I TRAX INC
Form 8-K/A
April 22, 2002

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

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 5, 2002

I-TRAX, INC.
(Exact name of registrant as specified in its charter)

Delaware	0-30275	23-3057155
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

One Logan Square
130 N. 18th St., Suite 2615
Philadelphia, PA 19103
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (215) 557-7488

N/A
(Former name or former address, if changed since last report)

Item 2. Acquisition or Disposition of Assets.

On February 20, 2002, I-trax, Inc. filed a Current Report on Form 8-K reporting the closing on February 5 and 6, 2002 of a two-step reorganization transaction in which I-trax acquired WellComm Group, Inc., an Illinois corporation. I-trax is filing this Amendment to the Current Report to disclose (1) the financial statements of WellComm required under Item 7(a) of Form 8-K and (2) pro forma financial information required under Item 7(b) of Form 8-K, including the unaudited pro forma balance sheet of I-trax as of December 31, 2001 as if the acquisition of WellComm had occurred on January 1, 2001 and the unaudited pro forma results of operations of I-trax giving effect to the acquisition of WellComm as though the transaction had occurred on January 1, 2000.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(a) Financial statements of business acquired.

WellComm Group, Inc. Financial Statements as of December 31, 2001 and for the Years Ended December 31, 2001 and 2000.

(b) Pro Forma financial information.

Unaudited Pro Forma Balance Sheet and Statement of Operations of I-trax, Inc. and its Subsidiaries and WellComm Group, Inc. as of December 31, 2001 and for the Years Ended December 31, 2001 and 2000.

(c) Exhibits.

Exhibit 23. Consent of Independent Certified Public Accountants.

SIGNATURE

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

I-TRAX, INC.

Date: April 22, 2002

By: /s/ Anthony Tomaro

Name: Anthony Tomaro
Title: Chief Financial Officer

WELLCOMM GROUP, INC.

FINANCIAL STATEMENT AND
INDEPENDENT ACCOUNTANTS' AUDIT REPORT

DECEMBER 31, 2001 AND 2000

WELLCOMM GROUP, INC.

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[Lutz & Company Letterhead]

INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Board of Directors and Stockholders
WellComm Group, Inc.
Omaha, Nebraska

We have audited the accompanying balance sheets of WellComm Group, Inc., an Illinois corporation, as of December 31, 2001 and 2000, and the related statements of operations, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WellComm Group, Inc. as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Lutz & Company, P.C.

January 23, 2002
Omaha, Nebraska

BALANCE SHEETS

WELLCOMM GROUP, INC.

BALANCE SHEETS

DECEMBER 31, 2001 AND 2000

ASSETS (Note 2)

CURRENT ASSETS

Cash and Cash Equivalents
Trade Accounts Receivable (Note 6)
Prepaid Expenses
Deferred Income Taxes (Note 8)

Total Current Assets

PROPERTY AND EQUIPMENT
Furniture and Fixtures
Computer Software
Equipment

Equipment under Capital Lease (Note 4)

Total Cost	
Less Accumulated Depreciation	
Net Book Value	
OTHER ASSETS	
Deposits	
TOTAL ASSETS	

See Notes to Financial Statements.

LIABILITIES

CURRENT LIABILITIES	
Notes Payable, Related Parties (Note 3)	$
Current Portion of Long-Term Debt (Note 4)	
Accounts Payable	
Accrued Salaries and Wages	
Payroll Taxes Accrued and Withheld	

Customer Deposits

Total Current Liabilities

LONG-TERM LIABILITIES
Long-Term Debt, Less Current Portion (Note 4)

Total Liabilities

COMMITMENTS AND CONTINGENCIES (Notes 5 and 9)

STOCKHOLDERS' EQUITY (DEFICIT)

COMMON STOCK
$1 Par Value, Authorized, 1,000 Shares
Issued and Outstanding, 223 Shares

PAID IN CAPITAL

ACCUMULATED DEFICIT

Total Stockholders' Equity

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

WELLCOMM GROUP, INC.

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

REVENUES (Note 6)	$
COST OF REVENUES	
GROSS PROFIT	
OPERATING EXPENSES	
Earnings (Loss) from Operations	
OTHER INCOME AND EXPENSE	
Interest Income	
Other Income	
Interest Expense	
Total Other Income and Expense	
Earnings (Loss) Before Provision for Income Taxes	
PROVISION FOR INCOME TAXES (Note 8)	
NET EARNINGS (LOSS)	$

See Notes to Financial Statements.

WELLCOMM GROUP, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	Common Stock	Paid In Capital	A
BALANCES, December 31, 1999	$100	$ 252,456	
Purchase and Retirement of 24 Shares of Common Stock	(24)	(101,976)	
Issuance of 147 Shares of Common Stock	147	599,859	
Net Loss			
BALANCES, December 31, 2000	223	750,339	
Net Earnings			
BALANCES, December 31, 2001	$223	$ 750,339	

See Notes to Financial Statements.

WELLCOMM GROUP, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

CASH FLOWS FROM OPERATING ACTIVITIES

Net Earnings (Loss)
Adjustments to Reconcile Net Earnings (Loss) to
Net Cash Provided by (Used in) Operating Activities
Depreciation
Changes in Current Assets and Liabilities
Increase in Trade Accounts Receivable
Decrease (Increase) in Prepaid Expenses
Decrease (Increase) Deferred Income Taxes
Increase (Decrease) in Accounts Payable
Increase in Accrued Salaries and Wages
Increase in Payroll Taxes Accrued and Withheld
Increase (Decrease) in Customer Deposits

Net Cash Provided by (Used in) Operating Activities

CASH FLOWS FROM INVESTING ACTIVITIES
Purchase of Property and Equipment
Increase in Deposits

Net Cash Used in Investing Activities

CASH FLOWS FROM FINANCING ACTIVITIES
Proceeds from Issuance of Long-Term Debt
Repayments of Long-Term Debt
Advances on (Repayments of) Notes Payable, Related Parties
Purchase and Retirement of Common Stock
Proceeds from Issuance of Common Stock

Net Cash Provided by (Used in) Financing Activities	
Net Increase in Cash and Cash Equivalents	
Cash and Cash Equivalents, Beginning of Year	
Cash and Cash Equivalents, End of Year	
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Interest Paid	
NONCASH INVESTING AND FINANCING ACTIVITY	
Long-Term Debt Incurred to Purchase Equipment under Capital Lease	

WELLCOMM GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

1. Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements is set forth below.

Organization and Nature of Business WellComm Group, Inc. (the "Company") was incorporated in January of 1997. The Company is a national health management organization committed to improving performance, quality and access to care and wellness through its "Telehealth" service program, which provides patients covered by health insurance policies, 24-hour access to professional, telephonic health advice and wellness information and support. The Company is located in Omaha, Nebraska.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents	For purposes of the Statement of Cash Flows, the Company considers all investments with maturities of three months or less to be cash and cash equivalents.
Trade Accounts Receivable	The Company considers trade accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.
Concentration of Credit Risk	The Company has two financial instruments that potentially subject the Company to credit risk. The Company maintains bank accounts in which the balances sometimes exceed federally insured limits. The Company's trade accounts receivable also subject the Company to credit risk.
Property and Equipment	Property and equipment are recorded at cost. Expenditures for additions and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. The costs of assets disposed and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses from property disposals are recognized in the year of disposal.

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1. Summary of Significant Accounting Policies - Continued

Property and Equipment - Cont.	Depreciation is computed using the straight-line method over the following estimated useful lives:

Years

Furniture and Fixtures	7
Computer Software	3
Equipment	5-7
Equipment under Capital Lease	7

Revenue Recognition Revenue is recognized as services are rendered. The Company contracts with its customers to provide services based on an established monthly fee, a per-call charge or a combination of both. The Company invoices its customers in arrears of rendering these services.

Income Taxes Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

2. Financing Arrangements

The Company has a $308,108 revolving bank line of credit, with interest at .5% over the national prime rate as published by the Wall Street Journal (4.75% at December 31, 2001) and payable monthly. This line of credit is collateralized by all assets of the Company. There were no amounts outstanding against this line of credit at December 31, 2001 and 2000.

3. Notes Payable, Related Parties

Notes payable, related parties consisted of two unsecured notes to the Company's vice president of operations, also a stockholder, and her sister. Both notes were non-interest bearing and paid in full during the year ended December 31, 2001.

4. Long-Term Debt

Long-term debt at December 31, consists of the following:

	2001
Capitalized equipment lease payable to a corporation, payable in monthly installments of $4,856, including imputed interest at 10.91%, through July 2003, collateralized by the equipment being leased.	$84,385

WELLCOMM GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

4. Long-Term Debt - Continued

	2001
Capitalized equipment lease payable to a corporation, payable in monthly installments of $1,372, including imputed interest at 13.4%, collateralized by the equipment being leased. This lease was paid in full during the year ended December 31, 2001.	$
Installment note payable to a bank on behalf of the Company's president and stockholder, payable in monthly installments of $1,400, including interest at 9.5%. This note was paid in full during the year ended December 31, 2001.	
Total Long-Term Debt	84,385
Less Current Portion	51,596
Long-Term Debt, Less Current Portion	$32,789

5. Commitments and Contingencies

Lease Obligations

The Company has entered into various operating leases for office space and certain equipment used by the Company. The future minimum lease payments under these noncancelable operating leases as of December 31, 2001 are as follows:

Year Ending December 31,	
2002	$42,057
2003	28,923
2004	1,420
	$72,400

Lease expense under these operating leases was approximately $43,000 and $28,000 for the years ended December 31, 2001 and 2000, respectively.

Employment Agreements
The Company entered into two employment agreements with its president and vice president of operations, both stockholders of the Company, in April 2000 that provides for a minimum annual salary. Subsequent to December 31, 2001, these agreements were terminated and new agreements were signed as a result of the Company being acquired (See Note 9).

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5. Commitments and Contingencies - Continued

Stockholder Agreements
The Company and its stockholders have entered into an agreement, which restricts the stockholders from selling their shares to any entity other than the Company or remaining stockholders unless approved by the Company and its stockholders. The Company and remaining stockholders have the first option to purchase the shares, except in the case of death, whereby the Company and remaining stockholders are required to purchase the shares, at purchase price as defined in the agreement.

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6. Economic Dependency - Major Customers

Major customers whose revenue exceeded 10% of the total revenues were as follows:

	2001	2000
Number of Major Customers	1	2
Percentage of Revenues	82%	92%
Percentage of Trade Accounts Receivable at December 31	74%	59%

These revenues consist of several contracts with each customer that have specific terms. Additionally, these contracts have a termination clause without cause of 30 days.

7. 401(k) Plan

The Company implemented a 401(k) plan in December 2001, which covers substantially all employees upon the completion of three months of service and attainment of 21 years of age. Matching contributions to the plan are at the Company's discretion. The plan goes into affect beginning January 2002.

8. Income Taxes

Components of the provision for income tax expense (benefit) are as follows:

	Federal	State	Total
2001			
Current	$	$	$
Deferred	108,300	22,300	130,600
	$108,300	$22,300	$130,600
2000			
Current	$	$	$
Deferred	(31,800)	(6,600)	(38,400)
	$(31,800)	$(6,600)	$(38,400)

WELLCOMM GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

8. Income Taxes - Continued

As of December 31, net deferred income taxes include the following components:

	2001	2000
Deferred Tax Assets		
Net Operating Loss Carryforward	$ 92,000	$228,300
Temporary Differences		
Accrued Vacation	19,600	
Depreciation and Amortization	6,100	20,000
	$117,700	$248,300

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The Company has available at December 31, 2001, unused operating loss carryforwards of approximately $224,000, which may be applied against future taxable income expiring in December 2019 and 2020.

9. Subsequent Event

On February 6, 2002, the existing stockholders of the Company sold 100% of their shares to I-trax, Inc. for a combination of cash and stock. As a result of this transaction the Company was merged into a subsidiary of I-trax. As of February 6, 2002, the Company no longer exists as a legal entity.

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PRO FORMA FINANCIAL INFORMATION

The first table below sets forth the unaudited pro forma balance sheet of I-trax as of December 31, 2001 reflecting the acquisition of WellComm Group, Inc., which had occurred on February 6, 2002, as if it had occurred on January 1, 2001.

The second table below sets forth the unaudited pro forma results of operations of I-trax giving effect to the acquisition of WellComm as though the transaction had occurred on January 1, 2000.

I-trax, Inc.
Pro Forma Balance Sheet
December 31, 2001

Assets

	I-trax, Inc.	WellComm Group, Inc.	Subtotal	Adj. Ref.
Current assets				
Cash	$ 1,029,208	$ 491,576	$1,520,784	A B
Accounts receivable	-	439,698	439,698	
Prepaid expenses	99,245	13,828	113,073	
Deferred income taxes	-	117,700	117,700	
Other current assets	1,915	-	1,915	
Note receivable	72,437	-	72,437	
Total current assets	1,202,805	1,062,802	2,265,607	
Property and equipment, net	279,635	279,698	559,333	
Other Assets				
Security deposits	66,896	3,507	70,403	
Intangible assets - MyFamilyMD, net	2,224,726	-	2,224,726	
Intangible assets - WellComm	-	-		B C
Total other assets	2,291,622	3,507	2,295,129	
Total assets	$ 3,774,062	$ 1,346,007	$5,120,069	

(Continued)

I-trax, Inc.
Pro Forma Balance Sheet
December 31, 2001
(Continued)

Liabilities And Stockholders' Equity

	I-trax, Inc.	WellComm Group, Inc.	Subtotal	Adj. Ref.
Current liabilities				

Accounts payable	$ 619,612	$ 76,959	$ 696,571	
Accrued expenses	276,750	588,898	865,648	
Deferred revenue	148,830	24,408	173,238	
Capital lease payable	42,878	51,596	94,474	
Due to related parties	739,598	--	739,598	
Total current liabilities	1,827,668	741,861	2,569,529	
Long term debt	55,901	32,789	88,690	A
Promissory notes, net of discount	312,327	--	312,327	
Total liabilities	2,195,896	774,650	2,970,546	
Common stock - 100,000,000 shares authorized, 34,939,464 actual issued and outstanding, 42,939,464 issued and outstanding on a pro forma basis	34,939	223	35,162	B C
Additional paid-in capital	22,964,778	750,339	23,715,117	B C
Accumulated deficit	(21,421,551)	(179,205)	(21,600,756)	B
Total stockholders' equity	1,578,166	571,357	2,149,523	
Total liabilities and stockholders' equity	$ 3,774,062	$1,346,007	$5,120,069	

I-trax, Inc.
Pro Forma Statement of Operations
For the Years Ended December 31, 2001 and 2000

	Year ended December 31, 2001	Year ended December 31, 2000
Sales	$ 5,900,772	$ 1,239,787
Expenses	20,063,645	7,736,825
Net loss	(14,162,873)	(6,497,038)
Earnings per share		
Basic and Diluted	$ (.54)	$ (.25)
Weighted average shares outstanding		
Basic and Diluted	34,457,013	26,037,879

Footnotes to Pro Forma Balance Sheet and Statement of Operations

Adj. A I-trax, Inc. prior to acquiring WellComm Group, Inc. sold a 6% convertible senior debenture in the aggregate principal amount of $2,000,000 to Palladin Opportunity Fund LLC pursuant to a Purchase Agreement dated February 4, 2002. The outstanding principal and any capitalized interest under this debenture are payable in full on or before February 3, 2004. Further, outstanding principal and any capitalized interest may be converted at any time at the election of Palladin into I-trax common stock at an initial conversion price of $1.00 per share.

Adj. B Pursuant to a Merger Agreement, on February 6, 2002, I-trax completed the acquisition of WellComm by issuing 7,440,000 hares of I-trax common stock and granting 560,000 options with a nominal exercise price. Therefore, the total stock consideration issued by I-trax to acquire WellComm was 8,000,000 shares of I-trax common stock. For purposes of these pro forma statements, I-trax had assigned a per share price of $1.25 for each share of I-trax Common Stock issued in the acquisition, or $10,000,000 in the aggregate. I-trax also paid $2,190,000 in cash. And therefore the aggregate acquisition value is $12,190,000. WellComm is a healthcare service company that offers a broad array of expertise including a nurse contact center specializing in disease management, triage, health information survey, and research services for the healthcare industry. The acquisition will be accounted for as a purchase. As such, the purchase price will be allocated to the estimated fair values of the assets acquired and liabilities assumed. I-trax is in the process of obtaining third-party valuations of certain intangible assets.

Adj. C To eliminate the stockholder's equity of WellComm upon consolidation.