MDwerks, Inc.
Form SB-2/A
August 10, 2006
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Registration No. 333-132296

As filed with the Securities and Exchange Commission on August 10, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

AMENDMENT NO. 3
TO
FORM SB-2

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

MDWERKS, INC.

(Name of Small Business Issuer in Its Charter)

Delaware	7389	33-1095411
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

Windolph Center, Suite I
1020 N.W. 6th Street
Deerfield Beach, FL 33442

(Address and Telephone Number of Registrant's Principal Executive Offices)

Howard B. Katz
Chief Executive Officer
MDwerks, Inc.
Windolph Center, Suite I
1020 N.W. 6th Street
Deerfield Beach, FL 33442
(954) 389-8300

(Name, Address and Telephone Number of Agent for Service)

Copy to:

Stephen P. Katz, Esq.
Peckar & Abramson, P.C.
70 Grand Ave.
River Edge, New Jersey 07661
(201) 343-3434

As soon as practicable after the effective date of this registration statement

(Approximate Date of Proposed Sale to the Public)

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 (''Securities Act''), check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered[1]	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount o Registration
Common Stock, par value $0.001 per share	9,707,139	$4.05[2]	$39,313,913	$4,206.5
Common Stock underlying Warrants, exercise price $2.50 per shares	598,800	$4.05[2]	$ 2,425,140	$ 259.4
Warrants, exercise price $2.50 per share	598,800	n/a[3]	n/a[3]	n/a[3]
Common Stock underlying Series A Preferred Stock	566,667	$4.05	$ 2,295,001	245.5
Common Stock underlying Class A Warrants, exercise price $3.00 per share	566,667	$4.05	$ 2,295,001	245.5
Class A Warrants, exercise price $3.00 per share	566,667	n/a[3]	n/a[3]	n/a

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1. Pursuant to Rule 416 of the Securities Act, the shares of Common Stock offered hereby also include an indeterminate number of additional shares of Common Stock as may from time to time become issuable by reason of stock splits, stock dividends, recapitalizations or other similar transactions.
2. Estimated at $4.05 per share, the last sale price of Common Stock as reported on the OTC Bulletin Board regulated quotation service on August 4, 2006, for the purpose of calculating the registration fee in accordance with Rule 457(c)

under the Securities Act.

3. Pursuant to rule 457(g) no additional fee is required as shares underlying the warrants are being registered for distribution in this Registration Statement.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

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Subject to completion, dated , 2006

PROSPECTUS

MDWERKS, INC.

11,439,273 Shares of Common Stock
598,800 Warrants to Purchase Shares of Common Stock
566,667 Class A Warrants to Purchase Shares of Common Stock

This prospectus relates to the sale by certain selling stockholders identified in this prospectus of up to an aggregate of 11,439,273 shares of common stock, par value $0.001 per share, which includes (i) 9,707,139 shares of common stock, (ii) 598,800 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 Class A Warrants, with an exercise price of $3.00 per share and (iv) 566,667 shares of common stock issuable upon the conversion of Series A Preferred Stock. All of such shares of common stock are being offered for resale by selling stockholders. This prospectus also relates to the sale by certain Selling Stockholders of warrants to purchase an aggregate of 598,800 shares of Common Stock with an exercise price of $2.50 per share and Class 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 stockholders. However, we will receive proceeds from the exercise of the Warrants and Class A Warrants if they are exercised by the Selling Stockholders. 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 August 4, 2006 as reported by the OTC Bulletin Board was $4.05 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 4 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 DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is , 2006

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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 Stockholders 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 any supplement only, regardless of the time of delivery of this prospectus or any supplement or of any sale of Common Stock. 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 Stockholders.

Overview

On November 16, 2005, we completed a reverse merger transaction, in which our wholly-owned subsidiary, MDwerks Acquisition Corp., was merged with and into MDwerks Global Holdings, Inc., a Florida corporation. MDwerks Global Holdings, Inc. is 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 payors such as insurance companies. The reverse merger was consummated pursuant to an Agreement of Merger and Plan of Reorganization, dated October 12, 2005. As a result of the merger, MDwerks Global Holdings, Inc. became our wholly-owned subsidiary, with MDwerks Global Holdings Inc.’s former security holders acquiring a majority of our outstanding shares of common stock. In connection with 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.

We operate through three wholly owned subsidiaries (the ‘‘Xeni Companies’’) of our wholly owned subsidiary MDwerks Global Holdings, Inc.: Xeni Medical Systems, Inc. (‘‘Xeni Systems’’), Xeni Financial Services, Corporation (‘‘Xeni Financial’’) and Xeni Medical Billing, Corp. (‘‘Xeni Billing’’).

Xeni Systems

Xeni Systems offers a comprehensive Web-based package of electronic claims solutions to the healthcare provider industry through Internet access to our proprietary products and services. Xeni Systems permits doctors, hospitals, diagnostic services and other healthcare providers and their vendors to significantly improve daily insurance claims transaction processing, administration and management. The solutions and services provided by Xeni Systems permit healthcare providers to significantly improve patient insurance coverage eligibility determinations and insurance claims creation, correction, pre-certification, referral authorization, validation, submission, management and remittance processing.

Xeni Systems receives and analyzes claims for payment submitted by healthcare providers and identifies deficiencies or errors in such claims, if any. Xeni Systems helps healthcare providers manage contracts with payors such as insurance companies and checks claims against contract pricing and rules. Healthcare providers can use explanations, prompts and editing information provided as part of the solutions and services offered by Xeni Systems to correct problems with claims prior to submitting them to payors. Then, corrected claims can be submitted to the payor through our systems.

Xeni Systems’ solutions and services also can be used to qualify a provider for short term revolving line of credit advances on claims to be submitted to payors. Through its ‘‘FUNDwerks™’’ solution, Xeni Systems enables providers to share with financial institutions the same prompt or daily (‘‘real time’’) status and value of claims simultaneously, as it receives them, stripped of any private patient information. Since we analyze claim values daily against actual provider/payor contracts, as well as other payor payment tables, the provider and lenders receive substantially more accurate payment and accounting information. This information allows lenders to value provider’s claims as collateral on significantly better borrowing terms than might otherwise be available.

Providers also benefit from related features such as automated real time communication with us, insurance payors and banks, as well as automated or batched functions for claims processing, remittances, payment verification, posting, settlement, reporting and accounting information, tracking and auditing of claims, as well as remittance, reconciliation and payment verification. All transactions are designed to comply with the Health Insurance Portability and Accountability Act of 1996 (‘‘HIPAA’’).

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Xeni Financial

Xeni Financial offers loans to providers secured by claims of providers processed through Xeni Systems. A provider may borrow from Xeni Financial by subscribing to Xeni Systems’ FUNDwerks™ solutions and separately agreeing on loan terms with Xeni Financial. Xeni Financial then subscribes for Xeni Systems’ online medical claims lending services, ‘‘FUND-X™’’, to support lending to that particular borrower.

Xeni Financial electronically and automatically manages the loan and movement of funds through linked bank accounts administered by Xeni Systems. Typically, the provider can receive a revolving line of credit on designated claims within 1-3 business days of valuation and submission of such claims through Xeni Systems to the payor.

Xeni Financial currently has no credit agreements in place with any financial institutions; however, it is actively seeking an arrangement with a financial institution and/or investors to provide capital for loans to providers.

Xeni Billing

Like Xeni Financial, Xeni Billing is a strategic marketing associate to Xeni Systems. Since many of the features and benefits providers need or expect from billing services are facilitated by us, Xeni Billing accommodates a provider’s wish to replace its existing billing process altogether.

Xeni Billing manages claims, which may include performing patient billing and collections and/or managing third party appeals services on the provider’s behalf through its CLAIMwerks™ services. The provider must subscribe for Xeni Systems’ solutions and services so it can utilize CLAIMwerks™ and may also elect FUNDwerks™ solutions. The provider then enters into an agreement with Xeni Billing for its BILLwerks™ claims management services. At the same time, Xeni Billing subscribes for our FUND-X solution, empowering Xeni Billing to administer and facilitate its management of the claims. The combined package of our services is designed to leverage the features and benefits of our systems into the entire billing process.

MDwerks Global Holdings, Inc.

Our wholly-owned subsidiary, MDwerks Global Holdings, Inc., owns all of the outstanding stock of each of the Xeni Companies. We anticipate that we will merge MDwerks Global Holdings, Inc. with and into the Company, at which point the Xeni Companies will become directly held wholly-owned subsidiaries of the Company and MDwerks Global Holdings, Inc. will cease to exist.

MDwerks, Inc.

Our mission is to own, support and develop companies that offer medical claims transaction processing, management and financing solutions to providers and their business associates.

We provide strategic support to the Xeni Companies by consolidating critical functions such as marketing, sales and financial officer functions. We also coordinate strategic objectives across subsidiaries, maintain uniform standards of management and operations and we leverage purchasing and financing power.

We anticipate pursuing certain acquisition opportunities that would enhance the growth of the Xeni Companies, market share and plans. Acquisitions of billing companies would permit Xeni Billing and Xeni Systems to leverage their combined services into ''old line'' billing operations, which may operate with intensive reliance on labor and lack many electronic and automated processes. Implementation of the combined services of Xeni Systems and Xeni Billing in such companies may improve their efficiencies and reduce costs of operation, for enhanced profitability. Further, Xeni Systems would be able to market its FUNDwerks™ solutions and Xeni Financial could market its revolving loans to the clients of an acquired billing company.

We expect to grow and position Xeni Financial's lending products for strategic opportunities with financial institutions, such as national banks or financial services companies. Management believes

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financial institutions are seeking entrée to the provider lending market, both for our product solutions and as a means of selling their other products and services. Core products could be marketed to the provider, such as corporate credit cards for drawing on the revolving line without personal credit guarantees, but also asset and wealth management products and services, such as trusts, tax shelters, insurance and estate planning products, and wealth building vehicles. We believe that our family of products and services function as a platform conducive to an asset protection and wealth planning program.

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

Private Placement Transactions

In connection with the reverse merger transaction described above, we completed the closing of a private offering of our securities in which, through December 31, 2005, we sold an aggregate of approximately 64 Units to accredited investors in the Private Placement, pursuant to the terms of a Confidential Private Placement Memorandum dated June 13, 2005, as supplemented. Each Unit consists 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 for $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, 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 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 consists of one share of Series A Convertible Preferred Stock and a detachable three-year Class 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 28.33 Series A

Preferred Units to accredited investors in this private placement. 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, is entitled to receive 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 this registration statement with the Securities and Exchange Commission to register the shares and warrants held by the selling security holders for resale. In the event that we fail to respond to SEC comments within thirty (30) business days, the total number of shares of common stock covered by the registration statement for each investor in the private placement shall be increased by two percent (2%) per month for each month (or portion thereof) that a response to the comments to the registration statement has not been submitted to the SEC, except that the aggregate increases in shares of common stock will in no event exceed twenty (20%) percent. We have agreed to use our commercially reasonable best efforts to have the registration statement declared effective by the SEC as soon as possible after the initial filing date and 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 Rule144(k) under the Securities Act of 1933 (‘‘Rule 144(k)’’) may be permitted for purchasers of Units. The registration statement of which this prospectus is a part was filed with the Securities and Exchange Commission pursuant to those agreements.

Corporate Information

Our common stock is quoted on the Over-the-Counter 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.

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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’’.

The Offering

By means of this prospectus, a number of our stockholders are offering to sell up to (i) 9,707,139 shares of common stock which they own, (ii) 598,800 shares of common stock which they may at a later date acquire upon the exercise of warrants and up to 598,800 warrants, (iii) 566,667 shares of common stock which they may at a later date acquire upon conversion of Class A Preferred Stock and (iv) 566,667 shares of common stock which they may at a later date acquire upon the exercise of Class A Warrants and up to 566,667 Class A Warrants. In this prospectus, we refer to these persons as the selling security holders.

As of June 30, 2006, we had approximately 11,760,898 shares of common stock issued and outstanding, which includes 9,707,139 shares being offered by this prospectus. The number of outstanding shares of common stock does not include 1,165,467 shares which may be issued pursuant to the exercise of warrants previously issued by the Company and 566,667 shares of common stock which may be issued upon conversion of currently outstanding shares of Series A Convertible Preferred Stock, options to purchase shares of common stock under our 2005 Incentive Compensation Plan and certain other outstanding options to purchase shares of our common stock.

We will not receive any proceeds from the sale of common stock or warrants offered by the selling security holders, 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 security holders. 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 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 very 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, 2005, our losses were approximately $2.6 million and we had an accumulated deficit of approximately $16.6 million.
- Our independent registered public accountants have noted that we have suffered recurring losses from operations and we have a net capital deficiency that raises substantial doubt about our ability to continue as a going concern.
- We will need to raise additional capital in the future.

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- 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.

RISK FACTORS

We have a very 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 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 losses for the year ended December 31, 2005 were $2,576,938 and since our inception, our accumulated deficit as of December 31, 2005 was $16,558,228. 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 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

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that the Company will continue as a going concern. As discussed in Note 8 to the Financial Statements, the Company has suffered recurring losses from operations and has a net capital deficiency 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 June 30, 2006, we had a cash balance of $453,761. 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 near future, as we may be unable to generate positive cash flow as a result of 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 its 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, product placement and availability, niche marketing and segmentation and value propositions. They also include benefits of one's company, product and services, features and functionality, and cost. 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 revenues 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 will 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 operational and 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

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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.

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.

Our predecessor, MEDwerks, LLC filed a United States business process patent application regarding elements of the MDwerks System on April 15, 2002. The US Patent Office has issued an initial office action indicating that it will not allow a patent based upon our initial application. Our patent counsel, DLA Piper, Rudnick Gray Cary (‘‘Piper Rudnick’’), Washington, DC, will modify our patent application based upon the US Patent Office's action and will prepare and 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.

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. 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 Gerry Maresca, the former CTO of MDwerks, LLC and its chief architect, and certain technical personnel who were involved in the development of MDwerks' products and services. The loss of key management, the

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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.

We do not have ‘‘key man’’ life insurance policies for Mr. Katz, Mr. Kandel, Mr. Colangelo or Mr. Maresca. Even if we were to obtain ‘‘key man’’ insurance for Mr. Katz, Mr. Kandel, Mr. Colangelo or Mr. Maresca 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, Mr. Colangelo or Mr. Maresca.

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. Furthermore, a loss of one or more key sales representatives or distributors could cause a significant negative impact on our overall business, operating results and financial condition.

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;

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- 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 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 payors 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.

While we are not currently the subject of any litigation, 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 payors, 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

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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.

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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 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.

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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.

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.

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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.

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 payors 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.

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

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 cash 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.

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

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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.

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 payors (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.

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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.

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 following the effectiveness of the registration statement covering the securities to be sold pursuant to the prospectus could harm the market price of our Common Stock. As additional shares of Common Stock to be sold under this prospectus, 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, and these sales may have a depressive effect on the market for shares of Common Stock. In general, a person who has held restricted shares for a period of one year may, upon filing with the SEC a notification on Form 144, sell into the market Common Stock in an amount equal to the greater of 1% of the outstanding shares or the average weekly number of shares sold in the last four weeks prior to such sale. Such sales may be repeated once each three months, and any amount of the restricted shares may be sold by a non-affiliate after they have been held two years.

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 over-the-counter bulletin board market (''OTCBB''). There can be no

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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 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 Units in this Offering 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 offering price, if at all.

Shares of our Common are traded on the Over the Counter Bulletin Board (‘‘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 active 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

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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 will incur expenses estimated to be 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

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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 Stockholders will receive all of the proceeds from the sale of the shares of Common Stock and warrants offered for sale by them under this prospectus. We will not receive any proceeds from the resale of shares of Common Stock or the warrants by the Selling Stockholders covered by this prospectus or from the conversion of 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 August 4, 2006, there were approximately 157 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.

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	High	Low
Fiscal Year 2004		
First Quarter	$ N/A	$ N/A
Second Quarter	N/A	N/A
Third Quarter	N/A	N/A
Fourth Quarter	N/A	N/A
Fiscal Year 2005		
First Quarter	$ N/A	$ N/A
Second Quarter	N/A	N/A
Third Quarter	N/A	N/A
Fourth Quarter (as of November 16, 2005)	4.00	2.00
Fiscal Year 2006		
First Quarter	$ 4.25	$ 2.50
Second Quarter	5.00	2.45

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 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

On November 16, 2005, we acquired all of the outstanding capital stock of MDwerks Global Holdings, Inc. in connection with the merger of a wholly owned subsidiary of the Company with and into MDwerks Global Holdings, Inc. (the ‘‘Merger’’), with the former stockholders of MDwerks being issued approximately 9,352,000 shares of common stock of the Company in exchange for all their shares of common stock of MDwerks Global Holdings, Inc. In connection with the Merger, we changed our name to MDwerks, Inc. Simultaneously with the closing of the Merger, we completed the closing of a private placement of units, with each unit consisting of 10,000 shares of our common stock and a warrant to purchase 10,000 shares of our common stock at an exercise price of $2.50 per share, with gross proceeds of $1,600,000 and net proceeds to us, after deduction of offering expenses and commissions paid at the closing, of $1,310,000 (the ‘‘Private Placement’’). As we have ceased our prior mining operations we will operate the business of MDwerks Global Holdings, Inc. and the Xeni Companies as our sole line of business, therefore the following discussion and analysis is of the financial condition and results of operations for the year ended December 31, 2005 and 2004 of MDwerks Global Holdings, Inc. and the Xeni Companies. The following discussion and analysis should be read in conjunction with the financial statements, including footnotes, and other information presented in this prospectus. For purposes of the following discussion and analysis, references to ‘‘we’’, ‘‘our’’, ‘‘us’’ or the ‘‘Company’’ refers to MDwerks, Inc. and includes MDwerks Global Holdings, Inc. as its wholly-owned subsidiary and the Xeni Companies as indirect wholly-owned subsidiaries.

MDwerks Global Holdings, Inc. was incorporated under the laws of the state of Florida on October 23, 2003. It was originally formed to provide international telecommunications products and services. In April 2004, MDwerks Global Holdings, Inc. decided not to pursue the telecommunications business. In December 2004, it decided to focus on a new line of business involving healthcare provider claims processing, funding and related services. On May 25, 2005, MDwerks Global Holdings, Inc. changed its name from Global IP Communications, Inc, to MDwerks Global Holdings, Inc.

On June 7, 2005, MDwerks Global Holdings, Inc. entered into and consummated Share Exchange Agreements with all of the stockholders of each of the Xeni Companies (Xeni Medical, Xeni Financial and Xeni Billing). Pursuant to each of the Share Exchange Agreements, MDwerks Global Holdings, Inc. acquired 100% of the issued and outstanding shares of common stock of each of the Xeni Companies, in exchange for approximately 52,623,000 shares of common stock of MDwerks Global Holdings, Inc. (which shares, together with the shares of the holders of common stock of MDwerks Global Holdings, Inc. prior to the share exchanges were exchanged for approximately 9,352,000 shares of our common stock in connection with the Merger). As a result of the share exchanges, each of the Xeni Companies became a wholly-owned subsidiary of MDwerks Global Holdings, Inc.

The acquisition of the Xeni Companies was accounted for as a reverse merger, because, after giving effect to the share exchanges, the former stockholders of the Xeni Companies held a majority of the outstanding common stock of MDwerks Global Holdings, Inc. on a voting and fully diluted basis. As a result of the share exchanges, Xeni Medical was deemed to be the acquirer for accounting purposes. Accordingly, the financial statements presented are those of Xeni Medical for all periods prior to the acquisition of the Xeni Companies on June 7, 2005, and the financial statements of the consolidated companies from the acquisition date forward. The historical stockholders' deficiency of the Xeni Companies prior to their acquisition has been retroactively restated for the equivalent number of shares received in the acquisition. The restated consolidated stockholders' deficiency of the accounting acquirer is carried forward after the acquisition.

Xeni Medical provides a web-based package of electronic claims solutions to the healthcare provider industry. Through internet access to our ""MDwerks" suite of proprietary products and services, healthcare providers can significantly improve daily insurance claims transaction processing, administration, funding and management.

Xeni Financial offers advance funding to healthcare providers secured by claims processed through the MDwerks system.

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Xeni Billing offers healthcare providers billing services facilitated through the MDwerks suite of products and services.

We plan, initially, to sell to physician and clinical service group practices, hospitals, rehabilitation centers, nursing homes and certain related practice vendors, including diagnostic testing companies, 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 such as California, Florida and New York, 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 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 funding 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 repaid through the remittance of payments of receivables by their clients directly to us. We withhold from these advances interest, an administrative fee 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 upon 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.

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Results of Operations

For the Year Ended December 31, 2005 Versus Year Ended December 31, 2004

Revenues

In July 2005, we began processing claims for our first client and recorded total revenues of $57,824 during the six months ended December 31, 2005. Of this total, we recorded service fee revenue of $42,816, or 74.0% and financing income of $15,008 or 26.0%.

Operating Expenses

Our operating expenses significantly increased for the year ended December 31, 2005 from the year ended December 31, 2004 as a result of increased operations as we began to implement our business plan.

For the year ended December 31, 2005, total operating expenses were $2,038,449 as compared to $111,224 for the year ended December 31, 2004, an increase of $1,927,225. Included in this increase for the year ended December 31, 2005 is the following:

1. We recorded compensation expense of $364,248 as compared to $0 for the year ended December 31, 2004. This increase was attributable to the hiring of permanent sales, operations and executive staff, which began on September 26, 2005. We expect compensation expense to increase as we hire additional administrative, sales and technical personnel;
2. Consulting expense amounted to $880,567 as compared to $0 for the year ended December 31, 2004, an increase of $880,567. For the year ended December 31, 2005, we paid consultants for substantially all of our sales, operations and executive functions prior to the hiring of permanent staff on September 26, 2005. In addition, we recorded $250,000 in non-cash, stock-based consulting expense for services rendered in connection with the structuring and consummation of our Merger;
3. Professional fees amounted to $359,006 as compared to $100,520 for the year ended December 31, 2004, an increase of $258,486, or 257%. This increase was attributable to increased accounting fees for the audit of our financial statements and SEC filings, and an increase in legal fees related to the Merger, our share exchange agreements and other corporate matters; and
4. Selling, general and administrative expenses were $434,628 as compared to $10,704 for the year ended December 31, 2004, an increase of $423,924. This increase was attributable to an increase in all of our general and administrative expenses as we implement our business plan.

During the year ended December 31, 2005, we recorded a loss on the revaluation of warrant liability of $592,467 related to the change in fair value of the warrants during this period. In accordance with Emerging Issues Task Force Issue 00-19 (‘‘EITF 00-19’’), ‘‘Accounting for Derivative Financial Instruments Indexed To, and Potentially Settled in, a Company's Own Stock’’, we initially accounted for the fair value of the warrants as a liability since we will incur a substantial penalty if we cannot comply with the warrant holders' registration rights. As of the closing date of the private placement the fair value of the warrants was $1,142,770 calculated utilizing the Black-Scholes option pricing model. In addition, changes in the market value of our common stock from the closing date through the effective date of the registration statement will result in non-cash charges or credits to operations to reflect the change in fair value of the warrants during this period. We recorded a charge to operations of approximately $592,467 during the year ended December 31, 2005 to reflect the change in market value of the warrants. At the effective date, the fair value of the warrants will be reclassified to equity. For the year ended December 31, 2004, we did not have any warrant liability.

For the year ended December 31, 2005, interest expense was $5,242 as compared to $917 for the year ended December 31, 2004, an increase of $4,325. This increase was due to an increase in borrowings.

During the year ended December 31, 2004, we recorded a gain from the forgiveness of liabilities of $1,092,003 related to the settlement of old accounts payable. For the year ended December 31, 2005, we did not have any forgiveness of liabilities income.

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As a result of these factors, we reported a net loss of $(2,576,938) or $(.27) per share for the year ended December 31, 2005 as compared to net income of $979,862 or $.11 per share for the year ended December 31, 2004.

Liquidity and Capital Resources

On December 31, 2005, we terminated a Private Placement Offering, resulting in gross proceeds of $1,600,000 and net proceeds to the Company of approximately $1,310,000, after deduction of offering expenses and commissions paid at the closing. We anticipate conducting an additional Private Placement transaction in an additional amount of gross proceeds of up to $3,000,000 and $4,020,000 if the over-allotment option is exercised. While we have sufficient funds to conduct our business and operations as they are currently undertaken for 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 the additional private placement transaction.

Through December 31, 2005, in addition to the proceeds of the Private Placement, we raised cash of $119,229 from the sale of shares of our common stock. Additionally, we received capital contributions of $550,886 from former stockholders of the Xeni Companies.

Through December 31, 2005, we also borrowed an aggregate $135,000 under 8% promissory notes. The outstanding balance and accrued and unpaid interest become due and payable on dates ranging through July 8, 2006. The promissory notes were issued to Brookshire Holdings, Inc., Arrowhead Consultants, Inc. and the Timothy B. Ruggiero Profit Sharing Plan, each of whom are affiliates of Brookshire Securities Corporation, Todd Adler and John Garrell, each of whom are shareholders of the Company, and Daniel Nolan, an unrelated party. The notes and accrued interest payable to Messrs. Adler and Garrell have been converted to 61,790 and 30,895 shares of common stock, respectively, pursuant to note conversion agreements dated February 13, 2006.

As of September 30, 2005, we borrowed $98,700 from an unrelated individual. The loan bears interest at 8% per annum and is payable on a monthly basis, less fees. The loan shall be repaid proportionally upon repayment of certain of our notes receivable.

We used the proceeds from the sales of common stock through December 31, 2005 and proceeds from notes and loans payable for working capital purposes and to fund our note receivable of which we have $363,845 owed to us at December 31, 2005. We will continue to advance funds under note agreements to providers that subscribe to our MDwerks financial services solution.

For the Six Months Ended June 30, 2006 Versus Six Months Ended June 30, 2005

Revenue

In July 2005, we began processing claims on our MDwerks suite of products for our first client and recorded total revenue of $140,737 during the six months ended June 30, 2006 as compared to $9,976 for the six months ended June 30, 2005, an increase of $130,761. For the six months ended June 30, 2006, we recorded service fee revenue of $114,566, or 81.4% and financing income of $26,171, or 18.6%. For the six months ended June 30, 2005, we recorded service fee revenue of $5,500, or 55.1% and financing income of $4,476, or 44.9%.

Operating Expenses

Our operating expenses significantly increased for the six months ended June 30, 2006 from the six months ended June 30, 2005 as a result of increased operations as we began to implement our business plan.

For the six months ended June 30, 2006, total operating expenses were $2,622,483 as compared to $503,336 for the six months ended June 30, 2005, an increase of $2,119,147. Included in this increase for the six months ended June 30, 2006 is the following:

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1. We recorded compensation expense of $1,463,735 for the six months ended June 30, 2006 as compared to $0 for the six months ended June 30, 2005. This increase was attributable to the hiring of permanent sales, operations and executive staff, which began on September 26, 2005. We expect compensation expense to increase as we hire additional administrative, sales and technical personnel. In addition, for the six months ended June 30, 2006, we recorded $81,000 of compensation expense related to the issuance of 25,000 shares to our chief financial officer and $553,635 of compensation expense related to issuance of stock options to employees;
2. Consulting expense and outside services amounted to $255,045 for the six months ended June 30, 2006 as compared to $288,998 for the six months ended June 30, 2005, a decrease of $33,953. During the six months ended June 30, 2006, we issued 28,483 shares of our common stock to consultants and recorded consulting expense of $114,000. For the six months ended June 30, 2005, we paid consultants for substantially all of our sales, operations and executive functions prior to the hiring of permanent staff on September 26, 2005.
3. Professional fees amounted to $124,124 for the six months ended June 30, 2006 as compared to $119,712 for the six months ended June 30 2005, an increase of $4,412 of 3.7%. This increase was attributable to accounting fees for the audit of our financial statements and SEC filings and legal fees related to other corporate matters.
4. Selling, general and administrative expenses were $779,579 for the six months ended June 30, 2006 as compared to $94,626 for the six months ended June 30, 2005, an increase of $684,953 or 724%. This increase was attributable to an increase in all of our general and administrative expenses as we implement our business plan.

For the six months ended June 30, 2006, selling, general and administrative expenses consisted of the following:

Sales commissions	$ 105,429
Advertising and promotion	80,033
Employee benefits and payroll taxes	178,967
Other selling, general and administrative	415,150

$ 779,579

Other Income (Expenses)

For the six months ended June 30, 2006, interest income was $4,548 as compared to $0 for the six months ended June 30, 2005, an increase of $4,548. This increase was due to an increase in interest-bearing cash deposits.

For the six months ended June 30, 2006, interest expense was $7,748 as compared to $0 for the six months ended June 30, 2005, an increase of $7,748. This increase was due to an increase in borrowings.

For the six months ended June 30, 2006, we recorded a loss on settlement of notes payable related to the issuance of common shares for debt conversion of $180,827 compared to $0 for the six months ended June 30, 2005.

For the six months ended June 30, 2006, we recorded a loss on the revaluation of a warrants liability of $588,686 as compared to $0 for the six months ended June 30, 2005. We are required to revalue our warrant liability to fair value at the end of each reporting period until our registration statement is declared effective.

Net Loss

As a result of these factors, we reported a net loss of $3,254,448 for the six months ended June 30, 2006 as compared to a net loss of $493,360 for the six months ended June 30, 2005.

Deemed Dividend arising from beneficial conversion on Preferred Stock and Other Charges

During the six months ended June 30, 2006, we recorded a deemed dividend arising from a beneficial conversion feature of preferred stock of $24,000 which relates to our Series A Convertible Preferred

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Stock. This non-cash expense is related to the beneficial conversion features of those securities and is recorded with a corresponding credit to paid-in capital. In addition, for the six months ended June 30, 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 $3,524,688 for the six months ended June 30, 2006 as compared to net loss attributable to common shareholders of $493,360 for the six months ended June 30, 2005. This translates to an overall per share loss available to shareholders of ($.30) for the six months ended June 30, 2006 as compared to a per share loss of $(.05) for the six months ended June 30, 2005.

For the Three Months Ended June 30, 2006 Versus Three Months Ended June 30, 2005

Revenue

In July 2005, we began processing claims on our MDwerks suite of products for our first client and recorded total revenue of $71,805 during the three months ended June 30, 2006 as compared to $9,976 for the three months ended June 30, 2005, an increase of $61,829. For the three months ended June 30, 2006, we recorded service fee revenue of $61,982, or 86.3% and financing income of $9,823, or 13.7%. For the three months ended June 30, 2005, we recorded service fee revenue of $5,500, or 55.1% and financing income of $4,476, or 44.9%.

Operating Expenses

Our operating expenses significantly increased for the three months ended June 30, 2006 from the three months ended June 30, 2005 as a result of increased operations as we began to implement our business plan.

For the three months ended June 30, 2006, total operating expenses were $1,368,024 as compared to $389,107 for the three months ended June 30, 2005, an increase of $978,917. Included in this increase for the three months ended June 30, 2006 is the following:

1. We recorded compensation expense of $703,788 for the three months ended June 30, 2006 as compared to $0 for the three months ended June 30, 2005. This increase was attributable to the hiring of permanent sales, operations and executive staff, which began on September 26, 2005. We expect compensation expense to increase as we hire additional administrative, sales and technical personnel. In addition, for the three months ended June 30, 2006, we recorded $289,209 of compensation expense related to issuance of stock options to employees;
2. Consulting expense and outside services amounted to $211,924 for the three months ended June 30, 2006 as compared to $210,637 for the three months ended June 30, 2005, an increase of $1,287. During the three months ended June 30, 2006, we issued 28,483 shares of our common stock to consultants and recorded consulting expense of $114,000. For the three months ended June 30, 2005, we paid consultants for substantially all of our sales, operations and executive functions prior to the hiring of permanent staff on September 26, 2005.
3. Professional fees amounted to $64,153 for the three months ended June 30, 2006 as compared to $109,899 for the three months ended June 30 2005, a decrease of $45,746 of 41.6%. This decrease was attributable to accounting fees for the audit of our financial statements and SEC filings and legal fees related to other corporate matters.
4. Selling, general and administrative expenses were $388,159 for the three months ended June 30, 2006 as compared to $68,571 for the three months ended June 30, 2005, an increase of $319,588 or 466%. This increase was attributable to an increase in all of our general and administrative expenses as we implement our business plan.

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For the three months ended June 30, 2006, selling, general and administrative expenses consisted of the following:

Sales commissions	$ 42,871
Advertising and promotion	32,960
Employee benefits and payroll taxes	87,811

Other selling, general and administrative	224,517
	$ 388,159

Other Income (Expenses)

For the three months ended June 30, 2006, interest income was $2,094 as compared to $0 for the three months ended June 30, 2005, an increase of $2,094. This increase was due to an increase in interest-bearing cash deposits.

For the three months ended June 30, 2006, interest expense was $3,682 as compared to $0 for the three months ended June 30, 2005, an increase of $3,682. This increase was due to an increase in borrowings.

For the three months ended June 30, 2006, we recorded a loss on the revaluation of a warrants liability of $588,686 as compared to $0 for the three months ended June 30, 2005. We are required to revalue our warrant liability until our registration statement is declared effective.

Net Loss and Net Loss Attributable to Common Shareholders

As a result of these factors, we reported a net loss of $1,886,493 for the three months ended June 30, 2006 as compared to a net loss of $379,131 for the three months ended June 30, 2005. This translates to an overall per share loss available to shareholders of ($.16) for the three months ended June 30, 2006 as compared to a per share loss of $(.04) for the three months ended June 30, 2005.

Liquidity and Capital Resources

We used the proceeds from the sales of common stock through December 31, 2005 and proceeds from notes and loans payable for working capital purposes and to fund our notes receivable of which we have $442,670 owed to us at June 30, 2006. We will continue to advance funds under note agreements to providers that subscribe to our MDwerks financial services solution.

During 2006, we sold 28.33 units in a private placement to accredited investors pursuant to the terms of a Confidential Private Placement Memorandum, dated February 1, 2006, and private placement subscription agreements executed and delivered by each investor on or before the closing of the private placement. Each unit consists of one share of our Series A Convertible Preferred Stock, par value $.001 per share, and a detachable, transferable Class A Warrant to purchase 20,000 shares of our common stock, at a purchase price of $3.00 per share. In connection with the sale of the 28.33 units, we received net proceeds of $1,426,391.

While we have sufficient funds to conduct our business and operations as they are currently undertaken for 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 additional private placement transactions or debt financing, which we are currently pursuing.

We currently have no material commitments for capital expenditures.

Cash flows

At June 30, 2006, we had cash of $453,761.

Net cash used in operating activities was $1,655,335 for the six months ended June 30, 2006 as compared to $466,975 for the six months ended June 30, 2005, an increase of $1,188,360. This increase is primarily attributable to an increase in our net loss and:

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1. An increase in notes receivable, accounts receivable and prepaid expenses aggregating $244,293 related to the increase in revenue and the funding of notes receivable to providers that subscribe to our MDwerks financial services solution;
2. An increase in accounts payable, accrued expenses and deferred revenues related to an increase in operations aggregating $310,052.

Net cash used in investing activities was $71,728 for the six months ended June 30, 2006 as compared to $72,172 for the six months ended June 30, 2005, and is related to the acquisition of computer and office equipment and furniture.

Net cash provided by financing activities was $1,414,360 for the six months ended June 30, 2006 as compared to $564,386 for the six months ended June 30, 2005. For the six months ended June 30, 2006, we received proceeds from the sale of Series A preferred stock of $1,700,000 offset by placement fees and other expenses paid of $273,609 related to the preferred stock offering and repayment of loans payable of $12,031. During the six months ended June 30, 2005, we received capital contributions from the former stockholders of the Xeni Companies of $550,886 and proceeds from loans payable of $13,500.

Off Balance Sheet Arrangements

We had no off balance sheet arrangements as of June 30, 2006.

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BUSINESS

We were incorporated in the state of Delaware on July 22, 2003. From then until the Merger, we were a resource exploration stage company. In December, 2003 we were presented with the opportunity to purchase a property that potentially contains a large resource of limestone. Based on such opportunity, we carried out research on the limestone market in the province of British Columbia as well as the Pacific Northwest region of the United States. We were unable to obtain adequate financing to continue our operations and determined to cease operations. In November 2005, we succeeded to the business of MDwerks Global Holdings, Inc. and the Xeni Companies which will be continued as our sole line of business.

Description of Business

We operate our business interests through three wholly owned subsidiaries of our wholly-owned subsidiary, MDwerks Global Holdings, Inc.: 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’’). We offer healthcare providers the following medical insurance claims processing, management and financing solutions:

- Increased office efficiencies/lower costs;
- Reduced workload;

- Improved claims accuracy before submission to, and increased acceptance by, third party payors;
- Reduced cycle time for remittance;
- Improved cash management;
- Increased oversight and control;
- Leveraged receivables through competitive short term financing arrangements;
- Improved information management, financial security and provider regulatory compliance;
- ‘‘End-to-end’’ solution for claims management; and
- A platform for leveraging claims towards improved asset protection and wealth management opportunities.

Claims Management Services

Through Xeni Systems, we provide solutions and services that improve a healthcare provider’s ability to process and manage claims for reimbursement from third party payors by consolidating the process (including clearinghouse, contract management and remittance functions). Xeni Systems integrates transactions involving insurance claims by providing a single interface for the healthcare provider, the payor (such as an insurance company) and the lender (when the healthcare provider elects to take advantage of receivables financing).

Through Xeni Systems’ FUNDwerks™ and FUND-X solutions, providers and third party lenders can use us to establish the value of insurance claims, assess risk of nonpayment and access real time reports on the status of loans.

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; and the electronic remittance of payments. 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 are collected for initial set-up and training.

Additionally, through Xeni Systems, we offer solutions for the collection of old existing medical claim submissions and appeals of denied claims. Although we do not currently offer asset and wealth

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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 all of these services.

Billing Services

Through Xeni Billing, we help healthcare providers automate the billing process and make it more efficient. Xeni Billing also offers patient billing, collections and appeals services. Xeni Billing manages the billing process by leveraging the solutions and services offered through Xeni Systems. Since Xeni Billing is 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 processing/billing solution 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 charges providers (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 any consulting fees for customization or support of the healthcare provider outside the scope of services. Finally, Xeni Billing may perform reviews of unpaid claims that were submitted to payors prior to use of our automated claims submission services in return for a share of claims revenue recovered.

Lending Services

Through Xeni Financial, we lend money to healthcare providers on a short term, revolving line of credit and occasionally on a term loan basis. The loans are secured by claims 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 and sweep funds to the appropriate accounts with electronic and automated processes. Xeni Financial is able to lend 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, unlike factors (lenders who purchase provider claims outright at a steep discount and high effective interest rates), can even lend on Medicare claims.

Consulting Services

Although we provide Internet-based solutions that do not require our customers to purchase new hardware, 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.

Market for Our Solutions and Services

Today's health care providers face serious challenges in claims processing, as well as in getting correct and prompt claims remittances from payors. Claims must be prepared 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 system requires 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.

Managed care and regulatory compliance for patient information security and privacy require complex data management. Claims may be processed on the payor 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 payors to accept lower fees on changing definitions of covered claims, with variations in customary remittance values. At the same time, payors require precise documentation and justification for covered claims.

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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.

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, 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 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.

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 asset-based loan against claims receivables at a significant discount, reserves and expense. 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 system 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 payor contract management, facilitate prompt financing of claims, and produce superior cash and information management. Our technology also offers benefits to small healthcare provider practices with limited resources and staff, and 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 have the ability to leverage an ''end-to-end'' claims management solution.

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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 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 mix and contractual relationships with payors, and how paper intensive or electronic their existing process may be.
- ‘‘Pay As You Go’’: Fees charges 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, for example if a healthcare provider is out-of-network). The use of our solutions and services doesn’t require high up-front investment, hardware and software purchases, or payment based on number of claims submitted or billed claims.
- Superior Cash Management: In as little as 24-72 hours, healthcare providers can borrow funds from us at competitive short-term rates against a determined value of submitted claims, without factoring (selling) them. 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 automatically ‘‘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 can edit the flagged claim using simple prompts, so a ‘‘cleaner’’ claim can be submitted to the payor. Claim values are determined daily against actual contracts and payment tables, and are adjusted for history and plan changes. 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 early 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.
- 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 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 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 the we are one of first application service providers to offer a 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.

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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. 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.

- 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.
- 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

According to the Centers for Medicare & Medicaid Services (‘‘CMS’’), the healthcare industry is expected to reach $2.4 trillion over the next three years as follows: The Office of the Actuary at the CMS produces the National Healthcare expenditure projections; they are based on historical national health expenditures and are a model framework that incorporates actuarial, econometric, and judgmental factors. National health expenditures are projected to reach $2.9 trillion in 2011, 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 2011 it will constitute approximately 17.0% of

GDP compared to its 2000 level of 13.2%.

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The general term ‘‘Health Care’’ encompasses a multitude of products and services. The $1.92 trillion health expenditures in 2005 are projected to be distributed by type of expenditure as follows (source: CMS):