I TRAX INC
Form 10QSB/A
August 11, 2004

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB/A

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: March 31, 2004

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT

Commission File Number: 0-30275

I-TRAX, INC.

(Exact name of small business issuer as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

23-3057155

(I.R.S. Employer Identification No.)

One Logan Square, 130 N. 18th Street, Suite 2615
Philadelphia, Pennsylvania 19103

(Address of principal executive offices)

(215) 557-7488

(Issuer's telephone number)

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of April 30, 2004, the number of outstanding shares of common stock, par value $.001 per share, was 28,448,121.

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

Explanatory Statement

This amendment amends I-trax, Inc.'s Quarterly Report on Form 10-QSB for the quarter ended March 31, 2004, filed with the Securities and Exchange Commission on May 14, 2004, to:

- o Change the value assigned to I-trax's common stock for purposes of matters related to the acquisition of CHD Meridian Healthcare from $4.96 to $3.63 in our financial statements and in Managements Discussion and Analysis of Financial Condition and Results of Operations.

- o Adjust the unaudited pro forma results of operations, which give effect to the acquisition of CHD Meridian Healthcare as though the transaction had occurred on January 1, 2003, to reflect a reclassification, in accordance with EITF 02-16, of certain performance incentives CHD Meridian Healthcare receives from its pharmaceutical wholesale distributor for total pharmaceutical volume purchased. The reclassification reduced CHD Meridian Healthcare's revenue and operating expenses and had no impact on operating income.

- o Provide supplemental disclosure of consolidated financial statements of CHD Meridian Healthcare for the quarters ended March 31, 2004 and 2003.

- o Reclassify certain goodwill acquired in the CHD Meridian Healthcare aquisition to customer lists.

Except as described above, no other changes have been made to our Quarterly Report on Form 10-QSB for the quarter ended March 31, 2004 filed on May 14, 2004.

2

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

Report of Independent Registered Public Accounting Firm

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

We have reviewed the accompanying condensed consolidated balance sheet of I-trax, Inc. (a Delaware corporation) and Subsidiaries as of March 31, 2004, and the related condensed consolidated statements of operations, stockholders' equity and cash flows for the three-month periods ended March 31, 2004 and 2003. These financial statements are the responsibility of the company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the condensed financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the balance sheet as of December 31, 2003, and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended (not presented herein); and in our report dated February 16, 2004, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2003, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

GOLDSTEIN GOLUB KESSLER LLP
New York, New York

May 4, 2004

4

I-TRAX, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(in thousands, except share data)

	March 31, 2 (unaudite
ASSETS	
Current assets	
Cash and cash equivalents	$ 9
Accounts receivable, net	14
Income tax receivable	
Other current assets	1
Total current assets	25
Property and equipment, net	4
Goodwill	45
Customer list, net	29
Other intangible assets, net	2
Other long term assets	
Total assets	$ 107
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities	
Accounts payable	$ 6
Accrued expenses	4
Due to officers and related parties	
Notes payable	2
Net liabilities of discontinued operations	1
Other current liabilities	6
Total current liabilities	20
Common stock warrants	
Note payable	10
Other long term liabilities	2
Total liabilities	33

Commitments and contingencies	
Stockholders' equity	
Preferred stock - $.001 par value, 2,000,000 shares authorized, 1,200,000 and -0- issued and outstanding, respectively	
Common stock - $.001 par value, 100,000,000 shares authorized, 24,581,421 and 13,966,817 shares issued and outstanding, respectively	
Additional paid in capital	131
Accumulated deficit	(57
Total stockholders' equity	74
Total liabilities and stockholders' equity	$ 107

See accompanying notes to consolidated financial statements (unaudited).

I-TRAX, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003
(UNAUDITED)
(in thousands, except share data)

	Three months ended March 31, 2004
Net revenue	$ 1,447
Costs and expenses:	
Operating expenses	697
General and administrative expenses	2,021
Depreciation and amortization	435
Total costs and expenses	3,153
Operating loss	(1,706)
Other expenses:	
Interest expense	613
Amortization of financing costs	35
Other expenses	350

Total other expenses	998
Net loss	(2,704)
Less deemed dividends applicable to preferred stockholders	15,820
Net loss applicable to common stockholders	$ (18,524)
Loss per common share:	
Basic and diluted	(1.20)
Weighted average number of shares outstanding:	15,405,353

See accompanying notes to consolidated financial statements (unaudited).

6

I-TRAX, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2004
(UNAUDITED)
(in thousands, except share data)

	Preferred Stock		Common Stock		Addi Pai Cap
	Shares	Amount	Shares	Amount	
Balances at January 1, 2004	--	$ --	13,966,817	$ 14	$ 4
Reclassification of common stock warrants to paid in capital	--	--	--	--	
Issuance of common stock in connection with conversion of promissory note and other settlement, net of costs	--	--	63,012	--	
Issuance of common stock for conversion of debenture and accrued interest	--	--	427,106	--	
Issuance of common stock for exercise of					

warrants	--	--	124,486	--	
Sale of preferred stock, net of costs	1,000,000	1	--	--	2
Issuance of preferred stock for acquisition of CHD Meridian	400,000	--	--	--	1
Redemption of preferred stock	(200,000)	--	--	--	(
Issuance of common stock for acquisition of CHD Meridian	--	--	10,000,000	10	3
Beneficial conversion feature in connection with issuance of preferred stock	--	--	--	--	1
Preferred stock dividend	--	--	--	--	
Net loss for the three months ended March 31, 2004	--	--	--	--	
Balances at March 31, 2004	1,200,000	$ 1	24,581,421	$ 24	$ 13

See accompanying notes to consolidated financial statements (unaudited).

7

I-TRAX, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003
(UNAUDITED)
(in thousands, except share data)

	Three months ended March 31, 2004
Operating activities:	
Net loss	$ (2,704)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	435
Accretion of discount on notes payable charged to interest expense and beneficial conversion value of debenture	573
Increase in fair value of common stock warrants	350
Amortization of debt issuance costs	34

Write-off of deposit on cancelled acquisition	--
Other non-cash items	--
Changes in operating assets and liabilities, net of acquisition:	
Decrease (increase) in accounts receivable	(668)
Decrease (increase) in other current assets	20
(Decrease) increase in accounts payable	(102)
Increase in accrued expenses	70
(Decrease) increase in other current liabilities	236
Net cash used in operating activities	(1,756)
Investing activities:	
Purchases of property, plant and equipment	(169)
Acquisition of CHD Meridian, net of acquired cash	(18,134)
Net cash used in investing activities	(18,303)
Financing activities:	
Principal payments on capital leases	(18)
Repayment to/proceeds from related parties	(280)
Repayment of note payable	(618)
Proceeds from exercise of warrants	30
Proceeds from bank credit facility, net of issuance costs	11,850
Proceeds from sale of preferred stock, net of issuance costs	23,510
Redemption of preferred stock	(5,000)
Net cash provided by financing activities	29,474
Net increase (decrease) in cash and cash equivalents	9,415
Cash and cash equivalents at beginning of period	574
Cash and cash equivalents at end of period	$ 9,989
Supplemental disclosure of non-cash flow information:	
Cash paid during the year for:	
Interest	$ 209

(Continues on following page.)

See accompanying notes to consolidated financial statements (unaudited).

I-TRAX, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003

(Continues from previous page.)

		Three months ended March 31, 2004
Schedule of non-cash financing activities:		
Reclassification of common stock warrants to paid in capital	$	3,110
Issuance of common stock in connection with conversion of promissory note and other settlement	$	71
Issuance of common stock in connection with conversion of debenture payable	$	747
Beneficial conversion feature in connection with issuance of preferred stock	$	15,820
Issuance of common and preferred stock in connection with the acquisition of CHD Meridian	$	46,300
Preferred stock dividend	$	79
Purchase of all capital stock of CHD Meridian and assumption of liabilities in the acquisition as follows:		
Fair value of non-cash tangible assets acquired	$	17,257
Goodwill		36,814
Customer list		29,184
Other intangibles		1,167
Cash paid, net of cash acquired (includes $85 of transaction costs incurred in a prior period)		(18,219)
Common stock issued		(36,300)
Preferred stock issued		(10,000)
Liabilities assumed	$	(19,903)

See accompanying notes to consolidated financial statements (unaudited).

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

NOTE 1--ORGANIZATION

I-trax, Inc. (the "Company") was incorporated in the State of Delaware on September 15, 2000. On March 19, 2004, the Company consummated a merger with Meridian Occupational Healthcare Associates, Inc., a private company, which does business as CHD Meridian Healthcare ("CHD Meridian"). (See Note 3--Business Combination.)

Following the merger, the Company offers two categories of services: (1) on-site services such as occupational health, primary care, corporate health and pharmacy and (2) personalized health management programs.

The Company conducts its on-site services through CHD Meridian Healthcare, LLC, a Delaware limited liability company ("CHD Meridian LLC"), and its subsidiary companies, and its personalized health management programs through I-trax Health Management Solutions, LLC, a Delaware limited liability company, and I-trax Health Management Solutions, Inc., a Delaware corporation.

Physician services at the Company's on-site locations are provided under management agreements with affiliated physician associations, which are organized professional corporations that hire licensed physicians who provide medical services (the "Physician Groups"). The Physician Groups provide all medical aspects of the Company's on-site services, including the development of professional standards, policies and procedures. The Company provides a wide array of business services to the Physician Groups, including administrative services, support personnel, facilities, marketing, and non-medical services.

NOTE 2--INTERIM RESULTS AND BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information, the instructions to Form 10-QSB and Item 310(b) of Regulation S-B promulgated under the Securities Exchange Act of 1934. In the opinion of management, the unaudited financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments necessary to present fairly the financial position as of March 31, 2004 and the results of the operations and cash flows for the three months ended March 31, 2004. The results for the three months ended March 31, 2004 do not include the operations of CHD Meridian even though the merger was consummated on March 19, 2004 because the Company and CHD Meridian agreed for accounting purposes to consolidate results of operations effective as of April 1, 2004. Accordingly, the results for the quarter ended March 31, 2004 are not indicative of the results to be expected for any subsequent quarter or the fiscal year ending December 31, 2004. The balance sheet at December 31, 2003 has been derived from the audited financial statements of I-trax at that date.

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

Loss per common share is computed pursuant to SFAS No. 128, "Earnings Per Share." Basic loss per share is computed as net income (loss) available to common stockholders divided by the weighted average number of common shares outstanding for the period. Diluted loss per share reflects the potential dilution that could occur from common shares issuable through stock options, warrants and convertible preferred stock. As of March 31, 2004 and 2003, 5,822,929 and 3,863,604 shares issuable upon exercise of options and warrants, respectively, were excluded from the diluted loss per share computation, because their effect would be anti-dilutive.

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

NOTE 2--INTERIM RESULTS AND BASIS OF PRESENTATION (continued)

These unaudited financial statements should be read in conjunction with the Company's audited financial statements and the financial statements of CHD Meridian and notes thereto for the year ended December 31, 2003 included in the Company's annual report on Form 10-KSB for the year ended December 31, 2003.

For comparability, certain 2003 amounts have been reclassified and combined, where appropriate, to conform to the financial statement presentation used in 2004.

As stated above, the consolidated financial statements include the balance sheet of CHD Meridian LLC, its wholly owned subsidiaries, and the Physician Groups. The financial statements of the Physician Groups are consolidated with CHD Meridian LLC in accordance with the nominee shareholder model of EITF 97-2, "Application of FASB Statement No. 94 and APB Opinion No. 16 to Physician Practice Management Entities and Certain Other Entities with Contractual Management Arrangements." CHD Meridian LLC has unilateral control over the assets and operations of the Physician Groups.

Consolidation of the Physician Groups with CHD Meridian LLC, and consequently, the Company, is necessary to present fairly the financial position and results of operations of the Company. Control of the Physician Groups is perpetual and other than temporary because of the nominee shareholder model and the management agreements between the entities. The net tangible assets of the Physician Groups were not material at March 31, 2004. All significant intercompany accounts and transactions have been eliminated in consolidation.

NOTE 3--BUSINESS COMBINATION

On March 19, 2004, the Company merged with CHD Meridian, a privately held company and a leading provider of outsourced, employer-sponsored healthcare services to Fortune 1,000 companies.

Pursuant to the merger agreement, the Company, (1) issued 10,000,000 shares of common stock valued at $36,300,000 utilizing $3.63 per share, (2) issued 400,000 shares of convertible preferred stock (with each share convertible into 10 shares of common stock at a price of $2.50 per share or 4,000,000 shares in the aggregate) at $25 per share or $10,000,000 in the aggregate, and (3) paid approximately $25,508,000 to the CHD Meridian stockholders. Immediately following the closing of the merger, the Company also redeemed from former CHD Meridian stockholders that participated in the merger, pro rata, an aggregate of 200,000 shares of convertible preferred stock at its original issue price of $25 per share or $5,000,000. The Company has filed a registration statement with the Securities and Exchange Commission to register the common stock issued in the merger and issuable upon conversion of convertible preferred stock issued in the merger.

The former CHD Meridian stockholders will also receive additional shares of the Company's common stock if CHD Meridian, continuing its operations following the closing of the merger as CHD Meridian LLC, achieves calendar 2004 milestones for earnings before interest, taxes, depreciation and amortization (or EBITDA) as follows: If EBITDA equals or exceeds $8,100,000, the number of such additional common shares payable will be 3,473,280; the number of such shares increases proportionately up to a maximum of 3,859,200 additional shares of the Company's common stock if EBITDA equals or exceeds $9,000,000. In connection with this earn-out, the Company placed 3,859,200 shares in escrow.

11

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

NOTE 3--BUSINESS COMBINATION (continued)

The Company funded the cash portion of the merger consideration by (1) selling 1,000,000 shares of convertible preferred stock at $25 per share (with each share convertible into 10 shares of common stock at a price of $2.50 per share), for gross proceeds of $25,000,000, and (2) drawing $12,000,000 under a new $20,000,000 senior secured credit facility with a national lender. (See Note 6 - Long Term Debt.)

In connection with the sale and issuance of the convertible preferred stock, the Company reported $15,820,000 as a deemed dividend to preferred stockholders representing the beneficial conversion value for the underlying common stock. The beneficial conversion value is the benefit realized by the preferred stockholder and is treated as a dividend on the convertible preferred stock solely for the purpose of computing earnings per share. The dividend is computed by multiplying (1) the difference between the value of the underlying common stock calculated using average closing price for the three days prior and three days after the announcement of the merger ($3.63 per share) and the conversion price ($2.50 per share) by (2) the number of shares of common stock into which the convertible preferred stock outstanding at the merger's effective time was convertible (14,000,000 shares).

The aggregate purchase price of $72,977,000 for this transaction is summarized as follows:

Fair value of tangible assets acquired (includes cash of $8,444,000)	$ 25,715,000
Liabilities assumed	(19,903,000)
Goodwill	36,814,000
Customer list	29,184,000
Other intangibles	1,167,000
	$ 72,977,000

The acquisition was accounted for using the purchase method of accounting. The accompanying condensed consolidated financial statements, therefore, include only the closing balance sheet of CHD Meridian as of March 31, 2004.

The Company incurred acquisition costs of $1,169,000 that are included in the purchase price. In addition, $832,000 of transaction related bonuses and termination pay are included in the general and administrative expense item on the condensed consolidated statement of operations.

NOTE 4--GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill for the quarter ended March 31, 2004 is as follows:

	Total
Balance as of January 1, 2004	$ 8,424,000
Goodwill acquired during the quarter	36,814,000
Balance as of March 31, 2004	$ 45,238,000

NOTE 4--GOODWILL AND INTANGIBLE ASSETS (continued)

The components of identifiable intangible assets, which are included in the consolidated balance sheet as of March 31, 2004, are as follows:

	Gross Carrying Amount	Accumulated Amortization	Net Ca Amo
Amortized intangible assets:			
Customer lists	$ 36,492,000	$ 6,717,000	$ 2
Other intangibles	5,261,000	2,830,000	
Total	$ 41,753,000	$ 9,547,000	$ 3

Customer lists are amortized on a straight-line basis over the expected periods to be benefited, generally 12 - 15 years. Other intangible assets represents technology and deferred marketing costs, which are amortized on a straight-line basis over the expected periods to be benefited, generally 3 - 5 years.

NOTE 5--CONVERTIBLE DEBENTURE

During the first quarter of 2004, Palladin Opportunity Fund LLC converted the remaining balance of the debenture payable and accrued interest into common stock. Accordingly, the Company issued 427,106 shares of common stock for the conversion of principal and accrued interest amounting to $747,000.

Interest expense associated with the convertible debenture amounted to $368,000 for the three months ended March 31, 2004. This amount includes $362,000 that represents the accretion to interest expense for the discount of the value assigned to the warrants issued to the debenture holder and the beneficial conversion value at date of issuance.

NOTE 6--LONG TERM DEBT

On March 19, 2004, in connection with the CHD Meridian acquisition, the Company obtained a $20,000,000 senior secured credit facility from a national lender that expires on April 1, 2007. The credit facility has a $6,000,000 term loan commitment with a $14,000,000 revolving credit commitment, which is reduced by letter of credit liabilities.

The credit facility is secured by substantially all of the Company's assets. At any time prior to June 1, 2004, the borrowings under the revolving credit commitment may not exceed $10,000,000. From June 1, 2004 until November 1, 2005, the borrowings under the revolving credit commitment may not exceed 80% of eligible receivables plus 50% of eligible fixed assets. Borrowings, at the Company's election, may be either Base rate or Eurodollar rate loans. Base rate loans bear interest at the prime rate as published from time to time, plus up to 0.75% per annum depending on the Company's debt service coverage ratios. Eurodollar rate loans bear interest at the Eurodollar rate plus up to 3.0% per annum likewise depending on the Company's debt service coverage ratios.

As of March 31, 2004, the Company had outstanding $6,000,000 under the term loan, $2,000,000 of which is classified as short term and $4,000,000 of which is classified as long term, and $6,000,000 under the revolving credit commitment, which is classified as long term, and an aggregate of $3,250,000 under letters of credit.

NOTE 6--LONG TERM DEBT (continued)

The credit facility includes certain financial covenants customary for the amount and duration of this commitment. As of the date of this filing, the Company was in compliance with all such covenants. The Company is required to make twelve principal installment payments of $500,000 each quarter beginning on July 1, 2004.

In addition to funding the merger and related costs, a portion of the proceeds from the credit facility was used by the Company to repay $280,000 in related party loans and $944,000 in principal and interest for all other outstanding promissory notes.

NOTE 7--COMMITMENTS AND CONTINGENCIES

Litigation

CHD Meridian is a defendant in two lawsuits seeking a return of approximately

$920,000 in payments received in the ordinary course of business from two clients that filed for protection under bankruptcy laws during 2002 and 2003. The Company believes that amounts received are rightfully the Company's property; however, the outcome of these lawsuits cannot be determined.

CHD Meridian is also involved in certain legal actions and claims on a variety of matters related to the normal course of business. Management believes that such legal actions will not have a material effect on the results of operations or the financial position of the Company.

Healthcare Regulations

The healthcare industry is subject to numerous laws and regulations of Federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Company is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Significant Customers

As of March 31, 2004, three customers of CHD Meridian represented 39% of CHD Meridian's and the Company's accounts receivable as reflected on the Company's condensed consolidated balance sheets.

For the three months ended March 31, 2004, one customer of the Company accounted for 33% of the Company's revenue as reflected on the Company's condensed consolidated statement of operations (which exclude any CHD Meridian revenue). For the three months ended March 31, 2003, one customer of the Company accounted for 43% of the Company's revenue as reflected on the Company's condensed consolidated statements of operations (which exclude any CHD Meridian revenue).

NOTE 7--COMMITMENTS AND CONTINGENCIES (continued)

Significant Customers (continued)

For the three months ended March 31, 2004, one customer of the Company accounted for 10% of the Company's revenue on a pro forma basis as if the merger had been effective as of January 1, 2004.

Risk Sharing Contracts

The Company enters into risk sharing contracts with some customers in certain disease management arrangements. These contracts are generally for terms of three to five years and provide that a percentage of the Company's fees may be refunded to the customer if the Company does not save the customer a pre-determined percentage of the expenses incurred by individuals whose health is managed by the Company. As of March 31, 2004, the Company was a party to one such contract, but no risk revenue was generated during the quarter.

NOTE 8--STOCKHOLDERS' EQUITY

Preferred Stock

The Company has 2,000,000 authorized shares of preferred stock. As of March 31, 2004, the Company had issued and outstanding 1,200,000 shares of Series A Convertible Preferred Stock. The Series A Convertible Preferred Stock is convertible into common stock at a conversion price of $2.50 per share. Holders of Series A Convertible Preferred Stock may convert such shares into common stock at any time. The Series A Convertible Preferred Stock has a liquidation preference of $25 per share (the original purchase price). The Series A Convertible Preferred Stock accrues, from issuance, dividends at a rate of 8% per year on the $25.00 per share original issue price. Dividends will only be payable upon the Company's liquidation or conversion of the Series A Convertible Preferred Stock into common stock and will be payable, at the Company's option, in cash or common stock. For the three months ended March 31, 2004, the Company recorded approximately $79,000 in accrued dividends.

The placement agents of the Series A Convertible Preferred Stock sold to fund the acquisition of CHD Meridian received a commission of $1,490,000 and warrants to acquire 492,000 shares of common stock exercisable at $2.50 per share. Such warrants were valued at $1,506,000 utilizing the Black-Scholes valuation model. The amount of the cash paid and the value of the warrants have been classified as a cost of equity in the condensed consolidated statement of stockholders' equity.

Common Stock

The Company has 100,000,000 authorized shares of common stock. As of March 31, 2004, the Company had issued and outstanding 24,581,421 shares, which excludes 3,859,200 shares held in escrow for the CHD Meridian earn out.

Warrants

Under the terms of a private placement completed during October 2003, the Company filed a registration statement under the Securities Act of 1933, as amended, covering the resale of the common stock and the common stock underlying warrants issued in the private placement. The Securities and Exchange Commission declared the registration statement effective on February 17, 2004.

NOTE 8--STOCKHOLDERS' EQUITY (continued)

Warrants (continued)

In accordance with EITF 00-19, "Accounting for Derivative Financial Instruments Indexed To, and Potentially Settled In a Company's Own Stock," upon issuance of the warrants, the Company recorded a liability in the amount of the fair value of $2,459,000 for warrants to acquire 890,000 shares of common stock. The Company recorded an additional liability, with a corresponding charge to operations, of $301,000 and $350,000 on December 31, 2003 and February 17, 2004, respectively, associated with the increase in fair value of the warrants. The warrants were accounted for as a liability, with an offsetting reduction to additional paid-in capital received in the private placement. The warrant liability has been reclassified to equity as of February 17, 2004, the effective date of the registration statement, evidencing the non-impact of these adjustments on the Company's financial position and business operations.

The fair value of the warrants was estimated using the Black-Scholes valuation model with the following assumptions: no dividends; risk-free interest rate of 4%; the contractual life of 5 years and volatility of 112%. The fair value of the warrants was estimated to be $2,760,000 and $3,110,000 at December 31, 2003 and February 17, 2004, respectively.

The adjustments required by EITF 00-19 were triggered by the terms of the private placement subscription agreement, which imposed penalties if the Company did not timely register the common stock underlying the warrants issued in the private placement. The Securities and Exchange Commission declared the related registration statement effective within the contractual deadline and the Company incurred no penalties. The adjustments for EITF 00-19 had no impact on the Company's working capital, liquidity or business operations.

The following table summarizes the Company's activity as it relates to its warrants for the three months ended March 31, 2004:

	Shares Underlying Warrants
Balance outstanding at January 1, 2004	3,351,372
Quarter ended March 31, 2004:	
Granted	492,000
Exercised	(179,278)
Balance outstanding at March 31, 2004	3,664,094

Warrants issued during the three months ended March 31, 2004 are exercisable at $2.50 per share. Such warrants were valued at $1,506,000 and recorded as a cost of equity because they were granted to placement agents in connection with sales of convertible preferred stock.

NOTE 8--STOCKHOLDERS' EQUITY (continued)

Stock Options

The table below summarizes the activity in the Company's stock option plans for the quarter ended March 31, 2004:

	Incentive Options	Non-Qualified Options	Non-Plan Non-Qualified Options
Outstanding as of January 1, 2004	652,941	795,973	669,000
Granted	70,921	--	--
Exercised	--	--	--
Forfeited/Expired	--	(30,000)	--
Outstanding as of March 31, 2004	723,862	765,973	669,000
Vesting Dates:			
December 31, 2004	172,045	170,998	177,496
December 31, 2005	153,618	82,665	101,665
December 31, 2006	98,728	50,004	75,006
December 31, 2007	5,912	--	--
December 31, 2008	--	--	20,000
Thereafter	--	--	--

As of March 31, 2004, an aggregate of 1,050,698 of exercisable plan and non-plan options, with exercise prices ranging from $.005 to $10.00, were outstanding.

The weighted average fair value of options granted during the quarter ended March 31, 2004 amounted to $4.42.

The Company accounts for its employee incentive stock option plans using the intrinsic value method in accordance with the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," as permitted by SFAS No. 123. The adoption of the disclosure requirements of SFAS No. 148 did not have a material effect on the Company's financial position or results of operations.

NOTE 8--STOCKHOLDERS' EQUITY (continued)

Had the Company determined compensation expense based on the fair value at the grant dates for those awards consistent with the method of SFAS 123, the Company's net loss per share would have been increased to the following pro forma amounts:

	For the three months ended March 31, 2004	For the thr months ende March 31, 20
Net loss as reported	$ (2,704,000)	$ (96
Add back intrinsic value of the options issued to employee and charged to operations	- -	
Deduct total stock based employee compensation expense determined under fair value based methods for all awards	8 (3,586,31)	(7
Pro forma net loss	$ (6,290,318)	$ (1,67
Basic and diluted net loss per share as reported	$ (2.41)	$
Pro forma basic and diluted net loss per share	$ (2.64)	$

The above pro forma disclosure may not be representative of the effects on reported net operations for future years as options vest over several years and the Company may continue to grant options to employees.

The fair market value of each option grant is estimated at the date of grant using the Black-Scholes valuation model with the following weighted-average assumptions:

Dividend yield	0.00%
Expected volatility	112%
Risk-free interest rate	4%
Expected life	5 years

Securities and Exchange Commission Registration

Pursuant to the terms of the merger agreement between the Company and CHD Meridian, on April 19, 2004 the Company filed a registration statement under the Securities Act of 1933, as amended, covering the resale of (1) the common stock issued in the merger, (2) the common stock underlying the convertible preferred stock issued in the merger and the related financing, and (3) the common stock issuable upon exercise of warrants issued to the placement agents in connection with the merger.

NOTE 9--SUBSEQUENT EVENTS

During the first quarter of 2004, CHD Meridian formed a Risk Retention Group

("RRG") licensed in the State of Vermont for the purposes of self insuring a portion of the merged companies' professional and general liability insurance. RRG was capitalized with $2,000,000 in cash and a $1,000,000 letter of credit under the Company's credit facility. RRG expects to begin issuing policies to the Company in May 2004.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations of I-trax, Inc. and its subsidiaries should be reviewed in conjunction with our financial statements and related notes appearing on the preceding pages as well as our audited financial statements and related notes incorporated in our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2003.

I-trax is a combination of two companies that merged on March 19, 2004: I-trax, Inc. and Meridian Occupational Healthcare Associates, Inc., which does business as CHD Meridian Healthcare. Accordingly, this quarterly report on Form 10-QSB describes the business of the merged companies. Nonetheless, for accounting purposes, the consolidation of results of operations of the two constituent companies was effective April 1, 2004. As a result, the results for the three months ended March 31, 2004 do not include the operations of CHD Meridian Healthcare and, therefore, are not indicative of the results to be expected for subsequent quarters or the fiscal year ending December 31, 2004. The financial statements included herein and discussed below do, however, include the combined balance sheets of both companies.

The following discussion also contains forward-looking statements, which are based upon current expectations and involve a number of risks and uncertainties. In order for I-trax to utilize the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, investors are hereby cautioned that these statements may be affected by important factors, which are set forth below and in our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2003, and consequently, actual operations and results may differ materially from those expressed in such forward-looking statements. The most important of these factors is our ability successfully to integrate our operations and health management programs with the operations and services of CHD Meridian Healthcare and successfully introduce to our marketplace our combined products and services.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information, the instructions to Form 10-QSB and Item 310(b) of Regulation S-B. In our opinion, the unaudited financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments necessary to present fairly the financial position as of March 31, 2004 and the results of the operations and cash flows for the three months ended March 31, 2004. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the covered periods. We base our estimates and judgments on our historical experience and on various other factors that we believe are reasonable under the circumstances. We evaluate our estimates and judgments, including those related to revenue recognition, bad debts, and goodwill and other intangible assets on an ongoing basis. Notwithstanding these efforts, there can be no assurance that actual results will not differ from the respective amount of those estimates.

I-trax and CHD Meridian Healthcare Business Description

As a merged company, we offer two categories of services, which can be integrated or blended as necessary or appropriate based on each client's needs. The first category includes on site services such as occupational health, primary care, corporate health and pharmacy, which were historically offered by CHD Meridian Healthcare. The second category includes personalized health management programs, which were historically offered by I-trax. Each of these services is described in greater detail below.

As the result of the merger, we are the nation's largest provider of corporate health management services. Our health management services are designed to allow employers to contract directly for a wide range of employee healthcare needs. We can deliver these services at or near the client's work site by opening, staffing and managing a clinic or pharmacy dedicated to the client and its employees, or remotely by using the Internet and our state-of-the-art Care Communications Center staffed with trained nurses and other healthcare professionals 24 hours per day, 7 days per week. Our array of services provides each client with flexibility to meet its specific pharmacy, primary care, occupational health, corporate health, wellness, lifestyle management or disease management needs. Pursuant to multi-year agreements, our clients can offer their employees, dependents and retirees any combination of our

various services which integrate seamlessly, through on-site or off-site delivery platforms, or as a component of or complement to existing health plan options.

Our primary target market is large and mid-sized self-insured employers and business consortia. These entities are more likely to derive immediate and meaningful financial benefit from our services because of their scale and focus on controlling healthcare costs.

We currently operate approximately 160 locations in 32 states. We also maintain contracts with approximately 150 clients, including many leading employers. Our clients pay us directly for our services and include automotive and automotive parts manufacturers, consumer products manufacturers, large financial institutions, health plans, integrated delivery networks, and third party administrators. Our client retention rate is high because we establish strong client relationships, which are supported by the critical nature of our services, the benefits achieved by employer and employee constituents, and the utilization of multi-year service contracts.

CHD Meridian Healthcare's Historic Business - Services Delivered At or Near the Work Site

Occupational Health Services. We provide professional staffing and management of on-site health facilities that address the occupational health, workers' compensation injuries, and minor illness needs of the employer's workforce. These programs are designed to operate across the entire array of occupational health regulatory environments and emphasize work-related injury cost-reduction, treatment, medical surveillance or testing, disability management, case management, return-to-work coordination, medical community relations or oversight, on-site physical therapy, injury prevention, and ergonomic assessment and intervention. Our health programs improve compliance with treatment protocols and drug formularies, enhance employee productivity, and allow for greater employer control of occupational health costs. We currently operate 77 occupational health facilities.

Primary Care Services. We operate employer-sponsored health centers designed to integrate with the employer's existing healthcare plans. In such arrangements, employers contract with us directly for primary care health services and in the process regain control of costs, quality and access. Each health center generally services a single employer and offers health management programs addressing the primary care needs of the employee base, including optometry services and limited prevention and disease management programs. A significant number of our clients also combines our health centers with a dedicated pharmacy. We also offer customized solutions by establishing and managing healthcare provider networks and absence management, including non-work related case management and disability management. Our physicians, nurses, and other staff are dedicated to the customer's employee population, allowing employees, retirees, and their dependents to receive cost-effective, high quality, accessible and convenient care. We currently operate 17 primary care centers.

Pharmacy Services. We operate employer-sponsored pharmacies that offer prescription services exclusively to the client's covered population. By leveraging prescription volume across our client base and procuring pharmaceuticals as a captive class of trade, we purchase products at considerable savings for our clients, thus significantly and positively affecting what we understand is one of our clients' fastest-growing healthcare cost categories. Our pharmacy services also use sophisticated information technologies. These technologies may be integrated with each client's existing pharmacy management programs and plans, and improve employees' prescription fulfillment convenience. We currently operate 24 pharmacies, including those operating in conjunction with our primary care centers.

Corporate Health Services. We offer non-industrial clients that do not experience significant physical injury rates, but that nonetheless maintain large workforces that require general and specialized medical services, custom designed workplace programs that combine preventative care, occupational health, medical surveillance or testing, travel medicine and health education. Clients for which we provide corporate health services include financial service, advertising and consulting firms. We currently operate 47 corporate healthcare facilities.

I-trax's Historic Business - The Health-e-LifeSM Program

We enable individuals to obtain better healthcare through our personalized Health-e-LifeSM Program. The program is designed to deliver lifestyle and wellness management, and disease and risk reduction interventions to a

client's entire population, across multiple locations and irrespective of population size, by using predictive science, sophisticated proprietary computer software, clinical expertise, and personal care coordination. We currently have approximately 37 clients, which include self-insured employers, health plans, and integrated delivery networks, using various components of our Health-e-LifeSM Program. Self-insured employers, health plans, hospital and health systems, and governmental agencies continue to be prime consumers of lifestyle and wellness management, and disease and risk reduction programs, and we are actively marketing to these potential clients.

We believe the Health-e-LifeSM Program enables our clients to evolve from fragmented care management practices into a cohesive and efficient system of healthcare. The Health-e-LifeSM Program is fully integrated, uses a single-data platform that allows all caregivers to share records, and enables our clients to provide true coordination of care. We believe that by facilitating real-time secure communication between our client, the patient, the doctor, the care coordinator and the insurer within today's complex healthcare system, the Health-e-LifeSM Program reduces costs and enables improved delivery of care.

Predictive Science. Our Health-e-LifeSM Program incorporates predictive science to analyze our clients' medical claims and pharmacy and clinical data to predict future healthcare costs. We believe this is an essential step to effective disease and lifestyle management. Experts agree that predictive science provides a comprehensive advantage to health plans, employers and providers, and leads to cost effective medical management and greater profitability for the ultimate payor. Using predictive science, we analyze our clients' entire populations to predict our clients' future healthcare costs, including avoidable costs, the health conditions that will drive those costs and the people within our clients' populations who are at risk for those conditions. Armed with this information, we target our resources to achieve for each client the best value for the amount the client will invest in providing healthcare and, consequently, savings.

Technology Solutions. All technology components of our Health-e-LifeSM Program use a single data platform--Medicive(R) Medical Enterprise Data System--a proprietary software architecture developed to collect, store, sort, retrieve and analyze a broad range of information used in the healthcare industry.

Furthermore, our web accessible software includes portals for key stakeholders in the care delivery process--consumers, physicians and care managers--and permit real-time sharing of information and support the adherence to our health and disease intervention programs. The key technology we use for effective care coordination include:

- Health-e-Coordinator(TM), a web-based care management application;
- MyFamilyMD(TM), a consumer health management portal;
- CarePrime(R), a clinical care application for physicians and clinicians; and
- I-talk(TM), interactive smart voice technology.

Interventions and Clinical Expertise. The Health-e-LifeSM Program includes personalized health and disease interventions for individuals who suffer from, or are at high risk for, active or chronic disease and tailored programs for individuals who are at low risk. Depending on the individual's level of risk, our custom tailored interventions include self-help programs available through the web or person-assisted programs administered through our Care Communications Center. All interventions include lifestyle and risk reduction programs that follow evidence-based clinical guidelines to optimize health, fitness, productivity and quality of life.

The Health-e-LifeSM Program currently includes interventions for a number of specific chronic conditions, including congestive heart failure, coronary artery disease, asthma, diabetes, cancer management, cystic fibrosis, lower back pain, and chronic obstructive pulmonary disease.

Care Communications Center. A vital component of our program is our Care Communications Center, which is staffed with trained nurses and other healthcare professionals 24 hours per day, 7 days per week. Through the Care Communications Center, we effect targeted interventions to improve the health management of the populations we serve. The Care Communications Center helps each member or employee of our client make

informed decisions about his or her health and provides ongoing support for those with chronic diseases. Our demand management and nurse triage services incorporate nationally recognized, evidence-based clinical guidelines to increase compliance by caregivers and consumers with best practices.

I-trax and CHD Meridian Healthcare Joint Market Opportunity

To change the health status of a defined population and manage the upward claim trend experienced by employers and employees, self-insured employers are seeking programs that promote health, manage disease and disability and complement existing health initiatives and benefits. Self-insured employers invest in such health programs because they reduce later need for critical care and related costs, maximize health, increase productivity, reduce absenteeism, improve health status of both active employees and retirees, and reduce overall costs.

We believe that I-trax and CHD Meridian Healthcare offer a complete solution to meet this need. We service each segment of a self-insured employer's population and achieve the desired clinical and financial outcomes. CHD Meridian Healthcare is the leader in on-site healthcare for Fortune 1,000 companies. Its programs reduce healthcare costs of the defined population it serves. Complementing the CHD Meridian Healthcare services, I-trax's personalized health management solutions for focused disease and lifestyle/wellness management improve the health of the entire population, achieving the same result. The service offering of the merged companies responds to a specific and frequent request of large employers, including many historic CHD Meridian Healthcare clients, for the most comprehensive range of health management services.

We also believe that with a nominal increase in variable costs, the merged companies can offer to CHD Meridian Healthcare's historic clients the value added benefit of our Health-e-LifeSM Program and, with respect to certain of these clients, can successfully negotiate participation in future medical cost savings that may result from the merged companies' services.

Put more specifically, we currently serve approximately 650,000 lives through our on-site clinics, which represent only approximately 25% of our clients' employees, dependents and retirees. We charge these clients for our services on a "cost plus" basis to manage these lives. We believe that the merged companies' suite of products will allow us several opportunities with respect to those of our clients that elect to expand their relationship with us. These include:

- Because our services now encompass on-site facilities, which offer high quality, better access and lower costs, and Internet and telephone care delivery capabilities, we have access to a larger portion of our clients' populations, which affords us an opportunity to expand substantially our services within our existing client base.

- We price our population-based service on a "per member per month" basis. This model enables us to direct resources to those of our clients' employees, dependents and retirees that represent the greatest potential future costs. Because in certain instances we participate in savings our programs generate, when properly deployed in new business opportunities, management believes the merged companies' suite of products will afford us increasing gross margin opportunities for incremental, integrated business.

- We are one vendor for predictive modeling, primary care, pharmacy, occupational health, lifestyle and wellness management, and disease management, and as such our inherent efficiency leads to savings.

- Our combined services offer multiple entry points for employer customers to meet their budget restrictions and specific needs. This available menu of services could shorten our current sales cycle and provide us with an opportunity to build a more comprehensive program as the relationship grows with each client over time.

I-trax and CHD Meridian Healthcare - Risks Inherent in Our Business

As we pursue the opportunities outlined above, we face numerous and significant challenges specific to our company and the healthcare industry in general. Challenges specific to our company include:

- Our ability to integrate I-trax and CHD Meridian Healthcare, which prior to the merger operated independently and focused on different delivery methods within the corporate health management solutions market. If we are not able to integrate successfully, we are not going to realize the benefits we anticipate from selling our combined services.

- The long and complex sales cycle inherent in our business. If we cannot shorten the sales cycle for our services, we will not realize the benefit of quick revenue growth.

- Increasing competition in our industry. We are competing with numerous companies offering services that may be construed as similar to ours. Such additional competition could reduce the number of new clients we obtain and could cause us to reduce our pricing and, consequently, our gross margins.

- We may not succeed in deploying the merged companies' combined services. If we do not, we will not realize the growth in revenue we anticipate from the merger.

Challenges specific to our industry include:

- In recent years, healthcare costs have grown significantly and as a result the healthcare industry is under significant price pressure. Although this has increased interest in our services as they are designed to contain costs, we are nonetheless subject to this general trend. It is conceivable that new and potential clients will continue to pressure us to reduce our prices and if we do, our revenues growth will slow and our gross margins will decrease.

- We are subject to extensive state and Federal regulation, which grows more complex each year. As such, compliance efforts have also increased in complexity. We may need additional resources to incur compliance, which will increase our expenses and decrease our gross margins.

Corporate Overview; Acquisition of CHD Meridian Healthcare

I-trax was incorporated in Delaware on September 15, 2000 at the direction of the board of directors of I-trax Health Management Solutions, Inc., or Health Management, I-trax's then parent company. On February 5, 2001, I-trax became the holding company of Health Management at the closing of a re-organization. The holding company structure has allowed us greater flexibility in our operations as well as expansion and diversification plans, including the acquisition of CHD Meridian Healthcare and WellComm Group, Inc.

On March 19, 2004 we finalized the acquisition of CHD Meridian Healthcare pursuant to a merger agreement dated as of December 26, 2003, as amended, by and among CHD Meridian Healthcare, I-trax and two I-trax subsidiaries. Under the merger agreement, we delivered to CHD Meridian Healthcare stockholders 10,000,000 shares of I-trax common stock, 400,000 shares of I-trax Series A Convertible Preferred Stock, each of which is convertible into 10 shares of I-trax common stock, and paid $25,508,000 in cash. Immediately prior to the merger, CHD Meridian Healthcare also redeemed certain of its then outstanding shares of common stock and options to purchase common stock for which it paid approximately $9,492,000 in the aggregate. Further, if CHD Meridian Healthcare, continuing its operations following the closing of the merger as a subsidiary of I-trax, achieves calendar 2004 milestones for earnings before interest, taxes, depreciation and amortization, or EBITDA, additional common shares will be payable as follows: If EBITDA equals or exceeds $8.1 million, the number of such additional I-trax common shares payable will be 3,473,280; the number of such shares increases proportionately up to a maximum of 3,859,200 such additional I-trax common shares if EBITDA equals or exceeds $9.0 million. Any escrowed shares

that are not released will be returned to I-trax for cancellation. Further, the escrowed shares are not deemed outstanding for accounting purposes until released.

Immediately following the closing of the merger, I-trax redeemed from former CHD Meridian Healthcare stockholders that participated in the merger, pro rata, an aggregate of 200,000 shares of Series A Convertible Preferred Stock at their original issue price of $25 per share.

We obtained the cash portion of the merger consideration by selling 1,000,000 shares of Series A Convertible Preferred Stock at a purchase price of $25.00 per share for gross proceeds of $25,000,000 and by borrowing $12 million on a new $20 million senior secured debt facility from a national lender.

In connection with the sale and issuance of Series A Convertible Preferred Stock, we reported $15,820,000 as a dividend to preferred stockholders representing the beneficial conversion value for the underlying common stock. The beneficial conversion value is the benefit realized by the preferred stockholder and is treated as a dividend on the convertible preferred stock solely for the purpose of computing earnings per share. The dividend is computed by multiplying (1) the difference between the market value of the underlying common stock calculated using average closing price for the three days prior and three days after the announcement of the merger ($3.63 per share) and the conversion price ($2.50 per share) by (2) the number of shares of common stock into which the convertible preferred stock outstanding at the merger's effective time was convertible (14,000,000 shares).

The estimated purchase price we paid for CHD Meridian Healthcare, valuing our common stock at $3.63 per share as of March 19, 2004, the date of acquisition, and before the issuance of any of the earn-out shares, is approximately $72,977,000, including $1,169,000 in transaction costs recorded as goodwill. The acquisition was accounted for as a purchase. As such, the purchase price has been preliminarily allocated to the estimated fair values of the assets acquired and liabilities assumed. If the escrow shares are paid to former CHD Meridian Healthcare in accordance with the terms of the merger agreement, the purchase price of the acquisition will increase, and the additional purchase price will also be allocated to the estimated fair values of the assets acquired and liabilities assumed. We have obtained an independent third-party preliminary valuation of the acquired intangible assets.

Key Trends and Analytical Points

The following is a summary of key trends and analytical points covered in greater detail in management's discussion and analysis:

- CHD Meridian Healthcare Acquisition: On March 19, 2004, we finalized the acquisition of CHD Meridian Healthcare. We will commence reporting financial results that include CHD Meridian Healthcare operations beginning as of April 1, 2004. When we begin to report CHD Meridian Healthcare revenue, operational expenses, general and administration expenses, depreciation and amortization expenses and interest expense will also increase.

- Revenue: Revenue decreased modestly from the quarter ended March 31, 2003 to the quarter ended March 31, 2004 as we shift our sales to population health management solutions from technology sales. In accordance with management's expectation, we continued to increase our service revenue and decrease our technology revenue.

- Operating Expenses: Operating expenses increased from the quarter ended March 31, 2003 to the quarter ended March 31, 2004, reflecting added costs associated with delivering our population health management solutions.

- General and Administrative Expenses. General and administrative expenses increased substantially from the quarter ended March 31, 2003 to the quarter ended March 31, 2004. The increase represents bonus payments and termination pay associated with the CHD Meridian Healthcare merger.

- Other Income and Expenses: Interest expense and financing costs increased from the quarter ended March 31, 2003 to the quarter ended March 31, 2004.

- Working Capital: We finished the quarter ended March 31, 2004, with working capital of $4,492,000. We believe that we have access to sufficient working capital to run our business and continue to expand our client base.

I-trax Results of Operations

The following discussion of results of operations is limited to the historical business of I-trax in effect as of March 31, 2004. We will commence reporting financial results that include CHD Meridian Healthcare operations beginning as of April 1, 2004. When we begin to report CHD Meridian Healthcare revenue, operational expenses, general and administration expenses, depreciation and amortization expenses and interest expense will also increase.

Three Months ended March 31, 2004 Compared to Three Months ended March 31, 2003

Revenue for the three months ended March 31, 2004 was $1,447,000, a decrease of $169,000 or 10% from $1,616,000 for the three months ended March 31, 2003. The decrease is directly related to a change in our business model from technology sales to total population health management solutions. Technology revenue decreased from $915,000 for the three months ended March 31, 2003 to approximately $500,000 for the three months ended March 31, 2004, but the decrease was partially offset by a service revenue increase from $701,000 for the three months ended March 31, 2003 to $947,000 for the three months ended March 31, 2004.

Operating expenses, which represent our call center costs, amounted to $697,000 for the three months ended March 31, 2004, an increase of $136,000 or 24% from $561,000 for the three months ended March 31, 2003. The increase is primarily attributable to the ramp-up of personnel required to service our prevention and care services contracts.

General and administrative expenses, which represent our corporate costs, increased from $1,004,000 for the three months ended March 31, 2003 to $2,021,000 for the three months ended March 31, 2004. The increase of $1,017,000 is primarily attributable to expenses related to the CHD Meridian Healthcare acquisition, including approximately $498,000 for bonuses granted to certain individuals instrumental in completing the CHD Meridian Healthcare acquisition and a one-time charge of approximately $334,000 for termination pay associated with two departing executives. The balance of the increase of $185,000 includes general corporate expenses comprised of professional fees, exchange listing and investor relations fees and costs associated with business development travel.

Depreciation and amortization expenses were $435,000 for the three months ended March 31, 2004, as compared to $437,000 for the three months ended March 31, 2003.

Interest expense for the three months ended March 31, 2004 was

$613,000, representing an increase of $292,000 or 91% from $321,000 for the three months ended March 31, 2003. For the three months ended March 31, 2004, interest expense includes a charge of $573,000 attributable to the unamortized portion of the discount and beneficial conversion value associated with the convertible debenture and certain other promissory notes. The discount amount is expensed because the convertible debenture was converted into common stock and the promissory notes were repaid during March 2004.

Amortization of financing costs for the three months ended March 31, 2004 was $35,000 representing a decrease of $22,000 or 39% from $57,000 for the three months ended March 31, 2003. As of March 31, 2004, these financing costs are fully amortized.

Other expense for the three months ended March 31, 2004, represents a one-time non-cash charge of $350,000 associated with the warrants to acquire common stock issued in a private placement completed during October 2003. The charge represents the increase in the value of the common stock underlying the warrants up until the effective time of a registration statement we filed with the Securities and Exchange Commission to register the underlying shares. The initial value of the warrants was recorded as a liability and any fluctuation in the value was passed through the statement of operations. Once the registration became effective, any balance in the liability

account was reclassified to equity. The registration became effective during February 2004, and accordingly, we reclassified $3,110,000 of liability into equity. Other expense for the three months ended March 31, 2003, reflects a charge of $200,000 in connection with the termination in January 2003 of our agreement to acquire DxCG, Inc., a Boston-based predictive modeling company. This sum was paid to DxCG following DxCG's termination of the merger agreement because certain conditions to closing, including third party financing for the cash portion of the purchase price, were not satisfied.

For the three months ended March 31, 2004, our net loss was $2,704,000, as compared to a net loss of $964,000 for the three months ended March 31, 2003. Net loss for the three months ended March 31, 2004, however, includes non-cash and merger related expenses of $1,755,000, comprised of: (1) $573,000 in non-cash interest expense attributable to the unamortized discount and beneficial conversion value of a previously outstanding convertible debenture and certain other promissory notes which were converted into common stock in March 2004; (2) $350,000 of non-cash charges related to an increase in the fair market value of common stock underlying warrants issued in a private placement completed during October 2003; and (3) $832,000 of merger related costs, which were included in general and administrative expense.

I-trax and CHD Meridian Healthcare Pro Forma Results of Operations

The following are our unaudited pro forma results of operations giving effect to the acquisition of CHD Meridian Healthcare as though the transaction had occurred on January 1, 2003, excluding transaction costs of $1,938,000 and $832,000 included in the CHD Meridian Healthcare and I-trax statements of operations, respectively.

	Three months ended March 31, 2004	Three months ended March 31, 2003

Net revenue	$ 29,710,000	$ 27,871,000
Operating income	(264,000)	573,000
Net loss	$ (1,413,000)	$ (349,000)
Loss per common share	$ (.06)	$ (.02)

Liquidity and Capital Resources

Working Capital

As of March 31, 2004, we had working capital of $4,492,000. We believe that we have sufficient working capital to run our business and continue to expand our client base.

On March 19, 2004, in connection with the CHD Meridian Healthcare acquisition, we obtained a $20,000,000 senior secured credit facility from a national lender that expires on April 1, 2007. The credit facility has a $6,000,000 term loan commitment with a $14,000,000 revolving credit commitment, which is reduced by letter of credit liabilities.

The credit facility is secured by substantially all of our assets. At any time prior to June 1, 2004, the borrowings under the revolving credit commitment may not exceed $10,000,000. From June 1, 2004 until November 1, 2005, the borrowings under the revolving credit commitment may not exceed 80% of eligible receivables plus 50% of eligible fixed assets. Borrowings, at our election, may be either Base rate or Eurodollar rate loans. Base rate loans bear interest at the prime rate as published from time to time, plus up to 0.75% per annum depending on our debt service coverage ratios. Eurodollar rate loans bear interest at the Eurodollar rate plus up to 3.0% per annum likewise depending on our debt service coverage ratios.

As of March 31, 2004, we had outstanding $6,000,000 under the term loan, $2,000,000 of which is classified as short term and $4,000,000 of which is classified as long term, and $6,000,000 under the revolving credit commitment, which is classified as long term, and an aggregate of $3,250,000 under letters of credit. We are required to make twelve principal installment payments of $500,000 each quarter beginning on July 1, 2004.

The credit facility includes certain financial covenants customary for the amount and duration of this commitment. As of the date of this filing, we were in compliance with all such covenants.

Sources and Uses of Cash

Cash used for operations was $1,756,000 and $576,000 for the three months ended March 31, 2004 and March 31, 2003, respectively. This increase in use of cash for operations is partially the result of the increase in accounts receivable related to a single customer. The full balance owed by such customer was collected in April 2004. Effective April 1, 2004, with the inclusion of CHD Meridian Healthcare's operations, we expect to generate positive cash flows from operations.

During the three months ended March 31, 2004, we received funds from selling 1,000,000 shares of Series A Convertible Preferred Stock for $25,000,000, before commission expenses and other transaction costs, which amounted to approximately $2,575,000 in the aggregate. We also received funds from borrowings of $12,000,000 from our newly established senior secured credit facility with a national lender. These funds were primarily used to fund $30,508,000 required for the cash portion of the CHD Meridian Healthcare acquisition, including the $5,000,000 redemption of preferred stock issued directly to the CHD Meridian Healthcare stockholders and for working capital.

In addition to funding the merger and related costs, we used a portion of the proceeds from the credit facility to repay $280,000 in related party loans and $944,000 in principal and interest for all other outstanding promissory notes.

During the first quarter of 2004, Palladin Opportunity Fund LLC converted the remaining balance of the debenture payable and accrued interest into common stock. Accordingly, the Company issued 427,106 shares of common stock for the conversion of principal and accrued interest amounting to $747,000.

Material Commitments

The following schedule summarizes the contractual lease obligations of I-trax and CHD Meridian Healthcare by the indicated period as of December 31, 2003:

For the year ending December 31:	I-trax	CHD Meridian Healthcare	Total
2004	$ 206,000	$ 1,217,000	$ 1,423,000
2005	119,000	909,000	1,028,000
2006	56,000	850,000	906,000
2007	24,000	735,000	759,000
2008	--	651,000	651,000
Thereafter	--	574,000	574,000
Total future payments	$ 405,000	$ 4,936,000	$ 5,341,000

Critical Accounting Policies

The following critical accounting policies concern the business of I-trax at March 31, 2004. The policies will be reassessed effective as of April 1, 2004 when we begin to report revenue, expenses and other financial information concerning CHD Meridian Healthcare.

Impairment of Goodwill and Intangible Assets

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

Revenue Recognition

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

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

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

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

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

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

Services Revenue. We recognize service revenue as services are rendered. We contract with our customers to provide services based on an agreed upon monthly fee, a per-call charge or a combination of both.

Upon execution of a contract for services, we assess whether the fee associated with our revenue transactions is fixed and determinable and whether or not collection is reasonably assured. We assess whether the fee is fixed and determinable based on the payment terms associated with such contract. If a significant portion of a fee is due after our normal payment terms, which are generally 30 to 90 days from invoice date, we account for such fee as services are provided.

We also enter into risk-sharing contracts. These contracts are generally for a term of three to five years, provide for automatic renewal, and may provide that a percentage of our fee is refundable ("performance based") based on achieving a targeted percentage reduction in a customer's healthcare costs.

Material Equity Transactions

In the quarter ended March 31, 2004, we executed equity transactions with unrelated parties in connection with the CHD Meridian Healthcare merger and related financing. We believe that we have valued all such transactions pursuant to the various accounting rules and that they ultimately represent the economic substance of each transaction. Please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations - Corporate Overview; Acquisition of CHD Meridian Healthcare," "Liquidity and Capital Resources - Sources and Uses of Cash" and Part II, "Item 2-Changes in Securities."

Supplemental Disclosure of Consolidated Financial Statements of Meridian Occupational Healthcare Associates, Inc. and Subsidiaries for the Quarters ended March 31, 2004 and 2003

Introductory Note

On March 19, 2004, Meridian Occupational Healthcare Associates, Inc. ("Meridian") was acquired by I-trax, Inc. based in Philadelphia, Pennsylvania. The effective date of the transaction for purposes of consolidating the results of operations of the two companies was April 1, 2004. However, the balance sheet for Meridian was combined with the consolidated financial statements of I-trax for the period ended March 31, 2004. The merger and its terms are described above in Note 3 - Business Combination to the Condensed Consolidated Financial Statements of I-trax and in I-trax's Management's Discussion and Analysis of

Financial Condition and Results of Operations. We are now presenting below Meridian's "stand alone" consolidated financial statements of operations and cash flows for the quarters ended March 31, 2004 and 2003 to supplement other disclosure made in this report.

Meridian Occupational Healthcare Associates, Inc.
and Subsidiaries (d/b/a CHD Meridian Healthcare)
(Unaudited)

Consolidated Financial Statements

Quarters ended March 31, 2004 and 2003

Contents

Consolidated Financial Statements

Meridian Occupational Healthcare Associates, Inc.
and Subsidiaries (d/b/a CHD Meridian Healthcare)
(Unaudited)
Consolidated Statements of Operations
(in thousands)

	Quarter ended March 31, 2004	Quarter March 20
Net revenues	$ 28,263	$
Costs and expenses:		
Operating expenses	22,936	
General and administrative expenses	5,832	
Depreciation and amortization	388	
Total costs and expenses	29,156	
Operating income	(893)	

Other (income) expense:		
Interest, net	(29)	
Total other (income) expense	(29)	
Income from continuing operations before income taxes	(864)	
Provision for income taxes	--	
Net income (loss)	$ (864)	$

See accompanying notes to consolidated financial statements(unaudited).

31

Meridian Occupational Healthcare Associates, Inc.
and Subsidiaries (d/b/a CHD Meridian Healthcare)
(Unaudited)
Consolidated Statements of Cash Flows
(in thousands, except share data)

	For the Three Months Ended March 31,	For t Mont Mar
	2004	
Operating activities		
Net income from continuing operations	$ (864)	
Adjustments to reconcile net income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	388	
Loss on disposal of fixed assets	-	
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	4,510	
Other current assets	846	
Accounts payable	367	
Other accruals and liabilities	(1,845)	
Other long-term liabilities	(150)	
Net cash provided by operating activities	3,252	

Investing activities	
Purchase of property and equipment, net	(506)
Increase in intangible assets	(68)
Cash paid for acquisitions	-
Net cash used in investing activities	(574)
Financing activities	
Proceeds from exercise of stock options	2,277
Proceeds from notes receivable	1,682
Repurchase of common stock	(9,492)
Net cash used in financing activities	(5,533)
Net change in cash and cash equivalents	(2,855)
Cash and cash equivalents at beginning of year	11,299
Cash and cash equivalents at end of quarter	$ 8,444
Supplemental cash flow information:	
Cash paid for interest	$ -
Cash paid for income taxes	$ 117

See accompanying notes to consolidated financial statements (unaudited).

32

Meridian Occupational Healthcare Associates, Inc.
and Subsidiaries (d/b/a CHD Meridian Healthcare)
(Unaudited)
Notes to Consolidated Financial Statements

1. Reporting Entity and Principles of Consolidation

Reporting Entity

Effective January 1, 2000, Meridian Occupational Healthcare Associates, Inc. ("Meridian") acquired Corporate Health Dimensions, based in Latham, New York. In conjunction with the acquisition, Meridian began doing business as CHD Meridian Healthcare ("CHD Meridian"), also referred to herein as the "Company".

CHD Meridian Healthcare is a provider of outsourced health care services to the employer-sponsored market. The Company's model allows employers to contract directly for a wide range of health care services on behalf of employees, dependents, and retirees that are delivered through facilities located at or near the work site. CHD Meridian develops and manages custom designed facilities that address the pharmacy, primary care, occupational health, and corporate health demands of its clients. CHD Meridian currently provides employer-sponsored services to 90 clients at 160 locations in 31 states.

Physician services are provided at CHD Meridian's locations under management agreements with affiliated physician associations (the Physician Groups), which are organized professional corporations that hire licensed physicians who provide medical services.

Pursuant to the service agreements, the Physician Groups provide all medical aspects of CHD Meridian's services, including the development of professional standards, policies, and procedures for a fee. CHD Meridian provides a wide array of business services to the Physician Group, including administrative services, support personnel, facilities, marketing, and non-medical services in exchange for a management fee.

Principles of Consolidation

The consolidated financial statements include accounts of Meridian Occupational Healthcare Associates, Inc., its wholly owned subsidiaries, and the Physician Groups. The financial statements of the Physician Groups are consolidated with CHD Meridian in accordance with the nominee shareholder model of EITF 97-2, "Application of FASB Statement No. 94 and APB Opinion No. 16 to Physician Practice Management Entities and Certain Other Entities with Contractual Management Arrangements". CHD Meridian has unilateral control over the assets and operations of the Physician Groups. Consolidation of the Physician Groups with CHD Meridian is necessary to present fairly the financial position and results of operations of CHD Meridian. Control of the Physician Groups is perpetual and other than temporary because of the nominee shareholder model and the management agreements between the entities. The net tangible assets of the Physician Groups were not material at March 31, 2004 and 2003. All significant intercompany accounts and transactions have been eliminated in consolidation.

Meridian Occupational Healthcare Associates, Inc.
and Subsidiaries (d/b/a CHD Meridian Healthcare)
(Unaudited)
Notes to Consolidated Financial Statements

2. Interim Results and Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. In the opinion of management, the unaudited financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the results of the operations and cash flows for the three months ended March 31, 2004 and 2003. The results for the three months ended March 31, 2004 are not necessarily indicative of the results to be expected for any subsequent quarter or the entire fiscal year ending December 31, 2004.

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

These unaudited financial statements should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended

December 31, 2003 included in I-trax, Inc.'s Current Report on Form 8-K/A filed on August 3, 2004.

3. Long-Term Debt

Effective May 15, 2000, the Company obtained a permanent $7.5 million credit facility from Bank of America, which expired on November 15, 2002. Effective November 15, 2002, the Company amended the permanent $7.5 million credit facility from Bank of America. The permanent credit facility was reduced to $6.5 million and extended to November 15, 2005. The credit facility has a $3.25 million letter of credit portion with the remainder being a term loan revolver.

The credit facility is secured by substantially all of the Company's assets. At no time may the borrowings on the credit facility exceed 75% of the Company's assets. Borrowings, at the Company's election, may be either base rate loans or LIBOR loans. Base rate loans bear interest at the federal funds rate plus 5% per annum. The LIBOR loans bear interest at the LIBOR rate plus a range of 1.5% to 3.0% based on the Company's leverage ratio. At March 31, 2003, the Company had no debt outstanding on the term loan. The credit facility was terminated as of March 19, 2004, the date of the merger with I-trax, Inc..

The credit facility includes certain financial covenants customary for the amount and duration of this commitment.

Meridian Occupational Healthcare Associates, Inc.
and Subsidiaries (d/b/a CHD Meridian Healthcare)
(Unaudited)
Notes to Consolidated Financial Statements

3. Long-Term Debt (Continued)

A letter of credit of $2 million has been issued for the benefit of The Lexington Group, the Company's medical malpractice carrier. An additional $1.0 million letter of credit has been issued for the benefit of the Commissioner of Insurance, State of Vermont for a Risk Retention Group to be formed and licensed in 2004 for the Company's professional and general liability insurance.

4. Stockholders' Equity

Capital Stock

The Company has 93,500 authorized shares of Series A preferred stock and 60,000 authorized shares of Series B preferred stock. Through March 19, 2004, the date of the merger with I-trax, Inc., the Company has not issued any of the preferred series stock.

Stock Option Plan

The Company's 1997 Stock Incentive Plan (the "Plan") provides for qualified and non-qualified incentive stock option grants that may be granted to key employees as designated by the Board of Directors. The options are exercisable commencing on dates specified in the option agreements and generally vest ratably over a four-year period. The options expire at the earlier of ten years from the date of grant or three months after the termination of the holder's employment with the Company.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure" ("Statement 148"), which amends SFAS No. 123, "Accounting for Stock-Based Compensation" ("Statement 123"). Statement 148 provides alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation and amends the disclosure requirements of Statement 123 to require more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. Statement 148 is effective for financial statements issued for fiscal years ending after December 15, 2002. The Company has elected to account for stock-based compensation plans under the intrinsic value-based method of accounting prescribed by APB 25 that does not utilize the fair value method.

All options have been granted with exercise prices equal to or greater than management's estimate of the fair value of the Company's common stock on the date of grant. As a result, no compensation cost has been recognized. If the alternative method of accounting for stock option plans prescribed by Statement 123 and Statement 148 had been followed, the Company's net income (loss) would not have been materially different for the quarters ended March 31, 2004 and 2003, respectively.

Meridian Occupational Healthcare Associates, Inc.
and Subsidiaries (d/b/a CHD Meridian Healthcare)
(Unaudited)
Notes to Consolidated Financial Statements

4. Stockholders' Equity (Continued)

Stock Option Plan (Continued)

The following is a summary of option transactions during 2004 and 2003:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2002	36,092	$ 112
Granted	--	--
Canceled	(625)	143
Exercised	(12,300)	137
Outstanding at December 31, 2003	23,167	$ 98
Granted	--	--
Canceled	--	--
Exercised	(23,167)	98
Outstanding at March 19, 2004	--	$ --
Available for future grant	--	

5. Employee Benefit Plan

The Company has a defined-contribution employee benefit plan that was established under provisions of Section 401(k) of the Internal Revenue Code. Substantially all full-time regular employees of the Company are eligible to participate in the plan. Under the plan's provisions, an employee may contribute, on a tax-deferred basis, up to 15% of total cash compensation, not to exceed, within a calendar year, subject to Internal Revenue Code limitations. The Company can make matching contributions and discretionary contributions. The Company made matching contributions of $151,000 and $128,000 for the quarters ended March 31, 2004 and 2003, respectively.

Meridian Occupational Healthcare Associates, Inc.
and Subsidiaries (d/b/a CHD Meridian Healthcare)
(Unaudited)
Notes to Consolidated Financial Statements

6. Commitments and Contingencies

Litigation

The Company has been named as a defendant in two lawsuits seeking refund of approximately $920,000 in payments received in the ordinary course of business from two clients that filed for protection under bankruptcy laws during 2002 and 2003. The Company believes that amounts received are rightfully the Company's property. The outcome of these lawsuits cannot be determined, but could have a material adverse impact on the Company.

The Company is also involved in certain legal actions and claims on a variety of matters related to the normal course of business. It is the opinion of management that such legal actions will not have a material effect on the results of operations or the financial position of the Company.

Healthcare Regulations

The healthcare industry is subject to numerous laws and regulations of Federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Company is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Meridian Occupational Healthcare Associates, Inc.
and Subsidiaries (d/b/a CHD Meridian Healthcare)
(Unaudited)
Notes to Consolidated Financial Statements

7. Business Combinations

On March 19, 2004, the Company merged with I-trax, Inc., a publicly traded company based in Philadelphia, Pennsylvania.

Pursuant to the merger agreement, the Company's shareholders, (1) received 10,000,000 shares of common stock valued at $36,300,000 utilizing $3.63 per share, (2) received 400,000 shares of convertible preferred stock (with each share convertible into 10 shares of common stock at a price of $2.50 per share or 4,000,000 shares in the aggregate) at $25 per share or $10,000,000 in the aggregate, and (3) received approximately $25,508,000 in cash. The Company has filed a registration statement with the Securities and Exchange Commission to register the common stock issued in the merger and issuable upon conversion of convertible preferred stock issued in the merger. Immediately prior to the merger, Meridian also redeemed certain of its then outstanding shares of common stock and options to purchase common stock for which it paid approximately $9,492,000 in the aggregate.

The former CHD Meridian stockholders will also receive additional shares of the Company's common stock if CHD Meridian, continuing its operations following the closing of the merger as CHD Meridian LLC, achieves calendar 2004 milestones for earnings before interest, taxes, depreciation and amortization (or EBITDA) as follows: If EBITDA equals or exceeds $8,100,000, the number of such additional common shares payable will be 3,473,280; the number of such shares increases proportionately up to a maximum of 3,859,200 additional shares of the Company's common stock if EBITDA equals or exceeds $9,000,000. In connection with this earn-out, the Company placed 3,859,200 shares in escrow.

The Company incurred transaction costs of $1,938,000 that are included in the general and administrative expenses in the consolidated statement of operations for the period ending March 31, 2004.

SIGNATURE

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

I-TRAX, INC.

Date: August 11, 2004

By: /s/ Frank A. Martin

Name: Frank A. Martin
Title: Chief Executive Officer