow from operations and we expect, although no assurances exist, that we will reach operating cash flow break even in the third quarter of 2003.

Additionally, during the three months ended March 31, 2003 and through the date of this report, our Chief Executive and Operating Officers, along with certain stockholders advanced to us in the form of loans $729,500 for working capital. Our Chief Executive and Operating Officers have committed to continue to fund us until we generate positive cash flow from operations and raise additional funds in the private placement, which we commenced subsequent to year-end, but at least through January 1, 2004.

Sources and Uses of Cash

Despite our negative cash flows from operations, which amounted to $576,361 for the three months ended March 31, 2003 and $1,543,168 for the three months ended March 31, 2002, we have been able to secure funds to support our operations. During the quarter ended March 31, 2002, we secured funding by selling equity securities and a debenture, which aggregated approximately $3,200,000. Of the $3,200,000, we used approximately $2,200,000 to acquire WellComm and the remainder to fund operations. During the quarter ended March 31, 2003, we also received (net of repayments) $439,500 from officers and related parties.

As of March 31, 2003, our current liabilities were $3,312,655 of which $464,500 is due to related parties. The remainder of current liabilities of approximately $2,800,000 is made up, primarily, of trade payables of approximately $1,000,000 accrued expenses of approximately $960,000, $300,000 credit line payable, which was assumed with the acquisition of WellComm and approximately $530,000 of deferred revenue. We have good relationships with all of our vendors.

As of March 31, 2003, the face value of our long-term debt amounted to approximately $3,700,000. This sum is comprised of 6% convertible senior debenture in the aggregate principal amount of $2,000,000 (but carrying value of $1,072,703) held by Palladin, for which principal and deferred interest is not due until February 3, 2004, $692,809 (but carrying value of $425,714) held by a group of investors led by Psilos Group Partners, L.P., which includes Nantucket Healthcare Ventures I, L.P., a venture fund managed by our Chief Executive Officer, for which principal and interest is not due until March 2006, and approximately $1,200,000 held by executive officer and members of our Board of Directors.

Critical Accounting Policies

Impairment of Goodwill and Intangible

We operate in an industry that is rapidly evolving and extremely competitive. It is reasonably possible that our accounting estimates with respect to the useful life and ultimate recoverability of our carrying basis of goodwill and intangible assets could change in the near term and that the effect of such changes on the financial statements could be material.

Revenue Recognition

We derive our revenue pursuant to different type contracts, including perpetual software licenses, subscription licenses and custom development services, all of which may also include support services revenue such as licensed software maintenance, training, consulting and web hosting arrangements. As described below, significant management judgments and estimates must be made and used in connection with the revenue recognized in any accounting period. Material differences may result in the amount and timing of our revenue for any period if our management made different judgments or utilized different estimates.

We license our software products for a specific term or on a perpetual basis. Most of our license contracts also require maintenance and support. We apply the provisions of Statement of Position 97-2, "Software Revenue Recognition," as amended by Statement of Position 98-9 "Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions" to all transactions involving the sale of software products and hardware transactions where the software is not incidental. For hardware transactions where software is not incidental, we do not unbundle the fee and we do not apply separate accounting guidance to the hardware and software elements. For hardware transactions where no software is involved we apply the provisions of Staff Accounting Bulletin 101 "Revenue Recognition." In addition, we apply the provisions of Emerging Issues Task Force Issue No. 00-03 "Application of AICPA Statement of Position 97-2 to Arrangements that Include the Right to Use Software Stored on Another Entity's Hardware" to our hosted software service transactions.

We recognize revenue from the sale of software licenses when persuasive evidence of an arrangement exists, the product has been delivered, the fee is fixed and determinable and collection of the resulting receivable is reasonably assured. Delivery generally occurs when product is delivered to a common carrier.

At the time of the transaction, we assess whether the fee associated with our revenue transactions is fixed and determinable and whether or not collection is reasonably assured. We assess whether the fee is fixed and determinable based on the payment terms associated with the transaction. If a significant portion of a fee is due after our normal payment terms, which are 30 to 90 days from invoice date, we account for the fee as not being fixed and determinable. In these cases, we recognize revenue as the fees become due.

We assess collection based on a number of factors, including past transaction history with the customer and the credit-worthiness of the customer. We do not request collateral from our customers. If we determine that collection of a fee is not reasonably assured, we defer the fee and recognize revenue at the time collection becomes reasonably assured, which is generally upon receipt of cash.

For arrangements with multiple obligations (for example, undelivered maintenance and support), we allocate revenue to each component of the arrangement using the residual value method based on the fair value of the undelivered elements. This means that we defer revenue from the arrangement fee equivalent to the fair value of the undelivered elements.

We recognize revenue for maintenance services ratably over the contract term. Our training and consulting services are billed based on hourly rates, and we generally recognize revenue as these services are performed. However, at the time of entering into a transaction, we assess whether or not any services included within the arrangement require us to perform significant work either to alter the underlying software or to build additional complex interfaces so that the software performs as the customer requests. If these services are included as part of an arrangement, we recognize the entire fee using the percentage of completion method. We estimate the percentage of completion based on our estimate of the total costs estimated to complete the project as a percentage of the costs incurred to date and the estimated costs to complete.

We recognize service revenue as the services are rendered. We contracts with our customers to provide services based on an established monthly fee, a per-call charge or a combination of both.

Although as of the date of these financials, we have not entered into any risk-based contracts, we expect that in the very near future it will do so. These types of contracts are generally for terms of three to five years, provide for an automatic renewal and typically provide that a percentage of our fees may be refundable ("performance based") based on achieving a targeted percentage reduction in the customer's healthcare costs.

Item 3. Controls and Procedures

Within the 90-day period prior to the filing of this report, we carried out an evaluation under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer of the effectiveness of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective to ensure that information we are required to disclose in reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Subsequent to the date of this evaluation, there were no significant changes in our internal controls or in other factors that could significantly affect the disclosure controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Changes in Securities

None.

Item 3. Defaults upon Senior Securities

We did not default upon any senior securities during the quarter ended March 31, 2003.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

99.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

We filed a current report on Form 8-K with the Securities and Exchange

Commission on February 12, 2003 to report the dismissal of PricewaterhouseCoopers, LLP as our auditors.

We filed a current report on Form 8-K with the Securities and Exchange Commission on February 19, 2003 to report the engagement of Goldstein Golub Kessler LLP as our auditors.

SIGNATURE

In accordance with Section 12 of the Securities Exchange Act of 1934, the registrant caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

I-TRAX, INC.

Date: May 14, 2003

By: /s/ Frank A. Martin

Name: Frank A. Martin
Title: Chief Executive Officer

CERTIFICATION

I, Frank A. Martin, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of I-trax, Inc.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

/s/ Frank A. Martin

Frank A. Martin
Chief Executive Officer

CERTIFICATION

I, Anthony Tomaro, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of I-trax, Inc.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in

Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

/s/ Anthony Tomaro

Anthony Tomaro, CPA
Chief Financial Officer