MDwerks, Inc.
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PROSPECTUS

MDWERKS, INC.

5,547,072 Shares of Common Stock
573,800 Warrants to Purchase Shares of Common Stock
566,667 Series A Warrants to Purchase Shares of Common Stock

This prospectus relates to the sale by certain Selling Securityholders identified in this prospectus of up to an aggregate of 5,547,072 shares of common stock, par value $0.001 per share, which includes (i) 1,477,716 shares of common stock, (ii) 573,800 shares of common stock issuable upon the exercise of warrants with an exercise price of $2.50 per share, (iii) 566,667 shares of common stock issuable upon the exercise of Series A Warrants, with an exercise price of $3.00 per share, (iv) 40,000 shares of common stock issuable upon the conversion of Series A Convertible Preferred Stock, (v) 111,111 shares of the common stock issuable upon the exercise of a Class C Warrant with an exercise price of $2.25 per share, and (vi) 2,777,778 shares of common stock which may be issuable upon conversion of our senior secured convertible notes. All of such shares of common stock are being offered for resale by Selling Securityholders. This prospectus also relates to the sale by certain Selling Securityholders of warrants to purchase an aggregate of 573,800 shares of common stock with an exercise price of $2.50 per share and Series A Warrants to purchase an aggregate of 566,667 shares of common stock with an exercise price of $3.00 per share.

We will not receive any of the proceeds from the sale of the shares of common stock or warrants that are subject to this prospectus by the Selling Securityholders. However, we will receive proceeds from the exercise of warrants if they are exercised by the Selling Securityholders. See Use of Proceeds.

We will bear all costs relating to the registration of the common stock and the warrants that are subject to this prospectus, other than any selling stockholder s legal or accounting costs or commissions.

Our common stock is quoted on the regulated quotation service of the OTC Bulletin Board under the symbol MDWK.OB. The last sales price of our common stock on April 14, 2008, as reported by the OTC Bulletin Board was $0.60 per share.

The information in this prospectus is not complete and may be changed. These securities may not be sold (except pursuant to a transaction exempt from the registration requirements of the Securities Act) until the Registration Statement filed with the Securities and Exchange Commission (SEC) is declared effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Investing in our common stock or warrants involves a high degree of risk. You should read this entire prospectus carefully, including the section entitled Risk Factors beginning on page 5 which describes material risk factors you should consider before investing.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities, or passed upon the adequacy or accuracy of this prospectus, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is April 25, 2008.

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You should rely only on the information contained in this prospectus and in any prospectus supplement we may file after the date of this prospectus. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The Selling Securityholders will not make an offer to sell these securities in any jurisdiction where an offer or sale is not permitted. You should assume that the information appearing in this prospectus or any supplement is accurate as of the date on the front cover of this prospectus or such supplement only, regardless of the time of delivery of this prospectus or such supplement or of any sale of common stock or warrants. Our business, financial condition, results of operations and prospects may have changed since that date.

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PROSPECTUS SUMMARY

The following summary highlights aspects of the offering. This prospectus does not contain all of the information that may be important to you. You should read this entire prospectus carefully, including the Risk Factors section and the financial statements, related notes and the other more detailed information appearing elsewhere in this prospectus before making an investment decision. Unless otherwise indicated, all references to we , us , our , the Company and similar terms, as well as references to the Registrant in this prospectus, refer to MDwerks, Inc. (including its subsidiaries), and not to the Selling Securityholders.

Overview

We are engaged in the business of electronic insurance claims processing, billing and coding, and advance funding for healthcare providers based upon receivables owed from third-party payers such as insurance companies. We offer a comprehensive selection of electronic medical claims processing, funding and collection solutions to the healthcare provider industry. Our services, which are easily accessible through an Internet web browser, help doctors, hospital based practices, and other healthcare providers and their vendors significantly improve daily insurance claims transaction administration and management as follows:

Increase office efficiencies and lower collection costs;
Reduce administrative workload;
Improve claims accuracy before submission to, and increase acceptance by, third-party payers;
Reduce payment cycle time;
Improve cash flow management;
Increase revenue control;
Leverage receivables through competitive short-term financing arrangements;
Improve information management, financial security and provider regulatory compliance;
Provide end-to-end solution for claims management; and
Fully automate the revenue process by the use of electronic claims and remittance advice and payment reconciliation.

We conduct our business through three wholly-owned subsidiaries of our wholly-owned subsidiary, MDwerks Global Holdings, Inc. namely: Xeni Medical Systems, Inc. (Xeni Systems); Xeni Medical Billing, Corp. (Xeni Billing); and, Xeni Financial Services, Corp. (Xeni Financial and, together with Xeni Systems and Xeni Billing, the Xeni Companies).

Business Services

Claims Management Services

Our CLAIMwerks™ solutions, which are offered through Xeni Systems, can provide actual contract based, insurance company comparable screening and analysis of medical claims directly from a healthcare provider s practice management system, so that deficiencies and errors can be corrected before they are submitted to insurance companies for electronic payment. Our CLAIMwerks™ solutions and services improve a healthcare provider s ability to process and manage claims for reimbursement from third-party payers by consolidating the process (including clearinghouse, contract management and remittance functions). As part of our CLAIMwerks™ services, we integrate transactions involving insurance claims by providing a single interface for the healthcare provider, the payer (such as an insurance company) and the lender (when the healthcare provider elects to take advantage of receivables financing).

Xeni Systems collects transaction fees from healthcare providers for: the analysis, automated processing, electronic submission, and reporting of claim information; management of healthcare provider contracts for pricing and rules; electronic remittance of payments; explanations of benefits (payments) (EOBs) made available from payers; and,

reconciliation and posting of the payments and EOBs. Fees may also be generated from third-party lenders for the valuation of processed claims that are used as collateral, as well as administrative tasks related to the disbursement of funds. Fees may also be collected from clearinghouses and insurance

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companies for submitting more accurate claims, once certain volume levels are achieved. One-time implementation fees may be collected for initial set-up and training.

Although we do not currently offer asset and wealth management services, we may have the opportunity to offer asset and wealth management services through third-party sources. We expect to receive referral or administrative handling fees for these services.

Billing Services

Our BILLwerks™ solutions provide value added billing services, leveraging the Xeni Systems technology solutions and services for improved efficiencies. As part of our BILLwerks™ solutions, Xeni Billing offers collections and appeals services, as well as solutions for the collection of old existing medical claim submissions. Our BILLwerks™ solutions are designed to operate in an integrated fashion with the solutions and services offered by Xeni Systems, there are fewer manual and paper functions to be performed in the combined claims management processing/billing solutions process offered by Xeni Systems and Xeni Billing. This can enhance a healthcare provider s claims related operations and controls even more than using the stand-alone solutions offered by Xeni Systems.

Xeni Billing typically charges providers (directly or as a subcontractor of Xeni Systems) fees as a percentage of collected claims. Xeni Billing also shares fees (as a channel associate) with Xeni Systems for supporting its claims process and information management. Additionally, Xeni Billing can collect one-time set-up fees, appeals and third-party appeals work fees and consulting fees for customization or support of the healthcare provider outside the scope of services. Finally, Xeni Billing may share in claims revenue recovered when contracted to perform reviews of unpaid claims that were submitted to payers prior to use of our automated claims submission solutions and services.

Lending Services

Our FUNDwerks™ solutions can electronically manage loans, loan repayments and the movement of funds through linked bank accounts.

Through Xeni Financial, we can offer to lend or arrange lending from third parties to healthcare providers on a short-term, revolving line of credit and sometimes on a term loan basis. The loans are secured by medical claims receivable, which may be processed by Xeni Systems. Like Xeni Billing, Xeni Financial leverages the solutions and services offered by Xeni Systems to value the claims, score risk, document and track claims payment status, verify remittance of payments from insurance companies and sweep funds to the appropriate accounts with the assistance of electronic and automated processes. Xeni Financial is able to arrange loans at attractive rates and terms, since it has not had to invest significant capital to develop or make a major hardware and software purchase of a system to make loans secured by receivables. It also does not need to maintain a large workforce as it can manage many of its business processes through the solutions and services offered by Xeni Systems. Xeni Financial can lend to healthcare providers on the merit of the receivables and can even lend on Medicare claims.

Consulting Services

Although we provide Internet-based solutions that do not require our customers to purchase new hardware or software, healthcare providers can take advantage of customized and premium enhancements through our third-party associates, including medical billing services and automated appeals of adjudicated claims. Consulting services are also available to enhance healthcare provider practices or business operations.

Workers Compensation, Durable Medical Equipment and Pharmacy Claim Services

Our current products and services have been focused on improving the ability of healthcare providers to (i) collect on commercial and government insurance claims and (ii) enhance their cash flow controls. We have decided to expand our current service offerings to include the electronic processing, management and funding of workers compensation, durable medical equipment and pharmacy claims.

By using our present technology, we plan to offer a greatly improved electronic workers compensation, durable medical equipment and pharmacy claims collections and remittance process to our clients in place of today s existing error-ridden, paper-based method. Many provider practices avoid workers compensation

patients because of the time, effort, and cost associated with getting paid, thereby forgoing perhaps as much as 10% to 25% of their revenue. MDwerks can greatly improve the ability of healthcare providers to be paid on workers compensation claims and enable them to continue to provide or expand these services.

We can manage claims transactions electronically from three perspectives in connection with workers compensation claims: the provider, the insurance company payer and the lender (when the provider elects to take advantage of our receivables financing). Our system can manage each workers compensation claim transaction by leveraging our tools to automatically analyze claims and record collections, appeals and funding. Because we designed our products and services to operate in a fully-integrated electronic environment with provider and payer systems, there are fewer manual and paper functions to perform in the combined claims processing/billing solution, which should result in reduced errors as well as fewer payment delays and lower collection costs.

Through Xeni Billing, MDwerks can offer collections and appeals services for workers compensation claims. This allows healthcare providers to outsource these tasks from their offices and focus resources in other areas.

Through Xeni Financial, MDwerks can offer funding to healthcare providers on a short-term, revolving line of credit or term loan basis, or in some cases can purchase healthcare providers receivables. Receivables are secured by claims processed through the MDwerks System. Our system also can include MDwerks tools to help lenders value claims, score risk, document and track claims payments, verify remittance and sweep funds to appropriate bank accounts with electronic and automated processes.

MDwerks can collect transaction fees for automated processing, submission, reporting and analysis of workers compensation claims information and management of payer contracts rules and pricing. Fees can be collected for information management on processed claims that are used as collateral and for administrative tasks related to the movement of funds among bank accounts. Fees can also be collected from clearinghouses and insurance companies to which MDwerks sends cleaner claims electronically. One-time fees can be charged for initial set-up and training.

For a detailed description of our business, see the section entitled BUSINESS.

Corporate Information

Our common stock is quoted on the OTC Bulletin Board under the symbol MDWK.OB.

MDwerks, Inc. is a corporation organized under the laws of the State of Delaware, originally formed on July 22, 2003.

MDwerks Global Holdings, Inc. is a corporation organized under the laws of the State of Florida, originally formed on October 23, 2003.

Xeni Systems is a corporation organized under the laws of the State of Delaware, originally formed on July 21, 2004.

Xeni Financial is a corporation organized under the laws of the State of Florida, originally formed on February 3, 2005.

Xeni Billing is a corporation organized under the laws of the State of Delaware, originally formed on March 2, 2005.

Our principal executive office is located at Windolph Center, Suite I, 1020 NW 6th Street, Deerfield Beach, Florida 33442, and our telephone number is (954) 389-8300. Our website address is *www.mdwerks.com*. Information on our website is not part of this prospectus and the registration statement relating to this prospectus and should not be relied upon with regard to this Offering.

For a complete description of our corporate organization and our corporate history see Business.

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The Offering

By means of this prospectus, a number of our stockholders are offering to sell up to (i) 1,477,716 shares of common stock which they own, (ii) 573,800 shares of common stock which they may at a later date acquire upon the exercise of warrants, (iii) 40,000 shares of common stock which they have acquired or may at a later date acquire upon conversion of Series A Convertible Preferred Stock, (iv) 566,667 shares of common stock which they may at a later date acquire upon the exercise of Series A Warrants, (v) 111,111 shares of common stock which they may at a later date acquire upon the exercise of a Class C Warrant, and (vi) 2,777,778 shares of common stock which they may at a later date acquire upon conversion of our senior secured convertible notes originally issued to Gottbetter Capital Master Ltd. in the aggregate initial principal amount of $5 million (Senior Notes). In this prospectus, we refer to these persons as the Selling Securityholders. This prospectus also relates to the sale of certain Selling Securityholders of warrants to purchase an aggregate of 573,800 shares of common stock with an exercise price of $2.50 per share and Series A Warrants to purchase an aggregate of 566,667 shares of common stock with an exercise price of $3.00 per share.

As of April 14, 2008, we had approximately 12,940,065 shares of common stock issued and outstanding, which includes 1,477,716 shares being offered by this prospectus. The number of outstanding shares of common stock does not include 57,566,346 shares which may be issued pursuant to the exercise of warrants previously issued by the Company, 40,000 shares of common stock which may be issued upon conversion of currently outstanding shares of Series A Convertible Preferred Stock, 13,333,334 shares of common stock which may be issued upon conversion of

currently outstanding shares of Series B Convertible Preferred Stock, 2,777,778 shares of common stock which may be issued upon conversion of our Senior Notes, and options to purchase 3,514,250 shares of common stock under our 2005 Incentive Compensation Plan.

We will not receive any proceeds from the sale of common stock or warrants offered by the Selling Securityholders, but we may have received consideration from the selling security holders at the time they purchased the securities. We may receive proceeds from the exercise price of the warrants if they are exercised by the Selling Securityholders. We intend to use any proceeds from exercise of the warrants for working capital and general corporate purposes. We will not receive any proceeds in connection with the conversion of shares of Series A Convertible Preferred Stock into shares of common stock.

SUMMARY RISK FACTORS

The purchase of the securities offered by the prospectus involves a high degree of risk. See the Risk Factors section of this prospectus for a more complete discussion of these risks, including the following:

We have a limited operating history, making it difficult to accurately forecast our revenues and appropriately plan our expenses.
We have historically incurred net losses and may not be profitable in the future. For the year ended December 31, 2007, our net losses were approximately $9.9 million and since our inception, our accumulated deficit, as of December 31, 2007, was approximately $36.5 million.
Our independent registered public accountants have noted that we have suffered recurring losses from operations that raises substantial doubt about our ability to continue as a going concern.
We will need to raise additional capital in the future.
Our common stock is penny stock and may be difficult to trade.
A significant number of our shares are eligible for sale, and their sale could depress the market price of our stock.
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RISK FACTORS

We have a limited operating history, making it difficult to accurately forecast our revenues and appropriately plan our expenses.

We began operations as Xeni Systems, when, in October, 2004, Xeni Systems acquired substantially all of the assets of MEDwerks, LLC. MEDwerks, LLC, commenced operations in 2000 and focused the majority of its capital and time developing software programs for the medical transaction system employed by us. From its inception, MEDwerks, LLC incurred substantial net losses in each fiscal year of operation. MEDwerks, LLC closed down its business operations in October, 2003, before ever launching its products and services commercially. Xeni Financial was formed in February, 2005, and currently provides its products and services only to customers of Xeni Systems. Xeni Billing was formed in March 2005 and currently provides its products and services only to customers of Xeni Systems. MDwerks Global Holdings, Inc. was originally formed in October, 2003, for the purpose of operating a business as a provider of telecommunications products and services. In April, 2004, MDwerks Global Holdings, Inc. discontinued its telecommunications business and in December, 2004, it began to focus on developing the business of Xeni Systems. Pursuant to share exchange agreements, MDwerks Global Holdings, Inc. acquired Xeni Systems, Xeni Financial and Xeni Billing as wholly-owned subsidiaries. In November, 2005, we acquired MDwerks Global Holdings, Inc. as a wholly-owned subsidiary and we operate the businesses of MDwerks Global Holdings, Inc. and the

Xeni Companies as our sole lines of business. Accordingly, we should be viewed as an entity with a very limited operating history.

Because we have had a limited operating history, it is difficult to accurately forecast our revenues and expenses. Additionally, our operations will continue to be subject to risks inherent in the establishment of a developing new business, including, among other things, efficiently deploying our capital, developing our product and services offerings, developing and implementing our marketing campaigns and strategies and developing awareness and acceptance of our products. Our ability to generate future revenues will be dependent on a number of factors, many of which are beyond our control, including the pricing of other services, overall demand for our products, market competition and government regulation. As with any investment in a company with a limited operating history, ownership of our securities may involve a high degree of risk and is not recommended if an investor cannot reasonably bear the risk of a total loss of his or her investment.

We have historically incurred net losses and may not be profitable in the future. In addition, we intend to continue to spend resources on maintaining and strengthening our business and this may cause our operating expenses to increase and operating results to decrease.

Our net loss attributable to common stockholders for the year ended December 31, 2007, was approximately $9.9 million and since our inception, our accumulated deficit as of December 31, 2007, was approximately $36.5 million. We expect to continue to incur additional substantial operating and net losses for the foreseeable future. The profit potential of our business model is unproven, and, to be successful, we must, among other things, develop and market products and services that would be widely accepted by potential users of such products and services at prices that will yield a profit. If our products and services cannot be commercially developed and launched, and do not achieve or sustain broad market acceptance we will not achieve sufficient revenues to continue to operate our business.

If we continue to incur losses in future periods, we may be unable to retain employees or fund investments in our systems development, sales and marketing programs, research and development and business plan. There can be no assurance that we will ever obtain sufficient revenues to exceed our cost structure, service our debt obligations and achieve profitability. If we do achieve profitability, there can be no assurance that it we may sustain or increase profitability in the future.

The report of our independent registered public accountants contains the following statement with which we concur: The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations that raises substantial doubt about its ability to continue as a going concern.

We may need to raise additional capital in the future and may need to initiate other operational strategies to continue our operations.

As of March 31, 2008, we had a cash balance of approximately $6,900,000. The amount of cash available to us may be insufficient for us to implement our business plan as anticipated and may require us to seek additional debt or equity financing in the future, as we may be unable to generate sufficient cash flow from our operations. As our business develops, we may need to raise capital through the incurrence of additional long-term or short-term indebtedness or the issuance of additional equity securities in private or public transactions in order to complete

further investments. This could result in dilution of existing equity positions, increased interest expense, decreased net income and diminished shareholder s value. In addition, significant capital requirements associated with such investments may impair our ability to pay dividends (although we do not anticipate paying any dividends on our common stock in the foreseeable future) or interest on indebtedness or to meet our operating needs. There can be no assurance that acceptable financing for future investments can be obtained on suitable terms, if at all.

Competition from providers of similar products and services could adversely affect our revenues and financial condition.

We compete in a rapidly evolving, highly competitive and fragmented market. We expect competition to intensify in the future. There can be no assurance that we will be able to compete effectively. We believe that the main competitive factors in the medical transactions processing, billing, payment and financing industry include effective marketing and sales, brand recognition, product quality, ease of product use, niche marketing and segmentation and value propositions. Competitive factors also include the features, functionality and cost of products and services. Many of our competitors are established, profitable and have strong attributes in many, most or all of these areas. They may be able to leverage their existing relationships to offer alternative products or services on more attractive terms or with better customer support. Other companies may also enter our markets with better products or services, greater financial and human resources and/or greater brand recognition. Competitors may continue to improve or expand current products and introduce new products. We may be perceived as relatively too small or untested to be awarded business relative to the competition. To be competitive, we will have to invest significant resources in business development, advertising and marketing. We may also have to rely on strategic partnerships for critical branding and relationship leverage, which partnerships may or may not be available or sufficient. We cannot assure that we will have sufficient resources to make these investments or that we will be able to make the advances necessary to be competitive. Increased competition may result in fee reductions, reduced gross margin and loss of market share. Failure to compete successfully against current or future competitors will result in less revenue and have a material adverse effect on our business, operating results and financial condition.

If our technology is not operational and usable it could adversely affect our business.

Xeni Financial and Xeni Billing rely almost exclusively on the technology of Xeni Systems. We believe that neither Xeni Financial nor Xeni Billing can operate as a stand-alone business, but will provide products and services that are ancillary to the products and services of Xeni Systems. As a result, the success of our business proposition is materially and substantially dependent on the technology of Xeni Systems (and the availability, operability and use of such technology in whole or in part). If the technology of Xeni Systems is not usable, we will be unable to operate, as our systems are dependent upon such technology.

Our products and services were designed and built using certain key technologies and licenses from a limited number of suppliers. We will depend on these other companies for software updates, technical support and possibly for system management or for new product development. Although we believe there might be alternative suppliers for some or all of these technologies, it would take a significant period of time and money to establish relationships with alternative suppliers and substitute their technologies for technologies currently being used. The loss of any of our relationships with these suppliers could result in system shut downs and/or the inability to offer services we offer, or intend to offer, which could result in a material adverse effect on our business, operating results and financial condition.

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If our systems fail, it could interrupt operations and could adversely impact us.

Our operations are dependent upon our ability to support our highly complex network infrastructure and avoid damage from fires, earthquakes, floods, hurricanes, power losses, war, terrorist attacks, telecommunications failures and similar natural or manmade events. The occurrence of a natural disaster, intentional or unintentional human error or action, or other unanticipated problem could cause interruptions in the services that we provide. Additionally, the failure of our third-party backbone providers to provide the data communications capacity that we require, as a result of natural disaster, operational disruption or any other reason could cause interruptions in the services that we provide. Any damage or failure that causes interruptions in our operations could result in loss of revenues from clients, loss of clients, monetary damage, or increased costs of operations, any or all of which could have a material adverse effect on our business, operating results and financial condition.

If we do not protect our proprietary technology and intellectual property rights against infringement or misappropriation and defend against third parties assertions that we have infringed on their intellectual property rights, we may lose our competitive advantage, which could impair our ability to grow our revenues.

A United States patent application regarding certain aspects of our systems was filed by our predecessor, MEDwerks, LLC, on April 15, 2002. The US Patent Office has issued an office action indicating that it will not allow a patent based upon our current claims. Our patent counsel, DLA Piper US LLP is in the process of modifying our patent application based upon the US Patent Office s action and will submit a response to the office action. If the response from the US Patent Office to our modified application and our response is unfavorable or only partially successful, the process may be extended up to 3 years and we could incur substantial expenses in prosecuting the patent. We plan to undertake prosecution of the patent filing to its conclusion, if practical and economical.

There is no assurance that the patent application will be successfully completed and if completed, there can be no assurance that the patent will afford meaningful protection of our intellectual property rights. Despite efforts to protect our intellectual property rights, unauthorized parties may attempt to copy aspects of our systems or our source code to software or to obtain or use information that is proprietary. The scope of any intellectual property rights that we have is uncertain and is not sufficient to prevent infringement claims against us or claims that we have violated the intellectual property rights of third parties. While we know of no basis for any claims of this type, the existence of and ownership of intellectual property can be difficult to verify and we have not made an exhaustive search of all patent filings. If any of our proprietary rights are misappropriated or we are forced to defend our intellectual property rights, we will have to incur substantial costs. We may not have the financial resources to prosecute any infringement claims that we may have or defend against any infringement claims that are brought against us, or choose to defend such claims. Even if we do, defending or prosecuting our intellectual property rights will divert valuable working capital and management s attention from business and operational issues.

If we are unable to retain key personnel it will have an adverse effect on our business. We do not maintain key man life insurance policies on our key personnel.

Our operations have been and will continue be dependent on the efforts of Mr. Howard Katz, our Chief Executive Officer, Mr. Solon Kandel, our President and Mr. Vincent Colangelo, our Chief Financial Officer and Corporate Secretary. The commercialization of our products and the development of improvements to our products and systems, as well as the development of new products is dependent on retaining the services of certain technical personnel who

were involved in the development of MDwerks products and services. The loss of key management, the inability to secure or retain such key legacy personnel with unique knowledge of our products and services and the technology and programming employed as part of our products and services, the failure to transfer knowledge from legacy personnel to current personnel, or an inability to attract and retain sufficient numbers of other qualified management personnel would adversely delay and affect our business, products and services and could have a material adverse effect on our business, operating results and financial condition.

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We do not have key man life insurance policies for Mr. Katz, Mr. Kandel or Mr. Colangelo. Even if we were to obtain key man insurance for Mr. Katz, Mr. Kandel or Mr. Colangelo, of which there can be no assurance, the amount of such policies may not be sufficient to cover losses experienced by us as a result of the loss of Mr. Katz, Mr. Kandel or Mr. Colangelo.

If we fail to attract skilled personnel it could adversely affect our business.

Our future success depends, in large part, on our ability to attract and retain highly skilled personnel. If we are unable to attract or retain qualified personnel in the future or there are any delays in hiring required personnel, particularly technical, sales, marketing and financial personnel, it could materially adversely affect our business, operating results and financial condition.

We will need to expand our sales operations and marketing operations in order to increase market awareness of our products and generate revenues. New sales personnel and marketing personnel will require training and it will take time to achieve full productivity. Competition for such personnel is intense. We cannot be certain that we will successfully attract and retain additional qualified personnel.

The use of independent sales representatives or distributors will subject us to certain risks.

We presently generate revenue from the efforts of independent sales representatives and we expect to generate a substantial portion of our revenue from independent sales representatives or distributors. Such representatives and distributors may not be required to meet sales quotas and our ability to manage independent sales representatives or distributors to performance standards is unknown. Failure to generate revenue from these sales representatives or distributors would have a negative impact on our business.

Our business may subject us to risks related to nationwide or international operations.

If we offer our products and services on a national, or even international, basis, distribution would be subject to a variety of associated risks, any of which could seriously harm our business, financial condition and results of operations.

These risks include:

- greater difficulty in collecting accounts receivable;
- satisfying import or export licensing and product certification requirements;

taxes, tariffs, duties, price controls or other restrictions on out-of-state companies, foreign currencies or trade barriers imposed by states or foreign countries;

potential adverse tax consequences, including restrictions on repatriation of earnings;

fluctuations in currency exchange rates;

seasonal reductions in business activity in some parts of the country or the world;

unexpected changes in local, state, federal or international regulatory requirements;

burdens of complying with a wide variety of state and foreign laws;

difficulties and costs of staffing and managing national and foreign operations;

different regulatory and political climates and/or political instability;

the impact of economic recessions in and outside of the United States; and

limited ability to enforce agreements, intellectual property and other rights in foreign territories.

We are subject to substantial government regulation which may adversely affect the way we conduct our business and the costs of conducting our business.

The healthcare industry is highly regulated and is subject to changing political, economic and regulatory influences. Federal and state legislatures have periodically considered programs to reform or amend the U.S. healthcare system at both the federal and state level and to change healthcare financing and reimbursement

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systems, such as the Balanced Budget Act of 1997 and the Medicare Modernization Act of 2003. These programs may contain proposals to increase governmental involvement in healthcare, lower reimbursement rates or otherwise change the environment in which healthcare industry participants operate. Current or future government regulations or healthcare reform measures may affect our business. Healthcare industry participants may respond by reducing their investments or postponing investment decisions, including investments in our products and services.

Our medical billing, lending and collection activities are governed by numerous federal and state civil and criminal laws. Federal and state regulators use these laws to investigate healthcare providers and companies that provide lending, billing and collection services. In connection with these laws, we may be subjected to federal or state government investigations and possible penalties may be imposed, false claims actions may have to be defended, private payers may file claims against us, and we may be excluded from Medicare, Medicaid or other government-funded healthcare programs. Some of these laws may carry strict liability provisions that impose responsibilities and liabilities on us without any wrongdoing or negligence on our part.

We may become the subject of false claims litigation or additional investigations relating to our lending, billing and collection activities, even when simply passing on claims originating from and edited by third parties for content. Any such proceeding or investigation could have a material adverse effect on our business, operating results and financial condition.

Under the Health Insurance Portability and Accountability Act of 1996, or HIPAA, final rules were published regarding standards for electronic transactions as well as standards for privacy and security of individually identifiable health information. The HIPAA rules set new or higher standards for the healthcare industry in handling healthcare transactions and information, with penalties for noncompliance. We have incurred and we will continue to incur costs to comply with these rules. Compliance with these rules may prove to be more costly than we currently anticipate. Failure to comply with such rules may have a material adverse effect on our business and may subject us to civil and criminal penalties as well as loss of customers.

We will rely upon third parties to provide data elements to process electronic medical claims in a HIPAA compliant format. While we believe we will be fully and properly prepared to process electronic medical claims in a HIPAA-compliant format, there can be no assurance that third parties, including healthcare providers and payers, will likewise be prepared to supply all the data elements required to process electronic medical claims and make electronic remittance under HIPAA s standards. We have made and expect to continue to make investments in product enhancements to support customer operations that are regulated by HIPAA. Responding to HIPAA s impact may require us to make investments in new products or charge higher prices.

HIPAA, in part, governs the collection, use, storage and disclosure of health information for the purpose of safeguarding the privacy and security of such information. Persons who believe health information has been misused or disclosed improperly may file complaints against offending parties, which may lead to investigation and potential civil and criminal penalties from Federal or state governments.

The passage of HIPAA is part of a wider healthcare reform initiative. We expect that the debate on healthcare reform will continue. We also expect that the federal government as well as state governments will pass laws and issue regulations addressing healthcare issues and reimbursement of healthcare providers. We cannot predict whether the governmental-bodies regulators will enact new legislation and regulations, and, if enacted, whether such new developments will have an adverse affect our business, operating results or financial condition.

The Gramm-Leach-Bliley Act may govern our lending practices as related to safeguarding personal customer information.

Many healthcare providers who are potential clients may have existing systems that do not generate electronic files in a HIPAA-compliant format, which will limit the amount of services we can provide to and the amount of revenues that can be generated from such healthcare providers.

Many healthcare providers have practice management systems that do not have electronic interfaces which produce a HIPAA compliant form. If the interface doesn t exist, they must purchase a new system from a third-party, which may be expensive and not a desirable business proposition for such healthcare providers. If claims cannot be submitted electronically, the claims data must be manually entered into our system, which

can be time consuming and duplicative of work already done by a healthcare provider. Manually entering the data also subjects claims to greater risk of human error in the data entry process. While we believe we can provide solutions to healthcare providers to enable them to establish electronic interfaces to submit claims electronically in a HIPAA compliant manner, there can be no assurance healthcare providers will be willing to implement the solutions that we propose. If healthcare providers can not supply electronic medical claims and such claims are processed manually rather than electronically, services that we can provide will be greatly limited and our ability to generate revenues from such providers will be curtailed which could result in a material adverse affect on our business, operating results or financial condition.

We may make errors in processing information provided by our clients and, as a result, we may suffer losses.

We will receive detailed information provided by clients. Even if clients provide full and accurate disclosure of all material information to be submitted as part of a claim for payment, such information may be misinterpreted or incorrectly analyzed. Mistakes by our systems or personnel may cause us to incur liability to our clients in connection with such mistakes.

Solutions and services that we offer may subject us to product liability claims.

Solutions that we sell may fail to perform in a variety of ways, and services that we provide may not meet customer expectations, including shipping a product which is either late, does not meet customer requirements or expectations, or is lost, damaged, stolen or corrupted, or which faces frequent Internet service interruptions, which take it off-line. Such problems would seriously harm our credibility, market acceptance of our products and the value of our brands. In addition, such problems may result in liability for damages arising out of product liability of our products and services. The occurrence of some of these types of problems may seriously harm our business, operating results and financial condition.

Our systems are subject to certain security risks which can adversely affect our operations.

Despite the implementation of security measures, our systems may be vulnerable to unauthorized access, computer viruses and other disruptive problems. Companies have experienced, and may experience, interruptions in service as a result of the accidental or intentional actions of Internet users, current and former employees or others. Unauthorized access could also potentially jeopardize the security of customers and our confidential information stored in our computer systems, which may result in liability to customers and also may deter potential customers from using our products and services. Although we intend to continue to implement industry-standard security measures, such measures have been circumvented in the past, and there can be no assurance that measures that we implement will not be circumvented in the future. Eliminating computer viruses and alleviating other security problems may require interruptions, delays or cessation of service to our customers, such interruptions, delays or cessation of services may result in a loss of customers or subject us to potential liability for actions out of such interruptions, delays or cessation of services.

If we fail to enter into a banking relationship to offer our lending services it will limit our ability to provide funding services and it will adversely affect our business.

We will need to enter into agreements with financial institutions to enable us to offer sufficient funds for the lending services that we plan to offer customers. The lending services that we will offer will allow customers to utilize receivables to receive advance funding from such financial institutions through us. To date, we do not have any such agreement with any financial institution. There can be no assurance that we will be able to enter into such an agreement with a financial institution. If we fail to enter into such an agreement with a financial institution we may not generate sufficient funds to offer our lending services in a meaningful fashion which could result in a material adverse effect on our business, operating results and financial condition.

If we fail to recover the value of amounts that we lend to healthcare providers it will adversely affect our business.

With respect to loans made by us to providers, we expect to experience charge-offs in the future. A charge-off occurs when all or part of the principal of a particular loan is no longer recoverable and will not be repaid. If we were to experience material losses on our loan portfolio, it would have a material adverse effect

We may make errors in processing information provided by our clients and, asa result, we may suffer losses.

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on our ability to fund our business and to the extent the losses exceed our provision for loan losses, it could have a material adverse effect on our revenues, net income and assets.

Other commercial finance companies have experienced charge offs. In addition, like other commercial finance companies, we may experience missed and late payments, failures by clients to comply with operational and financial covenants in their loan agreements and client performance below that which it expected when we originated the loan. Any of the events described in the preceding sentence may be an indication that our risk of loss with respect to a particular loan has materially increased.

We intend to make loans to privately owned small and medium-sized companies, which present a greater risk of loss than larger companies.

Our loan portfolio will consist primarily of commercial loans to small and medium-sized, privately owned medical practices, and to vendors and suppliers, such as diagnostic companies. Compared to larger, publicly owned firms, these companies generally have more limited access to capital and higher funding costs, may be in a weaker financial position and may need more capital to expand or compete. These financial challenges may make it difficult for clients to make scheduled payments of interest or principal on loans. Accordingly, advances made to these types of clients entail higher risks than advances made to companies who are able to access traditional credit sources.

Numerous factors may affect a client s ability to make scheduled payments on its loan, including the failure to meet its business plan or a downturn in its industry. In part because of their smaller size, our clients may:

- experience significant variations in operating results;
- depend on the management talents and efforts of a single individual or a small group of persons for their success, the death, disability or resignation of whom could materially harm the client s financial condition or prospects;
- have less skilled or experienced management personnel than larger companies; or
- could be adversely affected by policy or regulatory changes and changes in reimbursement policies of insurance companies.

Accordingly, any of these factors could impair a client s cash flow or result in other events, such as bankruptcy, which could limit that client s ability to repay its obligations to us, and may lead to losses in our loan portfolio and a decrease in our revenues, net income and assets and result in a material adverse effect on our business, operating results and financial condition.

Our lack of operating history makes it difficult to accurately judge the credit performance of our loan portfolio and, as a result, increases the risk that the allowance for loan losses may prove inadequate.

Our lending services depend on the creditworthiness of our clients. While we will conduct general due diligence and a general review of the creditworthiness of each of our clients, this review requires the application of significant judgment by our management, which judgment may not be correct.

We will maintain an allowance for loan losses on our consolidated financial statements in an amount that reflects our judgment concerning the potential for losses inherent in our loan portfolio. Because we have not yet recorded any loan charge-offs, our reserve rate was developed independent of the historical performance of our loan portfolio. Because our lack of operating history and the relative lack of seasoning of our loans make it difficult to judge the credit

performance of our loan portfolio, there can be no assurance that the estimates and judgment with respect to the appropriateness of our allowance for loan losses are accurate. Our allowance may not be adequate to cover credit losses in our loan portfolio as a result of unanticipated adverse changes in the economy or events adversely affecting specific clients, industries or markets. If our allowance for loan losses is not adequate, our net income will suffer, and our financial performance and condition could be significantly impaired.

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We may not have all of the material information relating to a potential client at the time that we make a credit decision with respect to that potential client, or at the time we advance funds to the client which may subject us to a greater risk of loss on loans that we make.

We may suffer losses on loans or make advances that we would not have made if we had all of the material information about clients.

There is generally no publicly available information about the privately owned companies to which we will typically lend. Therefore, we must rely on our clients and the due diligence efforts of our employees to obtain the information that we will consider when making credit decisions. To some extent, our employees depend and rely upon the management of these companies to provide full and accurate disclosure of material information concerning their business, financial condition and prospects. If our employees do not have access to all of the material information about a particular client s business, financial condition and prospects, or if a client s accounting records are poorly maintained or organized, we may not make a fully informed credit decision which may lead, ultimately, to a failure or inability to recover the loan in its entirety.

We may make errors in evaluating accurate information reported by our clients and, as a result, we may suffer losses on loans or advances that we would not have made if we had properly evaluated the information.

We intend to make loans primarily secured by claims receivable and not based on detailed financial information provided to us by our clients or personal creditworthiness or personal credit guarantees. Even if clients provide us with full and accurate disclosure of all material information concerning their businesses, and even if we require personal credit guarantees from our clients, we may misinterpret or incorrectly analyze credit performance related information. Mistakes by our staff may cause us to make loans that we otherwise would not have made, to fund advances that we otherwise would not have funded or result in losses on one or more existing loans.

A client s fraud could cause us to suffer losses.

A client could defraud us by, among other things:

directing the proceeds of collections of its accounts receivable to bank accounts other than established lockboxes or re-directing elsewhere governmental account sweeps that are supposed to go from client bank accounts to our lockboxes;
creating and submitting false, inaccurate or misleading medical claims;
failing to accurately record accounts receivable aging;
overstating or falsifying records creating or showing accounts receivable; or

providing inaccurate reporting of other financial information.

The failure of a client to accurately create and submit claims or report its financial position, compliance with loan covenants or eligibility for additional borrowings could result in the loss of some or the entire principal of a particular loan or loans including, in the case of revolving loans, amounts we may not have advanced had we possessed complete and accurate information.

Our concentration of loans to a limited number of borrowers within a particular industry, such as the healthcare industry, could impair our revenues, if the industry were to experience economic difficulties.

Defaults by our clients may be correlated with economic conditions affecting particular industries. As a result, if the healthcare industry were to experience economic difficulties, the overall timing and amount of collections on our loans to clients may differ from what we expected and result in material harm to our revenues, net income and assets.

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The dependence by our clients on reimbursement revenues could cause us to suffer losses in several instances:

If clients fail to comply with operational covenants and other regulations imposed by these programs, they may lose their eligibility to continue to receive reimbursements under the program or incur monetary penalties, either of which could result in the client s inability to make scheduled payments.

If reimbursement rates do not keep pace with increasing costs of services to eligible recipients, or funding levels decrease as a result of increasing pressures from carriers to control healthcare costs, clients may not be able to generate adequate revenues to satisfy their obligations.

If a healthcare client were to default on its loan, we may be unable to invoke our rights to pledged receivables directly as the law prohibits the initial payment of amounts owed to healthcare providers under the Medicare and Medicaid programs to be directed to any entity other than the actual providers. Consequently, a court order would be needed to enforce collection directly against these governmental payers or re-direction of accounts, set-offs or other disposition of payments received by providers on government claims that have not been forwarded to the lockbox. There is no assurance that we would be successful in obtaining this type of court order.

We may be unable to recognize or act upon an operational or financial problem with a client in a timely fashion so as to prevent a loss of our loan to that client.

Our clients may experience operational or financial problems that, if not timely addressed by us, could result in a substantial impairment or loss of the value of the loan to the client. We may fail to identify problems, because our client did not report them in a timely manner or, even if the client did report the problem, we may fail to address it quickly enough, adequately enough or at all. As a result, we could suffer loan losses, which could have a material adverse effect on our revenues, net income and results of operations.

The collateral securing a loan may not be sufficient to protect us from a partial or complete loss if the loan becomes non-performing, and we are required to foreclose.

While most of our loans will be secured by a lien on specified collateral of the client, there is no assurance that the collateral securing any particular loan will protect us from suffering a partial or complete loss if the loan becomes non-performing and we move to foreclose on the collateral. The collateral securing our loans is subject to inherent risks that may limit our ability to recover the principal of a non-performing loan. Risks that may affect the value of

accounts receivable in which we may take a security interest include, among other things, the following:

problems with the client s underlying agreements with insurance carriers, which result in greater than anticipated, disputed accounts;

unrecorded liabilities;

the disruption or bankruptcy of key obligor who is responsible for material amounts of the accounts receivable;

the client misrepresents, or does not keep adequate records of, claims or important information concerning the amounts and aging of its accounts receivable; or

the client s government claims that are being sent to a client controlled account and then swept (directed) to a lockbox are stopped by client from being swept or are re-directed by client, which may require judicial action or relief.

Any one or more of the preceding factors could materially impair our ability to recover principal in a foreclosure on the related loan.

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Our advance funding loans are not fully covered by the value of tangible assets or collateral of the client and, consequently, if any of these loans becomes non-performing, we could suffer a loss of some or all of our value in the loan.

The risks inherent in advance lending based upon receivables include, among other things, the following:

reduced use of or demand for the client s services and, thus, reduced cash flow of the client to service the loan as well as reduced value of the client as a going concern;

poor accounting systems of the client, which adversely affect the ability to accurately predict the client s cash flows;

economic downturns, political events, regulatory changes, litigation or acts of terrorism that affect the client s business, financial condition and prospects; and

poor management performance.

Errors by or dishonesty of our employees could result in loan losses.

We will rely heavily on the performance and integrity of our employees in making initial credit decisions with respect to loans and in servicing the loans after they have closed. Because there is generally little or no publicly available information about the clients to whom we will lend, we cannot independently confirm or verify the information employees provide for use in making credit and funding decisions. Errors by employees in assembling, analyzing or recording information concerning clients could cause us to originate loans or fund subsequent advances that we would not otherwise originate or fund. This could result in losses. Losses could also arise if any employees were dishonest. A dishonest employee could collude with clients to misrepresent the creditworthiness of a prospective client or to provide inaccurate reports regarding the client s compliance with the covenants in its loan agreement. If, based on an employee s dishonesty, we made a loan to a client that was not creditworthy or failed to exercise our rights under a loan agreement against a client that was not in compliance with covenants in the agreement, we could lose some or the entire principal of the loan. Further, if we determine to pursue remedies against a dishonest employee, the costs of pursuing such remedies could be substantial and there can be no assurance that we will be able to obtain an adequate remedy against a dishonest employee to offset losses caused by such employee.

We may be unable to recognize or act upon an operational or financialproblem with a client in a timely fashion so as

If interest rates rise, some of our existing clients may be unable to service interest on their loans.

Virtually all of our loans will bear interest at floating interest rates. To the extent interest rates increase, monthly interest obligations owed by clients will also increase. Some clients may not be able to make the increased interest payments, resulting in defaults on their loans.

Loans could be subject to equitable subordination by a court and thereby increase the risk of loss with respect to such loans.

Courts have, in some cases, applied the doctrine of equitable subordination to subordinate the claim of a lending institution against a borrower to claims of other creditors of the borrower, when the lending institution is found to have engaged in unfair, inequitable or fraudulent conduct. The courts have also applied the doctrine of equitable subordination when a lending institution or its affiliates are found to have exerted inappropriate control over a client, including control resulting from the ownership of equity interests in a client. Payments on one or more of our loans, particularly a loan to a client in which we also hold equity interests, may be subject to claims of equitable subordination. If, when challenged, these factors were deemed to give us the ability to control or otherwise exercise influence over the business and affairs of one or more of its clients, this control or influence could constitute grounds for equitable subordination. This means that a court may treat one or more of our loans as if it were common equity in the client. In that case, if the client were to liquidate, we would be entitled to repayment of its loan on an equal basis with other holders of the client s common equity only after all of the client s obligations relating to its debt and preferred securities had been satisfied. One or more successful claims of equitable subordination against us could have a material adverse effect on our business, operating results and financial condition.

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We may incur lender liability as a result of our lending activities.

In recent years, a number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively termed lender liability. Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. We may be subject to allegations of lender liability. There can be no assurance that these claims will not arise or that we will not be subject to significant liability if a claim of this type did arise. Such liability could result in a material adverse effect on our business, operating results and financial condition.

Our lending activities, as well as our claims management solutions, are subject to additional governmental regulations and future regulations may make it more difficult for us to operate on a profitable basis.

Our healthcare advance lending business, as well as our claims management solutions, is subject to numerous federal and state laws and regulations, which, among other things, may (i) require us to obtain and maintain certain licenses and qualifications, (ii) limit the interest rates, fees and other charges that we are permitted to collect, (iii) limit or prescribe certain other terms of our financed receivables arrangements with clients, and (iv) subject us to certain claims, defenses and rights of offset, or (v) change the way we process, send, secure, format, receive or otherwise use

or interact with claims information or data. Although we believe that our current business plan is in compliance with statutes and regulations applicable to our business, there can be no assurance that we will be able to maintain such compliance without incurring significant expense. The failure to comply with such statutes and regulations could have a material adverse effect upon us. Furthermore, the adoption of additional statutes and regulations, changes in the interpretation and enforcement of current statutes and regulations, or the expansion of the business into jurisdictions that have adopted more stringent regulatory requirements than those in which we currently conduct business could have a material adverse effect upon our business, operating results and financial condition.

There can be no assurance that currently proposed or future healthcare legislation or other changes in the administration or interpretation of governmental provider payment programs (Government Programs) will not have an adverse effect on us or that payments under Government Programs will remain at levels comparable to present levels or will be sufficient to cover the costs allocable to patients eligible for reimbursement pursuant to such programs. Concern about the potential effects of the proposed reform measures has contributed to the volatility of prices of securities of companies in healthcare and related industries, and may similarly affect the price of our securities in the future.

In addition, certain private reform efforts have been instituted throughout the healthcare industry, including the capitation of certain healthcare expenditures. Capitation is the pre-payment of certain healthcare costs by third-party payers (typically health maintenance organizations and other managed healthcare concerns), based upon a predetermined monthly fee for the aggregate patient lives under any given healthcare provider s care. The healthcare provider then provides healthcare to such patients when and as needed, and assumes the risk that its prepayments will cover its costs and provide a profit for all of such services rendered. Since capitation essentially reduces or eliminates clients need for claims management solutions and/or accounts receivable that are the primary source of payment for our financed receivables, capitation could materially adversely affect our business, operating results and financial condition.

We have not paid dividends and do not expect to do so in the future.

We have not paid any cash dividends on our common stock. For the foreseeable future, it is anticipated that earnings, if any, which may be generated from operations will be used to finance our growth and that dividends will not be paid to holders of common stock.

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Our certificate of incorporation, bylaws and state law contains provisions that preserve current management.

Provisions of state law, our articles of incorporation and by-laws may discourage, delay or prevent a change in our management team that stockholders may consider favorable. These provisions include:

- authorizing the issuance of blank check preferred stock without any need for action by stockholders;
- eliminating the ability of stockholders to call special meetings of stockholders;
- permitting stockholder action by written consent; and
- establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings.

These provisions could allow our Board of Directors to affect the investor s rights as a stockholder since the Board of Directors can make it more difficult for preferred stockholders or common stockholders to replace members of the Board. Because the Board of Directors is responsible for appointing the members of the management team, these

provisions could in turn affect any attempt to replace the current or future management team.

Our Common Stock is considered penny stock and may be difficult to trade.

The SEC has adopted regulations that generally define penny stock to be an equity security that has a market or exercise price of less than $5.00 per share, subject to specific exemptions. The market price of our common stock is less than $5.00 per share and, therefore, subject to penny stock rules pursuant to Section 15(g) of the Exchange Act. This designation requires any broker or dealer selling these securities to disclose certain information concerning the transaction, obtain a written agreement from the purchaser and determine that the purchaser is reasonably suitable to purchase the securities. These rules may restrict the ability of brokers or dealers to sell our common stock and may affect the ability of investors to sell their shares. In addition, since our common stock is currently only quoted on the OTCBB, investors may find it difficult to obtain accurate quotations of our common stock and may experience a lack of buyers to purchase such stock or a lack of market makers to support the stock price.

A significant number of our shares are eligible for sale, and their sale could depress the market price of our stock.

Sales of a significant number of shares of our common stock in the public market pursuant to our registration statement, which became effective on December 7, 2006, could harm the market price of our common stock. As additional shares of common stock may be sold in the public market, the supply of common stock will increase, which could decrease its price. Additionally, some or all of our shares of common stock may be offered from time to time in the open market pursuant to Rule 144 under the Securities Act, and these sales may have a depressive effect on the market for shares of common stock.

There is no public market for our Common Stock other than OTCBB.

There is no public market for our common stock other than the market that exists in the common stock of the Company on the OTC Bulletin Board market (OTCBB). There can be no assurance that any other trading market will develop in the common stock of the Company, or that the OTCBB market trading will be sustained.

Until November, 2005, we were a public shell company. There are certain risks associated with transactions with public shell companies generally, including increased SEC scrutiny and regulation and lack of analyst coverage of the Company.

In November, 2005, we succeeded to the business of MDwerks Global Holdings, Inc. and the Xeni Companies pursuant to a merger of a wholly owned subsidiary of ours into MDwerks Global Holdings, Inc. (the Merger). As a result of the Merger, MDwerks Global Holdings, Inc. became our wholly owned subsidiary and we began to operate its business and the businesses of the Xeni Companies as our sole line of

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business. Until such time, the Company was and had been effectively a public shell company with no material assets or operations whose only value was that it maintained current filings with the SEC and a class of securities that was offered for sale pursuant to the OTCBB. The Merger provided an immediate benefit for the then existing stockholders of the Company that might not have been readily available, or available at all, to other stockholders who either

acquired their shares of stock in connection with the purchase of securities in the offering that closed at the time of the Merger, or otherwise.

Substantial additional risks are associated with a public shell merger transaction such as absence of accurate or adequate public information concerning the public shell; undisclosed liabilities; improper accounting; claims or litigation from former officers, directors, employees or stockholders; contractual obligations; regulatory requirements and others. Although management performed due diligence on the Company, there can be no assurance that such risks do not occur. The occurrence of any such risk could materially adversely affect the Company s results of operations, financial condition and stock price. In addition, the cost of operations of the Company has increased as a result of the Merger due to legal, regulatory, and accounting requirements imposed upon a company with a class of registered securities and based upon the acquisition by the Company of an operating company.

Additional risks may exist since the Merger involved a reverse merger or reverse public offering. Security analysts of major brokerage firms may not provide coverage of the Company since there is no incentive to brokerage firms to recommend the purchase of the common stock. No assurance can be given that brokerage firms will want to conduct any secondary public offerings on behalf of the Company in the future.

There has been a limited active public market for the Common Stock, and prospective investors may not be able to resell their shares at or above the price at which they purchase shares of common stock, if at all.

Shares of our common are traded on the OTCBB. We plan on seeking to retain the OTCBB status of the Company so that the registered securities of the Company will have the benefit of a trading market, but will likely be traded only in the OTCBB market for the foreseeable future, although listing on a national exchange such as the AMEX, or NASDAQ Small Cap market may be sought, but is not assured. There is no guarantee that if such listing is pursued the Company will meet the listing requirements or that such efforts to list the Company s common stock on any national or regional exchange or the NASDAQ Small Cap market will be successful, or if successful, will be maintained, including but not limited to requirements associated with maintenance of a minimum net worth, minimum stock price and ability to establish a sufficient number of market makers. As a result, the reported prices for the Company s securities may be: (i) arbitrarily determined, as a result of the valuation ascribed to the shares in transactions by the Company and adopted for purposes of securities offerings; and (ii) the result of market forces, and as such reported prices may not necessarily indicate the value of the traded shares or of the Company. Furthermore, there has been a limited to no public market for our common stock. An active public market for our common stock may not develop or be sustained. The offering price of the securities offered in this offering is not indicative of future market prices.

The market price of our securities may fluctuate significantly in response to factors, some of which will be beyond our control, such as the announcement of new products or product enhancements by the Company or its competitors; developments concerning intellectual property rights and regulatory approvals; quarterly variations in our competitors results of operations; changes in earnings estimates or recommendations by securities analysts; developments in our industry; and general market conditions and other factors, including factors unrelated to our operations.

The stock market in general may experience extreme price and volume fluctuations. In particular, market prices of securities of technology companies have experienced fluctuations that often have been unrelated or disproportionate to the operating results of these companies. Market fluctuations could result in extreme volatility in the price of the common stock, which could cause a decline in the value of the common stock. Prospective investors should also be aware that price volatility might be exacerbated if the trading volume of the common stock is low.

There are additional costs of being a public company and those costs may be significant.

We are a publicly traded company, and, accordingly, subject to the information and reporting requirements of the U.S. securities laws. The U.S. securities laws require, among other things, review, audit and

public reporting of the Company s financial results, business activities and other matters. The public company costs of preparing and filing annual and quarterly reports, proxy statements and other information with the SEC and furnishing audited reports to stockholders, which we estimate will be approximately $250,000 per year, will cause our expenses to be higher than they would be if we were privately-held. In addition, the Company incurred estimated expenses of approximately $100,000 in connection with the preparation of the registration statement and related documents with respect to the registration of the common stock required to be registered pursuant to the Company s undertaking to file a registration statement as described herein. These increased costs may be material and may include the hiring of additional employees and/or the retention of additional consultants and professionals. Failure by the Company to comply with the federal or state securities laws could result in private or governmental legal action against the Company and/or its officers and directors, which could have a detrimental effect on the business and finances of the Company, the value of the Company s stock and the ability of stockholders to resell their stock.

CAUTIONARY LANGUAGE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This prospectus contains forward-looking statements that involve risks and uncertainties, many of which are beyond our control. Our actual results could differ materially and adversely from those anticipated in such forward-looking statements as a result of certain factors, including those set forth below and elsewhere in this prospectus. Important factors that may cause actual results to differ from projections include, but are not limited to, for example:

- adverse economic conditions;
- inability to raise sufficient additional capital to implement our business plan;
- intense competition, from providers of services similar to those offered by us;
- unexpected costs and operating deficits, and lower than expected sales and revenues;
- adverse results of any legal proceedings;
- inability to satisfy government and commercial customers using our technology;
- the volatility of our operating results and financial condition;
- inability to attract or retain qualified senior management personnel, including sales and marketing, and technology personnel; and
- other specific risks that may be alluded to in this prospectus.

All statements, other than statements of historical facts, included in this prospectus regarding our strategy, future operations, financial position, estimated revenue or losses, projected costs, prospects and plans and objectives of

management are forward-looking statements. When used in this prospectus, the words will, may, believe, anticipate, intend, estimate, expect, project, plan and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. All forward-looking statements speak only as of the date of this prospectus. We do not undertake any obligation to update any forward-looking statements or other information contained herein. Potential investors should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements in this prospectus are reasonable, no one can assure investors that these plans, intentions or expectations will be achieved. Important factors that could cause actual results to differ materially from expectations expressed herein are described under Risk Factors and elsewhere in this prospectus. These cautionary statements and risk factors qualify all forward-looking statements attributable to information provided in this prospectus and on behalf of us or persons acting on our behalf.

Information regarding market and industry statistics contained in this prospectus is included based on information available to us that we believe is accurate. It is generally based on academic and other publications that are not produced for purposes of securities offerings or economic analysis. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and the additional uncertainties accompanying any estimates of future market size, revenue and market acceptance of products and services. We have no obligation to update forward-looking information to reflect actual results or changes in assumptions or other factors that could affect those statements. See Risk Factors for a more detailed discussion of uncertainties and risks that may have an impact on future results.

USE OF PROCEEDS

The Selling Securityholders will receive all of the proceeds from the sale of the shares of our common stock and warrants offered for sale by them under this prospectus. We will not receive any proceeds from the resale of shares of our common stock or the warrants by the Selling Securityholders covered by this prospectus or from the conversion of the Series A Convertible Preferred Stock. We will, however, receive proceeds from the exercise of warrants. Such proceeds will be used for working capital and general corporate purposes.

MARKET FOR OUR COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Our common stock has been quoted on the OTC Bulletin Board since November 16, 2005, under the symbol MDWK.OB. Prior to that date, there was no active market for our common stock. As of April 14, 2008, there were approximately 332 holders of record of our common stock.

The following table sets forth the high and low sales prices for our common stock for the periods indicated as reported by the OTC Bulletin Board.

	High	Low
Fiscal Year 2006		
First Quarter	$ 4.25	$ 2.40
Second Quarter	5.00	2.45

Third Quarter	4.25	2.60
Fourth Quarter	3.60	1.16
Fiscal Year 2007		
First Quarter	$ 1.50	$ 0.47
Second Quarter	1.30	0.35
Third Quarter	1.55	0.60
Fourth Quarter	0.74	0.35
Fiscal Year 2008		
First Quarter	$ 1.20	$ 0.38

The prices reported on the OTC Bulletin Board as high and low sales prices vary from inter-dealer bids which state inter-dealer quotations. Such inter-dealer bids (and reported high and low sales prices) do not include retail mark-ups, mark-downs or commissions. Such prices do not necessarily represent actual transactions.

We have not declared or paid any dividends on our common stock and do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future. We currently expect to retain future earnings, if any, to finance the growth and development of our business. The holders of our common stock are entitled to dividends when and if declared by our Board from legally available funds.

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MANAGEMENT S DISCUSSION AND ANALYSIS AND PLAN OF OPERATIONS

Overview

We offer a comprehensive technology-based selection of electronic medical claims processing, funding and collection solutions to the healthcare provider industry through an Internet Web browser. Our services help doctors, hospital based practices, and other healthcare providers and their vendors to significantly improve daily insurance claims transaction administration and management.

Our Xeni Medical CLAIMwerks™ solutions can provide actual contract based, insurance company comparable screening and analysis of medical claims directly from a client s practice management system, so that deficiencies and errors can be corrected before they are submitted to insurance companies for electronic payment. Further, the matching, settlement and posting of private insurance company claims payments is electronically performed for clients, minimizing the bookkeeping and investigation necessary to determine payment status and collection actions.

Since the system has the capability of analyzing value and risk of claims payment, clients may also qualify for pre-approved revolving line of credit advances on claims processed by our Xeni Finance FUNDwerks™ solution. FUNDwerks™ can electronically manage loans, loan repayments and the movement of funds through linked bank accounts administered by us for banks or finance companies; clients can receive electronic advance funding on claims they select within five business days on favorable terms.

Additionally, clients may choose to complete the claims management cycle by subscribing to the Xeni Billing s BILLwerks™ services, which can include patient billing and collections and/or managing third-party appeals on the provider s behalf.

There is no major hardware or software investment required to use the Company s Web-based systems. All transactions are designed to comply with HIPAA.

We offer our services to physician and clinical service group practices, hospitals, rehabilitation centers, nursing homes and certain related practice vendors, by using internal and external resources. Internal resources consist mainly of specialized sales executives with industry knowledge and/or a portfolio of contacts. External resources consist primarily of independent sales representatives as well as channel associates such as vendors of practice management systems and medical industry specific sales groups such as office management consultants. These sales resources can leverage an existing customer base and existing contacts. Our marketing is based on prioritizing potential subscribers by size, location and density, need for our products and services and distribution opportunities. Accordingly, we are focusing our initial marketing efforts in geographic areas such as California, Florida, Massachusetts, Texas, New York and New Jersey, which contain high concentrations of prospective clients.

Because we have had a limited operating history, it is difficult to accurately forecast our revenues and expenses. Additionally, our operations will continue to be subject to risks inherent in the establishment of a new developing business, including, among other things, efficiently deploying our capital, developing our product and services offerings, developing and implementing our marketing campaigns and strategies and developing awareness and acceptance of our products. Our ability to generate future revenues will be dependent on a number of factors, many of which are beyond our control, including the pricing of other services, overall demand for our products, market competition and government regulation.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We apply the Securities and Exchange Commission s Staff Accounting Bulletin 104 for revenue recognition. In general, we record revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the sales price to the customer is fixed or determinable, and collectability is reasonably assured. We have identified the policy below as critical to our business operations and understanding of our financial results:

Revenues derived from fees related to claims and contract management services are generally recognized when services are provided to the customer. We provide advance funding for medical claims and term loan services to unaffiliated healthcare providers. These arrangements typically require us to advance funds to these unaffiliated healthcare providers (our customers) in exchange for liens on the receivables related to invoices remitted to their clients for services performed. The advances are generally repaid through the remittance of payments of receivables by their payers directly to us. We may withhold from these advances interest, a fee charged in consideration of administration of advance funding and loans and other charges as well as the amount of receivables relating to prior advances that remain unpaid after a specified number of days. These interest charges, administrative fees and other

charges are recognized as revenue when earned and are calculated on a daily basis.

Revenues derived from fees related to billing and collection services are generally recognized when the customer s accounts receivable are collected. Revenues from implementation fees are generally recognized over the term of the customer agreement. Revenues derived from maintenance, administrative and support fees are generally recognized at the time the services are provided to the customer.

Results of Operations

For the Year Ended December 31, 2007, Versus Year Ended December 31, 2006

Revenue

For the year ended December 31, 2007, we recorded total revenue of $577,251. Of this total, we recorded service fee revenue of $470,149, accounting for 81.4% of total revenue and financing income of $107,102, accounting for 18.6% of total revenue. For the year ended December 31, 2006, we recorded total revenue of $427,778. Of this total, we recorded service fee revenue of $355,429, accounting for 83.1% of total revenue and financing income of $72,349, accounting for 16.9% of total revenue.

Operating Expenses

Our operating expenses decreased for the year ended December 31, 2007, from the year ended December 31, 2006, as a result of reduced compensation and selling, general and administrative expenses.

For the year ended December 31, 2007, total operating expenses were $8,022,031 as compared to $9,036,301 for the year ended December 31, 2006, a decrease of $1,014,270. Included in this decrease for the year ended December 31, 2007, are the following:

(1) We recorded compensation expense of $5,286,985 for the year ended December 31, 2007, as compared to $5,732,372 for the year ended December 31, 2006. This $445,387 decrease was attributable to non-cash compensation expense for stock option grants during 2007 in the amount of $3,196,046 as compared to $3,911,640 in 2006. We expect cash and non-cash compensation expense to increase as we hire additional administrative, sales and technical personnel and record the expense of both current and future stock option grants;

(2) Consulting expense amounted to $760,284 for the year ended December 31, 2007 as compared to $943,500 for the year ended December 31, 2006, a decrease of $183,216, or 19.4%. This decrease resulted from lower costs in 2007 associated with obtaining financing as opposed to 2006 and the transferring of outside business development consultant expense to compensation expense due to the hiring of new employees;

(3) Professional fees amounted to $411,917 for the year ended December 31, 2007 as compared to $358,969 for the year ended December 31, 2006, an increase of $52,948, or 14.8%. This increase was attributable to an increase in our legal fees related to additional SEC filings, the Series B Preferred Stock offering, and other corporate matters; and

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(4) Selling, general and administrative expenses were $1,562,845 for the year ended December 31, 2007 as compared to $2,001,460 for the year ended December 31, 2006, a decrease of $438,615, or 21.9%. This decrease resulted from the reduction of outside sales consultants, a decrease in investor relations costs in the current year and a loss

on notes payable conversions in the prior year for which there is no comparable expense in 2007.

For the years ended December 31, 2007 and 2006, selling, general and administrative expenses consisted of the following:

	2007	2006
Sales Commission	68,849	201,674
Advertising and promotion	92,899	196,750
Employee benefits and payroll taxes	385,679	333,601
Other selling, general and administrative	1,015,418	1,269,435
	$ 1,562,845	$ 2,001,460

Other Income (Expenses)

For the year ended December 31, 2007, interest expense was $2,484,835 as compared to $905,374 for the year ended December 31, 2006, an increase of $1,579,461. This increase was due to an increase in borrowings and amortization of debt discount and deferred fees in connection with our notes payable. Additionally in 2006, in connection with the granting of 90,000 warrants related to certain notes payable, we recorded interest expense of $335,273.

During the year ended December 31, 2006, we recorded a loss on the revaluation of warrant liability of $192,914 related to the change in fair value of the warrants during this period.

Net Loss

As a result of these factors, we reported a net loss of $9,882,330 for the year ended December 31, 2007, as compared to a net loss of $9,675,046 for the year ended December 31, 2006.

Deemed Dividend Arising from Beneficial Conversion on Preferred Stock and Other Charges

During the year ended December 31, 2006, we recorded a deemed dividend arising from a beneficial conversion feature of preferred stock of $913,777 which relates to our Series A Convertible Preferred Stock. This non-cash item is related to the beneficial conversion features on our Series A Convertible Preferred Stock. In addition, for the year ended December 31, 2006, we issued 76,000 shares of the Company s common stock to certain shareholders pursuant to agreements to offset the effect of dilutive financings of the Xeni Companies. The shares issued were valued at the fair market value at the date of issuance of $246,240 and were treated as an additional charge to the loss attributable to common shareholders.

Net Loss Attributable to Common Shareholders

We reported a net loss attributable to common shareholders of $9,882,330 for the year ended December 31, 2007, as compared to net loss attributable to common shareholders of $10,835,063 for the year ended December 31, 2006. This translates to an overall per share loss available to shareholders of ($.77) for the year ended December 31, 2007 as compared to a per share loss of ($.91) for the year ended December 31, 2006.

Liquidity and Capital Resources

We used the proceeds from the sales of preferred stock and notes and loans payable through December 31, 2007, for working capital purposes and for funding our notes receivables of which we have $1,652,079 owed to us at December 31, 2007. We will continue to advance funds under note agreements to providers that subscribe to our MDwerks financial services solutions.

As of December 31, 2007, we had a cash balance of $320,903. The amount of cash available to us at December 31, 2007, along with a $500,000 January 18, 2008 Vicis financing and net proceeds of $6,809,794 from an additional Vicis financing on March 31, 2008, may be insufficient for us to service our current indebtedness and implement our business plan as anticipated and may require us to seek additional debt or equity

financing in the near future, as we may be unable to generate sufficient cash flow from our operations. While we have sufficient funds to conduct our business and operations as they are currently undertaken in the near term, our ability to continue to implement our revenue and profit growth strategy could be adversely affected if we are unable to consummate a sufficient amount of additional private placement transactions or debt financing in the future.

We currently have no material commitments for capital expenditures.

Cash Flows

At December 31, 2007, we had cash of $320,903.

Net cash used in operating activities was $4,967,641 for the year ended December 31, 2007, as compared to $3,614,120 for the year ended December 31, 2006, an increase of $1,353,521. This increase is primarily attributable to an increase in our net loss and:

(1) Stock-based compensation of $3,346,046 is primarily related to lower issuances of stock options to employees and shares of our common stock to consultants, versus $4,334,140 for the year ended December 31, 2006;

(2) Loss on valuation of warrant liability for the year ended December 31, 2007 of $0 versus $192,914 through September 30, 2006 due to the revaluation of our warrant liability to fair value for the year ended December 31, 2006;

(3) Amortization of debt discount related to the Gottbetter, Grenier and Goldner Notes of $2,021,396, deferred compensation of $266,040, Gottbetter and Vicis debt offering costs of $207,202, and Goldner and Grenier debt issuance costs of $10,954, compared to debt discount related to the Gottbetter Notes of $354,190, deferred compensation of $291,487, Gottbetter debt offering costs of $43,361 and Goldner and Grenier debt issuance costs of $12,480 during the year ended December 31, 2006;

(4) No settlement expense for the year ended December 31, 2007 versus $180,827 for the conversion of $40,000 of notes payable to common stock for the year ended December 31, 2006;

(5) No interest expense in connection with the grant of warrants versus $460,572 for the year ended December 31, 2006; and

(6) A net increase in notes receivable, accounts receivable and prepaid expenses aggregating $1,331,056 principally related to the increase in funding of notes receivable to providers that subscribe to our MDwerks financial services solution and other healthcare providers.

Net cash used in investing activities was $5,209 for the year ended December 31, 2007, as compared to $110,457 for the year ended December 31, 2006 and is principally related to the acquisition of computer and office equipment and furniture.

Net cash provided by financing activities was $2,146,912 for the year ended December 31, 2007, as compared to $6,104,954 for the year ended December 31, 2006. For the year ended December 31, 2007, we received gross proceeds from the sale of Series B Convertible Preferred Stock of $2,000,000 reduced by placement fees and other expenses paid of $116,810 and we received net proceeds from notes payable of $575,000 and $250,000 and a loan payable of $250,000. During 2007, we made notes payable repayments of $598,362 and loans payable repayments of $212,916. For the year ended December 31, 2006, we received gross proceeds from notes payable of $4,750,000 from

Gottbetter and $360,000 from three qualified investors which were offset by placement fees of $263,264. We also received proceeds from the sale of Series A Convertible Preferred Stock of $1,700,000 reduced by placement fees and other expenses paid of $313,923. During 2006, we made notes payable repayments of $101,634 and loans payable repayments of $26,225.

Off Balance Sheet Arrangements

We had no off balance sheet arrangements as of December 31, 2007.

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BUSINESS

Introduction

We are engaged in the business of electronic insurance claims processing, billing and coding, and advance funding for healthcare providers based upon receivables owed from third-party payers such as insurance companies. We offer a comprehensive selection of electronic medical claims processing, funding and collection solutions to the healthcare provider industry. Our services, which are easily accessible through an Internet web browser, help doctors, hospital based practices, and other healthcare providers and their vendors significantly improve daily insurance claims transaction administration and management as follows:

- Increase office efficiencies and lower collection costs;
- Reduce administrative workload;
- Improve claims accuracy before submission to, and increase acceptance by, third-party payers;
- Reduce payment cycle time;
- Improve cash flow management;
- Increase revenue control;
- Leverage receivables through competitive short-term financing arrangements;
- Improve information management, financial security and provider regulatory compliance;
- Provide end-to-end solution for claims management; and
- Fully automate the revenue process by the use of electronic claims and remittance advice and payment reconciliation.

We conduct our business through three wholly-owned subsidiaries of our wholly-owned subsidiary, MDwerks Global Holdings, Inc. namely: Xeni Medical Systems, Inc. (Xeni Systems); Xeni Medical Billing, Corp. (Xeni Billing); and, Xeni Financial Services, Corp. (Xeni Financial and, together with Xeni Systems and Xeni Billing, the Xeni Companies).

Claims Management Services

Our CLAIMwerks™ solutions, which are offered through Xeni Systems, can provide actual contract based, insurance company comparable screening and analysis of medical claims directly from a healthcare provider s practice management system, so that deficiencies and errors can be corrected before they are submitted to insurance companies for electronic payment. Our CLAIMwerks™ solutions and services improve a healthcare provider s ability to process and manage claims for reimbursement from third-party payers by consolidating the process (including clearinghouse, contract management and remittance functions). As part of our CLAIMwerks™ services, we integrate transactions involving insurance claims by providing a single interface for the healthcare provider, the payer (such as an insurance

company) and the lender (when the healthcare provider elects to take advantage of receivables financing).

Xeni Systems collects transaction fees from healthcare providers for: the analysis, automated processing, electronic submission, and reporting of claim information; management of healthcare provider contracts for pricing and rules; electronic remittance of payments; explanations of benefits (payments) (EOBs) made available from payers; and, reconciliation and posting of the payments and EOBs. Fees may also be generated from third-party lenders for the valuation of processed claims that are used as collateral, as well as administrative tasks related to the disbursement of funds. Fees may also be collected from clearinghouses and insurance companies for submitting more accurate claims, once certain volume levels are achieved. One-time implementation fees may be collected for initial set-up and training.

Although we do not currently offer asset and wealth management services, we may have the opportunity to offer asset and wealth management services through third-party sources. We expect to receive referral or administrative handling fees for these services.

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Billing Services

Our BILLwerks™ solutions provide value added billing services, leveraging the Xeni Systems technology solutions and services for improved efficiencies. As part of our BILLwerks™ solutions, Xeni Billing offers collections and appeals services, as well as solutions for the collection of old existing medical claim submissions. Our BILLwerks™ solutions are designed to operate in an integrated fashion with the solutions and services offered by Xeni Systems, there are fewer manual and paper functions to be performed in the combined claims management processing/billing solutions process offered by Xeni Systems and Xeni Billing. This can enhance a healthcare provider s claims related operations and controls even more than using the stand-alone solutions offered by Xeni Systems.

Xeni Billing typically charges providers (directly or as a subcontractor of Xeni Systems) fees as a percentage of collected claims. Xeni Billing also shares fees (as a channel associate) with Xeni Systems for supporting its claims process and information management. Additionally, Xeni Billing can collect one-time set-up fees, appeals and third-party appeals work fees and consulting fees for customization or support of the healthcare provider outside the scope of services. Finally, Xeni Billing may share in claims revenue recovered when contracted to perform reviews of unpaid claims that were submitted to payers prior to use of our automated claims submission solutions and services.

Lending Services

Our FUNDwerks™ solutions can electronically manage loans, loan repayments and the movement of funds through linked bank accounts.

Through Xeni Financial, we can offer to lend or arrange lending from third parties to healthcare providers on a short-term, revolving line of credit and sometimes on a term loan basis. The loans are secured by medical claims receivable, which may be processed by Xeni Systems. Like Xeni Billing, Xeni Financial leverages the solutions and services offered by Xeni Systems to value the claims, score risk, document and track claims payment status, verify remittance of payments from insurance companies and sweep funds to the appropriate accounts with the assistance of electronic and automated processes. Xeni Financial is able to arrange loans at attractive rates and terms, since it has not had to invest significant capital to develop or make a major hardware and software purchase of a system to make loans secured by receivables. It also does not need to maintain a large workforce as it can manage many of its business processes through the solutions and services offered by Xeni Systems. Xeni Financial can lend to healthcare providers

on the merit of the receivables and can even lend on Medicare claims.

Consulting Services

Although we provide Internet-based solutions that do not require our customers to purchase new hardware or software, healthcare providers can take advantage of customized and premium enhancements through our third-party associates, including medical billing services and automated appeals of adjudicated claims. Consulting services are also available to enhance healthcare provider practices or business operations.

Workers Compensation, Durable Medical Equipment and Pharmacy Claim Services

Our current products and services have been focused on improving the ability of healthcare providers to (i) collect on commercial and government insurance claims and (ii) enhance their cash flow controls. We have decided to expand our current service offerings to include the electronic processing, management and funding of workers compensation, durable medical equipment and pharmacy claims.

By using our present technology, we plan to offer a greatly improved electronic workers compensation, durable medical equipment and pharmacy claims collections and remittance process to our clients in place of today s existing error-ridden, paper-based method. Many provider practices avoid workers compensation patients because of the time, effort, and cost associated with getting paid, thereby forgoing perhaps as much as 10% to 25% of their revenue. MDwerks can greatly improve the ability of healthcare providers to be paid on workers compensation claims and enable them to continue to provide or expand these services.

We can manage claims transactions electronically from three perspectives in connection with workers compensation claims: the provider, the insurance company payer and the lender (when the provider elects to take advantage of our receivables financing). Our system can manage each workers compensation claim

transaction by leveraging our tools to automatically analyze claims and record collections, appeals and funding. Because we designed our products and services to operate in a fully-integrated electronic environment with provider and payer systems, there are fewer manual and paper functions to perform in the combined claims processing/billing solution, which should result in reduced errors as well as fewer payment delays and lower collection costs.

Through Xeni Billing, MDwerks can offer collections and appeals services for workers compensation claims. This allows healthcare providers to outsource these tasks from their offices and focus resources in other areas.

Through Xeni Financial, MDwerks can offer funding to healthcare providers on a short-term, revolving line of credit or term loan basis, or in some cases can purchase healthcare providers receivables. Receivables are secured by claims processed through the MDwerks System. Our system also can include MDwerks tools to help lenders value claims, score risk, document and track claims payments, verify remittance and sweep funds to appropriate bank accounts with electronic and automated processes.

MDwerks can collect transaction fees for automated processing, submission, reporting and analysis of workers compensation claims information and management of payer contracts rules and pricing. Fees can be collected for information management on processed claims that are used as collateral and for administrative tasks related to the movement of funds among bank accounts. Fees can also be collected from clearinghouses and insurance companies to

which MDwerks sends cleaner claims electronically. One-time fees can be charged for initial set-up and training.

Market for Our Solutions and Services

Healthcare providers face serious challenges in processing claims submitted to third-party payers, as well as in getting correct and prompt payment from payers. Claims must be prepared by gathering data from the front office to the back, with processing often occurring at different times and locations for each procedure. Many healthcare providers current billing systems require the performance of different steps by different third-party sources. Claims can move among the healthcare provider s internal staff, through a practice management system and across multiple offices, to billing, editing engines, clearinghouse, contract management, banking and other resources.

The need for security and privacy of patient information requires complex data management. Claims may be processed on the payer end through out-of-network claims administrators, re-pricing organizations, third-party administrators, managed care organizations, independent physician associations, and preferred provider organizations. Further, healthcare providers face continuing pressure from payers to accept lower fees on changing definitions of covered claims, with variations in customary remittance values. At the same time, payers require precise documentation and justification for covered claims.

Claims may be rejected for a variety of reasons including medical necessity, eligibility, coding errors, tardiness, deductibles, referrals, pre-certifications and improper documentation. Lack of access to basic, but important, claim information and the lack of real-time data and feedback may waste office hours and affect reimbursement. Repetitive paperwork and phone conversations dealing with disputes, errors and rejections may be typical occurrences in the provider s office. Additionally, the failure, or inability, to match claims against existing contracts, when added to these other factors, can make it extremely difficult to determine how much and when the healthcare provider will be paid.

Management of the status of claims and valuation, remittance and validation of proper payment and disbursement requires detailed real time information. If claims are not being compared to contracts in real time, and if robust tracking and auditing mechanisms are not in place, then the availability and transparency of data cannot be optimized. As a result, the healthcare provider s financial managers may only estimate results, with varying degrees of volatility, cash flow predictability and accuracy. Moreover, they may miss, ignore or abandon incorrect or partial payments.

The challenges faced in connection with claims management can result in lost revenue, volatile and unsatisfactory cash flow, inaccurate reporting, inefficient management of operations and attendant increases in office workload, expenses and costs of borrowing. In the past, healthcare providers have been required to use a patchwork of internal and third-party resources to address these problems, with mixed results. For example,

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billing and practice management systems attempt to address the claims processing market predominantly by selling proprietary hardware and software products (and maintenance and upgrades or customization), with various degrees of success in features and benefits. They may or may not generate Health Insurance Portability and Accountability Act of 1996 (HIPAA) compliant electronic forms from their systems, and if they do, such forms may be mapped and formatted in different ways, leading to potential errors and problems with acceptance and payment. Ultimately, they offer tools that require office staff and/or external resources to perform critical claims management functions.

Claims-related management challenges have also greatly impacted the borrowing abilities of healthcare providers. Healthcare providers typically borrow by factoring their receivables arising out of non-Medicare insurance claims, personally guarantying a loan with their own credit, bundling large provider claims for sale to wealthy private

investors or taking an expensive asset-based loan against claims receivables at a significant discount with significant required reserves. Lenders typically have not been able to offer short-term, revolving credit lines on receivables arising out of insurance claims, because of the existing difficulty in qualifying them as low risk, high quality, and commoditized collateral. Lenders remain concerned about safely and accurately assessing either the true value or the payment risk associated with any given claim or group of claims. Any solution to this problem is further complicated by the lender s resistance to risking the purchase of an inadequate or expensive customized solution to serve this market.

Short-term, revolving lines of credit on medical receivables require a solution that mitigates the uncertainty of quickly and accurately assessing the true market value of claims, their aging and cycle times and their inherent lending risk through a complex series of verifications and evaluations. Assessment, and the subsequent presentation of results, must be accomplished in a real time, secure environment. Cycle times for claims remittances must be short (ideally at or below 45 60 days). Additionally, the cost of administering and processing must leave net interest margins that justify the loan.

We believe our integrated suite of solutions and services are the first to market offering healthcare providers and their lenders comprehensive, cost efficient and superior claims processing and management solutions over the Internet. Our integrated systems can become a healthcare provider s single source platform for integrating claims management and funding functions. Our solutions and services quickly improve claims accuracy, valuation and remittance success, enable outsourced payer contract management, facilitate prompt financing of claims, and produce superior cash and information management. Our technology also offers benefits to small and medium healthcare provider practices with limited resources and staff, allowing them to perform or facilitate the performance of tasks and functions previously only available to much larger practices capable of purchasing more sophisticated and expensive tools and hiring more people to use them. It also allows many financial institutions to lend to healthcare providers on qualified receivables, at risk and cost factors not previously available. With our products and services, healthcare providers of a variety of specialties and sizes have the ability to leverage an end-to-end claims management solution.

By combining automated batched and real time functionality into a proprietary end to end claims management and funding system, we believe that our solutions and services offer superior value and competitive advantages, including the following:

Reduced Workload: Healthcare providers can reduce and/or eliminate manual, labor intensive, repetitive and inefficient administrative functions. The level of reduction depends on many factors, including the type of practice management and billing systems in use, number of staff members and their training and skills in operating existing systems, practice size and mix and contractual relationships with payers, and how paper intensive or electronic their existing process may be.

Pay as You Go : Fees charged to healthcare providers for processing insurance claims typically are fixed monthly or calculated as a percentage of each claim s contract valuation or predicted value, based on history and regional Medicare tables for reference, if, for example, if a healthcare provider is out-of-network. The use of our solutions and services does not require high up-front investment, hardware and software purchases, or payment based on number of claims submitted or the amount of billed claims.

Superior Cash Management: In as little as five business days or less, healthcare providers can borrow funds from us at competitive short-term rates against a determined value of each submitted claim. Healthcare providers and lenders can choose amounts or categories of claims for funding, including Medicare claims. Financial institutions have an automated risk profile and lending process available to them on a daily claim-by-claim basis, which is customized to their own lending parameters, without the necessity of building new lending tools.

Increased Efficiency/Lower Costs: Claims that we process are flagged for potential errors as they are received, based on a combination of proprietary technology and use of the same type of rules engine as many insurance companies. Healthcare providers managing their own claims can edit flagged claims using simple prompts, so a cleaner claim can be submitted to the payer. Claim values are determined daily against actual contracts and payment tables, when available, and are adjusted for history and changes in insurance plans. Healthcare providers can know almost exactly how much they will get paid on claims. Also, multiple healthcare provider locations can be connected to capture information earlier and more accurately.

Superior Information Management: Healthcare providers have access to daily reports on claims status, their expected (not just billed) value, and tools for tracking, auditing and confirming claims remittance, verification and payment. This means they can spend less time trying to determine what is owed and by whom and more time taking action to collect what is owed.

Web-based, User Friendly Technology: The solutions and services that we offer can be accessed over the Internet using standard Microsoft Explorer software (or most other browser software) on standard Windows desktop hardware and software. The systems are designed to be used off the shelf with no need to purchase additional hardware or software, and are designed to support large numbers of users. They also can be easily expanded to accommodate future growth.

Integrated Functions: Healthcare providers can integrate and consolidate, through a single source, multiple claims processing and management functions within their offices, across multiple offices and across third-party vendors, including insurance companies, banks and clearinghouses.

We believe that the technology that we deploy offers the following competitive advantages:

First in Marketplace: We believe we are one of the first application service providers to offer a fully electronic comprehensive bundled service that provides web-based insurance claims management, billing services and lending services (for both borrowers and lenders). This creates a unique, cost effective advantage in capturing clients and developing brand loyalty.

Barriers to Entry: We believe potential competitors face significant barriers to duplicating what we have to offer, including the following:

Process: Aggregating and integrating healthcare providers, insurance companies and financial institutions in a legally compliant manner requires a very complex business process.

Cost to Develop: Matching features and benefits of our systems would require substantial investment and substantial time and technical resources.

Extensive/Proprietary Feature Set: We offer an extensive and unique feature set.

Complex to Build: The solutions and services that we offer were developed as a multi-tiered high availability solution, requiring substantial software engineering expertise. Solutions were derived from expertise in insurance, banking, medical, legal and other industries, requiring more than just technical production.

Extensive Compliance Issues: We operate amidst a highly regulated environment. For example, we must operate in accordance with HIPAA, the Financial Holding Company Act and the Gramm-Leach-Bliley Act. Requirements for handling patient information and claims securely are complex and may serve as a major development challenge to some competitors. Furthermore, we must operate in accordance with state regulations regarding fee-splitting with medical professionals.

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Features Appeal to Lenders: Our solutions and services appeal to lenders, because lenders do not have to negotiate to purchase receivables, acquire a system to process claims for financing or buy hardware and software from us. At the

same time, asset based loan assessments can be performed against actual claims value and status on a daily basis, potentially increasing the value and collateral associated with a loan and reducing risk.

Contract management is critical to maximizing reimbursement. Complying with terms for getting paid on a claim, accurately valuing the claim and monitoring pricing for each contract creates more reliable receivables security for desired loans.

Superior Claims Engine: We aggregate the entire insurance carrier network through the use of a combination of third-party and proprietary claims engine functions. This enables healthcare providers to have access to all insurance carriers for electronic claims handling through a single solution.

Module Independence: Many components of our solutions and services can be utilized independently of each other, making different technologies rapidly available, and allowing us to adapt quickly to new client requests.

Industry Analysis

Industry Size

Healthcare has been called the single largest industry in the United States. According to the Centers for Medicare and Medicaid Services (CMS), it is expected to reach $3.0 trillion plus over the next three years. The national healthcare expenditure projections are produced annually by the Office of the Actuary at the CMS. They are based on historical national health expenditures and a model framework that incorporates actuarial, econometric, and judgmental factors. National health expenditures are forecast to reach $3.3 trillion by 2012, growing at a mean annual rate of 7.3%. During this period, health spending is expected to grow 2.5% per year faster than nominal gross domestic product (GDP), so that by 2012 it will constitute approximately 18.8% of GDP compared to its 2000 level of 13.8%.

The general term Healthcare encompasses a multitude of products and services. In 2007, CMS forecasted $2.33 trillion in health expenditures expected to be distributed by type of expenditure as follows:

The source of payment for 2007 expenditures was distributed as follows (source: CMS): Private health insurance: $806.2 billion, federal: $789.5 billion, out-of-pocket payments: $261.9 billion, state and local: $299.2 billion, and other private funds: $169.0 billion.

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Market Needs

Technology has provided increased efficiency, especially in the delivery of healthcare. However, one of the most troubled areas is the medical claims billing, processing, and payment area. This segment continues to suffer errors and inefficiencies, as well as large amounts of paper transactions and piecemeal solutions, leaving a significant claims management burden in the provider s back office.

Claims processing is a chief contributor, since the vast majority of claim transactions require a large amount of manual intervention. Healthcare is unlike many other businesses in that the value of the service is determined retrospectively. This negative aspect of the business becomes more evident and pronounced when coupled with workers compensation and personal injury medical services, which have additional administrative hurdles to overcome to receive payment. These facts, combined with a paper and manual work dependent system, result in significant inefficiencies in the claims, filings payment and reconciliation process. Our system can greatly reduce these inefficiencies by automating and replacing many manual labor-intensive, paper-ridden processes with fully electronic processes, which increase the information available to manage and collect outstanding claims. Medical

claims processed in the United States escalated from just 5 billion in 1990 to more than 10 billion at the turn of the 21st century and this figure has been steadily increasing. According to the AMA, the average number of claims generated per doctor is 440 claims per month.

Payers realize the importance of moving claim transactions to electronic media through the Internet. From the payers perspective, administrative costs could be substantially lowered if claims were submitted electronically and were accurate enough to be adjudicated by a computer system without any requirement for manual intervention and/or resubmission. Payers could also save administrative costs by implementing electronic payment systems, including electronic explanation of payments.

HIPAA requires payers to move to electronic claim transactions and establish format standards. Although payers continue to make significant technology investments to comply, as well as for their own e-commerce objectives, providers are behind in technical expertise and system resources necessary to effect change, and are burdened with paying for systems and processes to become compliant. As HIPAA compliance is now enforceable by fines, the pressure for secure and compliant solutions has become greater than ever.

HIPAA has compelled health plans, clearing houses and other healthcare providers to move to a uniform electronic format. Specifically, HIPAA requires standard electronic formats for the following transactions:

- Healthcare claims or equivalent encounter information;
- Healthcare payment and remittance advice;
- Coordination of benefits when separate plans have differing payment responsibilities;
- Health claims status when providers inquire about claims they have submitted;
- Plan enrollment and dis-enrollment;
- Health plan eligibility;
- Health plan premium payments;
- Referral certifications and authorizations;
- First reports of injuries or illnesses;
- Health claims attachments used to justify services; and
- Other transactions the federal government may specify in the future.

We view this highly inefficient market as our primary opportunity. Our solutions and services can significantly decrease the cost of claims processing for both providers and payers, and can also create a new asset class consisting of claims, against which financial institutions can lend.

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Market Strategy

We plan to sell to physician and clinical service group practices, hospitals, rehabilitation centers, nursing homes and certain related practice vendors by using internal and external resources. Internal resources will consist mainly of specialized sales executives with industry knowledge and/or a portfolio of contacts. External resources will consist primarily of independent sales representatives as well as channel associates such as vendors of practice management systems and medical industry specific sales groups such as office management consultants. These sales resources can leverage an existing customer base and contacts.

Our marketing is based on prioritizing potential subscribers by size, location and density, need for our products and services and distribution opportunities. Accordingly, we expect to focus our initial marketing efforts in geographic areas that contain high concentrations of prospective clients, such as California, Florida, Massachusetts, Texas, New

York and New Jersey. Since part of our business involves management and review of healthcare provider contracts with payers, and their contracts tend to be similar by region, we believe that a concentration of marketing efforts in areas with high concentrations of prospective clients will also reduce costs (for example, by reducing processing of repetitive contract pricing and increasing set-up efficiencies for field reps) as well as increasing revenues.

Media Marketing

Our advertising strategy prioritizes spending to facilitate sales goals. We expect to utilize internal and external resources to develop advertising mediums to open the appropriate sales opportunities, which may include the following:

- Business-to-business advertising;
- Search engine and Web-site advertising;
- Direct marketing;
- Magazine/trade journal advertising;
- Trade-show advertising, slogans and headlines; and
- Media advertising (television, radio, billboards, Internet, etc.).

Non-Media Marketing

We expect to accelerate client acquisition by marketing through independent sales and affinity business representatives. Typical independent sales representatives are already selling other products and services of other companies to the same target market and may be looking for new, non-competitive lines to promote. Affinity business representatives sell their own complimentary products or services, and may see our solutions and services as a new product line, enhancement or up-sell to their existing line. Affinity business representatives are expected to include vendors and suppliers of healthcare providers, such as clearinghouses, diagnostic services and medical supply companies, as well as billing and practice management product sellers. Banks and insurance companies can make excellent affinity business representatives, as we offer off-the-shelf access to the lucrative healthcare provider community for a new lending product, with tremendous up-selling opportunities, including by co-branding and return referrals to the other services that they represent.

We believe independent representatives will offer us access to healthcare providers based on existing relationships, as well as pre-determined variable costs of subscriber acquisition tied to sales or referral success. We believe we will rapidly gain field presence, experienced personnel and credibility without investing in, and building, resources from the ground up. Multiple resources can be engaged in minimal time to acquire subscriber prospects.

Sales Methods

Sales will be generated by conventional methods which may include direct sales calls, trade shows, seminars, dinners, webcasts and direct mail. Lead generation will include Internet presence and third-party referral sources. We also expect to obtain sales from strategic business alliances.

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Revenue Generation

We expect to generate revenues derived from healthcare providers, their payers and lenders, as well as strategic

associates that pay referral fees. Examples include the following:

CLAIMwerksTM Subscription Fees: Healthcare providers are typically charged a percentage of the value of every claim that we process for administration of claims, including claims remittances through various accounts, with a minimum monthly fee; occasionally, other payment arrangements are made.

FUNDwerksTM Fees: Providers are typically charged an increased percentage (from that charged for CLAIMwerksTM) of the value of every claim that we process in consideration of administration of the loan, including for its settlement and posting, with a minimum monthly fee. A provider cannot subscribe to FUNDwerksTM without also subscribing to CLAIMwerksTM, the underlying technology platform.

BILLwerksTM Fees: Providers are typically charged a percentage of the value of every claim that is collected by Xeni Billing for collections, appeals and patient letter billing services; occasionally, other payment arrangements are made. Like FUNDwerksTM, BILLwerksTM billing functionality is a value-added service to CLAIMwerksTM solutions and cannot be subscribed to separately.

Support Fees: Healthcare providers and financial institutions are typically charged a one-time setup and training fee.

Payer and Clearinghouse Fees: We may be able to charge payers and clearinghouses fees per clean claim submitted, based on achieving minimum volume requirements.

Financial Institution Fees: Lenders may pay basis points or other fees to us based on the value of each new claim loaned against, for accessing and using the lending tools that we offer.

Customization and Consulting Fees: Clients will be charged for any non-standard client support, consulting and any customization, such as for electronic interfaces from the healthcare provider s existing legacy management system to our systems.

Referral Fees: Lenders, billing companies and others may generate referral or administrative fees for cross or up selling of their products.

New Lines of Business

We plan to capitalize on our proven technology and apply it to solving the more complex administrative issues associated with Workers Compensation and Personal Injury claims. We expect to generate new revenue derived from healthcare providers, their payers and lenders, as well as strategic associates who pay referral fees.

Providers can also be charged a percentage of the value or discount fee for every workers compensation claim that we process in consideration of administration of the loan or purchases, including settlement and posting, with a minimum monthly fee.

We also plan to generate additional revenues through strategic acquisitions.

Competition

The market for medical claims-related products and services is generally highly competitive and subject to constant change as a result of new product introductions, technological developments and market activities of industry participants. We anticipate competition from a number of public and private companies involved in the business of medical claims transaction processing and solutions, including editing engines, claims management and/or practice management systems, clearinghouses, and medical receivable funding companies. We are also aware that other

companies offer products and services with some or many features similar to those that we offer. However, we are not aware of any direct competition that offers in one system the full set of comprehensive features that we offer, including our proprietary combination of automation, batching and real time functionality, especially as it relates to our planned workers compensation, durable medical equipment and

pharmacy claims services. Some of the various types of services or systems that offer aspects found in the suite of products that we offer include the following:

Claims Management/Practice Management Systems: Claims management and/or practice management systems are used by all forms of healthcare providers and medical billing companies. They offer such services as eligibility verification, claim scrubbing, claim status inquiry, claim submission and remittance, comprehensive reporting, patient statement processing and patient scheduling, although we believe only a few offer the full range of services that we offer.

For example, AthenaHealth is a Web-based practice management system offering subscribers all the above services, including a sophisticated rules engine similar to ours, and charges on a flat monthly fee per provider and/or a percentage of revenue collected, depending on the products and services selected. AthenaHealth offers products and services that are similar to ours, however, we do not believe they offer advance funding features. Most critically, the use of AthenaHealth products and services is dependent on the purchase or subscription to the AthenaHealth practice management system, requiring a change of technology, management, use of tools and processes in the provider s office.

We understand OrthoMart provides a Web-based practice management system that offers services for commercial and government claims, including workers compensation type claims. We do not believe OrthoMart provides contract-based claims analysis, advance funding or automated account reconciliation functions. Like AthenaHealth and similar competitors, the provision of OrthoMart solutions may require a significant change in the provider s office, and continue to rely on the combination of their system tools and office or external resources to perform many critical functions, which may be simplified or eliminated by our solutions. Our solutions connect into practice management systems and help enhance and optimize their use by the provider through the performance of functions outside of the office and by not requiring a fundamental change of process and technology in the office.

We believe other practice management systems, such as the EZDME Web-based solution, cater only to processing durable medical equipment type claims and require the healthcare provider to purchase or subscribe to an array of add-on modules to take advantage of a complete package of tools and services. By comparison, our services are packaged as bundled services offering end-to-end solutions. Additionally, these competitors are marketed as an alternative to the healthcare provider s current billing system. Our products and services are designed to plug in to, and work in conjunction with, a healthcare provider s existing system to simplify and accelerate the means of claims payment.

Clearinghouses: A clearinghouse functions primarily as a conduit between a healthcare provider and payer by electronically transmitting claims, or converting claims to paper format when necessary. Currently, there are many clearinghouses in operation and competition is fierce amongst them.

Although many clearinghouses boast about their particular claim scrubbing features, these are typically limited to the most basic editing functions, namely validating for format and completeness. Some clearinghouses claim to maintain or access payer specific databases. Such databases allow potential editing enhancements, but not analysis of claims prior to submission. They also are not verifying and fixing claims against specific contracts, rules and fee schedules applicable to the specific provider and particular claim. One advantage clearinghouses do have is their ability to meet the specific data requirements of designated payers. However, we offer this same advantage, by contracting directly

with clearinghouses such as Emdeon and including their value added services with our own. The end result is that all the unique features offered by clearinghouses are passed on to our clients, eliminating the need for a healthcare provider s separate clearinghouse submission and expense.

One competitor, Providerpay.com, claims it will process a healthcare provider s submissions against payer-specific edits, send the claim on to the payer, advance funds on a line of credit and deposit those funds into the provider s operating account within two business days. Providerpay.com also

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claims to process the payment and deposit it to the provider s account. The healthcare provider may access certain information regarding the history of submitted claims, including claims status.

Providerpay.com s website states that Providerpay.com is a cooperative effort of P5, Inc. and a bank, and involves technology that may be patent protected or patent pending. Providerpay.com is advertised as complete payment solutions.

Providerpay.com appears to have some Web-based tools for performing data-based edits, like other clearinghouses, and then funding on a line of credit with a bank. There is no indication the edits are based on actual payer contracts or an outsourced contract management system with automated, batched and/or real time functionality. There is no indication of eligibility, pre-certification or referral analysis. The loan is not advertised as a revolving line of credit, but rather a more conventional type of loan as described below. Similarly, it is unclear Providerpay.com automates/batches reconciliation, settlement and account management for all providers and payers, or posts critical information back to the provider s practice management system. Rather, its website and published online help documentation seems to indicate the potential for extensive user interaction with its system. This user intervention may include providers performing their own reconciliation and sending and managing claims through multiple sources and clearinghouses. Finally, there is no indication of billing or collection services, either as a separate or integrated feature of their system. Additionally, Providerpay.com s website does not indicate funding or electronic submission and/or remittance reconciliation for workers compensation, durable medical equipment and pharmacy claims.

Editing Engines: Some form of editing engine is integrated into most practice management or claims management systems, as well as clearinghouses. These engines allow healthcare providers to submit cleaner claims to payers, thereby reducing the percentage of rejections, reductions or denials. The significant difference with most editing engines, however, is that the healthcare provider maintains them, which can be costly and time consuming. Our clients do not have to continually monitor and update the rules engine to ensure the proper edits are in place.

Medical Receivables Funding: Until recently, a healthcare provider s options for immediate cash flow were mostly limited to bank loans based on personal credit and personal guarantees, sales of claims to factoring companies, or bundling of claims in large volume practices for sale to wealthy private investors. Collateral security could include medical equipment and office assets such as fixtures and furnishings, as well as compensating balances.

A bank loan is reflected on a healthcare provider s balance sheet as a debt, and requires repayment of the debt with cash. Factoring companies actually purchase claims from healthcare providers, creating off balance sheet funding. This may seem like an attractive offer and quick solution for healthcare providers; however, it requires selling a claim for a significantly reduced price, as the purchase amount is determined to a great extent by the estimated risk and time that it will take for a particular payer to adjudicate or deny payment of the claims, as well as allowing for a substantial discount on the claims, because of the typically significant variation in billing-to-collection ratios experienced by most healthcare providers.

True advance funding of medical receivables is a relatively new service in the healthcare industry. One competitor offering these services is Medical Capital Financing, which purports to lend up to 85% of the estimated

reimbursement on a weekly basis, calculated as an aggregate value based on past billing and collection history. The fees charged to the healthcare provider are also based on such factors as size of practice, size of weekly receivables, and average turnaround time. Triad Capital is another competitor. It currently only offers lending to healthcare providers with net receivables of $50,000 or more, funds on a weekly basis, and charges a set-up fee with an average fee of 3 4 percent of the value of every invoice purchased. It will also purchase aged and charged-off invoices.

First Capital Funding Corporation (First Capital) represents a typical medical receivables funding service. It currently arranges for funding of up to 85% of net receivables (as determined by First

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Capital) within 48 hours. First Capital merely performs a due diligence audit of outstanding receivables and then finds a lending source to provide funding. One significant disadvantage of First Capital is that the healthcare provider has no control over the loaned amounts each month. The amount is established at the time of application and remains the same throughout the term of the contract.

Providerpay.com offers a funding service with some features bearing some similarity to ours. Providerpay.com states that it will provide a line of credit within two business days of a claim passing certain claim edits and submitted only through its clearinghouse. Interest, guarantee types, asset security and covered payer claims are undisclosed. Comprehensive integrated claims management and billing solutions do not appear to be offered. Claims must be funded only through its clearinghouse and only with a single bank. Our revolving line of credit capabilities appear more extensive, including in areas critical to the automation and reduction of administrative workload and human intervention, as well as information demanded of a complete claims management and payment solutions for providers and lenders. For instance, all of our solutions and services are designed to work with multiple clearinghouses and lenders.

Despite the increasing business of medical receivable purchasing and/or funding services, we distinguish ourselves by offering a short-term (120 days or less) revolving line of credit, where the primary security is intended to be the claims receivables and not other provider assets or personal credit. As an asset-based loan, Medicare claims can be leveraged. Since claims are flagged and scrubbed before submission, and are valued against actual payer contracts and rules, valuation is enhanced, risk is reduced and costs of money can be more competitive. Since we can offer to advance funds to healthcare providers in as little as five business days or less from the date of claim submission for payment, coupled with low administrative fees, and a proprietary combination of automated or batched reconciliation, posting, settlement, reporting and billing solutions we believe this service to be a major marketing edge. Our new offerings extend this edge to the very unique workers compensation, durable medical equipment and pharmacy claims processing, purchasing and/or funding market.

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Competitive Analysis Feature Comparison Chart

Features	MDwerks	Provider Pay	EMDEON	ATHENA	OrthoMart	EZDME
HIPAA Compliant EDI	X	X	X	X		X
Processes commercial and Medicare claims	X	X	X	X	X	

Processes Workers Comp and Personal Injury claims	X		X		X	X
Processes DME and Pharmacy claims	X			X	X	X
Electronic claim submission to Medical Insurance companies	X	X	X	X		
Electronic claim submission to Causality Insurance companies	X				X	X
Online claim status inquiry	X	X	X	X	X	X
Online patient eligibility verification	X		X	X		
Fully managed network Payer Contract Service	X			X		
In-depth real-time clinical claim edits and error analysis	X	X		X		
Automatic data table updates (CPTs, ICDs, and Fee Schedules)	X		X	X		
Advanced reporting and statistical analysis	X			X		
Electronic remittance processing (ERA)	X	X	X	X		X
Automatic payment posting and reconciliation	X		X			X
Funding/Purchasing of medical receivables	X	X				
Full Web-based platform (ASP)	X	X	X	X	X	X
Full conversion of all paper ERA s to electronic HIPAA compliant EDI	X					
Comprehensive Billing and Collections Service	X			X		

History of the Company and Certain Transactions

Background

After 5 years of research, development and testing with strategic and name brand resources, the designer of Xeni Systems products, MEDwerks, LLC, substantially completed the product development cycle for the products offered by Xeni Systems. The solutions developed by MEDwerks, LLC were tested with 2 doctors and 2 banks. In October of 2003, MEDwerks, LLC ceased operations, due to a lack of continuing operating capital. In October of 2004, substantially all of the assets of MEDwerks, LLC were acquired by Xeni Systems pursuant to a Contribution and Stockholders Agreement (the Contribution Agreement) in exchange for MEDwerks, LLC receiving approximately a 67% equity interest in Xeni Systems. The purpose of the Contribution Agreement transaction was to launch and market the MDwerks System commercially, utilizing a growth oriented management team of seasoned professionals. Xeni Systems successfully obtained investment and financing of $450,000 and positioned the technology for demonstration and pre-commercial sale.

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Merger Transaction

On October 12, 2005, MDwerks, Inc. (which was then named Western Exploration, Inc.), MDwerks Global Holdings, Inc. and MDwerks Acquisition Corp., a Florida corporation (Acquisition Corp.), and wholly-owned subsidiary of MDwerks, Inc. entered into an Agreement of Merger and Plan of Reorganization pursuant to which, on November 16, 2005, Acquisition Corp. was merged with and into MDwerks Global Holdings, Inc. with MDwerks Global Holdings, Inc. surviving as a wholly-owned subsidiary of MDwerks, Inc. (the Merger). MDwerks, Inc. acquired all of the

outstanding capital stock of MDwerks Global Holdings, Inc. in exchange for issuing shares of Common Stock of MDwerks, Inc. to MDwerks Global Holdings Inc. s stockholders at a ratio of 0.158074 shares of Common Stock for each share of MDwerks Global Holdings, Inc. common stock outstanding at the effective time of the Merger. Upon the closing of the Merger, we changed our corporate name from Western Exploration, Inc. to MDwerks, Inc. and succeeded to the business of MDwerks Global Holdings, Inc. as our sole line of business under the direction of MDwerks Global Holdings, Inc. s management.

Private Placement Financings

In connection with the Merger described above, we completed the closing of a private placement offering of our securities in which we sold an aggregate of approximately 64 Units to accredited investors in the private placement offering, pursuant to the terms of a Confidential Private Placement Memorandum dated June 13, 2005, as supplemented. Each Unit consisted of 10,000 shares of common stock and a warrant to purchase 10,000 shares of common stock. Each warrant entitles the holder to purchase 10,000 shares of common stock at an exercise price of $2.50 per share. The Units were offered by Brookshire Securities Corporation, as placement agent, pursuant to a placement agent agreement under which the placement agent, in addition to a percentage of gross proceeds of the private placement offering, received 96,000 shares of common stock and a warrant to purchase up to an aggregate of 64,000 shares of common stock. We realized gross proceeds from the private placement offering of $1,600,000, before payment of commissions and expenses.

On June 28, 2006 we completed a private placement offering of units, pursuant to the terms of a Confidential Private Placement Memorandum dated February 1, 2006. Each unit consisted of one share of Series A Convertible Preferred Stock and a detachable three-year Series A Warrant to purchase twenty thousand (20,000) shares of our common stock at an exercise price of $3.00 per share (Series A Preferred Units). We sold an aggregate of 28.3 Series A Convertible Preferred Units to accredited investors in this private placement. As of March 31, 2008, 26.3 shares of Series A Convertible Preferred Stock had been converted into 526,667 shares of common stock. The Series A Preferred Units were offered by Brookshire Securities Corporation, as placement agent. The placement agent, in addition to a percentage of gross proceeds of the second private placement, received 170,000 shares of common stock and, for nominal consideration, a warrant to purchase up to an aggregate of 56,667 shares of common stock at an exercise price of $1.50 per share. We realized gross proceeds from the second private placement of $1,700,000, before payment of commissions and expenses.

Pursuant to the Private Placement Subscription documents, we agreed to file a registration statement with the Securities and Exchange Commission to register the shares and warrants held by the selling security holders for resale. That registration statement, which includes this prospectus, was declared effective on December 7, 2006. We have agreed to maintain the effectiveness of the registration statement from the effective date through and until the earlier of two years following December 31, 2005 (which was the termination date of the first private placement described above) or the earlier of two years following June 28, 2006 (which was the effective date of the termination of the second private placement described above) and such time as exempt sales pursuant to Rule 144 under the Securities Act of 1933 (Rule 144) may be permitted for purchasers of Units.

Institutional Financings

On each of October 20, 2006 and November 9, 2006 we received net proceeds of $2,375,000 for a total aggregate net proceeds of $4,750,000 in connection with a financing provided by Gottbetter Capital Master, Ltd., an unaffiliated accredited institutional investor (Gottbetter). Pursuant to the terms of a Securities Purchase Agreement that we entered into with Gottbetter in connection with the financing, we issued two

senior secured convertible promissory notes to Gottbetter, each in the original principal amount of $2,500,000 (each a Senior Note and collectively, the Senior Notes), five year Series D Warrants to purchase 375,000 shares of our common stock at a price of $2.25 per share (Series D Warrants) and five year Series E Warrants to purchase 375,000 shares of our common stock at a price of $3.25 per share (Series E Warrants).

Securities Purchase Agreement

The Gottbetter Securities Purchase Agreement provides to Gottbetter, for so long as the Senior Notes remain outstanding, a right of first refusal to purchase securities offered by MDwerks, Inc. except for the issuance of Excluded Securities (as defined in the Gottbetter Securities Purchase Agreement). The Gottbetter Securities Purchase Agreement also contains restrictions against issuing shares of our Common Stock for a price per share that is less than the price at which our Common Stock is traded on any national exchange or market. This restriction also covers the issuance of convertible securities with an exercise or conversion price that is lower than the price at which our Common Stock is traded on any national exchange or market.

Senior Notes

The Senior Notes bear interest at the rate of 8% per year, payable monthly in arrears, commencing December 1, 2006. Subject to certain mandatory prepayment provisions, and events of default, unpaid principal and interest due under the Senior Notes, as amended, will become due and payable on January 1, 2011. The Senior Notes require monthly principal payments until the January 2, 2011 maturity date. The Senior Notes are convertible, at the option of the holder, into shares of our common stock at a price of $2.25 per share (the Conversion Price), subject to adjustment for stock splits, stock dividends, or similar transactions, sales of our common stock at a price per share below the Conversion Price or the issuance of convertible securities or options or warrants to purchase shares of our common stock at an exercise price or conversion price that is less than the Conversion Price.

The Senior Notes provide for optional redemption by us at a redemption price equal to 110% of the face amount redeemed plus accrued interest.

Events of default will result in a default rate of interest of 15% per year and the holder may require that the Senior Note be redeemed at the Event of Default Redemption Price (as defined in the Senior Notes). The Event of Default Redemption Price includes various premiums depending on the nature of the event of default. Events of default include, but are not limited to: (i) the failure to keep the registration statement covering shares underlying the Senior Notes, the Series D Warrants and the Series E Warrants effective, as required by the Registration Rights Agreement that we entered into with Gottbetter; (ii) suspension from trading on the OTC Bulletin Board; (iii) failure to timely deliver shares in the event the Senior Notes are converted; (iv) failure to reserve adequate shares for conversion of the Senior Notes; (v) failure to pay principal, interest or late charges when due; (vi) any default in the payment of other indebtedness in excess of $250,000; (vii) bankruptcy events; and (viii) judgments against us in excess of $250,000.

The Senior Notes also provide that in the event of a Change of Control (as defined in the Senior Notes), the holder may require that such holder s Senior Note be redeemed at the Change of Control Redemption Price (as defined in the Senior Notes). The Change of Control Redemption Price includes certain premiums in the event a Senior Note is redeemed in the event of a Change of Control.

Series D Warrants

The Series D Warrants are exercisable at a price of $2.25 per share for a period of five years from the date of issuance. The Series D Warrants may be exercised on a cashless basis. The exercise price will be subject to adjustment in the event of subdivision or combination of shares of our common stock and similar transactions, distributions of assets,

issuances of shares of common stock with a purchase price below the exercise price of the Series D Warrants, issuances of any rights, warrants or options to purchase shares of our common stock with an exercise price below the exercise price of the Series D Warrants, issuances of convertible securities with a conversion price below the exercise price of the Series D Warrants.

Series E Warrants

The Series E Warrants, as amended, are exercisable at a price of $2.25 per share for a period of five years from the date of issuance. The Series E Warrants may be exercised on a cashless basis. The exercise price will be subject to adjustment in the event of subdivision or combination of shares of our common stock and similar transactions, distributions of assets, issuances of shares of common stock with a purchase price below the exercise price of the Series E Warrants, issuances of any rights, warrants or options to purchase shares of our common stock with an exercise price below the exercise price of the Series E Warrants, issuances of convertible securities with a conversion price below the exercise price of the Series E Warrants.

Security Agreements

We entered into a Security Agreement with Gottbetter. The Security Agreement provides for a lien in favor of Gottbetter on all of our assets.

Guaranty Agreements

Our subsidiaries entered into a Guaranty Agreement with Gottbetter, pursuant to which they have agreed to unconditionally guaranty our obligations under the Senior Notes and the documents entered into by us in connection the sale of the Senior Notes.

Registration Rights Agreement

We also entered into a Registration Rights Agreement and amendments thereto with Gottbetter. Pursuant to the amended Registration Rights Agreement we were required to file a registration statement covering the resale of 2,777,778 shares of common stock underlying the Senior Notes. The registration statement covering the resale of the shares of common stock underlying the Senior Notes, which includes this prospectus, became effective on December 7, 2006. In addition to it being an event of default under the Senior Notes, if we fail to maintain the effectiveness of the registration statement as required by the Registration Rights Agreement, the exercise price of the Series D and the Series E Warrants will immediately be reduced by $0.25 per share and then reduced by an additional $0.10 per share for each thirty day period thereafter that the registration statement is not filed or effective, as the case may be, up to a maximum reduction of $0.65.

On August 31, 2007 we received net proceeds of $250,000 in connection with a financing provided by Vicis Capital Master Fund (Vicis), an unaffiliated accredited investor. In connection with the financing, we issued a 31-day Convertible Note to Vicis in the original principal amount of $250,000 (the Vicis Convertible Note).

On September 28, 2007 we received net proceeds of $1,633,190, after repayment of the Vicis Convertible Note, interest and closing expenses in connection with a financing provided by Vicis. In connection with the financing, pursuant to the terms of a Securities Purchase Agreement, we issued 200 shares of Series B Convertible Preferred Stock (a Series B Preferred Stock), a seven year Series F Warrant to purchase 1,500,000 shares of our common stock at a price of $2.25 per share and a seven year Series G Warrant to purchase 1,000,000 shares of our common stock at a

price of $2.50 per share.

The following are summary descriptions of the material agreements entered into in connection with the September 28, 2007 financing described above and such descriptions are qualified in its entirety by reference to the full agreements filed either as exhibits hereto or to previous SEC filings.

Securities Purchase Agreement

The Securities Purchase Agreement provided for the sale of (i) 200 shares of Series B Preferred Stock (ii) Series F Warrants to purchase an aggregate of 1,500,000 shares of Common Stock and (iii) Series G Warrants to purchase an aggregate of 1,000,000 shares of Common Stock. Pursuant to the Securities Purchase Agreement, the aggregate purchase price for the Series B Preferred Stock, the Series F Warrants and the Series G Warrants was $2 million. Payment was made by $1,691,445 in cash, the conversion of $251,555 in principal and interest of the Vicis Convertible Note and deduction of certain closing expenses.

The Securities Purchase Agreement provides to Vicis, for a period of eighteen months after the closing date, a right of first refusal with respect to subsequent placements of equity or equity equivalent securities by us.

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The Securities Purchase Agreement contains certain restrictions on our ability to: (i) declare dividends; (ii) reclassify, combine or reverse split our Common Stock; (iii) incur liens; (iii) incur certain types of indebtedness; (iv) issue classes of securities senior to, or *pari passu* with, the Series B Preferred Stock; (v) liquidate or sell a substantial portion of our assets; (vi) enter into transactions that would result in a Change of Control (as defined in the Securities Purchase Agreement); (vi) amend our charter documents in a way that adversely affects the rights of Vicis; (vii) except through Xeni Financial, make loans to, or advances or guarantee the obligations of, third parties; (viii) make intercompany transfers; (ix) engage in transactions with officers, directors, employees or affiliates; (x) divert business to other business entities; (xi) make investments in securities or evidences of indebtedness (excluding of loans made by Xeni Financial) in excess of $250,000 in a calendar year; and (xii) file registration statements.

Events of default under the Securities Purchase Agreement include: (i) default in the payment of dividends on or the failure to redeem the Series B Preferred Stock when due; (ii) failure to perform the covenants contained in the Securities Purchase Agreement or the related transaction documents; (iii) failure to file, or cause to become effective, a registration statement covering the shares of Common Stock underlying the Series F Warrants, the Series G Warrants and the Series B Preferred Stock within the timeframes required by the Registration Rights Agreement or the failure to keep such registration effective as required by the Registration Rights Agreement; (iv) suspension from listing on the OTC Bulletin Board or other exchange for 10 consecutive trading days; (v) the failure to timely deliver shares of Common Stock upon conversion of the Series B Preferred Stock or exercise of the Series F Warrants or the Series G Warrants; (vi) default in the payment of indebtedness in excess of $250,000; (vii) a judgment entered against us in excess of $250,000; and (viii) insolvency, bankruptcy and similar circumstances.

The Securities Purchase Agreement also contains customary representations, warranties, covenants and indemnification provisions for transactions of the type entered into between the Company and Vicis.

Series B Preferred Stock

In connection with the sale of the Series B Preferred Stock, on September, 2008 we filed a Certificate of Designations, which designate the rights, preferences, privileges and terms of the Series B Preferred Stock (the Certificate of Designations). The Certificate of Designations was subsequently amended and restated on March 31, 2008, in

connection with the March 31, 2008 financing provided by Vicis, described below (the March 2008 Vicis Financing). For a description of the Certificate of Designations, as amended and restated, please see our disclosure regarding the March 2008 Vicis Financing below.

Series F Warrants

The Series F Warrants were exercisable at a price of $2.25 per share for a period of seven years from the date of issuance. On March 31, 2008, the Series F Warrants were cancelled in connection with the March 2008 Vicis Financing.

Series G Warrants

The Series G Warrants were exercisable at a price of $2.50 per share for a period of seven years from the date of issuance, with the same provisions as the Series F warrants. On March 31, 2008, the Series G Warrants were cancelled in connection with the March 2008 Vicis Financing.

Security Agreement

We, along with our subsidiaries MDwerks, Xeni Medical, Xeni Financial, Xeni Billing, and PPS entered into Security Agreements with Vicis. The Security Agreements provide for liens in favor of Vicis on all of our assets, including the assets of each of our subsidiaries, except for the accounts receivable and certain contract rights of Xeni Financial Services, Corp.

Guaranty Agreement

Our subsidiaries, MDwerks, Xeni Medical, Xeni Financial, Xeni Billing, and PPS entered into Guaranty Agreements with Vicis, pursuant to which they have agreed to unconditionally guaranty our obligations under the Series B Preferred Stock and the documents entered into by us in connection with the sale of the Series B Preferred Stock.

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Registration Rights Agreement

We entered into a Registration Rights Agreement with Vicis. The Registration Rights Agreement was amended and restated in connection with the March 2008 Vicis Financing and is more fully described below.

Amendment, Consent & Waiver Agreement

In connection with the transactions described above, we entered into a Consent and Waiver Agreement with Gottbetter (the Consent and Waiver Agreement), whereby, among other things: (i) Gottbetter consented to the transactions described above, (ii) Gottbetter agreed to delay, until February 1, 2008, principal payments under the Senior Secured Convertible Note issued by the Corporation to Gottbetter on October 19, 2006 (the October Note) and under the Senior Secured Convertible Note issued by the Corporation to Gottbetter on November 9, 2006 (the November Note), (iii) Gottbetter agreed that its right of first refusal with respect to subsequent financings will be on a *pro rata, pari passu* basis with Vicis and (v) Gottbetter released its security interest in certain collateral of Xeni Financial.

Also in connection with the transactions described above, the conversion price of the Gottbetter Series E Warrants were reduced to $2.25 per share subject to further adjustment, and the number of Warrant Shares for which such warrants may be exercised were increased to 541,666 and 2/3 shares subject to further adjustment.

In consideration of Gottbetter entering into the Consent and Waiver Agreement, we issued to Gottbetter a Series D Warrant to purchase 500,000 shares of our Common Stock.

Amended & Restated Notes

In order to memorialize the extension of the principal payment date to February 1, 2008 in the October Note and the November Note, we issued to Gottbetter an amended and restated October Note and an amended and restated November Note.

On December 3, 2007 we received net proceeds of $575,000 in connection with a financing provided by Vicis. In connection with the financing, we issued a Convertible Note to Vicis in the original principal amount of $575,000 (the Note). The Note bears interest at the rate of 8% per year. Subject to certain prepayment provisions, unpaid principal and interest due under the Note will become due and payable on December 2, 2008.

On January 18, 2008, we received net proceeds of $500,000 in connection with a financing provided by Vicis. In connection with the financing, we and Vicis entered into a Securities Purchase Agreement, dated January 18, 2008 (the January Securities Purchase Agreement), pursuant to which we issued 50 shares of Series B Preferred Stock, a seven year Series F Warrant to purchase 375,000 shares of our common stock at a price of $2.25 per share and a seven year Series G Warrant to purchase 250,000 shares of our common stock at a price of $2.50 per share.

The Securities Purchase Agreement, dated January 18, 2008, by and between Vicis and us (the January Securities Purchase Agreement) provides that our obligations to Vicis under the Series B Preferred Stock, the January Securities Purchase Agreement and the various transaction documents entered into in connection with the January Securities Purchase Agreement (the January Transaction Documents) are secured by a lien on all of our assets pursuant to the Security Agreement, dated September 28, 2007, between us and Vicis.

The January Securities Purchase Agreement further provides that our obligations under the Series B Preferred Stock, the January Securities Purchase Agreement and the January Transaction Documents are guaranteed by each of our subsidiaries pursuant to the terms of the Guaranty Agreements previously entered into between Vicis and each of our subsidiaries in September, 2007.

The January Securities Purchase Agreement also provides that the guaranty obligations of our subsidiaries in connection with the January Securities Purchase Agreement and the January Transaction Documents are secured by the liens on all of the assets of each our subsidiaries, except for the accounts receivable and certain contract rights of Xeni Financial Services, Corp., created pursuant to the Security Agreements, previously entered into by and between our subsidiaries and Vicis in September, 2007.

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On March 1, 2008, the Company and Gottbetter amended the Senior Notes to extend the maturity date of the Senior Notes to January 1, 2011 and to delay principal payments under the Senior Notes until March 1, 2008.

On March 31, 2008, we received net proceeds of $6,809,794 in connection with the March 2008 Vicis Financing. In connection with the March 2008 Vicis Financing, we and Vicis entered into a Securities Purchase Agreement, dated March 31, 2008 (the March Securities Purchase Agreement), pursuant to which we issued 750 shares of Series B Convertible Preferred Stock, par value $0.001 (Series B Preferred Stock), a ten year Series H Warrant to purchase 53,333,334 shares of our common stock at a price of $0.75 per share (the Series H Warrant), and pursuant to which Vicis surrendered for cancellation all Series F Warrants and all Series G Warrants held by Vicis, which warrants were exercisable in the aggregate for 3,125,000 shares of our common stock.

In connection with the sale of the March 2008 Vicis Financing, we amended and restated the Registration Rights Agreement, dated September 28, 2007, by and between Vicis and us (as amended and restated, the Amended and Restated Registration Rights Agreement), pursuant to which, among other things, we agreed, to register for resale all of the shares of our common stock into which the outstanding Series B Preferred Stock is convertible and all of the shares of our common stock for which the Series H Warrant is exercisable.

In connection with obtaining the consent and waiver of Gottbetter to the March 2008 Vicis Financing, we entered into an Amendment, Consent and Waiver Agreement (the Gottbetter Consent Agreement), pursuant to which (i) we issued to Gottbetter a five year Series I warrant to purchase one million shares of our common stock at an exercise price of $0.75 per share; (ii) Gottbetter agreed to waive its anti-dilution rights under the Series D Warrants, Series E Warrants and promissory notes that we previously issued to Gottbetter and (iii) Gottbetter consented to the March 2008 Vicis Financing.

The following summary description of the material agreements entered into in connection with the March 2008 Vicis Financing described above and the terms of the Series B Preferred Stock is qualified in its entirety by reference to the copies of such material agreements and the Amended and Restated Certificate of Designations for the Series B Preferred Stock filed as exhibits to our Current Report on Form 8-K filed with the SEC on April 2, 2008.

March Securities Purchase Agreement

The March Securities Purchase Agreement provided for the sale by us to Vicis of (i) 750 shares of Series B Preferred Stock (ii) and the Series H Warrant to purchase an aggregate of 53,333,334 shares of common stock. Pursuant to the March Securities Purchase Agreement, the aggregate gross purchase price for the Series B Preferred Stock and the Series H Warrant was $7,500,000, which was paid by wire transfer of immediately available funds and the surrender for cancellation of a promissory note that we issued to Vicis in the principal amount of $575,000. Principal and accrued interest under the promissory note, and $100,000 of Vicis expenses were applied against the purchase price.

The March Securities Purchase Agreement provides to Vicis, for a period of eighteen months after the closing date, a right of first refusal with respect to subsequent placements of equity or equity equivalent securities by us. The right of first refusal is on a pro rata basis (based upon the amount invested) with Gottbetter.

The March Securities Purchase Agreement contains certain restrictions on our ability to: (i) declare dividends; (ii) reclassify, combine or reverse split our common stock; (iii) incur liens; (iii) incur certain types of indebtedness; (iv) issue classes of securities senior to, or pari passu with, the Series B Preferred Stock; (v) liquidate or sell a substantial portion of our assets; (vi) enter into transactions that would result in a Change of Control (as defined in the March Securities Purchase Agreement); (vii) amend our charter documents in a way that adversely affects the rights of Vicis; (viii) except through Xeni Financial Services, Corp., make loans to, or advances or guarantee the obligations of, third parties; (ix) make intercompany transfers; (x) engage in transactions with officers, directors, employees or affiliates; (xi) divert business to other business entities; (xii) make investments in securities or evidences of indebtedness (excluding of loans made by Xeni Financial Services, Corp.) in excess of $250,000 in a calendar year; and (xiii) file registration statements.

Events of default under the March Securities Purchase Agreement include: (i) default in the payment of dividends on or the failure to redeem the Series B Preferred Stock when due; (ii) failure to perform the covenants contained in the Securities Purchase Agreement or the related transaction documents; (iii) suspension from listing on the OTC Bulletin Board or other exchange for 10 consecutive trading days; (iv) the failure to timely deliver shares of common stock upon conversion of the Series B Preferred Stock or exercise of the Series H Warrant; (v) default in the payment of

indebtedness in excess of $250,000; (vi) a judgment entered against us in excess of $250,000; and (vii) insolvency, bankruptcy and similar circumstances.

The March Securities Purchase Agreement further provides that our obligations to Vicis under the Series B Preferred Stock, the March Securities Purchase Agreement and the various transaction documents entered into in connection with the March Securities Purchase Agreement (the March Transaction Documents) are secured by a lien on all of our assets pursuant to the Security Agreement, dated September 28, 2007, between us and Vicis (the Company Security Agreement). The Company Security Agreement is more fully described below and is attached as an exhibit to our Current Report on Form 8-K, which was filed with the Securities and Exchange Commission (the SEC) on October 2, 2007.

The March Securities Purchase Agreement further provides that our obligations under the Series B Preferred Stock, the March Securities Purchase Agreement and the March Transaction Documents are guaranteed by each of our subsidiaries pursuant to the terms of the guaranty agreements, dated September 28, 2007, between Vicis and each of our subsidiaries (the Guaranty Agreements). The Guaranty Agreements are more fully described below and are attached as exhibits to our Current Report on Form 8-K, which was filed with the SEC on October 2, 2007.

The March Securities Purchase Agreement also provides that the guaranty obligations of our subsidiaries in connection with the March Securities Purchase Agreement and the March Transaction Documents are secured by the liens on all of the assets of each of our subsidiaries, except for the accounts receivable and certain contract rights of Xeni Financial Services, Corp., created pursuant to the security agreements entered into by and between our subsidiaries and Vicis on September 28, 2007 (the Guarantor Security Agreements). The Guarantor Security Agreements are more fully described below and are attached as exhibits to our Current Report on Form 8-K, which was filed with the SEC on October 2, 2007.

The March Securities Purchase Agreement also contains customary representations, warranties, covenants and indemnification provisions for transactions of the type entered into between the Company and Vicis.

Series B Preferred Stock

On March 31, 2008 we filed an amended and restated Certificate of Designations (as amended and restated, the Certificate of Designations) with the Secretary of State of the State of Delaware.

The Certificate of Designations, which designates the rights, preferences, privileges and terms of the Series B Preferred Stock, provides that the Series B Preferred Stock will rank senior to other classes of common stock and preferred stock that are currently outstanding as to distributions of assets upon liquidation, dissolution or winding up and as to payment of dividends on shares of equity securities.

Each share of Series B Preferred Stock is entitled to cumulative dividends at the annual rate of 12% of the stated value of the Series B Preferred Stock. The stated value of each share of Series B Preferred Stock is $10,000. Dividends are payable in cash or additional shares of Series B Preferred Stock.

Each share of Series B Preferred Stock is convertible, at any time, at the option of the holder, into the number of shares of common stock determined by dividing the stated value of the Series B Preferred Stock by the conversion price. The initial conversion price of the Series B Preferred Stock is $0.75 per share.

The conversion price is subject to adjustment for stock splits, dividends, subdivisions, distributions, reorganizations and similar transactions. Furthermore, the conversion price is also subject to adjustment in the event of the issuance of securities for a price below the conversion price then in effect or the issuance of convertible securities with an exercise or conversion price that is less than the then current conversion price for the shares of Series B Preferred Stock.

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To the extent that any shares of Series B Preferred Stock remain outstanding on March 31, 2010, each holder thereof shall have the option to either require us to redeem such holder s shares of Series B Preferred Stock or convert such holder s shares of Series B Preferred Stock into shares of common stock at the conversion price then in effect.

Holders of Series B Preferred Stock have the option to require us to redeem shares of Series B Preferred Stock in the event of a Change of Control (as defined in the Certificate of Designations).

Holders of Series B Preferred Stock are entitled to vote on matters submitted to our stockholders as if the Series B Preferred Stock had been converted into shares of common stock pursuant to the terms of the Certificate of Designations. To the extent the holders of Series B Preferred Stock are required to vote separately, as a class, the affirmative vote of the holders of a majority of the outstanding shares of Series B Preferred Stock will be required to approve the matter to be voted upon.

As of March 31, 2008, there were 1,000 shares of Series B Preferred Stock issued and outstanding.

Series H Warrant

The Series H Warrant is exercisable at a price of $0.75 per share for a period of ten years from the date of issuance. The Series H Warrant may be exercised on a cashless basis to the extent that the resale of shares of common stock underlying the Series H Warrant is not covered by an effective registration statement. The exercise price will be subject to adjustment in the event of subdivision or combination of shares of our common stock and similar transactions, distributions of assets, issuances of shares of common stock with a purchase price below the exercise price of the Series H Warrant, issuances of any rights, warrants or options to purchase shares of our common stock with an exercise price below the exercise price of the Series H Warrant, issuances of convertible securities with a conversion price below the exercise price of the Series H Warrant.

As of March 31, 2008, the outstanding Series H Warrant was exercisable for an aggregate of 53,333,334 shares or our common stock.

Company Security Agreement

Pursuant to the terms of the March Securities Purchase Agreement, we agreed that the lien granted pursuant to the Company Security Agreement would, in addition to securing the obligations previously secured thereby, secure our obligations in connection with the March Securities Purchase Agreement, the March Transaction Documents and the Series B Preferred Stock issued in connection with the March Securities Purchase Agreement. The Company Security Agreement provides for a lien on all of our assets in favor of Vicis.

Guaranty Agreements

Pursuant to the terms of the March Securities Purchase Agreement, we agreed that the Guaranty Agreements would, in addition to applying to the obligations previously guaranteed thereby, apply to our obligations in connection with the March Securities Purchase Agreement, the March Transaction Documents and the Series B Preferred Stock issued pursuant to the January Securities Purchase Agreement. The Guaranty Agreements provide for unconditional guaranties of the obligations guaranteed thereunder.

Guarantor Security Agreements

Pursuant to the terms of the March Securities Purchase Agreement, we agreed that the security interests granted by our subsidiaries pursuant to the Guarantor Security Agreements would, in addition to securing the obligations previously secured thereunder, secure the obligations of our subsidiaries under the Guaranty Agreements insofar as those obligations related to the January Securities Purchase Agreement, the March Transaction Documents and the Series B Preferred Stock issued pursuant to March Securities Purchase Agreement. The Guarantor Security Agreements provide for liens in favor of Vicis on all of the assets of each of our subsidiaries, except for the accounts receivable and certain contract rights of Xeni Financial Services, Corp.

Amended and Restated Registration Rights Agreement

Pursuant to the Amended and Restated Registration Rights Agreement, we agreed to register for resale, the shares of our common stock into which the Series B Preferred Stock is convertible and the shares of our common stock for which the Series H Warrant is exercisable.

The Amended and Restated Registration Rights Agreement requires us to file a registration statement covering the resale of the shares underlying the Series B Preferred Stock and the Series H warrant within 60 days after the closing date. We are only required to register up to thirty percent of the number of outstanding shares of common stock in such registration statement and then file subsequent registration statements after the later of (i) sixty days following the sale of the securities covered by the initial registration statement or any subsequent registration statement and (ii) six months following the effective date of the initial registration statement or any subsequent registration statement. We are required to cause the initial registration statement to become effective on or before the date which is 150 calendar days after the closing date if the Securities and Exchange Commission (the SEC) does not review the registration statement or 180 calendar days after the closing if the registration statement receives a full review by the SEC. If we fail to file a registration statement in the time frame required, fail to file a request for acceleration in the time frame required, or fail to maintain the effectiveness of a registration statement as required by the Registration Rights Agreement, we will be required to pay a cash penalty in the amount of 1.5% of the aggregate stated value of the Series B Preferred Stock for each month, or part thereof, that such registration statement is not filed or effective, as the case may be. The cash penalty is limited to 9% of the aggregate stated value of the Series B Preferred Stock. The cash penalty will not apply to the registration of shares of common stock underlying the Series H Warrant. The Registration Rights Agreement also provides for piggyback registration rights.

Gottbetter Consent Agreement

In connection with obtaining the consent and waiver of Gottbetter to the financing provided by Vicis, we entered into the Gottbetter Consent Agreement, pursuant to which Gottbetter agreed to waive its anti-dilution rights under the Series D Warrants, Series E Warrants and promissory notes that we previously issued to Gottbetter and Gottbetter consented to the financing provided by Vicis.

Series I Warrant

As consideration for Gottbetter entering into the Gottbetter Consent Agreement, we issued to Gottbetter a Series I warrant to purchase 1,000,000 shares of our common stock at an exercise price of $0.75 per share. The Series I Warrant is exercisable for a period of five years from the date of issuance. The Series I Warrant may be exercised on a cashless basis to the extent that the resale of shares of common stock underlying the Series I Warrant is not covered by an effective registration statement. The exercise price will be subject to adjustment in the event of subdivision or

combination of shares of our common stock and similar transactions, distributions of assets, issuances of shares of common stock with a purchase price below the exercise price of the Series I Warrant, issuances of any rights, warrants or options to purchase shares of our common stock with an exercise price below the exercise price of the Series I Warrant and issuances of convertible securities with a conversion price below the exercise price of the Series I Warrant.

As of March 31, 2008, the outstanding Series I Warrant was exercisable for an aggregate of 1,000,000 shares or our common stock.

Corporate Information Regarding the Company and Its Subsidiaries

MDwerks, Inc. is a corporation, organized under the laws of the State of Delaware, originally formed on July 22, 2003.

MDwerks Global Holdings, Inc. is a corporation, organized under the laws of the State of Florida, originally formed on October 23, 2003.

Xeni Systems, Inc. is a corporation organized under the laws of the State of Delaware, originally formed on July 21, 2004.

Xeni Financial Services Corporation is a corporation organized under the laws of the State of Florida, originally formed on February 3, 2005.

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Xeni Medical Billing Corp. is a corporation organized under the laws of the State of Delaware, originally formed on March 2, 2005.

Our principal executive office is located at Windolph Center, Suite I, 1020 NW 6th Street, Deerfield Beach, Florida 33442 and our telephone number is (954) 389-8300. Our website address is *www.mdwerks.com.*

Employees

We employ approximately 17 people who devote their full business time to our activities and 1 person who devotes some of their business time to our activities.

Intellectual Property

A United States patent application regarding certain aspects of our systems was filed by our predecessor, MEDwerks, LLC, on April 15, 2002. The US Patent Office has recently issued an office action indicating that it will not allow a patent based upon the claims of our application. Our patent counsel, DLA Piper US LLP is in the process of modifying our patent application based upon the US Patent Office s action and will submit a response to the office action. If the response from the US Patent Office to our modified application is unfavorable or only partially successful, when compared to prior protected art, the process may be extended up to 3 years and we could incur substantial expenses in prosecuting the patent. We plan to undertake prosecution of the patent filing to conclusion, if

practical and economical.

Properties

The Company sub-leased its facility, on a month-to-month basis, under a Master Lease expiring July, 2008. On February 1, 2008, the Company was assigned the Master Lease and a five-year lease option was exercised, which extends the Master Lease until June 2013.

Government Regulation

See Risk Factors We Are Subject to Substantial Government Regulations.

Legal Proceedings

We are not a party to any material pending legal proceedings.

Directors and Executive Officers

The following table sets forth information regarding the members of our Board of Directors and our executive officers. The directors listed below will serve until the next annual meeting of our stockholders.

Name	Age	Position
Howard Katz	66	Chief Executive Officer and Director
Solon Kandel	48	President and Director
Vincent Colangelo	64	Chief Financial Officer and Secretary
Gerard Maresca	62	Vice President of Business Development
Stephen M. Weiss	54	Chief Operating Officer
David M. Barnes	65	Director
Peter Dunne	50	Director
Paul Kushner	61	Director

The principal occupation for the past five years (and, in some instances, for prior years) of each of our directors and officers are as follows:

Howard B. Katz became, effective as of November 16, 2005, our Chief Executive Officer and a Member of our Board of Directors. Mr. Katz is also the Chief Executive Officer and a Director of our wholly-owned subsidiary MDwerks Global Holdings, Inc. which positions he has held since June, 2005. Since July, 2004, Mr. Katz has been a Director and Chief Executive Officer of Xeni Medical Systems, Inc. and Mr. Katz has been the sole Director and Chief Executive Officer of Xeni Medical Billing Corp. since March 2005, and has been the sole Director and Chief Executive Officer of Xeni Financial Services, Corporation since February

2005. From December, 2002 until October, 2004, Mr. Katz was Chief Executive Officer of ViewPoint Exams International, Inc. a company that facilitated independent medical examinations in connection with insurance and litigation matters. From August 1998 to December, 2002, Mr. Katz was the Chief Executive Officer of Imagine

Networks, Inc. a company based in New York City that engaged in prepaid telecommunications and financial services. Mr. Katz served on the Board of Directors of American United Global, Inc. a publicly traded company from April 1996 until August 2005. Mr. Katz has over 35 years of operating, financial and senior management experience, in both public and private companies. His responsibilities have included numerous progressive positions as CFO, President and CEO of high tech , software development and other high growth businesses, including one involving banking transactions. Mr. Katz was President of National Fiber Network, Inc. which later became MetroMedia Fiber Network, Inc. and reached a peak public market capitalization of over $30 billion. Mr. Katz has been a principal in, or helped consummate, numerous public offerings and other successful business ventures. Mr. Katz received an MBA from New York University.

Solon L. Kandel became, effective as of November 16, 2005, our President and a member of our Board of Directors. Mr. Kandel is also the President and a Director of MDwerks Global Holdings, Inc. which he has held since June, 2005. Since July, 2004, Mr. Kandel has been a Director and President of Xeni Medical Systems, Inc. and Mr. Kandel has been President of Xeni Medical Billing Corp. since March 2005, and has been President of Xeni Financial Services, Corporation since February 2005. Since November 2000, Mr. Kandel has been the Chief Executive Officer and Managing Member of The Ashwood Group, L.L.C., a venture development and business consulting company based in Boca Raton, Florida. From April 1999 to October 2000, Mr. Kandel was the President, Chief Executive Officer of Independent Wireless One, Inc. a wireless voice, data and Internet Company based in Albany, New York. From April 1999 to April 2002, Mr. Kandel also served as a member of the Board of Directors of Independent Wireless One, Inc. Mr. Kandel has enjoyed over 15 years of progressive and diverse operating and senior management experience, ranging from start-up to large, multi-billion dollar company environments. Prior to business management, Mr. Kandel performed corporate and banking transactions law for several years and was a Senior Attorney at McCaw Cellular Communications. Mr. Kandel received a JD from Rutgers University School of Law and is a Truman Scholar.

Vincent Colangelo became, effective as of November 16, 2005, our Chief Financial Officer. Since July, 2005, until becoming our Chief Financial Officer, Mr. Colangelo provided consulting services to us. From March 2004 to November 2005, Mr. Colangelo was the President and Principal Consultant of Weston Business Advisors, Inc. a business consulting company based in Weston, Florida. From January 2003 to March 2004, Mr. Colangelo was the President of Cartridge World Florida in Weston, Florida, a master franchisee for the State of Florida for a world wide print cartridge refilling organization. From September 1995 to December 2002, Mr. Colangelo was the President and Principal Consultant of Birchwood Associates, Inc. a business consulting company based in Weston, Florida. Mr. Colangelo has over 35 years of financial executive and operational management experience. As a principal of the management consulting firms, Mr. Colangelo provided interim CFO, COO and general financial consulting services to clients ranging from small businesses to Fortune 100 companies. Mr. Colangelo brings to us a unique combination of financial management skills, industry experience and familiarity with our product line. Mr. Colangelo was also President of a start-up multi-national publishing company and worked at Xerox world headquarters as a consolidations and regulatory reporting manager and as a financial planning manager. Mr. Colangelo received an MBA and a BBA from Iona College and is a New York State CPA.

Stephen M. Weiss became, effective as of May 29, 2007, our Chief Operating Officer. Prior to this Mr. Weiss served from November 16, 2005, as our Chief Technology Officer. Mr. Weiss has provided consulting services to us and served as acting Chief Technology Officer of MDwerks Global Holdings, Inc. since March 2005. From March 2002 to March 2005, Mr. Weiss was the Chief Technology Officer and Chief Operating Officer of Enterprise Technology Corporation, a financial software services consulting company that served many Fortune 500 clients. From September 1999 to November 2001, Mr. Weiss was the Chief Technology Officer at Imagine Networks, Inc. where he designed and managed the development of electronic payment systems linked to telecommunications pre-paid systems. Prior to joining Imagine Networks, Inc. he co-founded AstraTek, a software products and consulting firm that developed products and consulting services for financial and technology companies including Microsoft, IBM and Citrix. Mr. Weiss also served as

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Vice President at Bankers Trust Company for over 13 years, where he developed a number of advanced communication systems, including a global cryptography-based authentication system and links in Tokyo between the bank s back office systems and the Bank of Japan s money transfer and clearance systems. Mr. Weiss received a BA from Buffalo State College.

Gerard Maresca became, effective February 1, 2007, our Vice President of Business Development. From February 14, 2006 to February 1, 2007, Mr. Maresca served as our Chief Operating Officer. From November 16, 2005 until February 14, 2006, Mr. Maresca was our Vice President of Business Development. Prior to joining us, since January 2004, Mr. Maresca operated a technology and business consulting company called GMAR, Inc. From February 2000 to October 2003, Mr. Maresca was the Executive Vice President and Chief Technology Officer of MEDwerks, LLC, and was responsible for development of our products. Mr. Maresca has 28 years of technology, engineering, and program management experience, focused on hardware and software development of computer based products. Mr. Maresca has served as a hardware and software system architect, with experience in Internet and web applications. While Product Director at Intel Corp. (Intel) for 9½ years, he managed development of Intel s i860 program parallel microprocessor, product marketing, manufacturing and R&D, as well as new business development and client support. Mr. Maresca was also Vice President at Diagnostic Retrieval Systems, Inc. for 8 years until he began working with MEDwerks, LLC. Mr. Maresca received a BSEC from Brooklyn Polytech, and a MSCS from Columbia University. He holds five U.S. patents and has published.

David M. Barnes became, effective as of November 16, 2005, a member of the Board of Directors and serves on our Audit Committee as Chairman and is also a member of our Compensation Committee. Mr. Barnes has also served as Chief Financial Officer of Neah Power Systems, Inc. (NPWS:OTCBB), since April 2006, and was Chief Financial Officer of Cyber Defense Systems, Inc. (CYDF:OTCBB), from August 2005 through November 2007. In addition, Mr. Barnes was a Director, Executive Vice President and Chief Financial Officer of American United Global, Inc. now Solar Thin Films, Inc. (SLTN:OTCBB), from April 1996 through July 2006. Mr. Barnes is also a member of the Board of Directors, Audit Committee and Compensation Committee of China Direct, Inc. (CDS:ASE), Searchhelp, Inc. (SHLP:OTCBB), Medical Solutions Management Inc. (MSMI:OTCBB) and Thinkpath,Inc. (THPHF:OTCBB). On March 7, 2008, Thinkpath, Inc. filed a bankruptcy petition under Chapter 11 of the U.S. Bankruptcy Code.

Peter Dunne became, effective as of November 16, 2005, a member of our Board of Directors and serves on our Compensation Committee. Mr. Dunne has spent over 25 years in communications management. Currently he is President and partner of Franklin Communications, LLC, a full service graphic services company, a position he has held since July 2002. From March 2002 to July 2002 he was Regional General Manager for Kelmscott Communications, LLC overseeing Franklin Communications, Trade Litho, Little River Press, and Lauderdale Graphics. From September 2000 to July 2002 he held the position of Regional Controller for the same companies. From September 1982 to September 2000 he was Vice President and Controller of Franklin Communications. Mr. Dunne s other experiences include positions in Dataco, a national data entry service business, and Robertson Leasing Corp, an equipment leasing company, both formerly divisions of Robertson Financial Corporation. Mr. Dunne is Vice Chairman of the Board of Directors of the Printing Association of Florida and on the CEO Advisory Board to the Printing Industries of America.

Paul Kushner became, effective June 22, 2006, a member of our Board of Directors and serves on our Audit Committee. Mr. Kushner has been President and Owner of Asset Indemnity Brokerage Corp. an insurance brokerage firm since July 1994. Mr. Kushner started his career in the surety industry in 1967 and has been world regional bond manager for American International Group (AIG) and special representative to Norway for the introduction of surety bonds in the United States. In 1987, he was the New York Manager of American International Group, Domestic and International Operations.

Board of Director Composition and Committees

Our Board of Directors is comprised of five directors, Messrs. Katz, Kandel, Barnes, Dunne and Kushner. David M. Barnes and Peter Dunne serve as members of our Compensation Committee and David M. Barnes and Paul Kushner serve as members of our Audit Committee. We have independent parties serving on each of the Audit Committee and the Compensation Committee.

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Director Compensation

The following non-management directors received compensation from MDwerks, Inc. in the amounts set forth in the chart below for the twelve months ended December 31, 2007, December 31, 2006 and December 31, 2005. We intend to continue to compensate non-management directors through the issuance of stock awards including, without limitation, incentive stock options, restricted stock awards, stock grants and or stock appreciation rights. The value attributable to any Option Awards in the following chart is computed in accordance with FAS 123R. No other item of compensation was paid to any director of the Company other than reimbursement of expenses:

DIRECTOR COMPENSATION