

RAMP CORP  
Form 10-Q/A  
March 30, 2004  
UNITED STATES

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q/A**

(Mark One)

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

84-123311

(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)

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(212) 697-2509

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(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.

Yes       No

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

Yes       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
<hr/>	<hr/>
Class	Number of shares

**MEDIX RESOURCES, INC.**

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**Restatement of Prior Financial Information**

As previously reported, Medix Resources, Inc., in its Form 10-Q for the quarterly period ended June 30, 2003, made certain adjustments to correct its first quarter 2003 financial statements. The financial statement effect of all of these adjustments on the first quarter is summarized in Footnote 2 to the restated financial statements contained herein.

## MEDIX RESOURCES, INC.

## Consolidated Balance Sheets

	March 31, <u>2003</u>	December 31, <u>2002</u>
	(Unaudited)	
Assets		
<b>Current assets</b>		
Cash	\$ 38,000	\$ 1,369,000
Stock subscription receivable	--	76,000
Note receivable	25,000	--
Prepaid expenses and other	<u>252,000</u>	<u>478,000</u>
Total current assets	<u>315,000</u>	<u>1,923,000</u>
<b>Non-current assets</b>		
Property and equipment, net	255,000	265,000
Other non-current assets	139,000	--
Goodwill, net	<u>1,943,000</u>	<u>1,605,000</u>
Total non-current assets	<u>2,337,000</u>	<u>1,870,000</u>
Total assets	<u>\$ 2,652,000</u>	<u>\$ 3,793,000</u>
Liabilities and Stockholders' Equity		
<b>Current Liabilities</b>		
Notes payable	\$ 189,000	\$ 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	--	173,000
Total current liabilities	<u>\$ 1,828,000</u>	<u>\$ 2,175,000</u>
<b>Commitments and contingencies</b>		
<b>Stockholders' equity</b>		
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 share issued, zero shares outstanding	--	--

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1999 Series A Convertible preferred stock, \$1 par value, 300 shares authorized, 300 share 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	46,255,000	44,605,000
Accumulated deficit	(45,521,000)	(43,073,000)
Total Stockholders equity	<u>824,000</u>	<u>1,618,000</u>
Total liabilities and stockholders' equity	<u>\$ 2,652,000</u>	<u>\$ 3,793,000</u>

See notes to unaudited consolidated financial statements

**MEDIX RESOURCES, INC.**

**Unaudited Consolidated Statements of Operations**



For the Three Months Ended

March 31,

2003

2002

Revenues .

\$ 173,000

\$ 1,000

Costs and expenses

Software and technology costs.

393,000

585,000

Selling, general and administrative expenses.

2,090,000

890,000

Costs associated with terminated acquisition.

142,000

	----- --
Total operating expenses.	<u>2,625,000</u>
	<u>1,475,000</u>
Other income (expense).	
	9,000
	1,000
Interest expense.	(3,000)
	(10,000)
Financing costs.	<u>(1,000)</u>
	<u>(203,000)</u>
Total other (expense) income.	<u>5,000</u>
	<u>(212,000)</u>
Net loss.	\$(2,447,000)
	\$ (1,677,000)
Disproportionate deemed dividend issued to certain warrant holders	<u>(1,133,000)</u>
	----- --
Net loss applicable to common shareholders	



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\$(3,580,000)

\$(1,677,000)

Basic and diluted weighted average common shares outstanding.

79,181,065

57,861,294

Basic and diluted loss per common share.

\$(0.05)

\$(0.03)

See notes to unaudited consolidated financial statements

## MEDIX RESOURCES, INC.

## Unaudited Consolidated Statements of Cash Flows

	For the Three Months Ended March 31,	
	2003	2002
Cash flows from operating activities		
Net loss.	<u>\$(2,447,000)</u>	<u>\$(1,677,000)</u>
Adjustments to reconcile loss to net cash flows (used in) provided by operating activities:		
Deferred revenue.	(173,000)	
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.	235,000	149,000
Net changes in assets and liabilities.	<u>56,000</u>	<u>(42,000)</u>
Total adjustments	139,000	257,000
Net cash used in operating activities.	<u>(2,308,000)</u>	<u>(1,420,000)</u>
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.	<u>(300,000)</u>	<u>--</u>
Net cash used in investing activities.	<u>(326,000)</u>	<u>(90,000)</u>
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.	<u>162,000</u>	<u>4,000</u>
Net cash provided by financing activities.	<u>1,303,000</u>	<u>1,809,000</u>
Net increase (decrease) in cash.	(1,331,000)	299,000
Cash - beginning of period	<u>1,369,000</u>	<u>8,000</u>
Cash - end of period	<u>\$38,000</u>	<u>\$307,000</u>

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

Issuance and modification of certain 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:

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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 unaudited consolidated financial statements

**MEDIX RESOURCES, INC.**

**Notes to Unaudited 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. They comply with Regulation S-X and the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required under generally accepted accounting principles for complete financial statements. The consolidated balance sheet as of December 31, 2002 has 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.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company has experienced recurring losses and has a working capital deficit, which raise substantial doubt about its ability to continue as a going concern. The consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty. Management continues to pursue fund-raising activities, including private placements, so as to continue funding the Company's operations.

***Recently Issued Accounting Pronouncements***

In May 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 150, *Accounting for Certain Financial Instruments with Characteristics of Liabilities and Equity* ("SFAS 150"), which is effective for the interim period beginning after March 15, 2003. SFAS 150 establishes standards for the Company's classification of liabilities in the financial statements that have characteristics of both liabilities and equity. The Company believes the adoption of SFAS 150 will not have a material effect on the Company's consolidated financial statements.

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure* ("SFAS 148"), an amendment to SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"), which provides alternatives for companies electing to account for stock-based compensation using the fair value criteria established by SFAS 123 and requires certain incremental disclosures. The Company intends to continue to account for stock-based compensation under the provisions of the Accounting Principles Board's Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB No. 25"), but has provided the required disclosures under SFAS 123 and SFAS 148.

**2. Restatement of First Quarter of 2003**

As previously reported, the Company, in its Form 10-Q for the quarterly period ended June 30, 2003, made certain adjustments to correct its first quarter 2003 financial statements. The financial statement effect of all of these adjustments on the first quarter are summarized as follows:

**Deferred Revenue**

The Company recognizes revenue when it has completed all of its obligations to the customer and is entitled to payment from the customer. The Company, at its stage of development, has not earned recurring revenues from the sale of its technology; it has, however, entered into two agreements to make custom changes to its technology to meet the special needs of two unrelated third parties which agreements generated a total of \$173,000 for the Company. This revenue was originally deferred at December 31, 2002, and the Company did not recognize such revenue in the quarter ended March 31, 2003. However, this deferred revenue was, upon management's re-examination in 2003, determined

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to have been recognizable as of March 31, 2003 as there were no further obligations on the Company's part related to those agreements. Accordingly, this amount has been recorded in revenue in the quarter ended March 31, 2003.

### Warrants

Between October 2002 and March 2003, the Company issued warrants to certain consultants to purchase a total of approximately 266,000 shares of common stock at prices between \$0.50 and \$0.70 per share. The Company previously did not recognize the appropriate amount of compensation charges associated with the vested portion of these warrants during the first quarter of 2003, and thus is restating its financial statements to reflect a catch-up adjustment of \$75,000 to Selling, general and administrative expenses for amounts associated with the three-month period ended March 31, 2003.

During the first quarter of 2003, the Company modified certain warrants previously issued in connection with its Series C Preferred Stock and other financing transactions. The Company previously did not give any accounting recognition to these modifications, and thus is restating its financial statements to reflect \$1,133,000 disproportionate dividends to certain shareholders and a \$88,000 noncash compensation charge associated with certain of these warrant modifications. Warrants to exercise a total of approximately 3,450,000 shares were modified to extend the periods in which they could be exercised. Additionally, of this group of warrants, those representing approximately 172,000 shares were modified to reduce their exercise prices from a range of \$0.80 - \$1.75, to a new exercise price of \$0.50. The Company also exchanged warrants to purchase 1,555,283 shares for warrants to purchase 1,305,283 shares of common stock at a lower exercise price of \$0.50. The Company did not receive any consideration from the holders of the warrants. The original convertible equity and debt instruments with which these warrants were issued had substantially been converted at the warrant modification dates. The exchange, valued at \$1,133,000, was treated as a capital transaction with no net value being recorded to equity.

These modifications were primarily made to increase the likelihood of the holders exercising such warrants. Additionally, the above-noted warrants with changes to both exercise periods and prices were made to compensate investors who had rendered non-employee services (which was not contemplated at the original issue dates) subject to the approval of the Board of Directors, which took place during the first quarter of 2003. As such, the majority of the value of these modifications has been accounted for as a deemed disproportionate dividend to the affected warrant holders during the three-month period ended March 31, 2003. The portion related to non-employee service (\$88,000), however, has been reflected in Selling, general and administrative expenses for the three-month period ended March 31, 2003.

The Company has applied the modification principles in SFAS 123, using the Black-Scholes model to determine the value of these changes in warrants.

The financial statement effect of all of the above-mentioned adjustments on the first quarter of 2003 is summarized as follows:

For the three-month period ending March 31, 2003:

Net loss, as reported	\$ (2,457,000)
Plus: deferred revenues recognized	173,000
Less: warrants issued to, or modified for, consultants	<u>(163,000)</u>
Net loss, as restated	\$ (2,447,000)
Less: deemed dividend in connection with warrant modifications	<u>(1,133,000)</u>
Net loss applicable to common stockholders	\$ (3,580,000)
Basic and diluted loss per common share, as reported	\$(.03)
Basic and diluted loss per common share, as restated	\$(.05)

As of March 31, 2003:

Accumulated deficit, as reported	\$(45,531,000)
Accumulated deficit, as restated	\$(45,521,000)

### 3. Acquisitions

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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 preliminarily allocated to the assets purchased based on the fair market values at the date of acquisition as follows:

Computer equipment	\$10,000
Goodwill	<u>338,000</u>
	\$348,000

The Company is in the process of valuing the acquired assets and thereafter will finalize this purchase price allocation.

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

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.

#### 4. Goodwill

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., based on a preliminary allocation of purchase price, and has been assigned to the same reporting unit as the Cymedix goodwill.

#### 5. 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**

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.

**6. 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 SFAS 123. 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 123, as amended by SFAS 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,	
	<u>2003</u>	<u>2002</u>
Net loss - as reported	\$(2,447,000)	\$(1,677,000)
Disproportionate deemed dividend issued to certain stockholders.	\$(1,133,000)	--
Add fair value of employee compensation expense	(289,000)	(498,000)
Net loss per common share - pro forma	\$(3,869,000)	\$(2,175,000)
Basic loss per common share - as reported	\$ (0.03)	\$ (0.03)

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Basic loss per common share - pro forma \$ (0.05) \$ (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,	
	<u>2003</u>	<u>2002</u>
Approximate risk free rate	4.50%	4.50%
Average expected life	5 years	5 years
Dividend yield	0%	0%
Volatility	97%	95%

**7. 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.

**8. Commitments and Contingencies**

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 PocketScripts, the Company is unable to provide the products and services as contemplated by the Services and Support Agreement and is in "material breach" there under. 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. 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 (\$2,447,000) for the three months ended March 31, 2003. At March 31, 2003 we had an accumulated deficit of (\$45,521,000). 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.

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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 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.

### **Critical Accounting Policies and Items Affecting Comparability**

Quality financial reporting relies on consistent application of Company accounting policies that are based on accounting principles generally accepted in the United States. The policies discussed below are considered by management to be critical to understanding our financial statements and often require management judgment and estimates regarding matters that are inherently uncertain.

#### ***Revenue Recognition***

The Company will recognize revenue only when it has completed all of its obligations to the customer and is entitled to payment from the customer. The Company, at its stage of development, has not earned recurring revenues from the sale of its technology; it has, however, entered into agreements to make custom changes to its technology to meet the special needs of two unrelated third parties.

#### ***Intangibles***

Intangibles represent acquisition costs in excess of the fair value of net tangible assets of businesses purchased. In conjunction with our adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142"), we evaluate our goodwill annually for impairment, or earlier if indicators of potential impairment exist. The determination of whether or not goodwill or other intangible assets have become impaired involves a significant level of judgment in the assumptions underlying the approach used to determine the value of the reporting units. Changes in our strategy and or market conditions could significantly impact these judgments and require adjustments to recorded amounts of intangible assets. The Company will continue to evaluate its goodwill for impairment on an annual basis or sooner if indicators of potential impairment exist.

#### ***Long-lived Assets***

With the exception of goodwill, long-lived assets such as property and equipment, are evaluated for impairment when events or changes in business circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of these assets and their eventual disposition is less than their carrying

amount. Impairment, if any, is assessed using discounted cash flows. During the nine months ended March 31, 2003, no such impairment losses were recognized.

### ***Contingencies***

We are subject to legal proceedings, lawsuits and other claims related to labor, service and other matters. We are required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of reserves required, if any, for these contingencies are made after careful analysis of each individual issue. The required reserves may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy in dealing with these matters.

### ***Notes Receivable***

We are required to estimate the collectibility of notes receivable. A considerable amount of judgment is required in assessing the ultimate realization of these receivables, including the current credit-worthiness of the counterparties. Changes in required reserves may occur due to changing circumstances, including changes in the current market environment.

### ***Equity Transactions***

In many of our financing transactions, warrants have been issued. Additionally, we issue options and warrants to nonemployees from time to time as payment for services. In all these cases, we apply the principles of SFAS 123 to value these awards, which inherently include a number of estimates and assumptions including stock price volatility factors. We based our estimates and assumptions on the best information available at the time of valuation; however, changes in these estimates and assumptions could have a material effect on the valuation of the underlying instruments.

### ***Recently Issued Accounting Pronouncements***

In May 2003, the Financial Accounting Standards Board ("FASB") issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Liabilities and Equity* ("SFAS 150"), which is effective for the first interim period beginning after June 15, 2003, with the exception of certain provisions, which the FASB has deferred. SFAS 150 establishes standards for the Company's classification of liabilities in the financial statements that have characteristics of both liabilities and equity. The Company believes the adoption of SFAS 150 will not have a material effect on the Company's consolidated financial statements.

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure* ("SFAS 148"), an amendment to SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"), which provides alternatives for companies electing to account for stock-based compensation using the fair value criteria established by SFAS 123. The Company intends to continue to account for stock-based compensation under the provisions of the Accounting Principles Board's Option No. 25, *Accounting for Stock Issued to Employees* ("APB No. 25"), but has provided the required disclosures of SFAS 123 and SFAS 148.

## Results of Operations

The Company recognizes revenue when it has completed all of its obligations to the customer and is entitled to payment from the customer. The Company, at its stage of development, has not earned recurring revenues from the sale of its technology; it has, however, entered into two agreements to make custom changes to its technology to meet the special needs of two unrelated third parties which agreements generated a total of \$173,000 for the Company. This revenue was originally deferred at December 31, 2002, and the Company did not recognize such revenue in the quarter ended March 31, 2003. However, this deferred revenue was, upon management's re-examination in 2003, determined to have been recognizable as of March 31, 2003, as there were no further obligations on the Company's part related to those agreements. Accordingly, this amount has been recorded in revenue in the quarter ended March 31, 2003.

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 \$2,090,000 during the quarter ended March 31, 2003, versus \$890,000 in the comparable period last year. Consulting expenses amounted to \$610,000 as the Company increased spending to develop marketing relationships in newly defined market segments, and issued and modified warrants in return for nonemployee services. 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 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.

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 \$ 2,447,000, 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 approximately \$2.5 million. During the three months ended March 31, 2003, net cash used in investing activities was \$326,000, reflecting the \$300,000 paid in connection the ePhysician assets acquisition and the \$25,000 note receivable referred to in the prior paragraph.

### **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**

#### *Evaluation of Disclosure Controls and Procedures*

Our management, including our chief executive officer and chief financial officer, have carried out an evaluation of the effectiveness of our disclosure controls and procedures as of March 31, 2003, pursuant to Exchange Act Rules 13a-15(e) and 15(d)-15(e). Based upon that evaluation, our chief executive officer and chief financial officer have concluded that as of such date, our disclosure controls and procedures in place are adequate to ensure material information and other information requiring disclosure is identified and communicated on a timely basis.

#### *Changes in Internal Control Over Financial Reporting*

During the period covered by this report, there have been no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

**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 PocketScripts, the Company is unable to provide the products and services as contemplated by the Services and Support Agreement and is in "material breach" there under. 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.

<u>Security Issued</u>	<u>Date</u>	<u>Number of Shares</u>	<u>Consideration</u>	<u>Purchasers</u>	<u>Exemption Claimed</u>
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

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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:**

- Form 8-K, dated January 13, 2003, reporting in Item 5 a press release regarding an alliance with PocketScript, LLC and Research in Motion;
- 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;
- Form 8-K, dated February 3, 2003, filing a copy of the Merger Agreement between the Company and PocketScript, LLC;
- Form 8-K, dated February 6, 2003, reporting in Item 5 a press release regarding an initiative between the Company and Tufts Health Plans;
- 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;
- 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
- Form 8-K, dated March 17, 2003, reporting in Item 9 the presentation by the Company at the Roth Capital Partners Growth Stock Conference.
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SIGNATURES

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Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this amended report on Form 10-Q/A to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: March 24, 2004

MEDIX RESOURCES, INC.

(Registrant)

/s/ Mitchell M. Cohen

Mitchell M. Cohen

Chief Financial Officer

EXHIBIT INDEX

EXHIBIT NO.

DESCRIPTION

- \*31.1 Certification by Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- \*31.2 Certification by Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- \*32.1 Certification by Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- \*32.2 Certification by Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

\*Filed herewith.

**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/A of Medix Resources, Inc., the registrant;
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-15(e) and 15d-15(e)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
  - c) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that has occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, 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 control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 24, 2004

/s/Darryl R. Cohen

Darryl R. Cohen

Chief Executive Officer

I, Mitchell M. Cohen, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Medix Resources, Inc., the registrant;
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-15(e) and 15d-15(e)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
  - c) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that has occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

Date: March 24, 2004

/s/Mitchell M. Cohen

Mitchell M. Cohen

Chief Financial Officer

**MEDIX RESOURCES, INC.**

**CERTIFICATIONS PURSUANT TO**

**18 U.S.C. SECTION 1350**

**AS ADOPTED PURSUANT TO**

**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Medix Resources, Inc. (the "Company") on Form 10-Q/A for the quarter ended March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Darryl R. Cohen, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Darryl R. Cohen

Darryl R. Cohen

Chief Executive Officer

A signed original of this written statement required by Section 906 of the Sarbanes Oxley Act of 2002, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within this electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished in accordance with Securities and Exchange Commission Release Nos. 34-47551 and 34-47986 and shall not be considered "filed" as part of this 10-Q/A.

This certification is made solely for purposes of 18 U.S.C. Section 1350, subject to the knowledge standard contained therein, and not for any other purpose.



In connection with the Quarterly Report of Medix Resources, Inc. (the "Company") on Form 10-Q/A for the quarter ended March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mitchell M. Cohen, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mitchell M. Cohen

Mitchell M. Cohen

Chief Financial Officer

A signed original of this written statement required by Section 906 of the Sarbanes Oxley Act of 2002, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within this electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished in accordance with Securities and Exchange Commission Release Nos. 34-47551 and 34-47986 and shall not be considered "filed" as part of this 10-Q/A.

This certification is made solely for purposes of 18 U.S.C. Section 1350, subject to the knowledge standard contained therein, and not for any other purpose.