RAMP CORP
Form 10-Q
May 17, 2004
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2004

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ___________ to ______________

Commission File Number: 0-24768

Ramp Corporation

-

(Exact name of issuer as specified in its charter)

Delaware	84-123311
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

33 Maiden Lane, New York, New York 10038

(Address of principal executive offices) (Zip Code)

(212) 440-1500

(Registrant's telephone number, including area code)

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

[X] Yes [ ] No

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

[ ]Yes [X] No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of May 10, 2004.

Class	Number of Shares
Common Stock, $0.001 par value	173,719,674

Ramp Corporation

INDEX

Item 1. Legal Proceedings

Item 2. Changes in Securities and Use of Proceeds

Item 6. Exhibits and Reports on Form 8-K

SIGNATURES

Index to Exhibits

PART I

Item 1. Financial Statements

Ramp Corporation (formerly Medix Resources, Inc.)

Consolidated Balance Sheets

	March 31, 2004 (Unaudited)	December 31, 2003
Assets		
Current assets		
Cash	$ 4,072,000	$ 1,806,000
Accounts receivable	101,000	182,000
Unbilled receivable	45,000	--
Prepaid expenses and other	191,000	321,000
Total current assets	4,409,000	2,309,000
Non-current assets		
Property and equipment, net	1,264,000	731,000
Security deposits	386,000	398,000
Other intangible assets, net	1,291,000	1,382,000
Goodwill	4,853,000	4,853,000
Total non-current assets	7,794,000	7,364,000
Total assets	$ 12,203,000	$ 9,673,000
Liabilities and Stockholders' Equity		
Current Liabilities		
Current portion of long term debt	$ 77,000	$ 232,000

Accounts payable	1,500,000	847,000
Accounts payable - related parties	261,000	261,000
Accrued expenses	2,887,000	2,065,000
Deferred revenue	--	2,000
Total current liabilities	4,725,000	3,407,000
Long-term debt, net of current portion and debt discount of $153,000 and $169,000	220,000	269,000
Commitments and contingencies		
Stockholders' equity		
1996 Preferred stock, 10% cumulative convertible, $1 par value, 488 shares authorized, 155 shares issued, 1 share outstanding, liquidation preference $19,000	--	--
1999 Series C convertible stock, $1 par value, 2,000 shares authorized, 1,995 shares issued, 75 shares outstanding, liquidation preference $75,000	--	--
2003 Series A convertible stock, $1 par value, 3,200 shares authorized, 3,112 shares issued and outstanding, liquidation preference of $3,112,000	--	3,000
Common stock, $0.001 par value, 400,000,000 shares authorized, 173,410,480 and 145,244,392 issued and outstanding at March 31, 2004 and December 31, 2003, respectively	173,000	145,000
Deferred compensation	(74,000)	(86,000)
Additional paid-in capital	86,049,000	78,303,000
Accumulated deficit	(78,890,000)	(72,368,000)
Total stockholders' equity	7,258,000	5,997,000
	$ 12,203,000	$ 9,673,000
Total liabilities and stockholders' equity		

See notes to unaudited consolidated financial statements.

Ramp Corporation (formerly Medix Resources, Inc.)

Unaudited Consolidated Statements of Operations

	For the Three Months Ended March 31,	
	2004	2003
Revenues	$ 380,000	$ 173,000
Costs and expenses		
Software and technology costs	1,198,000	393,000
Selling, general and administrative expenses	5,690,000	2,090,000
Costs associated with terminated acquisition	--	142,000
Total operating expenses	6,888,000	2,625,000
Other income (expense)		
Other income	1,000	9,000
Interest income (expense)	1,000	(3,000)
Financing costs	(16,000)	(1,000)
Total other (expense) income	(14,000)	5,000
Net loss	$ (6,522,000)	$ (2,447,000)
Disproportionate deemed dividend issued to certain warrant holders	(143,000)	(1,133,000)
Net loss applicable to common shareholders	$ (6,665,000)	$ (3,580,000)
Basic and diluted weighted average common shares outstanding.	151,183,897	79,181,065
Basic and diluted loss per common share	$ (0.04)	$ (0.05)

See notes to unaudited consolidated financial statements.

Ramp Corporation (formerly Medix Resources, Inc.)

Unaudited Consolidated Statements of Cash Flows

	For the Three Months Ended March 31,	
	2004	2003
Cash flows from operating activities		
Net loss	$(6,522,000)	$(2,447,000)
Adjustments to reconcile loss to net cash flows (used in) provided by operating activities:		
Deferred revenue	(2,000)	(173,000)
Depreciation and amortization	150,000	21,000
Common stock, options and warrants issued for settlements, consulting services and financing costs	135,000	235,000
Net changes in assets and liabilities	1,653,000	56,000
Total adjustments	1,936,000	139,000
Net cash used in operating activities	(4,586,000)	(2,308,000)
Cash flows from investing activities:		
Purchase of property and equipment	(591,000)	(1,000)
Note receivable	--	(25,000)
Business acquisition costs, net of cash acquired	--	(300,000)
Net cash used in investing activities	(591,000)	(326,000)
Cash flows from financing activities:		
Principal payments on debt and notes payable	(69,000)	(68,000)

Issuance of common stock, net of offering costs	5,514,000	1,209,000
Proceeds from the exercise of options and warrants	1,998,000	162,000
Net cash provided by financing activities	7,443,000	1,303,000
Net increase (decrease) in cash	2,266,000	(1,331,000)
Cash - beginning of period	1,806,000	1,369,000
Cash - end of period	$4,072,000	$38,000

See Notes 3 and 4 for discussion of non-cash investing and financing activities for the three months ended March 31, 2004.

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

Issuance and modification of certain options and warrants valued at $235,000 for services provided and valued at $1,133,000 for deemed dividends to certain warrant holders.

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

See notes to unaudited consolidated financial statements.

Ramp Corporation (formerly Medix Resources, Inc.)

Notes to Unaudited Consolidated Financial Statements

1. Summary Of Significant Accounting Policies

The consolidated financial statements are unaudited and reflect all adjustments (consisting only of normal recurring adjustments), which are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the interim periods presented. They comply with Regulation S-X and the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required under generally accepted accounting principles for complete financial statements. The consolidated balance sheet as of December 31, 2003 has been derived from audited financial statements. The unaudited consolidated financial statements contained herein should be read in conjunction with the financial statements and notes thereto contained in the Company's Form 10-K for the fiscal year ended December 31, 2003. The results of operations for the three months ended March 31, 2004 are not necessarily indicative of the results for the entire fiscal year ending December 31, 2004 or for any other interim period in the fiscal year ending December 31, 2004.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company has experienced substantial recurring losses to date which raise substantial doubt about its ability to continue as a going concern. In addition the company had a working capital deficit of $316,000. The consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty. Management continues to pursue fund-raising activities, including private placements, so as to continue funding the Company's operations until such time as revenues are sufficient to support operations. There can be no assurances that additional funds will be raised or that the Company will ever be profitable.

Recently Issued Accounting Pronouncements

In December 2003, the Staff of the Securities and Exchange Commission issued Staff Accounting Bulletin No. 104, "Revenue Recognition", which amends SAB No. 101, "Revenue Recognition in Financial Statements."SAB No. 104's primary purpose is to rescind accounting guidance contained in SAB No. 101 related to multiple-element revenue arrangements, superseded as a result of the issuance of EITF Issue 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." Additionally, SAB No. 104 rescinds the SEC's Revenue Recognition in

Financial Statements Frequently Asked Questions and Answers, or FAQ, issued with SAB No. 101 that had been codified in SEC Topic 13, "Revenue Recognition." Selected portions of the FAQ have been incorporated into SAB No. 104. While the wording of SAB No. 104 has changed to reflect the issuance of EITF 00-21, the revenue recognition principles of SAB No. 101 remain largely unchanged by the issuance of SAB No. 104. Adoption of this standard had no impact on the Company's consolidated financial statements.

2. Goodwill and Other Intangible Assets, Net

On November 10, 2003, in connection with an Asset Purchase Agreement entered into between the Company and The Duncan Group, Inc., the Company completed the purchase of substantially all of the tangible and intangible assets, and assumed certain liabilities, of Frontline Physicians Exchange and Frontline Communications ("OnRamp"). The unaudited financial information in the table below summarizes the combined results of operations of the Company and OnRamp, on a pro forma basis, as though the companies had been combined as of January 1, 2003. This pro forma data is presented for informational purposes only and is not intended to represent or be indicative of the results of operations that would have been reported had the acquisition taken place on January 1, 2003, and should not be taken as representative of the future results of operations of the Company.

	Quarter Ended March 31 2003,
Revenues	$475,000
Net loss applicable to common stockholders	$(3,539,000)
Loss per share applicable to common	
stockholders - basic and diluted	$(0.04)

Under Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets*, the Company reviews its goodwill for impairment at least annually, or more frequently whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. Total goodwill at March 31, 2004, includes $1,605,000 related to the unamortized balance of goodwill acquired through the Cymedix acquisition, and $3,248,000 of goodwill related to the Company's acquisition of OnRamp. The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company has experienced substantial recurring losses and has a working capital deficit, which raise substantial doubt about its ability to continue as a going concern. The Company's consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty.

In connection with the Company's acquisitions of ePhysician in March 2003 and OnRamp in November 2003, in addition to goodwill, the Company recorded certain other intangible assets. At March 31, 2004, the Company's intangible assets, net consisted of the following:

	Cost	Accumulated Amortization	Average useful lives
Trade name and related marks	$347,000	$ 42,000	7 years
Customer-related intangibles	844,000	89,000	5 years
Non-compete agreements	20,000	3,000	3 years
Software and other technology	307,000	93,000	3 years
Total	$1,518,000	$227,000	

Amortization expense during the first quarter of 2004 totaled $90,000.

3. <u>Equity Transactions</u>

Option and Warrant Exercises

During the quarter ended March 31, 2004, the Company received net proceeds of $1,998,000 from the exercise of stock options and warrants resulting in the issuance of 6,299,000 shares of common stock. In the comparable period of 2003, the Company received proceeds of $162,000 from the exercise of stock options and warrants resulting in the issuance of 355,000 shares of common stock.

Contingent Warrants

At March 31, 2004 the Company had the obligation to provide 5,150,000 warrants under the Amended and Restated Common Stock Purchase Warrant with WellPoint Pharmacy Management if certain performance criteria specified are met. No additional warrants were earned during the first quarter of 2004. Had all of the remaining performance criteria been met at March 31, 2004, the fair value of the related warrants and resulting expense would have been approximately $2,316,000, using the Black-Scholes option pricing model, with assumptions of 106% volatility, no dividend yield and a risk-free rate of 2.5%.

Private Placements

In March 2004, the Company sold 10,869,565 shares of common stock to an accredited investor at a purchase price of $0.46 per share, raising proceeds of $4,751,000 net of $249,000 in offering costs. In connection with the private placement, the investor also received a five-year warrant to purchase 2,173,913 shares of common stock at an exercise price of $0.80 per share. The Company also issued a five-year warrant to purchase 173,912 shares of common stock at $0.80 per share to a finder and five-year warrants to purchase an aggregate of 831,391 shares of our common stock at $0.80 per share to the placement agent and its affiliates for its services in the placement. In addition, finders and placement agents also received 407,000 shares of the Company's common stock. The fair value of warrants and common stock issued to finders and placement agents was approximately $520,000. The investor has an anti-dilutive feature in the event the Company raises funds at a price of less than $0.46 per share. If such event occurs the investor is entitled to more shares based on the formula as set forth in the agreement.

During the first quarter ending March 31, 2004, the Company completed a private placement of its common stock and raised net proceeds of $763,000. A total of 191,250 units were placed, each consisting of ten shares of common stock and two warrants. Subscribers purchased each unit for $4.00 and are entitled to exercise warrant rights to purchase one share of common stock at a purchase price of $0.60 per share for a five-year period on or after July 1, 2004 and prior to June 30, 2009.

During the quarter ended March 31, 2003, the Company completed a private placement of its $.001 common stock and raised proceeds of $1,209,000, net of $51,000 in fees. A total of 3,151,250 units were placed, each consisting of one share of common stock and one warrant. Subscribers purchased each unit for $0.40 and are entitled to exercise warrant rights to purchase one share of the common stock of the Company at a purchase price of $.0.50 per share for a five-year period on or after January 1, 2003 and prior to January 1, 2008.

4. **Stock Options**

During the first quarter of 2004, the Company issued to employees options to purchase 2,331,000 shares of common stock at exercise prices ranging from $0.54 to $0.80. Such options were granted under the Company's 2003 Stock Incentive Plan. The weighted-average estimated grant date fair value, as defined by SFAS No. 123, *Stock-Based Compensation*, of options granted in the first quarter of 2004, was $0.61. The Company used the Black-Scholes option-pricing model to estimate the options' fair value by considering the following assumptions: the options exercise price and expected life, the underlying current market price of the stock and expected volatility, expected dividends and the risk free interest rate corresponding to the term of the option.

The Company has adopted the disclosure-only provisions of SFAS No. 123 and continues to apply the accounting principles prescribed by APB No. 25 to its employee stock-based compensation awards. Had compensation cost for the Company's options issued to employees been determined based on the fair value at the grant date for awards consistent with the provisions of SFAS No. 123, as amended by SFAS No. 148, the Company's net loss and basic loss per common share would have been changed to the pro forma amounts indicated below:

	For the Three Months Ended March 31,	
	2004	2003
Net loss applicable to common shareholders as reported	$(6,665,000)	$(3,580,000)
Add: Stock-based employee compensation cost included in net loss as reported	16,000	--
Less: Stock-based employee compensation expense cost as if the fair value method had been applied to all awards	(142,000)	(289,000)
Net loss applicable to common shareholders - pro forma	$ (6,791,000)	$ (3,869,000)
Basic and diluted loss per common share - as reported	$ (0.04)	$ (0.03)
Basic and diluted loss per common share - pro forma	$ (0.04)	$ (0.05)

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

	For the Three Months Ended March 31,	
	2004	2003
Approximate risk free rate	2.25%	4.50%
Average expected life	5 years	5 years
Dividend yield	0%	0%
Volatility	106%	97%

5. Related Party Transactions

Accounts payable - related parties as of March 31, 2004, reflects $40,000 owed to a former director of the Company which was paid in full in April 2004. Also reflected in accounts payable- related parties at March 31, 2004 was approximately $221,000 in connection with the Company's acquisition of OnRamp, which is owed to the former owners of OnRamp who are now employees of the Company.

Until his appointment as our president and chief operating officer in October 2003, Andrew Brown was employed by External Affairs, Inc. In August 2003, we entered into a consulting agreement with External Affairs for a term ending June 30, 2004, under which External Affairs agreed to act as our investor relations and strategy consultant and assist us with our capital raising efforts. The agreement provided for payments to External Affairs of $328,000, and a discretionary bonus of potentially up to $275,000 based upon our attaining a specified level of revenue during the term of the agreement. On October 10, 2003, Mr. Brown was appointed as our president and chief operating officer, and Mr. Brown, External Affairs and the Company agreed to reduce the compensation payable to External Affairs under the August 2003 Consulting Agreement to $20,000 per month, with the remainder payable as employee compensation to Mr. Brown as President and Chief Operating Officer. External Affairs was granted 500,000 restricted shares of our common stock in July 2003. Pursuant to the agreement, External Affairs also received a five-year option to purchase an aggregate of 1,500,000 shares of our common stock at $0.25 per share, of which (i) options to purchase 500,000 shares vest in 25% increments every three months beginning September 9, 2003 conditioned on Mr. Brown continuing to render services to us at the end of each three-month period, and (ii) options to purchase 1 million shares which will vest on July 9, 2008, subject to earlier vesting in June 2004 based upon a formula contained in the agreement. The agreement is terminable by either us or External Affairs for any reason on ninety days prior written notice, subject to certain offset rights in the event of termination by External Affairs for other than "good reason". External Affairs transferred all of its options and restricted shares to Mr. Brown effective October 10, 2003. In November 2003, all of these options and restricted s