MEDIX RESOURCES INC
Form 10-Q
May 15, 2003

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

FORM 10-Q

(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 OF 1934

For the transition period from __________ to ___________

Commission File Number: 0-24768

MEDIX RESOURCES, INC.
(Exact name of issuer as specified in its charter)

Colorado	84-1123311
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

420 Lexington Avenue, Suite 1830 New York, New York	10170
(Address of principal executive offices)	(Zip Code)

(212) 697-2509
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

[X] Yes [ ] No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2of the Exchange Act).

[ ] Yes [X] No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of May 10, 2003.

Common Stock, $0.001 par value	80,767,065
Class	Number of Shares

MEDIX RESOURCES, INC.

INDEX

MEDIX RESOURCES, INC.

Consolidated Balance Sheets

	March 31, 2003 (Unaudited)	December 31, 2002
Assets		
Current assets		

Cash	$ 38,000	$ 1,369,000
Stock subscription receivable	--	76,000
Note receivable	25,000	--
Prepaid expenses and other	391,000	478,000
Total current assets	454,000	1,923,000
Non-current assets		
Property and equipment, net	255,000	265,000
Goodwill, net	1,943,000	1,605,000
Total non-current assets	2,198,000	1,870,000
Total assets	$ 2,652,000	$ 3,793,000
Liabilities and Stockholders' Equity		
Current liabilities		
Notes payable	$ 134,000	$ 175,000
Accounts payable	1,256,000	961,000
Accounts payable - related parties	115,000	130,000
Accrued expenses	268,000	736,000
Deferred revenue	228,000	173,000
Total current liabilities	2,001,000	2,175,000
Commitments and contingencies		
Stockholders' equity		
1996 Preferred stock, 10% cumulative convertible, $1 par value, 488 shares authorized, 155 shares issued, 1 share outstanding, liquidation preference $19,000	--	--
1997 convertible preferred stock, $1 par value, 300 shares authorized, 167.15 shares issued, zero shares outstanding	--	--
1999 Series A convertible preferred stock, $1 par value, 300 shares authorized, 300 shares issued, zero shares outstanding	--	--
1999 Series B convertible preferred stock, $1 par value, 2,000 shares authorized, 1,832 shares issued and zero shares outstanding	--	--
1999 Series C convertible stock, $1 par value, 2,000 shares authorized, 1,995 shares issued, 75 and 75 shares outstanding, liquidation preference $75,000 and $75,000	--	--
Common stock, $0.001 par value, 125,000,000 shares authorized, 80,767,065 and 77,160,817 issued and outstanding, respectively	81,000	77,000
Dividends payable with common stock	9,000	9,000
Additional paid-in capital	46,092,000	44,605,000
Accumulated deficit	(45,531,000)	(43,073,000)
Total stockholders' equity	651,000	1,618,000

Total liabilities and stockholders' equity	$ 2,652,000	$ 3,793,000

See notes to consolidated financial statements.

MEDIX RESOURCES, INC.

Unaudited Consolidated Statements of Operations

	For the Three Months Ended March 31, 2003	2002
Revenues	$ --	$ 10,000
Costs and expenses		
Software and technology costs	393,000	585,000
Selling, general and administrative expenses	1,927,000	890,000
Costs associated with terminated acquisition	142,000	--
Total operating expenses	2,462,000	1,475,000
Other income (expense)		
Other income	9,000	1,000
Interest expense	(3,000)	(10,000)
Financing costs	(1,000)	(203,000)
Total other (expense) income	5,000	(212,000)
Loss from continuing operations and net loss	$ (2,457,000)	$ (1,677,000)
Basic and diluted weighted average common shares outstanding	79,181,065	57,861,294
Basic and diluted loss per common share	$ (0.03)	$ (0.03)

See notes to consolidated financial statements

MEDIX RESOURCES, INC.

Unaudited Consolidated Statements of Cash Flows

	For the Three Months Ended March 31, 2003	For the Three Months Ended March 31, 2002
Cash flows from operating activities		
Net loss	$(2,457,000)	$(1,677,000)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	21,000	80,000
Amortization of discount and warrants-convertible debt	--	70,000
Common stock, options and warrants issued for settlements, consulting services and financing costs	72,000	149,000
Net changes in current assets and current liabilities	56,000	(42,000)
	149,000	257,000
Net cash used in operating activities	(2,308,000)	(1,420,000)
Cash flows from investing activities		
Software development costs incurred	--	(81,000)
Purchase of property and equipment	(1,000)	(9,000)
Note Receivable	(25,000)	--
Business acquisition costs, net of cash acquired	(300,000)	--
Net cash used in investing activities	(326,000)	(90,000)
Cash flows from financing activities		
Proceeds from issuance of debt and notes payable	--	1,000,000
Principal payments on debt and notes payable	(68,000)	(77,000)
Issuance of preferred and common stock, net of offering costs	1,209,000	882,000
Proceeds from the exercise of options and warrants	162,000	4,000
Net cash provided by financing activities	1,303,000	1,809,000
Net increase (decrease) in cash	(1,331,000)	299,000
Cash - beginning of period	1,369,000	8,000
Cash - end of period	$ 38,000	$ 307,000

Non-cash and investing and financing activities for the three months ended March 31, 2003:

Options and warrants valued at $72,000 for services provided.

100,000 shares of $0.001 par value common stock valued at $48,000 issued with cash of $300,000; the total being the purchase price of the ePhysician Assets.

Non-cash and investing and financing activities for the three months ended March 31, 2002:

Options and warrants valued at $17,000 for services provided.

Options valued at $132,000 as financing costs issued to an officer for past financial support.

An accrued liability of $590,000 for warrants earned in 2001 was satisfied by issuing the warrants.

In-the-money conversion feature on convertible debt valued at $70,000.

See notes to consolidated financial statements

MEDIX RESOURCES, INC.

Notes to Consolidated Financial Statements

1. Summary Of Significant Accounting Policies

The consolidated financial statements are unaudited and reflect all adjustments (consisting only of normal recurring adjustments), which are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the interim periods presented. The unaudited consolidated balance sheets as of March 31, 2003 have been derived from audited financial statements. The unaudited consolidated financial statements contained herein should be read in conjunction with the financial statements and notes thereto contained in the Company's Form 10-K for the fiscal year ended December 31, 2002. The results of operations for the three months ended March 31, 2003 are not necessarily indicative of the results for the entire fiscal year ending December 31, 2003 or for any other interim period in the fiscal year ending December 31, 2003.

2. Acquisition Of Assets

On March 4, 2003 the Company purchased from Comdisco Ventures, Inc., substantially all the assets formerly used by ePhysician, Inc. in its software and technology business. Prior to its cessation of operations in 2002, ePhysician developed and provided ePhysician Practice, a suite of software products that enables physicians to prescribe medications, access drug reference data, schedule patients, view formulary information, review critical patient information and capture charges at the point of care using a Palm OS-based handheld device and the Internet.

The aggregate purchase price was $348,000, including $300,000 of cash and 100,000 shares of common stock valued at $48,000. The purchase price was allocated to the assets purchased based on the fair market values at the date of acquisition as follows:

Computer equipment	$ 10,000

Goodwill	338,000
	$348,000

3. Goodwill

	March 31, 2003	December 31, 2002
Goodwill	2,577,000	$ 2,239,000
Less accumulated amortization	(634,000)	(634,000)
Net Goodwill	$ 1,943,000	$ 1,605,000

Total Net Goodwill at March 31, 2003 includes $1,605,000 related to Goodwill acquired through the Cymedix acquisition. The balance of $338,000 relates to the March 2003 acquisition of assets formerly owned by ePhysician, Inc. and has been assigned to the same reporting unit as the Cymedix goodwill.

4. Equity Transactions

Acquisition of ePhysician Assets

On March 4, 2003, the Company completed the acquisition of certain assets previously used in the ePhysician business for total consideration of $348,000 comprised of $300,000 in cash and 100,000 shares of the Company's common stock. The common stock was valued at $48,000 based on the share price on the date of the closing.

Options and Warrant Exercise

During the quarter ended March 31, 2003, the Company received proceeds of $162,000 from the exercise of stock options and warrants resulting in the issuance of 355,000 shares of common stock. In the comparable period of 2002, the Company received proceeds of $4,000 from the exercise of stock options and warrants resulting in the issuance of 15,000 shares of common stock.

Warrants

The company issued warrants to a shareholder to purchase 1,305,283 shares of common stock at an exercise price of $0.50 that expire February 5, 2006, and have been treated as a capital transaction with no net value being recorded to equity.

At March 31, 2003 the Company had the obligation to provide 5,150,000 warrants under the Amended and Restated Common Stock Purchase Warrant with WellPoint Pharmacy Management if certain performance criteria specified are met. No additional warrants were earned during the first quarter of 2003. Had all of the remaining performance criteria been met at March 31, 2003, the fair value of the related warrants and resulting expense would have been approximately $397,000, using the Black-Scholes option pricing model, with assumptions of 104% volatility, no dividend yield and a risk-free rate of 5.5%.

Private Placements

During January and February 2003, the Company completed a private placement of its $.001 par value common stock and raised proceeds of $1,209,000, net of

$51,000 in fees. A total of 3,151,250 units were placed, each consisting of one share of common stock and one warrant. Subscribers purchased each unit for $0.40 and are entitled to exercise warrant rights to purchase one share of the common stock of the Company at a purchase price of $.0.50 per share for a five year period on or after January 1, 2003 and prior to January 1, 2008. The Company registered the above shares and shares covered by the warrants in a registration statement with the Securities and Exchange Commission.

During April 2003, the Company completed the private placement of $400,000 in convertible notes. The notes have an 18-month term, bear interest at 7% per annum and are convertible into common stock at a price of $0.15 per share. The Company received a total of $351,000 from this placement net of offering costs of $49,000. In connection with this transaction, the Company issued warrants to purchase 1.5 million shares of common stock at an exercise price of $0.01 per share, which we valued at $400,000 based on running a Black Scholes calculation limited to the amount of proceeds received of $400,000. The Company will record this transaction and related discount of $400,000, which will be amortized as finance costs over the next 18 months. The Company has committed to register the shares underlying the convertible notes in a registration statement to be filed with the Securities and Exchange Commission within 90 days of completion of the offering.

5. Stock Options

During the first quarter of 2003, the Company issued to employees options to purchase 615,000 shares of common stock at exercise prices ranging from $0.29 to $0.68. Such options have been granted under the 1999 Plan. The Black-Scholes option-pricing model estimates the options fair value to be $289,000 by considering the following assumptions: the options exercise price and expected life, the underlying current market price of the stock and expected volatility, expected dividends and the risk free interest rate corresponding to the term of the option.

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation." Accordingly, no compensation cost has been recognized for the stock option plan. Had compensation cost for the Company's options issued to employees been determined based on the fair value at the grant date for awards consistent with the provisions of SFAS No. 123, as amended by SFAS No. 148, the Company's net loss and basic loss per common share would have been changed to the pro forma amounts indicated below:

	For the Three Months Ended March 31,	
	2003	2002
Net loss - as reported	$(2,457,000)	$ (1,677,000)
Deduct recorded employee compensation expense	--	--
Add fair value of employee compensation expense ...	(289,000)	(498,000)
Net loss per common share - pro forma	$(2,746,000)	(2,175,000)
Basic loss per common share - as reported	$ (0.03)	$ (0.03)
Basic loss per common share - pro forma	$ (0.04)	$ (0.04)

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used:

	For the Three Months Ended March 31, 2003	2002
Approximate risk free rate	4.50%	4.50%
Average expected life	5 years	5 years
Dividend yield	0%	0%
Volatility	97%	95%

6. Related Party Transactions

During February 2002, the Company repaid an advance from a related party in the amount of $166,000. During the third quarter of 2002, the Company received $130,000 from a related party in the form of a loan. At March 31, 2003, $115,000 of that loan remains outstanding. Payment terms agreed with the related party call for repayment of the loan in May 2003.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The Company develops and intends to market healthcare communication technology products for electronic prescribing of drugs, laboratory orders and laboratory results. These technologies are designed to provide connectivity of medical related information between point-of-care providers ("POCs") (i.e. physician or caretaker) and specific healthcare value chain intermediaries ("HVCIs") (e.g. pharmacy, lab, pharmacy benefit managers, pharmaceutical companies, etc.). The Company's technology is designed to improve the accuracy and the efficiency of the processes of drug prescribing and the ordering of laboratory tests and the receiving of laboratory results.

Forward-Looking Statements and Associated Risks

This Report contains forward-looking statements, which statements relate to events or transactions that have not yet occurred, our expectations or estimates for our future operations and economic performance, our growth strategies or business plans or other events that have not yet occurred. Such statements can be identified by the use of forward-looking terminology such as "might," "may," "will," "could," "expect," "anticipate," "estimate," "likely," "believe," or "continue" or the negative thereof or other variations thereon or comparable terminology. The following paragraphs contain discussions of important factors that should be considered by prospective investors for their potential impact on forward-looking statements included in this Report. These important factors, as well as other factors described in our Annual Report on Form 10-K for the year ended December 31, 2002, may cause actual results to differ materially and adversely from the results expressed or implied by the forward-looking statements.

We have reported net losses of ($9,014,000), ($10,636,000) and ($5,415,000) for the years ended December 31, 2002, 2001, and 2000, respectively, and a net loss of ($2,457,000) for the three months ended March 31, 2003. At March 31, 2003 we had an accumulated deficit of ($45,531,000). These losses and negative operating cash flow have caused our accountants to include a "going concern" qualification in their report in connection with their audit of our financial statements for the year ended December 31, 2002.

We expect to continue to experience losses, in the near term, until such time as our technologies can be successfully deployed with physicians and produce revenue. The continuing development, marketing and deployment of our technologies will depend upon our ability to obtain additional financing. We are funding our operations now through the sale of our securities. There can be no assurance that additional investments or financings will be available to us on favorable terms, or at all, as needed to support the development and deployment of our technologies. Failure to obtain such capital on a timely basis could result in lost business opportunities, the sale of our technology at a distressed price or the financial failure of our company. We currently have 125,000,000 shares of common stock authorized for issuance under our certificate of incorporation, and as of March 31, 2003, had 80,767,065 outstanding shares of common stock and 36,247,226 shares of common stock reserved for issuance under existing options, warrants and outstanding shares of our convertible preferred stock. We intend to request that our shareholders approve, at a special meeting of shareholders, an increase in the number of shares of common stock that we are authorized to issue. However, we cannot predict the outcome of that vote. If our shareholders do not approve of the increase in the number of shares of common stock that we are authorized to issue, we will be unable to raise additional capital.

The success of our products and services in generating revenue may be subject to the quality and completeness of the data that is generated and stored by the physician or other healthcare professionals and entered into our interconnectivity systems, including the failure to input appropriate or accurate information. Failure or unwillingness by the healthcare professional to accommodate the required information quality may result in the payor refusing to pay Medix for its services.

The introduction of connectivity products in that market has been slow due to the large number of small practitioners who are resistant to change, as well as the financial investment or workflow interruptions associated with change, particularly in a period of rising pressure to reduce costs in the market. We are currently devoting significant resources toward the development of products. There can be no assurance that we will successfully complete the development of these products in a timely fashion or that our current or future products will satisfy the needs of the healthcare information systems market. Further, there can be no assurance that products or technologies developed by others will not adversely affect our competitive position or render our products or technologies noncompetitive or obsolete.

Certain of our products provide applications that relate to patient medication histories and treatment plans. Any failure by our products to provide accurate, secure and timely information could result in product liability claims against us by our clients or their affiliates or patients. We maintain insurance that we believe currently is adequate to protect against claims associated with the use of our products, but there can be no assurance that our insurance coverage would adequately cover any claim asserted against us. The limits of that coverage are $2,000,000 in the aggregate and $1,000,000 per occurrence. A successful claim brought against us in excess of our insurance coverage could have a material adverse effect on our results of operations, financial condition or business. Even unsuccessful claims could result in the expenditure of funds in litigation, as well as diversion of management time and resources.

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

Litigation or regulatory proceedings may be necessary to protect our intellectual property rights, such as the scope of our patent. In fact, the computer software industry in general is characterized by substantial litigation. Such litigation and regulatory proceedings are very expensive and could be a significant drain on our resources and divert resources from product development. There is no assurance that we will have the financial resources to defend our patent rights or other intellectual property from infringement or claims of invalidity. We have been notified by a party that it believes our pharmacy product may infringe on patents that it holds. We have retained patent counsel who has made a preliminary investigation and determined that our product does not infringe on the identified patents. At this time no legal action has been instituted.

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

The healthcare and medical services industry in the United States is in a period of rapid change and uncertainty. Governmental programs have been proposed, and some adopted, from time to time, to reform various aspects of the U.S. healthcare delivery system. Some of these programs contain proposals to increase government involvement in healthcare, lower reimbursement rates and otherwise change the operating environment for our customers. Particularly, HIPAA and the regulations that are being promulgated thereunder are causing the healthcare industry to change its procedures and incur substantial cost in doing so. Although we expect these regulations to have the beneficial effect of spurring adoption of our software products, we cannot predict with any certainty what impact, if any, these and future healthcare reforms might have on our software business.

As of April 30, 2003, we had 80,767,065 shares of common stock outstanding. As of that date, approximately 33,283,059 shares were issuable upon the exercise of outstanding options, warrants or other rights, and the conversion of preferred stock and convertible debentures. Most of these shares will be immediately saleable upon exercise or conversion under registration statements we have filed with the SEC. The exercise prices of options, warrants or other rights to acquire common stock presently outstanding range from $0.01 per share to $4.97 per share. During the respective terms of the outstanding options, warrants, preferred stock and other outstanding derivative securities, the holders are given the opportunity to profit from a rise in the market price of the common stock, and the exercise of any options, warrants or other rights may dilute the book value per share of the common stock and put downward pressure on the price of the common stock. The existence of the options, conversion rights, or any outstanding warrants may adversely affect the terms on which we may obtain additional equity financing. Moreover, the holders of such securities are likely to exercise their rights to acquire common stock at a time when we would otherwise be able to obtain capital on terms more favorable than could be obtained through the exercise or conversion of such securities.

As with any business, growth in absolute amounts of selling, general and administrative expenses or the occurrence of extraordinary events could cause actual results to vary materially and adversely from the results contemplated by the forward-looking statements. Budgeting and other management decisions are subjective in many respects and thus susceptible to incorrect decisions and periodic revisions based on actual experience and business developments, the impact of which may cause us to alter our marketing, capital expenditures or other budgets, which may, in turn, affect our results of operation. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions, and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate, and therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

In light of the significant uncertainties inherent in the forward-looking information included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives or plans for the Company will be achieved.

Results of Operations

At present we are not receiving revenue from the sale of our products.

Software and technology costs totaled $393,000 during the quarter ended March 31, 2003, a $192,000 decrease over the prior year's spending of $585,000. In 2002, technology costs included $80,000 in license fees related to technologies that are no longer in use and $50,000 of amortized capitalized development expenses. Effective the end of 2002, the Company will not be capitalizing its software development expenses. In 2003, software development salaries and benefits were approximately $62,000 lower than the comparable period in 2002 reflecting a reduction in technology staffing.

Selling, general, and administrative expenses totaled $1,927,000 during the quarter ended March 31, 2003, versus $890,000 in the comparable period last year. Consulting expenses amounted to $447,000 as the Company increased spending to develop marketing relationships in newly defined market segments. Fees for legal services amounted to $246,000 and primarily relate to Securities and Exchange Commission registration requirements and activities associated with various business development initiatives. Accounting expenses in the quarter of $240,000 are primarily due to activities in support of Securities and Exchange Commission filings and business development initiatives.

The comparison to prior year is also impacted by the funding of corporate advertising initiatives in 2003 ($51,000) and 2002 capitalized software development expenses ($81,000). These increases are somewhat mitigated by lower expenses for occupancy ($80,000) and compensation ($58,000) during the quarter ended March 31, 2003.

Costs associated with terminated acquisitions amount to $142,000 and relate to the write-off of certain expenses associated with the PocketScript acquisition. We entered into an agreement to acquire PocketScripts, LLC in December 2002; the agreement was terminated in March 2003.

Other income/expense reflects a net income of $5,000, which is substantially improved versus the prior year expense of $212,000. The 2002 net expense included $132,000 being recorded for options issued to an officer of the Company for past financial support in addition to a charge for an in-the-money conversion feature valued at $70,000 on a $1,000,000 convertible note payable.

Net loss for the three months ended March 31, 2003 total $ 2,457,000, as compared with a net loss of $1,677,000 for the three months ended March 31, 2002.

Liquidity and Capital Resources

In the current quarter, the Company provided advances of $25,000 pursuant to a promissory note to a company that has technology that the Company is potentially interested in acquiring (either whole or in part). No agreement exists for the acquisition of this technology, and there can be no assurance that the Company will desire to acquire the technology or that an agreement can be reached with this Company.

As of March 31, 2003 the Company has $38,000 in cash and a net working capital deficit of ($1,547,000). During the three months ended March 31, 2003, our cash and cash equivalents decreased by $1,331,000. Net cash used in operating activities was $2,308,000 reflecting our net loss of $2.5 million. During the three months ended March 31, 2003, net cash used in investing activities was $326,000, reflecting the $300,000 cash part of the ePhysician assets acquisition and the $25,000 Note Receivable referred to in the prior paragraph.

During the three months ended March 31, 2003, the Company raised $1,303,000, net, from financing activities; reflecting $1,209,000 from the issuance of common stock net of offering costs of $51,000 and $162,000 from the exercise of options. These financing amounts were partially offset by principle payments on debt of $ 68,000.

We are funding our operations now through the sale of our securities. There can be no assurance that additional investments or financings will be available to us on favorable terms, or at all, as needed to support the development and deployment of our technologies. Failure to obtain such capital on a timely basis could result in lost business opportunities, the sale of our technology at a distressed price or the financial failure of our company. **See "Forward Looking Statements and Associated Risks".**

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We do not hold or engage in transactions with market risk sensitive instruments.

Item 4. Controls and Procedures

Within the 90 days prior to the date of this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Securities Exchange Act Rule 13a-14. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to us (including our consolidated subsidiaries) required to be included in our periodic SEC filings. There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, the Company is involved in claims and litigation that arise out of the normal course of business. Currently, other than as discussed below, there are no pending matters that in management's judgment might be considered potentially material to us.

Tufts Associated Health Plans, Inc. has threatened to commence litigation against us for allegedly breaching the Services and Support Agreement between Tufts and the Company. Tufts has alleged that because of the termination of the merger agreement between the Company and PocketScript, the Company is unable to provide the products and services as contemplated by the Services and Support Agreement and is in "material breach" thereunder. We disagree with Tufts' allegations. At this time, litigation has not been commenced.

A party has notified us that it believes our pharmacy product may infringe on patents that it holds. We have retained patent counsel who has made a preliminary investigation and determined that our product does not infringe on the identified patents. At this time no legal action has been instituted.

Item 2. Changes in Securities and Use of Proceeds

Set forth below are the unregistered sales of securities by the Company for the quarter reported on.

Security Issued	Date	Number of Shares	Consideration	Purchasers	Exemption Claimed
Common Stock and Warrants covering Common Stock	January 2003	355,000	$ 162,000	A total of 2 accredited investors	Section 4(2)*
Common Stock and Warrants covering Common Stock	February 2003	6,302,500	$ 1,260,500	A total of 9 accredited investors	Section 4(2)*
Common Stock	March 2003	100,000	Purchase of assets from Comdisco Ventures, Inc.**	1 accredited investor	Section 4(2)

* The Company issued the identified securities in private placement transactions to accredited investors who invested in the Company. The 6,657,500 shares of common stock including those covered by warrants were not registered under the Securities Act of 1933 (the "Act") for purposes of the initial issuance of the shares to the investors. For purposes of the initial issuance, the Company relied upon the exemption from registration afforded by Section 4(2) of the Act. To support such exemption, the investors made various investment representations to the Company and the certificates representing the warrants and the shares of common stock bore a restrictive legend.

** In March 2003, the Company acquired certain assets from Comdisco Ventures, Inc. that were formerly used by ePhysician, Inc. The Company paid $300,000 in cash and issued 100,000 shares of its common stock as consideration for the acquisition. The 100,000 shares of common stock were not registered under the Securities Act of 1933 (the "Act") for purposes of the initial issuance of the shares. For purposes of the initial issuance, the Company relied upon the exemption from registration afforded by Section 4(2) of the Act. To support such exemption, various investment representations were made to the Company and the certificates representing the shares of common stock bore a restrictive legend.

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits

Included as exhibits are the items listed on the Exhibit Index. The Registrant will furnish a copy of any of the exhibits listed below upon payment of $5.00 per exhibit to cover the costs to the Registrant of furnishing such exhibit.

b. Reports on Form 8-K during the quarter reported on:

o Form 8-K, dated January 13, 2003, reporting in Item 5 a press release regarding an alliance with PocketScript, LLC and Research in Motion;

o Form 8-K, dated January 21, 2003, reporting in Item 5 a press release regarding an alliance with PocketScript, LLC and Blue Cross Blue Shield of Massachusetts;

o Form 8-K, dated February 3, 2003, filing a copy of the Merger Agreement between the Company and PocketScript, LLC;

o Form 8-K, dated February 6, 2003, reporting in Item 5 a press release regarding an initiative between the Company and Tufts Health Plans;

o Form 8-K, dated February 10, 2003, reporting in Item 5 a press release regarding a pilot program between the Company and Group Health Incorporated;

o Form 8-K, dated March 6, 2003, reporting in Item 5 press releases regarding the Company's acquisition of assets formerly used by ePhysician, Inc., and the termination of the Merger Agreement between the Company and PocketScript, LLC; and

o Form 8-K, dated March 17, 2003, reporting in Item 9 the presentation by the Company at the Roth Capital Partners Growth Stock Conference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: May 15, 2003

MEDIX RESOURCES, INC.
(Registrant)

/s/ Mark W. Lerner
Mark W. Lerner
Chief Financial Officer

MEDIX RESOURCES, INC.

CERTIFICATIONS PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Darryl R. Cohen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Medix Resources, 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 officer 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 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 the registrant's board of directors (or persons performing the equivalent functions):

   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 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 15, 2003

/s/Darryl R. Cohen

Darryl R. Cohen
Chief Executive Officer

I, Mark W. Lerner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Medix Resources, 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 officer 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 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 the registrant's board of directors (or persons performing the equivalent functions):

   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 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 15, 2003

/s/ Mark W. Lerner

Mark W. Lerner
Chief Financial Officer
(Principal financial officer)

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
99.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.