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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2011

☐ **TRANSITION REPORTS PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________________ to ________________

COMMISSION FILE NUMBER: 333-163076

PHYHEALTH CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	26-1772160
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

700 South Royal Poinciana Boulevard -- Suite 506
Miami, Florida 33166
(Address of principal executive offices)

(305) 779-1760
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

The number of outstanding shares of the registrant's common stock, par value $.0001, was 6,604,312 as of May 6, 2011.

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ITEM 1. FINANCIAL STATEMENTS

Phyhealth Corporation

Consolidated Financial Statements

For the three months ended March 31, 2011 and 2010

Phyhealth Corporation and Subsidiaries

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Phyhealth Corporation and Subsidiaries
Consolidated Balance Sheets

	March 31, 2011	December 31, 2010
ASSETS	(unaudited)	
Current assets:		
Cash	$ 65,934	$ 112,087
Patient accounts receivable, net	20,386	-
Current portion of convertible note receivable	-	23,052
Marketable equity securities	59,500	556,950
Surplus notes and interest receivable due from related party	362,251	362,251
Due from related party	175	21,997
Other current assets	6,000	4,500
Total current assets	514,246	1,080,837
Convertible note receivable, net of current portion, net of $40,000 allowance	600,000	576,948
Non-marketable equity securities	77,500	77,500
Furniture and equipment, net	137,472	46,755
Website costs, net	1,796	2,839
Other assets	5,533	2,533
Total assets	$ 1,336,547	$ 1,787,412
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 41,885	$ 26,889
Accrued payroll liabilities	48,105	36,647
Note payable to related party	50,000	50,000
Current portion of capital lease	35,405	16,735
Margin loan, secured by marketable equity securities	-	137,609
Total current liabilities	175,395	267,880
Capital lease, net of current portion	83,384	18,257
Total Liabilities	258,779	286,137
Contingencies (Note 6)		
EQUITY:		
Phyhealth Corporation stockholders' equity:		
Common stock, $0.0001 par value, 40,000,000 authorized,		
6,604,312 issued and outstanding at March 31, 2011 and December 31, 2010	660	660
Preferred stock, 10,000,000 authorized, $0.0001 par value,		
Series A convertible preferred stock, 5,000,000 designated, 3,240,008		
shares issued and outstanding at March 31, 2011 and December 31, 2010	324	324
Series B convertible preferred stock, 5,000,000 designated, 622,332		
shares issued and outstanding at March 31, 2011 and December 31, 2010	62	62
Additional paid-in capital	2,144,278	2,144,278
Accumulated deficit	(835,168)	(635,688)
Accumulated other comprehensive income -unrealized gain (loss) on investments	(159,696)	62,066
Total Phyhealth Corporation stockholders' equity	1,150,460	1,571,702
Noncontrolling interest	(72,692)	(70,427)
Total equity	1,077,768	1,501,275
Total liabilities and equity	$ 1,336,547	$ 1,787,412

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Phyhealth Corporation and Subsidiaries
Consolidated Statements of Operations and Comprehensive Loss - Unaudited

	Three months ended March 31, 2011	2010
Sleep care service revenue, net	$ 53,243	$ -
Operating expenses:		
Officer and directors compensation	79,901	-
Consulting and professional fees	100,206	-
Sleep center operating expense	109,521	-
Bad debt expense	29,917	-
General and administration	80,591	3,170
Total operating expense	400,136	3,170
Loss from operations	(346,893)	(3,170)
Other expenses:		
Interest expense	(2,707)	-
Realized gain on sale of securities	147,855	-
Net loss	(201,745)	(3,170)
Add: net loss attributable to noncontrolling interest	2,265	-
Net loss attributable to Phyhealth Corporation and Subsidiaries	$ (199,480)	$ (3,170)
Net loss per share - basic and diluted	$ (0.03)	$ (3.17)
Weighted average shares outstanding - basic and diluted	6,604,312	1,000
Net loss	$ (201,745)	$ (3,170)
Unrealized investment holding loss	(73,907)	-
Less: reclassification adjustment for gains included in net loss	(147,855)	-
Comprehensive loss	(423,507)	(3,170)
Net loss attributable to noncontrolling interest	2,265	-
Comprehensive loss attributable to Phyhealth Corporation and Subsidiaries	$ (421,242)	$ (3,170)

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Phyhealth Corporation and Subsidiaries
Consolidated Statements of Changes in Equity - Unaudited
For the three months ended March 31, 2011

	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Phyhealth Corporation Stockholders'	Non-Controlling	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Income (Loss)	Equity	Interest	Equity
Balance- December 31, 2010	3,240,008	$ 324	622,332	$ 62	6,604,312	$ 660	$ 2,144,278	$(635,688)	$ 62,066	$ 1,571,702	$ (70,427)	$1,501,275
Unrealized loss on marketable equity securities	-	-	-	-	-	-	-	-	(221,762)	(221,762)	-	(221,762)
Net loss for three months ended March 31, 2011	-	-	-	-	-	-	-	(199,480)	-	(199,480)	(2,265)	(201,745)
Balance- March 31, 2011	3,240,008	$ 324	622,332	$ 62	6,604,312	$ 660	$ 2,144,278	$(835,168)	$ (159,696)	$ 1,150,460	$ (72,692)	$1,077,768

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Phyhealth Corporation and Subsidiaries
Consolidated Statements of Cash Flows - Unaudited

	Three months ended March 31, 2011	2010
Cash from operating activities:		
Net loss attributable to Phyhealth Corporation and Subsidiaries	$ (199,480)	$ (3,170)
Adjustments to reconcile net loss to net cash used in operating activities:		
Net loss attributable to noncontrolling interests	(2,265)	-
Gain on sale of equity securities	(147,855)	-
Bad debt expense	29,917	-
Depreciation and amortization	7,448	-
Changes in operating assets and liabilities:		
Accounts receivable, net	(20,386)	-
Other current assets	(1,500)	-
Other assets	(3,000)	-
Accounts payable and accrued liabilities	16,418	-
Accrued payroll liabilities	11,458	-
Due from related party	(8,095)	3,170
Net cash used in operating activities	(317,340)	-
Cash flows from investing activities:		
Proceeds from sale of marketable securities	423,543	-
Purchase of furniture and equipment	(11,194)	-
Net cash provided by investing activities	412,349	-
Cash flows from financing activities:		
Repayment of margin loan	(137,609)	-
Repayment of capital lease	(3,553)	-
Net cash used in financing activities	(141,162)	-
Net decrease in cash	(46,153)	-
Cash, beginning of period	112,087	-
Cash, end of period	$ 65,934	$ -
Supplemental disclosures of cash flow information:		
Cash paid for interest paid	$ 1,285	$ -
Cash paid for income taxes paid	$ -	$ -
Unrealized loss on investments	$ 73,907	$ -
Equipment purchased under capital lease	$ 85,928	$ -

The accompanying notes are an integral part of these unaudited consolidated financial statements.

1. BASIS OF PRESENTATION, ORGANIZATION, PRINCIPLE OF CONSOLIDATION AND NATURE OF BUSINESS AND CURRENT OPERATIONS, AND LIQUIDITY

Basis of Presentation – The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the United States Securities and Exchange Commission for interim financial information. Accordingly, they do not include all the information and footnotes necessary for a comprehensive presentation of consolidated financial position and results of operations. It is management's opinion, however, that all material adjustments (consisting of normal recurring adjustments) have been made which are necessary for a fair consolidated financial statement presentation. The results for the interim period are not necessarily indicative of the results to be expected for the year. For further information, refer to the audited consolidated financial statements and footnotes of the company for the years ending December 31, 2010 and 2009.

Organization – Phyhealth Corporation ("Company," "Phyhealth" or "Parent") was formed in the state of Delaware on January 18, 2008 and was originally a wholly-owned subsidiary of Physicians Healthcare Management Group, Inc. (PHYH). Prior to November 10, 2010, the Company was a dormant shell and was created to receive the operating assets and liabilities of PHYH ("Predecessor") under a spin-off (Spin-off) which occurred on November 10, 2010, as described below. Any references to "the Company" below may refer to the Company or its predecessor.

The operations of PHYH that were the subject of the Spin-off have been in the development stage up to and through the date of the Spin-off, and continues to be in the development stage through December 31, 2010. In the three months ended March 31, 2011, the Company recognized the first revenue from operations and is no longer in the development stage.

Principles of Consolidation - The consolidated financial statements include the accounts of Phyhealth Corporation which is a Delaware corporation and includes its wholly-owned and majority-owned subsidiaries as described below. All material intercompany balances and transactions have been eliminated in consolidation.

Subsidiaries – As part of the Spin-off described below, Phyhealth acquired PHYH's ownership interest in the following subsidiaries:

Phyhealth Underwriters, Inc. - On July 1, 2005, Phyhealth Underwriters, Inc. (Underwriters) was incorporated in the state of Illinois. On December 12, 2005 it was redomesticated by incorporating in Nevada. It was originally owned equal between two partners. On February, 27, 2009 the Company purchased an additional 42.5% (1,062 shares) of the common stock of Phyhealth Underwriters, Inc. (Underwriters) for a total of 92.5% ownership from its joint venture partner, Atlas Insurance Management (Atlas). Underwriters was created to act as the legally required Attorney-in-fact for a risk retention group formed by the Company and Atlas named "Physhield Insurance Exchange, a Risk Retention Group" (Physhield), a Nevada domiciled Association Captive. Physhield is an insurance reciprocal, which can only be owned by its physician subscribers; and is the Company's exclusive licensed medical malpractice insurance affiliate. Underwriters, as the Attorney-in fact, has a long-term management agreement with Physhield and is responsible for managing all of Physhield's operations. The Company plans to operate Underwriters as a subsidiary and with holding majority ownership is positioned to invest additional resources at opportune times in the development of its medical malpractice insurance business covering a wide range of captive insurer and risk retention group opportunities.

Florida Physicians - On November 29, 2007, the Company filed with the state of Florida to create a limited liability company named Florida Physicians, LLC (Florida Physicians). Phyhealth is the managing member of Florida Physicians, which in turn is the immediate parent of Phyhealth Plan Corporation as described below.

Phyhealth Plan Corporation - On September 4, 2007 the Company filed with the state of Florida to create Phyhealth Plan Corporation (Plancorp). There were 10 million, no par, shares authorized upon filing. This wholly owned subsidiary of Florida Physicians was created to operate as a healthcare maintenance organization (HMO). Management expects to submit an application for an HMO operating certificate when it raises the necessary funds to support operations.

Phyhealth Sleep Care Corporation - On September 29, 2010, Phyhealth Sleep Care Corporation (Phyhealth Sleep Care) was incorporated in the state of Delaware in order to own and operate sleep care facilities.

Nature of Business and Current Operations – The Company is marketing two primary products to physicians and physician groups.

The first product is the development of community health plans that are owned and operated in partnership with the participating physicians. The Company's community health plans are structured to integrate all the financial and reimbursement components of healthcare delivery; align the financial incentives of all participants; and empower physicians to assume end-to-end management of healthcare for their patients. The Phyhealth community health plan model is built on the foundation of the physician-patient relationship and rewards physicians for proactively providing the preventative care necessary to keep their patients healthy and for closely managing the ongoing care necessary for patients who suffer from chronic disorders to stabilize their health status.

The second product is a medical malpractice liability insurance program for physicians and physician groups marketed through its subsidiary, Phyhealth Underwriters, Inc. and its medical malpractice affiliate, Physhield Insurance Exchange, a Risk Retention Group (Physhield). Phyhealth Underwriters served as the attorney-in-fact (management company) for Physhield. Physhield was authorized under the Federal Liability Risk Retention Act of 1986 and is organized as a reciprocal insurer licensed as an association captive domiciled in the state of Nevada. Phyhealth's insurance programs are designed to reduce and stabilize the physician's medical malpractice liability insurance premiums by ensuring that over time the physicians pay the actual cost of their own risk. Physhield has not written any business since its inception and the Company has suspended Physhield's operations in order to recover the capital invested in Physhield to meet the Company's capital needs for developing additional sleep centers and for corporate expenses. However, Phyhealth Underwriters will continue to explore medical malpractice opportunities using other risk retention groups or alternative captive insurance structures.

Through its community health plan operations, the Company intends to expand its product offerings to include ownership of local healthcare facilities, systems for processing physician reimbursement claims, and electronic medical records among other products and services that would be designed to increase physicians' income, reduce their expenses and add to their net worth. Part of this plan was initiated in October 2010 when the Company incorporated a wholly owned subsidiary named Phyhealth Sleep Care Corporation (Sleep Care) and entered into an agreement with an individual operator to open a series of sleep care centers over the next year. In November 2010 Sleep Care initiated the development of a 2 bed diagnostic sleep center in Longmont, Colorado and purchased the assets and assumed certain liabilities of an existing 2 bed diagnostic sleep care center in Denver, Colorado. In January 2011, the Denver facility was expanded to 4 beds.

The Company's offerings are designed to take advantage of opportunities available after the recent enactment of the Patient Protection and Affordable Care Act (PPACA) signed into law March 2010. Phyhealth's community health plan, particularly when integrated with its unique medical malpractice insurance program, is designed to provide high quality, affordable healthcare insurance coverage to the broadest segment of patients in the community and to fully comply with the new PPACA and other applicable state and federal regulations.

Liquidity - The accompanying unaudited consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company and its ability to meet its ongoing obligations. The Company has a net loss of $199,480 and net cash used in operations of $317,340 for three months ended March 31, 2011 and a positive working capital, stockholders' equity and a accumulated deficit of $338,851, $1,150,460 and $835,168 , respectively, at March 31, 2011. However, the operations of Phyhealth Sleep Care started generating revenue in the three months ended March 31, 2011.

These conditions, as well as the conditions noted below, were considered when evaluating the Company's liquidity and its ability to meet its ongoing obligations. These unaudited consolidated financial statements do not include any adjustments to reflect the possible future effect on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the outcome of these uncertainties.

Management plans to utilize a combination of cash flow opportunities to provide for the continuation of the entity as a going concern. They believe the entrance into the sleep care facilities will not only produce the Company's first revenues in 2011 but it will very quickly become self supporting and provide a positive cash flow. While this cash flow will be modest at first, management believes it will quickly grow to provide a significant positive cash flow in future years. While the sleep care business is maturing, management will fund the needed cash flow by selling its current marketable investments, including recovering the capital surplus loaned to Physhield estimated to be $400,000 net of expenses. While management believes that this plan will provide the cash flow necessary to continue as a going concern, no assurances can be made that its plan will be successful.

Use of Estimates in Financial Statements - The presentation 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. Significant estimates during the period covered by these consolidated financial statements include the allowance for the loan due from related party, the allowance for contractual discounts and doubtful accounts, the impairment of long lived assets, valuation of securities, the carrying amount of goodwill from the investment in Underwriters, the allocation of service expenses to Underwriters, the valuation of stock and options issued for services, and the valuation allowance on deferred tax assets.

Revenues and allowances – For the Company's Sleep Care operations, the Company records revenue when persuasive evidence of an arrangement exists, services have been rendered, the sales price to the patient is fixed or determinable, and collectability is reasonably assured. The Company recognizes revenues in the period in which services are performed and billed to the patient or third party insurer. Patient accounts receivable primarily consist of amounts due from third party insurers and patients. Amounts the Company receives for treatment of patients is generally covered by third party insurers such as health maintenance organizations, preferred provider organizations and other private insurers and are generally less than the Company's established billing rates. Accordingly, the revenues and related patient accounts receivable reported in the Company's consolidated financial statements are recorded at the net amount expected to be received.

The Company derives a significant portion of its revenues from third party insurers that receive discounts from our standard charges. The Company must estimate the total amount of these discounts to prepare its consolidated financial statements. The various managed care contracts under which these discounts must be calculated are complex and are subject to interpretation and adjustment. The Company estimates the allowance for contractual discounts on a payer-specific basis given its interpretation of the applicable regulations or contract terms. These interpretations sometimes result in payments that differ from the Company's estimates. Additionally, updated regulations and contract renegotiations occur frequently, necessitating regular review and assessment of the estimation process by management. Changes in estimates related to the allowance for contractual discounts affect revenues reported in the Company's consolidated statements of operations in the period of the change.

Management has recorded estimates for doubtful accounts, which may be sustained in the collection of these receivables. Although estimates with respect to realization of the receivables are based on management's knowledge of current events, the Company's collection history, and actions it may undertake in the future, actual collections may ultimately differ substantially from these estimates. Receivables are written off when all legal actions have been exhausted.

At March 31, 2011, patient accounts receivable were presented net of an allowance for contractual discounts of $37,860.

Recent Accounting Pronouncements

The following is a summary of recent authoritative pronouncements that affect accounting, reporting, and disclosure of financial information by the Company.

In July 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-20, "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses." This Update improves the disclosures that an entity provides about the credit quality of its financing receivables and the related allowance for credit losses. As a result of these amendments, an entity is required to disaggregate by portfolio segment or class certain existing disclosures and provide certain new disclosures about its financing receivables (including trade and notes receivable) and related allowance for credit losses. This disclosure was initial effective for the Company's financial statements ending December 31, 2010, but has been deferred to the Company's financial statements ended June 30, 2011. Management doesn't believe that this ASU will have a material impact on its financial statements.

In December 2010, the FASB issued ASU 2010-28, "When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts." The amendments in this Update affect all entities that have recognized goodwill and have one or more reporting units whose carrying amount for purposes of performing Step 1 of the goodwill impairment test is zero or negative. The amendments in this Update modify Step 1 so that for those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. This disclosure is effective for the Company's financial statements ending December 31, 2011. Management doesn't believe that this ASU will have a material impact on its financial statements.

2. CONVERTIBLE NOTE RECEIVABLE AND INVESTMENTS IN SECURITIES

Investments made by the Company were made in debt and equity securities of companies. The investments at March 31, 2011 are as follows:

Convertible Note Receivable:

Convertible Note from AccessKey IP, Inc. (AccessKey) – In November 10, 2010 Spin-off, the Company received 1) an AccessKey note receivable with a face value of $640,000, and 2) warrants to purchase 75 million shares of AccessKey common stock at a total exercise price of $100, with an expiration date of December 31, 2013 (see non-marketable securities below). Of the $640,000 face value on the note receivable, $300,000 is convertible at the holder's option into AccessKey common stock at a 50% discount to the market as computed under the provisions within the note. The Company has evaluated the collectibility of note, and because of the 50% conversion discount, the Company's risk of loss is substantially mitigated such that the note can always be converted into a minimum of $600,000 worth of AccessKey common stock. Therefore, prior to November 10, 2010, management established a $40,000 reserve for the portion of the investment at risk to loss. Management does not expect to convert and sell any of the shares from this convertible note receivable in the next year and therefore the asset has been classified as long-term.

In addition, the $300,000 portion of the note receivable that is subject to conversion into AccessKey's common stock was evaluated to see if it met the definition of a derivative asset as described by Statement of Financial Accounting Standards Codification (ASC) section 815 "Derivative and Hedging." It was determined that the note did not meet the definition of a derivative because there was no provision for net settlement and because it was determine that the shares were not easily convertible to cash due to the selling restriction of more than 31 days on the stock.

Marketable Equity Securities:

AccessKey Common Stock– As described above, the Company received 15 million shares of AccessKey common stock in the November 10, 2010 Spin-off. Based on the market value of these shares at March 31, 2011, an unrealized loss of $4,200 and $0 is reflected in the unaudited consolidated statements of operations and comprehensive income (loss) for the three months ended March 31, 2011 and 2010, respectively. The fair value of these securities as of March 31, 2011 reflected in the accompanying unaudited consolidated balance sheet is $6,000. These securities were valued using the OTC closing price on March 31, 2011.

ZST Digital Networks, Inc. Common Stock – In November 10, 2010 Spin-off, the Company received 75,000 shares of common stock in ZST Digital Networks, Inc. (ZST Digital), a Chinese supplier of optical and digital network equipment, listed as ZSTN on NASDAQ.

During the three months ended March 31, 2011, the Company sold shares of ZST Digital common stock with a market value of $427,486, receiving proceeds after selling costs of $423,543 realizing a gain of $147,855. In addition, an unrealized loss of $59,357 and $0 is reflected in the unaudited consolidated statements of operations and comprehensive income (loss) for the three months ended March 31, 2011 and 2010, respectively. The fair value of the remaining securities as of March 31, 2011 reflected in the accompanying unaudited, consolidated balance sheet is $29,350.

Bio-Matrix Scientific Group, Inc. (Bio-Matrix) Common Stock – In November 10, 2010 Spin-off, the Company received 1,150,000 common shares and 25,000 of non-convertible preferred shares of Bio-Matrix Scientific Group (Bio-Matrix). Bio-Matrix is an OTCBB company listed as BMSN. This investment in common stock is classified as available for sale by management and presented as short-term because the shares are expected to be sold in the next twelve months. The preferred shares are non-marketable and valued at zero cost (see below). There is a possibility that the Company could receive an additional 150,000 shares of Bio-Matrix common stock that Bio-Matrix issued to another entity under the original PHYH purchase agreement as compensation for a business transaction that never materialized. Since that transaction never materialized, the Company believes that they should receive the shares of Bio-Matrix common stock issued to that entity. However, those shares have not been recognized in these consolidated financial statements nor included in the fair value disclosure herein, because it is not reasonably assured that they will receive those shares.

Based on the OTC market price of the stock currently held by the Company, an unrealized loss of $10,350 and $0 is reflected in the unaudited consolidated statements of operations and comprehensive income (loss) for the three months ended March 31, 2011 and 2010, respectively. The fair value of these securities as of March 31, 2011 reflected in the accompanying unaudited consolidated balance sheet is $24,150.

Non-Marketable Securities:

AccessKey warrants – As described above, the Company recorded warrants to purchase 75 million shares of AccessKey common stock. These warrants are considered non-marketable and accounted for at cost less any impairment since there is no readily determinable market value. These warrants were recorded at the $77,500 at the time of the Spin-off and were subsequently evaluated for other than temporary impairment. At March 31, 2011, the warrants were valued at the end of the quarter using the Black-Scholes model assuming a risk-free rate of 1.52%, a volatility rate of 225.4%, expected maturity of 3.75 years, and expected dividend of 0%. No impairment was deemed appropriate at March 31, 2011.

Bio-Matrix Scientific Group, Inc. (Bio-Matrix) Preferred Stock – As described above the Company acquired 25,000 shares of non-convertible preferred stock in Bio-Matrix. These shares were recorded at a zero cost basis.

Common stock - MLH Investments, Inc (MLH) – On November 10, 2010 the Company acquired PHYH's interest in 100,000 restricted common shares of Wound Management Technologies, Inc. (WNDM) common stock that was provided to PHYH as a result of a previous loan made to MLH. The Company also received a put option requiring MLH to purchase 75,000 shares of the WNDM stock at $3.00 per share upon notice by the Company between September 15, 2009 and October 15, 2009. Although the original loan was repaid, MLH and WNDM have refused to honor the terms of these other instruments and have not issued the 100,000 shares of WNDM common stock to the Company and have not paid the $225,000 due upon the Company's exercise of the Put Option. The Company believes the terms are legally enforceable and has filed a lawsuit against MLH Investments, its Chairman, WNDM and other parties. However, the Company has not recorded the stock in these financial statements since a positive outcome to this dispute cannot be reasonably assured.

Note Receivable and warrants from Bottled Water Media (BWM) **-** On November 10, 2010 the Company acquired PHYH's interest in a note receivable of $250,000 in BWM in the form of a secured original issue discount promissory note with a face value of $287,500, including interest, with a maturity date of December 29, 2009, collateralized by the intellectual property of BWM and the Chief Executive Officer's personal guarantee. Part of the compensation to the Company includes warrants to purchase 7% of the BWM's common stock and 7% of the BWM's preferred stock for $200,000, which expires on December 29, 2012. Since BWM is a privately held development stage company with no revenues or sales contracts and no indicators of common stock value, the warrant received was valued at zero for accounting purposes and no interest or loan fee income was recognized. Since the warrants are accounted for at cost for this non-marketable security, there is no change in recorded value as of March 31, 2011. BWM has the right to repurchase 50% of the Warrants from the Company for $500,000. The Company is also entitled to future advertising through BWM at BWM's cost for a period of 24 months not to exceed $250,000 or 25% of BWM's annual revenues.

Since BWM is in default on this note receivable, default interest rates of 27% started to accrue, the warrant to purchase 7% of BWM's common stock and preferred stock increased to 20% and the exercise price was reduced to $100. BWM is in the process of raising funds that, if successful, all or a portion of the funds raised will be used to pay this debt. While the Company's management remains hopeful that they will be repaid their investment and earnings from this note receivable, due to the uncertainty of BWM's ability to raise funds and BWM's lack of established operations, the Company has maintained a 100% reserve that was established prior to November 10, 2010 acquisition of this investment in BWM and no interest income is being accrued on the note receivable.

3. FAIR VALUE MEASUREMENTS

Marketable Equity Securities

As of March 31, 2011 the Company's investments in marketable equity securities are based on the March 31, 2011 stock price as reflected in the OTC markets, reduced by a discount factor if those shares have selling restrictions. These marketable equity securities are summarized as follows:

	Equity Securities Cost	Aggregate Unrealized Gains (Loss)	Equity Securities Aggregated Fair Value
Marketable Equity Securities-Available for Sale:			
AccessKey IP, Inc.	$ 94,500	$ (88,500)	$ 6,000
Bio-Matrix Scientific Group, Inc.	105,000	(80,850)	24,150
ZST Digital Networks, Inc.	19,696	9,654	29,350
Total Marketable Equity Securities-Available for Sale	$ 219,196	$ (159,696)	$ 59,500

The unrealized gains (losses) are presented in comprehensive losses in the consolidated statements of operations and comprehensive loss.

The levels of the fair value measurements for marketable equity securities are summarized as follows:

	Fair Value Measurements Using:		
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable Equity Securities – December 31, 2010	$ 34,500	$ -	$ 522,450
Sale of equity securities	-	-	(423,543)
Total unrealized gains (losses)			
Included in other comprehensive income	(10,350)	-	(63,557)
Marketable Equity Securities – March 31, 2011	$ 24,150	$ -	$ 35,350

Non-Marketable Securities:

The March 31, 2011 fair value of the non-marketable securities based on the Black-Scholes model is summarized as follows:

	Equity Securities Cost	Aggregate Unrealized Gains (Losses)	Equity Securities Aggregated Fair Value
AccessKey IP, Inc. warrants	$ 77,500	$ (47,500)	$ 30,000

The levels of the fair value measurement for the non-marketable securities are summarized as follows:

	Fair Value Measurements Using:		
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Non-Marketable Securities– December 31, 2010			$ 51,000
Total unrealized losses			(21,000)
Non-Marketable Securities– March 31, 2011	$ -	$ -	$ 30,000

4. RELATED PARTIES

Underwriters is the attorney in fact for Physhield (see Note 1) and the Parent company has received the surplus note in the November 10, 2010 Spin-off. Physhield also owes the Company $252,874 of accrued interest, $87,358 for a start-up loan and $619,646 of shared expenses as described in the preceding paragraphs, for a total of $959,878. The collectability of these amounts are dependent on Physhield's ability to pay this debt assuming Physhield can underwrite and enroll an appropriate number of physician subscribers and assuming the reimbursement of all or part of these expenses would be approved by the Physhield Subscriber Advisory Committee that will be reconstituted to include physician subscribers. Due to the uncertainty of this occurring, the Company has reserved 100% of these receivables. The Company is also owed $362,251 evidenced by a surplus note and accrued interest receivable from Physhield. These amounts are considered collectible since Physhield has liquid assets in excess of the amount owed. Subsequent to March 31, 2011, the Company applied to the Department of Insurance for Physhield to voluntarily surrender its Certificate of Authority and expects to receive the refund during 2011.

The Company has contracted with NextPath Partners, LLC (NextPath) to provide full-time marketing and related services for $7,500 per month to support the introduction and sales of Physhield's medical malpractice products, particularly in Maryland and the District of Columbia. Services include website development and maintenance, product development, communications, direct marketing to physicians and the development of marketing materials to support Physhield's Managing General Agent, Palumbo Insurance Associates. NextPath has also been engaged by the Company to provide substantially the same full-time marketing services to Phyhealth Sleep Care Corporation. NextPath will not receive additional compensation for the services for Sleep Care over and above the $7,500 per month contracted amount. NextPath is owned and operated by the spouse of the President and CEO of the Company. NextPath has more than twenty years executive management experience in target marketing for a Fortune 500 media corporation and complies with the Company's Related Parties Policy. Based on a mutual agreement, NextPath did not provide services in February and March of 2011 and consequently was only paid $7,500 and $0 for the three months ended March 31, 2011 and 2010, respectively.

5. CAPITAL LEASES

The Company entered into a capital lease on January 14, 2011 for $85,928 of sleep care medical equipment for location opened in Denver, Colorado. The lease requires the Company to pay monthly principal and interest payments of $3,218 per month for 30 months starting in July 2011 and ending December 2013. The lease has an implicit interest rate of 6.6%.

The Company also has a capital lease on the sleep care medical equipment for its Longmont, Colorado location that requires the Company to pay monthly principal and interest payments of $1,287 per month through August 2013. The lease has an implicit interest rate of 14.2%.

Total minimum lease payments under all capital leases are summarized as follows:

Year ended March 31:	
2012	$ 44,413
2013	54,069
2014	35,402
Total minimum lease payment	133,884
Interest portion of minimum lease payments	(15,095)
Present value of minimum lease payments	118,789
Less: current portion of capital lease	(35,405)
Capital lease, net of current portion	$ 83,384

6. LITIGATION

One of the Company's investors has initiated litigation claiming that the August 2008 conversion of their convertible debentures into Series B Preferred shares should be voided since they believe their Investment Advisor also represented the Company at that time. The investment advisor and the Company deny that there was any conflict of interest or wrongdoing in this conversion.

If the conversion is declared to be void, the investor seeks judgment on the convertible debenture, in an amount of approximately $263,000. The management team believes this case is without merit and has asked legal counsel to vigorously contest this matter. Legal counsel filed a motion to dismiss this case. The plaintiff filed an amended complaint. After discovery, legal counsel plans on filing a motion for summary judgment, as it sees no factual basis for the complaint. The Company's management believes it will successfully defend this claim and does not believe that the outcome of this litigation will have a material impact to the Company's consolidated financial statements. No liability has been recorded in the Company's consolidated financial records regarding this litigation.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our financial statements.

The purpose of this discussion is to provide an understanding of the financial results and condition of Phyhealth Corporation (Company) and to also describe the plans for future growth and expansion.

Forward-Looking Statements

This Management's Discussion and Analysis and other parts of this report contain forward-looking statements that involve risks and uncertainties, as well as current expectations and assumptions. From time to time, the Company may publish forward-looking statements, including those that are contained in this report, relating to such matters as anticipated financial performance, business prospects, technological developments, new products, research and development activities and similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, the Company notes that a variety of factors could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements. The risks and uncertainties that may affect the operations, performance, development and results of the Company's business include, but are not limited to, its ability to maintain sufficient working capital, adverse changes in the economy, the ability to attract and maintain key personnel, its ability to identify or complete an acceptable merger or acquisition, and future results related to acquisition, merger or investment activities. The Company's actual results could differ materially from those anticipated in these forward-looking statements, including those set forth elsewhere in this report. The Company assumes no obligation to update any such forward-looking statements.

Operational Overview:

The Company has been a dormant shell during 2008, 2009 and most of 2010. The Company was created to receive the business, operating assets and liabilities of PHMG under a spin-off where shares of the Company are distributed to the stockholders of PHMG and both PHMG and the Company became independent publicly traded companies. That spin-off occurred on November 10, 2010.

During the first quarter of 2011, the Company received its first revenues from services provided by its wholly owned subsidiary Phyhealth Sleep Care Corporation as more fully described below. The receipt of these revenues means that the Company is no longer a "development stage enterprise" for financial accounting purposes. Although several portions of the business plan are still to be implemented, it is now considered to be an operating entity.

The Company will continue to market two primary products to physicians and physician groups. The first product is the development of community health plans that are owned and operated in partnership with the participating physicians. The Company's community health plans are structured to integrate all the financial and reimbursement components of healthcare delivery; align the financial incentives of all participants; and empower physicians to assume end-to-end management of healthcare for their patients. The Phyhealth community health plan model is built on the foundation of the physician-patient relationship and rewards physicians for proactively providing the preventative care necessary to keep their patients healthy and for closely managing the ongoing care necessary for patients who suffer from chronic disorders to stabilize their health status.

The second product is a medical malpractice liability insurance program for physicians and physician groups marketed through its subsidiary, Phyhealth Underwriters, Inc. and its medical malpractice affiliate, Physhield Insurance Exchange, a Risk Retention Group (Physhield). Phyhealth Underwriters served as the attorney-in-fact (management company) for Physhield which was authorized under the Federal Liability Risk Retention Act of 1986 and organized as a reciprocal insurer licensed as an association captive domiciled in the state of Nevada. Physhield's insurance programs are designed to reduce and stabilize the physician's medical malpractice liability insurance premiums by ensuring that over time the physicians pay the actual cost of their own risk. Physhield has not written any business since its inception and the Company has suspended Physhield's operations in order to recover the capital invested in Physhield to meet the Company's capital needs for developing additional sleep centers and for corporate expenses. However, Phyhealth Underwriters will continue to explore medical malpractice opportunities using other risk retention groups or alternative captive insurance structures.

Through its community health plan operations, the Company intends to expand its product offerings to include ownership of local healthcare facilities, systems for processing physician reimbursement claims, and electronic medical records among other products and services that would be designed to increase physicians' income, reduce their expenses and add to their net worth. Part of this plan was initiated in October 2010 when the Company incorporated a wholly owned subsidiary named Phyhealth Sleep Care Corporation (Sleep Care) and entered into an agreement with an individual operator to open a series of sleep care centers over the next year. In November 2010 Sleep Care initiated the development of a 2 bed diagnostic sleep center in Longmont, Colorado and purchased the assets and assumed certain liabilities of an existing 2 bed diagnostic sleep care center in Denver, Colorado. In January 2011, the Denver facility was expanded to 4 beds.

The Company's offerings are designed to take advantage of opportunities available after the recent enactment of the Patient Protection and Affordable Care Act (PPACA) signed into law March 2010. Phyhealth's community health plan, particularly when integrated with its unique medical malpractice insurance program, is designed to provide high quality, affordable healthcare insurance coverage to the broadest segment of patients in the community and to fully comply with the new PPACA and other applicable state and federal regulations.

Results of Operations for the three months ending March 31, 2011 compared to the three months ending March 31, 2010

As described above, the Company had no operations prior to the spin-off on November 10, 2010. Consequently, discussion will be limited to the nature of the revenues earned and expenses incurred in the three months ended March 31, 2011.

Sleep care operations – three months ended March 31, 2011:

The sleep care service revenue recognized for the three months ended March 31, 2011 was mostly through the branch opened in Longmont, Colorado. The Denver branch opened in late January but took some time to become operational.

The sleep care operating expenses of $109,521 included $82,908 of medical professional fees incurred in the set-up of the two branches and the patient treatments once operations began. These operating expenses also included rent expense of $17,878. In the future, management expects the percentage of medical professional fees compared to revenue to be much smaller.

Corporate expenses – three months ended March 31, 2011:

Officer and director compensation of $79,901 was incurred in accordance with the employment contracts of the two executive officers of the Company.

Consulting and professional fees totaled $100,206 in the three months ended March 31, 2011 and consisted mostly of legal, audit and accounting fees incurred in the completion of the Company's Form 10K and other day to day operating matters.

Bad debt expense of $29,917 for the three months ended March 31, 2011 was a result of recording the allowance for doubtful accounts for all costs due to the Company by Physhield. Since the management team has requested the Physhield Risk Retention Group be terminated and all net assets be returned to the Company, the company does not expect these costs to be reimbursed.

The Company's general and administrative expenses totaling $80,591 consists mostly of $20,786 in travel, $11,343 of insurance, $7,447 of depreciation, and various office expenses totaling $27,301.

Liquidity and Capital Resources

The Company's cash and liquidity resources have been provided by the assets received in the November 10, 2010 spin-off. As of the date of the spin-off, the Company received $118,127 in cash and $1,061,000 of marketable equity securities and a surplus note receivable. During the three months ended March 31, 2011, management sold a portion of the marketable equity securities for $423,543. These funds have been used to fund the start up of Phyhealth sleep centers and to meet general corporate expenses.

In order to continue to meet the cash needs, management has requested the liquidation of Physhield, a Risk Retention Trust. This will provide the necessary cash for the repayment of surplus notes receivable held by the Company. The Company expects to receive approximately $400,000 in the second quarter of 2011 from this liquidation.

Management believes that its short and long-term needs for working capital, capital expenditures, new facilities and acquisitions will be satisfied by a combination of the proceeds from the investments currently held, the funds generated from future operations and additional capital raised from investors. However, there is no guarantee that additional capital can be raised, that current investments will provide adequate capital or that operations can produce enough cash flow to sustain the Company over the long-term.

Off-Balance Sheet Arrangements

None

Debt and Contractual Obligations

As a result of the spin-off on November 10, 2010, the Company assumed the two employment agreements, one with its President/Chief Executive Officer/Chairman of the Board (CEO), the other with its Vice President, Chief Operating Officer and Corporate Director (COO). Both agreements are effective upon signing and expire on December 31, 2012. The base salary of the two agreements total $270,000, with combined escalation clauses up to $900,000 if certain revenue, equity and profit milestones are met.

The Company also assumed a lease for its current corporate office space which was renewed in April 2011. The revised lease extends through May 31, 2014 requiring monthly lease payments of $3,459 for the first year and annual increases of 4% for the succeeding years.

The Company is obligated to make monthly lease payments for two sleep center facilities in Colorado. The lease payments are a combined $5,950 per month through November 2011 and then $4,150 per month through January 2012.

The Company is also obligated to monthly payments under two equipment capital leases totaling $4,505 per month through August 2013 and then $3,218 per month through December 2013.

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. On an ongoing basis we re-evaluate our judgments and estimates including those related to bad debts, investments and income taxes. We base our estimates and judgments on our historical experience, knowledge of current conditions and our beliefs of what could occur in the future considering available information. Actual results may differ from these estimates under different assumptions or conditions. Our estimates are guided by observing the following critical accounting policies.

Patient Revenues:

The Company recognizes revenues in the period in which services are performed and billed to the patient or third party insurer. Amounts the Company receives for treatment of patients is generally covered by third party insurers and is generally less than the Company's established billing rates. Accordingly, the revenues and related accounts receivable reported in the Company's consolidated financial statements are recorded at the net amount expected to be received.

The Company derives a significant portion of its revenues from third party insurers that receive discounts from our standard charges. The Company must estimate the total amount of these discounts to prepare its consolidated financial statements. The various managed care contracts under which these discounts must be calculated are complex and are subject to interpretation and adjustment. The Company estimates the allowance for contractual discounts on a payor-specific basis given its interpretation of the applicable regulations or contract terms. These interpretations sometimes result in payments that differ from the Company's estimates. Additionally, updated regulations and contract renegotiations occur frequently, necessitating regular review and assessment of the estimation process by management. Changes in estimates related to the allowance for contractual discounts affect revenues reported in the Company's consolidated statements of operations in the period of the change.

Allowance for loans:

Phyhealth's predecessor loaned funds to several companies and have subsequently recorded a 100% allowance on those investments because the uncertainty regarding the investee's ability to repay the loan. However, if those investees are able to repay the loan it would create material expense recovery to the Company's financial statements. In one such investment, Phyhealth, as the successor, is entitled to 20% of the company for $100 and could gain much more than the original investment by having a 20% ownership interest in the company along with the intellectual property it possesses.

Investments

Phyhealth accounts for the purchase of non-marketable equity and debt securities on a cost basis of accounting. Equity securities are classified as non-marketable when at the time of the purchase the equity security does not have readily determinable fair values because the security is not publicly traded and Phyhealth does not have the ability to easily or readily convert the investment to cash in the open market. Consequently, significant gains or losses may be recognized when equity securities are finally sold. In some cases the size of the potential gain or loss is not easily estimatable since there is no readily determinable fair value available. In other cases it may be subject to significant fluctuations in the market before the restrictions on the sale are removed.

Phyhealth accounts for the purchase of marketable equity securities in accordance with ASC 320, "Investment – Debt and Equity Securities" with any unrealized gains and losses included in earnings. However, those securities may not have the trading volume to support the stock price if the Company were to sell all their shares in the open market at once, so the Company may have a loss on the sale of marketable securities even though they record marketable equity securities at the current market value.

Income taxes

Phyhealth accounts for income taxes using the liability method, which requires the determination of deferred tax assets and liabilities based on the differences between the financial and tax basis of assets and liabilities, using enacted tax rates in effect for the year in which differences are expected to reverse. Deferred tax assets are adjusted by a valuation allowance, if based on the weight of available evidence it is more likely than not that some portion or all of the deferred tax assets will not be realized. Currently 100% of the deferred tax asset is reserved. If in fact Phyhealth does become profitable post spin-off, income will be charged to the statement of operations resulting from a reversal of that allowance. That allowance totals approximately $2 million as of December 31, 2010.

Recent Accounting Pronouncements

The following is a summary of recent authoritative pronouncements that affect accounting, reporting, and disclosure of financial information by the Company.

In July 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-20, "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses." This Update improves the disclosures that an entity provides about the credit quality of its financing receivables and the related allowance for credit losses. As a result of these amendments, an entity is required to disaggregate by portfolio segment or class certain existing disclosures and provide certain new disclosures about its financing receivables (including trade and notes receivable) and related allowance for credit losses. This disclosure was initial effective for the Company's financial statements ending December 31, 2010, but has been deferred to the Company's financial statements ended June 30, 2011. Management doesn't believe that this ASU will have a material impact on its financial statements.

In December 2010, the FASB issued ASU 2010-28, "When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts." The amendments in this Update affect all entities that have recognized goodwill and have one or more reporting units whose carrying amount for purposes of performing Step 1 of the goodwill impairment test is zero or negative. The amendments in this Update modify Step 1 so that for those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. This disclosure is effective for the Company's financial statements ending December 31, 2011. Management doesn't believe that this ASU will have a material impact on its financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures- Our management carried out an evaluation, with the participation of our Principal Executive Officer and Principal Financial Officer, required by Rule 13a-15 of the Securities Exchange Act of 1934 (Exchange Act) of the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Exchange Act. Based on their evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified under SEC rules and forms and is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting. There were no changes in our internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

One of the Company's investors has initiated litigation claiming that the August 2008 conversion of their convertible debentures into Series B Preferred shares should be voided since they believe their Investment Advisor also represented the Company at that time. The investment advisor and the Company deny that there was any conflict of interest or wrongdoing in this conversion.

If the conversion is declared to be void, the investor seeks judgment on the convertible debenture, in an amount of approximately $263,000. The management team believes this case is without merit and has asked legal counsel to vigorously contest this matter. Legal counsel filed a motion to dismiss this case. The plaintiff filed an amended complaint. After discovery, legal counsel plans on filing a motion for summary judgment, as it sees no factual basis for the complaint. The Company's management believes it will successfully defend this claim and does not believe that the outcome of this litigation will have a material impact to the Company's consolidated financial statements. No liability has been recorded in the Company's financial records regarding this litigation.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

None

SIGNATURES (*)

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

	PHYHEALTH CORPORATION
Date: May 16, 2011	By: /s/ *Robert L Trinka* Robert L. Trinka, Chairman, President, CEO, Principal Executive Officer and Principal Financial
Date: May 16, 2011	By: /s/ *Fidel Rodiguez* Fidel Rodriguez, V.P./Chief Operating Officer, Director and Treasurer

Exhibit 31.1

CERTIFICATE
EXHIBIT 31.1: Rule 13a-14(a) Certification

I, Robert L. Trinka, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Phyhealth Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal controls over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: May 16, 2011

By: /s/ *Robert L Trinka*
Robert L. Trinka,
Chairman, President, CEO,
Principal Executive Officer and Principal Financial

Date: May 16, 2011

By: /s/ *Fidel Rodiguez*
Fidel Rodriguez,
V.P./Chief Operating Officer, Director and Treasurer

Exhibit 31.2

CERTIFICATE
EXHIBIT 31.2: Rule 13a-14(a) Certification

I, Robert L. Trinka, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Phyhealth Corporation

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal controls over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: May 16, 2011

By: /s/ *Robert L Trinka*
Robert L. Trinka,
President, CEO, Principal Executive Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Phyhealth Corporation (the "Company") on Form 10-Q for the quarter ending March 31, 2011, as filed with the Securities and Exchange Commission on the date hereof, I, Robert Trinka, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The quarterly report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and

2. The information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 16, 2011

By: /s/ *Robert L Trinka*
Robert L. Trinka,
Chief Executive Officer
(Principal Executive Officer)

In connection with the quarterly report of Phyhealth Corporation (the "Company") on Form 10-Q for the quarter ending September 30, 2010, as filed with the Securities and Exchange Commission on the date hereof, I, Robert Trinka, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The quarterly report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and

2. The information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 16, 2011

By: /s/ *Robert L Trinka*
Robert L. Trinka,
Chief Financial Officer
(Principal Financial Officer)