TRANSAX INTERNATIONAL LTD
Form 10-K
April 15, 2010

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

FORM 10-K

Mark One
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

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

For the transition period from ______ to _______

COMMISSION FILE NO. 0-27845

TRANSAX INTERNATIONAL LIMITED
(Name of small business issuer in its charter)

Colorado	90-0287423
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1133 S. University Drive, Suite 210
Plantation, Florida 33324
(Address of principal executive offices)

(888) 317-6984
(Issuer's telephone number)

Securities registered pursuant to Section 12(b) of the Act:	Name of each exchange on which registered:
None	NOT APPLICABLE

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $0.00001
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. [ ] Yes [X] No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. [ ] Yes [X] No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company:

Large accelerated filer	[ ]	Accelerated filer	[ ]
Non-accelerated filer (Do not check if smaller reporting company)	[ ]	Smaller reporting company	[X]

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked prices of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. $130,922 on June 30, 2009.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. 91,662,293 shares of common stock are issued and outstanding as of April 14, 2010.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980). None.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements in this annual report contain or may contain forward-looking statements that are subject to known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements were based on various factors and were derived utilizing numerous assumptions and other factors that could cause our actual results to differ materially from those in the forward-looking statements. These factors include, but are not limited to, our ability to raise sufficient capital to fund our ongoing operations and satisfy our obligations as they become due, our ability to implement our strategic initiatives, economic, political and market conditions and fluctuations, government and industry regulation, interest rate risk, U.S. and global competition, and other factors. Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the areas of risk described in connection with any forward-looking statements that may be made herein. Readers are cautioned not to place undue reliance on these forward-looking statements and readers should carefully review this annual report in its entirety, including the risks described in Part I. Item 1A. Risk Factors. Except for our ongoing obligations to disclose material information under the Federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. These forward-looking statements speak only as of the date of this annual report, and you should not rely on these statements without also considering the risks and uncertainties associated with these statements and our business.

OTHER PERTINENT INFORMATION

When used in this annual report, the terms "Transax," " we," "our," and "us" or the "Company" refers to Transax International Limited, a Colorado corporation and its wholly-owned and partially owned subsidiries.

Our business is conducted in Brazil, using Brazilian Real, the currency of Brazil, and our financial statements are presented in United States dollars. In this annual report, we refer to assets, obligations, commitments and liabilities in our financial statements in United States dollars. These dollar references are based on the exchange rate of the Brazilian Real to United States dollars, determined as of a specific date. Changes in the exchange rate will affect the amount of our obligations and the value of our assets in terms of United States dollars which may result in an increase or decrease in the amount of our obligations (expressed in dollars) and the value of our assets, including accounts receivable (expressed in dollars).

PART I

ITEM 1. DESCRIPTION OF BUSINESS

We are an international provider of information network solutions, products and services specifically designed for the healthcare providers and health insurance companies (collectively, the "Health Information Management Products").

ORGANIZATION

Transax International Limited ("TNSX" or the "Company") was incorporated in the State of Colorado in 1987. The Company currently trades on the OTC Pink Sheet market under the symbol "TNSX" and the Frankfurt and Berlin Stock Exchanges under the symbol "TX6".

The Company, primarily through its 55% owned subsidiary, Medlink Conectividade em Saude Ltda ("Medlink Conectividade") is an international provider of information network solutions specifically designed for healthcare providers and health insurance companies. The Company's MedLink Solution enables the real time automation of routine patient eligibility, verification, authorizations, claims processing and payment functions. The Company has offices located in Plantation, Florida and Rio de Janeiro, Brazil.

On March 26, 2008, the Company executed a stock purchase and option agreement (the "Agreement") with Engetech, Inc., a Turks & Caicos corporation (the "Buyer") controlled and owned 20% by Americo de Castro, director and President of Medlink Conectividade, and 80% by Flavio Gonzalez Duarte or assignees. In accordance with the terms and provisions of the Agreement, the Company sold to the Buyer 45% of the total issued and outstanding stock of its wholly-owned subsidiary, Transax Limited, which owns one hundred percent of the total issued and outstanding shares of: (i) Medlink Conectividade, and (ii) Medlink Technologies, Inc., ("MTI") a Mauritius corporation.

The purchase price for the 45%, or 45 shares, ("Initial Shares") was $3,200,000. Through December 31, 2008, we received proceeds towards the purchase price of

$937,700. We did not receive any proceeds during the year ended December 31, 2009. The balance due and owing by the Buyer is evidenced by an installment note secured by a pledge of all of the Initial Shares. As of the date of this annual report, the Buyer is in default on its payments of principal and interest. At December 31, 2009 and 2008, pursuant to the terms of the Agreement, as amended, we have a remaining note receivable of $2,262,300 due from the Buyer. Since collection of the remaining purchase price is not reasonably assured, we recorded the full amount of the purchase price of $3,200,000 as deferred revenue and is reflecting the deferred revenue net of the remaining note receivable on the accompanying consolidated balance sheets.

As of the date of this annual report, the Buyer is in default on the remaining notes receivable balance of $2,262,300. We have issued default notices to the buyer in respect of non-payment under the Agreement. We are currently in discussion with the Buyer and/or assignees and plan to conclude any renegotiation of contract terms on or before September 30, 2010.

SUBSIDIARIES

MEDLINK CONECTIVIDADE EM SAUDE LTDA.

Medlink Conectividade was incorporated under the laws of Brazil on May 2, 1998. Medlink Conectividade assists us in providing information network solutions, products and services within Brazil. Through Medlink Conectividade, we provide Health Information Management Products within Brazil. We generate all of our revenues through Medlink Conectividade.

MEDLINK TECHNOLOGIES, INC.

Medlink Technologies, Inc. was incorporated under the laws of Mauritius on January 17, 2003, and is our 55%-owned subsidiary. Medlink holds the intellectual property developed by us and a number of third party software licenses.

CURRENT BUSINESS OPERATIONS

STOCK PURCHASE AND OPTION AGREEMENT

On March 26, 2008, our board of directors, pursuant to unanimous written consent resolutions approved the execution of a Stock Purchase and Option Agreement (the "Agreement") with the Buyer. In accordance with the terms and provisions of the Agreement, we sold to the Buyer 45% of the total issued and outstanding stock of our wholly-owned subsidiary, Transax Limited. Transax Limited owns 100% of the total issued and outstanding share of: (i) Medlink Conectividade; and (ii) Medlink.

The purchase price for the 45%, or 45 shares, ("Initial Shares") is $3,200,000, Through December 31, 2008, we received an aggregate of $937,700. The balance due and owing by the Buyer is evidenced by an installment note secured by a pledge of all of Initial Shares. As of the date of this report, the Buyer is in default on its payments of principal and interest. At December 31, 2008, pursuant to the terms of the Agreement, as amended, we have a remaining note receivable of $2,262,300 due from the Buyer. Since collection of the remaining purchase price is not reasonably assured, we recorded the full amount of the purchase price of $3,200,000 as deferred revenue on the accompanying consolidated balance sheet at December 31, 2009 and 2008, which reflects the deferred revenue net of the remaining note receivable. Accordingly, at December 31, 2009 and 2008, our consolidated balance sheets reflect a deferred gain on the sale of minority interest of $937,700, which will be recognized as other income when collection is reasonably assured and all of the risks and other incidents of ownership have been passed to the buyer. At December 31, 2009 and 2008, the deferred gain on sale of minority interest consists of the following:

Sale price of 45% interest in Transax Limited	$ 3,200,000
Less: note receivable balance	(2,262,300)
Deferred gain on sale of minority interest in subsidiary	$ 937,700

In accordance with the terms and provisions of the Agreement, MTI shall grant to the Company a perpetual, exclusive and sub-license to use all of the software and other intellectual property owned by MTI in all territories other than (i) Latin America (defined as all mainland countries in the Western Hemisphere south of the USA/Mexico border; and (ii) Spain and Portugal.

We have issued default notices to the Buyer in respect of non-payment under the Agreement. On November 6, 2008 the Buyer expressed a desire to restructure the payment terms and bonus due under the contract. We are currently in discussion with the Buyer and its assignee and plan to conclude any renegotiation of contract terms on or before September 30, 2010. Additionally, we are seeking alternative buyers for MTI. We cannot predict the outcome of these negotiations. If the negotiations are successful, we may sell the remaining 55% of our operating subsidiary and we will have no continuing operations. As a result of the foregoing, there exists substantial doubt about our ability to continue as a going concern. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

GENERAL

As of the date of this Annual Report, through Medlink Conectividade, we are an international provider of Health Information Management Products, which are specifically designed for the healthcare providers and health insurance companies. We are dedicated to improving healthcare delivery by providing to hospitals, physician practices and health insurance companies innovative health information management systems to assist in the coding, compliance, abstracting and recording of management's processes.

Currently, we are a premier international provider of health information management network solutions for the healthcare providers and health insurance companies, enabling the real time automation of routine patient transactions. We believe that our unique combination of complimentary solutions is designed to significantly improve the recording and processing of healthcare data transactions. Our Health Information Management Products and software solutions are designed to generate operational efficiencies, improve cash flow and measure the cost and quality of care. In general, the Health Information Management Products and software solutions, including the MedLink Solution, fall into four (4) main areas: (i) compliance management; (ii) coding and reimbursement management; (iii) abstracting; and (iv) record management.

We believe that hospitals and other healthcare providers must implement comprehensive coding and compliance programs in order to minimize payer submission errors and assure the receipt of anticipated revenues. We believe that an effective program should include clear, defined guidelines and procedures, which combined with our Health Information Management Products, will enhance an organization's system and effectively increase revenues and reduce costs. Our Health Information Management Products include compliance management and coding and reimbursement products and software, which are designed to conduct automated prospective and retrospective reviews of all in-patient and out-patient claims data. Management tools include internally designed targets aimed to provide data quality, coding accuracy and appropriate reimbursement.

These tools work in conjunction with an organization's coding and billing compliance program to:

(i) identify claims with potential errors prior to billing;

(ii) screen professional fees and services; and

(iii) identify patterns in coding and physician documentation.

Results of the auditing and monitoring activities are represented in executive reports summarizing clinical and financial results as well as detailed reports providing information needed to target specific areas for review. Billing practices for health care services are under close scrutiny by governmental agencies as high-risk areas for Medicare fraud and abuse. We believe that the Health Information Management Products will increase an organization's progress in reducing improper payments and ensuring that medical record documentation support services are provided.

The Health Information Management Products are also designed to:

- include abstracting solutions, which enable healthcare facilities to accurately collect and report patient demographic and clinical information.

- provide the organization with the ability to calculate in-patient and out-patient hospital reimbursements and customize data fields needed for state, federal or foreign governmental regulatory requirements. Standard and custom reports will provide the customer with the ability to generate facility-specific statistical reports used for benchmarking, outcomes and performance improvement, marketing and planning.

- provide healthcare organizations the flexibility to customize abstracting workflow to meet data collection reporting and analysis needs.

- provide the organization with the ability to customize workflow by creating fields and rules and designing screen navigation.

- provide record management, which will automate the record tracking and location functions, monitor record completeness and facilitate the release of information process within health information management departments.

- assist healthcare organizations in properly completing records pursuant to state, federal, foreign governmental and medical staff requirements. The management tools are designed to monitor a facility's adherence to patient privacy, disclosure and patient bill of rights requirements, if applicable.

MEDLINK SOLUTION/MEDLINK WEB SOLUTION

We have developed a proprietary software trademarked (in Brazil only) as "MedLink Solution", which was specifically designed and developed for the healthcare and health insurance industries enabling the real time automation of routine patient eligibility, verifications, authorizations, claims processing and payment functions that are currently performed manually. A transaction fee is charged to the insurer for use of the MedLink Solution. The MedLink Solution hosts its own network processing system, whereby we are able to provide an insurer with the ability to cost effectively process all of the transactions generated regardless of location or method of generation.

An initial version of MedLink Solution that is Health Insurance Portability and Accountability Act ("HIPAA") compliant for the USA market was previously developed in-house by our professional staff using the Microsoft.NET platform (the "MedLink Web Solution"). Medlink Conectividade became a member of the Microsoft Partnership program, therefore, the initial design and specification of the MedLink Web Solution was undertaken in collaboration with engineers from the Microsoft Development and Training Center in Brazil. Our new MedLink Web Solution offers all functionalities already available in our other capture solutions, but in an Internet-based application that can be accessed by providers through a standard Internet browser. The MedLink Web Solution allows providers to capture medical and dental exams, procedures, therapies, visits, laboratory tests and doctor referrals without complicated software conversion, utilizing an existing Internet connection. MedLink Web Solution contains a number of important security procedures following international standards, utilizing an intrusion detection system and SSL security to encrypt transactions. Additional security features are available at the application level to individual users.

We believe that the MedLink Solution and the MedLink Web Solution solves technological and communication problems within the healthcare systems by creating a virtual "paperless office" for the insurer and total connectivity, regardless of method, for the health provider. The MedLink Solution replaces manual medical claims systems and provides insurance companies and healthcare providers significant savings through a substantial reduction in operational costs. The MedLink Solution allows users to collect, authorize and process transaction information in real-time for applications including, but not limited to, patient and provider eligibility verification, procedure authorization and claims and debit processing. Participants of the MedLink Solution include private health insurance companies, group medical companies, and healthcare providers.

During fiscal years ended December 31, 2009 and 2008, respectively, we installed approximately 7,400 and 2,200 MedLink Solutions into healthcare provider locations throughout Brazil. At the end of fiscal year 2009, we had an aggregate of approximately 17,000 MedLink Solutions installed into healthcare provider locations throughout Brazil inclusive of "overlapping solutions". At the end of fiscal year 2008, we had an aggregate of approximately 9,600 MedLink Solutions installed into healthcare provider locations throughout Brazil.

MEDLINK SOLUTION ARCHITECTURE AND DESIGN

We believe that the MedLink Solution is the total connectivity system that allows hospitals, clinics, medical specialists and other healthcare providers to easily capture, route, and authorize medical, hospital, and dental claims in "real time". The MedLink Solution addresses pre-existing technological and communication problems by creating a universal virtual link between the insurer and the care provider.

The MedLink Solution's architecture and design is as follows: (i) seven capture methods; (ii) a network processor; and (iii) an authorizer.

CAPTURE METHODS. The MedLink Solution is tailored to the specific care provider's environment and needs usage based upon its technological resources, physical installation and volume of claims. The MedLink Solution offers seven different methods to capture data. The health care provider can select which of these seven methods best suit its operational needs and technological abilities. Regardless of the capture method chosen, transactions are seamless and efficient. The MedLink Solution's capture methods are:

- MedLink Solution POS Terminal;
- MedLink Solution Phone;
- MedLink Solution PC Windows;
- MedLink Solution PC Net;
- MedLink Solution Server Labs;
- MedLink Solution Server Hospitals; and
- MedLink Solution Web.

NETWORK PROCESSOR. The MedLink Solution network processor routes the transactions captured by the MedLink Solution (the "Network Processor") to the authorization system of the healthcare plan (the "Authorization System"). In Brazil this process is carried out using either Embratel's Renpac service or the Internet. The Network Processor offers uninterrupted twenty-four (24) hour, seven days a week operation and service.

The Network Processor is secured from the Renpac and Internet communication channels to the communication channels with the Authorization System, passing through the elements of local network, processors and unities of storage of data. It is implemented on a RAID5 disk array architecture.

AUTHORIZATION SYSTEM. The Authorization System's software is composed of a control module and a group of storage procedures that validate the specific rules of the health plan or insurer. It is responsible for: (i) receiving and decoding the messages sent by the Network Processor, containing the solicitations of the MedLink Solution installed at the provider; (ii) identification of the kind of the message (claim, refund, settlement, etc) and of the service provider; (iii) validation or denial of the transaction; (iv) updating the historical database of the claims; and (v) replying to the request by sending a message to the Network Processor.

PRODUCT TARGET MARKET STRATEGY

MARKET STRATEGY

Our key marketing strategy is to position ourselves as a market leader in providing total information management network processing solutions for the healthcare industry worldwide. We believe that our Health Information Management Products encompass a variety of solutions for healthcare provider locations, a complete network processing service for the health insurance companies, and in-house software and systems development to address specific and unique customer requirements, and the ability to operate the systems through a variety of communication methods.

The promotional and marketing strategy is based on creating a proactive "push-pull" effect on the demand for the Health Information Management Products and services within the healthcare industry. We have been focusing on the promotion and marketing of our products to the Brazilian healthcare providers and insurance companies by demonstrating: (i) the benefits of the MedLink Solution application and services; (ii) real-time cash visibility; (iii) nominal to no capital investment; (iv) the established Network Processor facility; (v) custom software development support; and (vi) option of immediate payment of outstanding claims.

We believe that this commonly used marketing and promotional model will be suitable and used for market penetration. In addition we attend a number of conferences and trade shows in Brazil on an annual basis to "show case" our products. International marketing and promotional strategies will be developed and adapted on a country-to-country basis to meet different market environments and governmental requirements, build business and political relationships, and obtain domestic media exposure and high visibility within the local healthcare industry to establish credibility.

PRODUCT TARGET MARKET

We have identified two initial target markets for our products. They are: (i) healthcare providers, such as physicians, clinics, hospitals, laboratories, diagnosis centers, emergency centers, etc.; and (ii) health insurance and group medicine companies.

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We are currently focused primarily on the marketing and sale of our Health Information Management products in Brazil and are seeking opportunities in certain other South American countries. We believe that there is a significant global market opportunity for our Healthcare Information Management Products and services and software technology.

RESEARCH AND DEVELOPMENT

Our research and development department is responsible for the definition, design and implementation of our products. This comprises three main areas of activity (i) research of electronic transaction product trends both in Brazil and around the world as it applies to the healthcare industry; (ii) definition of products and services required for MedLink Solution services; and (iii) implementation of the hardware and software products to support MedLink Solution services. Products to be offered by MedLink Solution involves interactive discussions with the marketing and sales team in order to identify the market needs, costs and timing to introduce such products and solutions

During fiscal year 2005, we developed a biometric (fingerprint reader) version of our MedLink Solution on behalf of a major health insurance group in Brazil, which is currently piloting the solution in that region (the "Biometric Solution"). The Biometric Solution is a new biometric security technology, which is rendered from the first time a patient visits a medical provider location. The patient passes a magnetic card through a reader for verification and then provides a fingerprint and his/her biometric identity is stored in the MedLink Solution authorizer. The Biometric Solution will be used in conjunction with magnetic stripe or smart cards issued by the health insurer to its policyholders in such a way that through the MedLink Solution real time adjudication system, information on the magnetic stripe card and fingerprint recognition must match each time a patient requires authorization and adjudication of medical claims.

During 2007, we spent significant time and expense reconfiguring all of our terminals in Brazil to conform to Troca de Informacao em Saude Suplementar ("TISS"), a new Brazilian health standard. TISS is a national standard for electronic form interchange proposals, based on XML technology, known as the supplementary health information interchange. We believe that our product fully complies with the standards of TISS in Brazil though no independent verification is required or has been performed.

During 2008, we incurred research and development costs on new technical developments in order to introduce new services and to maintain our competitiveness in the Brazil market.

E-TISS - This product is developed for medical providers that do not have electronic management systems and allows data entry of manual TISS forms to American National Standard formats acceptable in Brazil, and sending of these files in acceptable electronic format to healthcare insurance companies. The product is principally used by hospitals for the sending of invoices in an electronic format.

PORTAL - The Medlink portal provides a platform for medical providers and health insurance companies to generate files in acceptable electronic format, capture electronic transactions, and undertake auditing of medical billings. The platform also allows access to a number of third party services and became operational

MATERIAL REVENUE AGREEMENTS

BRADESCO INSURANCE

On October 17, 2002, Medlink and Bradesco Insurance ("Bradesco"), Brazil's largest health insurance company, entered into an agreement for a pilot program contract for the testing of its "MedLink" Solution, which ended in September 2003. On October 1, 2003, Medlink and Bradesco entered into a contract pursuant to which we would undertake and install our MedLink Solution into the Bradesco healthcare provider's network. In order to undertake this program, Bradesco agreed to set up a stand alone processing facility to hold its database, which was subsequently contracted to a third party. Phase one of the program went live

during March 2004. During the fiscal years ended December 31, 2009 and 2008, respectively, we processed nil and 3,257,837 transactions for Bradesco. For the years ended December 31, 2009 and 2008, Bradesco accounts for approximately 0% and 38% of our revenues, respectively. During December 2007, due to their ownership interest in Visanet Brazil, which acquired a competitor's product, Bradesco only renewed its contract with us to provide connectivity services until December 31, 2008. The loss of this client had an adverse effect on our financial position and results of operations. Medlink is actively seeking new insurance companies to replace Bradesco.

GOLDEN CROSS

On August 9, 2002, Medlink and Golden Cross, ("Golden Cross"), one of Brazil's largest health insurance companies entered into an agreement (the "Golden Cross Agreement"). The initial agreement expired in August 2007, and automatically renews on an annual basis. The current Golden Cross agreement expires in August 2010. Pursuant to the terms and conditions of the Golden Cross Agreement, we have committed to supply to Golden Cross a total of 5,500 installations consisting of more than 1,500 MedLink Solution POS terminals with the balance being MedLink PC and MedLink Solution servers. The Golden Cross Agreement also provides for MedLink Solution Web and MedLink Solution phone solutions, which will be used as appropriate by the healthcare provider. We have approximately 8,464, MedLink Solutions in Golden Cross Provider's locations and in 2009 installed over 1,350 Web solutions. During fiscal years ended December 31, 2009 and 2008, respectively, we processed 6,304,054 and 4,558,799 transactions for Golden Cross. For the years ended December 31, 2009 and 2008, Golden Cross accounted for approximately $2,654,000 or 61.9% and $2,474,000 or 40.4% of our revenues respectively.

CAMED

On October 17, 2002, Camed, a self-insured company based in northern Brazil, ("Camed"), entered into an agreement (the "Camed Agreement") pursuant to which we installed MedLink Solution POS terminals for pilot testing.

During the year ended December 31, 2009, we were instructed to terminate previous installations of approximately 100 MedLink Solutions. The Camed Agreement also provides for MedLink Solution WEB and MedLink Server Solution solutions to be used as appropriate by the healthcare providers of which we installed 5 solutions as of December 31, 2009. We have approximately four hundred and seventy one (471) MedLink Solutions in Camed providers' locations. During fiscal years ended December 31, 2009 and 2008, respectively, we processed 401,706 and 398,822 transactions for Camed. Camed generated approximately $258,401 or 6.0% and $278,400 or 4.5% of our revenues during each of the years ended December 31, 2009 and 2008, respectively.

CAIXA BENEFICENTE DOS FUNCIONARIOS DO BANESPA

On April 20 2006, we entered into a contract to provide real time adjudication services to Caixa Beneficente dos Funcionarios do Banespa ("CABESP"), a self insured managed scheme based in Sao Paulo, Brazil with approximately 110,000 members. At the end of fiscal year ended December 31, 2008, we had installed 115 POS terminals into CABESP provider locations and 702 Web solutions. During 2008, the IVR solutions were replaced by our web solution . As of December 31, 2009, a total of 1,965 solutions were operational including 1,852 Web solutions and 113 POS solutions. During 2009 we installed a total of 1,150 solutions to CABESP provider locations. When fully rolled out, we anticipate that the CABESP installed base will consist of 3,000 solutions and is expected to process 70,000 transactions per month. During the years ended December 31, 2009 and 2008, respectively, we processed 573,288 and 534,651 transactions for CABESP which generated $379,451 or 8.85% and $313,295 or 5.12% of our revenues during each of the years ended December 31, 2009 and 2008 respectively.

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ECONOMUS INSTITUTIODE SEGURIDADE SOCIAL ("ECONOMUS")

During January 2008, we entered into a 60-month contract with Economus, a self-insured managed health care scheme of Bank Nossa Caxia based in Sao Paulo, Brazil with approximately 70,000 members. We also provided medical transcription services to Economus taking paper claims and converting these to the electronic TISS format acceptable to the Company's solution. Electronic claims went live in June 2008. As of December 31, 2009, we had installed a 2,699 Web and 7,272 POS solutions into Economus medical provider locations. During year ended December 31, 2009 we undertook 372,900 transactions. The contract generated approximately $566,000 or 13.2% of the company's revenues for 2009 and $627,201 or 10.2% of our revenues in 2008 (principally from the medical transcription service).

SERVICOS INTEGRADOS DE SAUDE (" SEISA")

During January 2008, we entered into a 24-month contract with SEISA, a self-insured managed health care scheme based in Sao Paulo, Brazil with approximately 210,000 members. As of December 31, 2009 we had installed a total of approximately 600 solutions consisting of approximately 575 WEB solutions and 25 other solutions. During 2009, we installed an additional 546 solutions to SEISA medical provider locations. During year ended December 31, 2009 we undertook a total of 578,335 transactions for this client. During 2009 and 2008, Seisa generated approximately $199,720 or 4.65% and $31,819 or 0.52% of our revenues, respectively.

OTHER CONTRACTS

During 2009, three other contracts for Connectivity services covering approximately 500,000 persons became operational, generating 220,000 transactions. As of December 31, 2009, we signed one other contract that has not yet generated any transaction revenues. However, preliminary consulting work with respect to the development of customized authorization software for that company has commenced.

COMPETITION

The information network solutions market for healthcare providers and health insurance companies is characterized by rapidly evolving technology and intense competition. Many companies of all sizes, including a number of large technology companies, such as IBM, Siemens, Visanet and EDS, as well as several specialized healthcare information management companies, are developing similar products and services. There may be products on the market that do or will compete directly with the products and services that we have developed and are seeking to develop. These companies may also compete with us in recruiting qualified personnel. Many of our potential competitors have substantially greater financial, research and development, human and other resources than we do.

Furthermore, larger companies may have significantly more experience than we do in developing such products and services. Such competitors may: (i) develop more efficient and effective products and services; (ii) obtain patent protection or intellectual property rights that may limit our ability to commercialize our products or services; or (iii) commercialize products and services earlier than we do.

We expect technology developments in the healthcare information management and technology industry to continue to occur at a rapid pace. Commercial developments by any competitors may render some or all of our potential products or services obsolete or non-competitive, which could materially harm our business and financial condition.

We believe that the following Brazilian companies, which have developed or are developing various types of similar products or services, could be our major competitors: (i) Polimed Ltda and Dativa Ltda, now owned by Orizon, a wholly-owned subsidiary of Visanet, offer two modalities for authorization software. Visanet is 40% owned by Bradesco Bank, formerly our largest client; (ii) Connectmed, which offers Internet connectivity services; and (iii) Salutia, which offers a connectivity system with software to be installed and integrated to management systems, similar to our MedLink Solution Web and MedLink Solution Server and related technologies.

We believe, however, that our Health Management Information Products and related services and solutions for the healthcare providers and health insurance companies represent a unique approach and has certain competitive advantages as follows:

i) the MedLink Solution significantly reduces medical administrative procedures and costs through connecting in real time, individual healthcare provider locations to health insurance companies;

ii) irrespective of the choice of connectivity or the method of transmission, MedLink provides a secure and reliable service where healthcare providers can automatically verify patient eligibility, receive authorization for the performance of approved medical procedures and process a paperless claim electronically with each insurance provider it interacts with, provided they are subscribed to the network;

iii) once connected to the network, MedLink Solution provides numerous benefits to doctors and private health insurance companies including the automation of their paper-based clerical duties; and

iv) by using MedLink Solution, many of these cumbersome tasks can be processed electronically in seconds, virtually eliminating processing costs, paperwork, and the high risks associated with fraud.

GOVERNMENT REGULATION

As of the date of this Annual Report, none of our software products or services are regulated by the U.S. Department of Health. However, there is substantial state and federal regulation of the confidentiality of patient medical records and the circumstances under which such records may be used, disclosed to or processed by us as a consequence of our contacts with various healthcare providers and health insurance companies. Although compliance with these laws and regulations is presently the principal responsibility of covered entities, including hospitals, physicians or other healthcare providers, regulations governing patient confidentiality rights are rapidly evolving.

Additional federal and state legislation governing the dissemination of medical record information may be adopted which could have a material effect on our business. Those laws, including HIPAA and ICD 10 implementation, may significantly affect our future business and materially impact our product and service development, revenue and working capital. During the past several years, the healthcare industry also has been subject to increasing levels of governmental regulation of, among other things, reimbursement rates and certain capital expenditures. We are unable to predict what, if any, changes will occur as a result of such regulation.

INTELLECTUAL PROPERTY, PATENTS AND TRADEMARKS

Patents and other proprietary rights are vital to our business operations. Our policy is to seek appropriate copyright and patent protection both in the United States and abroad for our proprietary technologies and products. We have acquired the license to certain intellectual property as follows:

(i) "MedLink" registered trade name in Brazil under registration number 820986160 filed on August 17, 1998 with INPI Brazil; and

(ii) Source code for all of the MedLink Solutions, source nodes and Network processor source code.

Through intellectual property attorneys in the United States, we have been advised not to apply for copyright protection for our products but possibly to seek a process patent at a future date.

EMPLOYEES

Our subsidiary, Medlink Conectividade, employs approximately forty five (45) staff and contract personnel. Nineteen of these personnel are involved in operations, fourteen personnel are in development, eight personnel are classified as administrative or finance and four are involved in sales and marketing of our products. Our subsidiary added an additional eight staff during 2009. Our President/Chief Executive Officer and Chief Financial Officer are retained on a consulting basis and they are primarily responsible for all day-to-day operations.

ITEM 1A. RISK FACTORS

You should carefully consider the risks described below together with all of the other information included in this report before making an investment decision with regard to our securities. The statements contained in or incorporated into this annual report that are not historic facts are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those set forth in or implied by forward-looking statements. If any of the following risks actually occurs, our business, financial condition or results of operations could be harmed. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

RISKS RELATED TO OUR INDUSTRY

OUR BUSINESSES ARE SUBJECT TO FLUCTUATIONS IN OPERATING RESULTS DUE TO GENERAL ECONOMIC CONDITIONS, SPECIFIC ECONOMIC CONDITIONS IN THE INDUSTRIES IN WHICH THEY OPERATE AND OTHER EXTERNAL FORCES.

Our businesses and operations could be affected by the following, among other factors:

- changes in general economic conditions and specific conditions in industries in which our businesses operate that can result in the deferral or reduction of purchases by end-use customers;
- the loss of significant customers;
- market acceptance of new products and product enhancements;
- announcements, introductions and transitions of new products by us or our competitors;
- changes in pricing in response to competitive pricing actions;
- the level of expenditures on research and development and sales and marketing programs;
- our ability to achieve cost reductions; and
- rising interest rates.

IF WE FAIL TO INTRODUCE ENHANCEMENTS TO OUR EXISTING PRODUCTS OR TO KEEP ABREAST OF TECHNOLOGICAL CHANGES IN OUR MARKETS, OUR BUSINESS AND RESULTS OF OPERATIONS COULD BE ADVERSELY AFFECTED.

Although certain technologies in the industries that we occupy are well established, we believe our future success depends in part on our ability to enhance our existing products and develop new products in order to continue to meet customer demands. Our failure to introduce new or enhanced products on a timely and cost-competitive basis, or the development of processes that make our existing technologies or products obsolete, could harm our business and results of operations.

THE HEALTHCARE INFORMATION MANAGEMENT AND TECHNOLOGY MARKET IS HIGHLY FRAGMENTED AND CHARACTERIZED BY ON-GOING TECHNOLOGICAL DEVELOPMENTS, EVOLVING INDUSTRY STANDARDS AND RAPID CHANGES IN CUSTOMER REQUIREMENTS AND WE MAY NOT SUCCESSFULLY, OR IN A TIMELY MANNER, DEVELOP, ACQUIRE, INTEGRATE, INTRODUCE OR MARKET NEW PRODUCTS OR PRODUCT ENHANCEMENTS.

The healthcare information management and technology market is highly fragmented and characterized by on-going technological developments, evolving industry standards and rapid changes in customer requirements. Our success depends on our ability to timely and effectively: (i) offer a broad range of software products; (ii) enhance existing products and expand product offerings; (iii) respond promptly to new customer requirements and industry standards; (iv) remain compatible with popular operating systems and develop products that are compatible with the new or otherwise emerging operating systems; and (v) develop new interfaces with healthcare provider organizations to fully integrate our products and services in order to maximize features and functionality.

Our performance depends in large part on our ability to provide the increasing functionality required by our customers through the timely development and successful introduction of new products and enhancements to existing products. We may not successfully, or in a timely manner, develop, acquire, integrate, introduce or market new products or product enhancements.

Product enhancements or new products developed by us may not meet the requirements of hospital or other healthcare providers or health insurance companies or achieve or sustain market acceptance. Our failure to either estimate accurately the resources and related expenses required for a project, or to complete its contractual obligations in a manner consistent with the project plan upon which a contract is based, could have a material adverse effect on our business, financial condition, and results of operations. In addition, our failure to meet a customer's expectations in the performance of our services and products could damage our reputation and adversely affect our ability to attract new business.

THE BRAZILIAN GOVERNMENT REGULATES THE OPERATIONS OF BRAZILIAN INSURANCE COMPANIES, AND CHANGES IN PREVAILING LAWS AND REGULATIONS OR THE IMPOSITION OF NEW ONES MAY ADVERSELY AFFECT OUR OPERATIONS AND RESULTS

Brazilian insurance companies are subject to extensive and continuous regulatory review by the Brazilian Government. We have no control over government regulations which may affect our industry and our operations. The regulatory structure governing Brazilian insurance companies is continuously evolving, and the laws and regulations could be amended. Besides, the enforcement or interpretation of laws and regulations could change, and new laws and regulations could be adopted. Such changes could materially affect in a negative manner our operations and our results.

WE MAY BE REQUIRED TO MAKE SUBSTANTIAL CHANGES TO OUR PRODUCTS IF THEY BECOME SUBJECT TO GOVERNMENTAL REGULATION.

None of our Health Information Management Products are subject to regulation by the United States' federal government or Brazil. Computer products used or intended for use in the diagnosis, cure, mitigation, treatment or prevention of disease or other conditions or that affect the structure or function of the human body are subject to regulation by the U.S. Department of Health. In the future, however, the U.S. Department of Health could determine that some of our products (because of their predictive aspects) may be clinical decision tools and subject them to regulation. Compliance with Brazilian and U.S. Department of Health regulations such as TISS in Brazil and HIPAA in the United States of America ("U.S." or "United States") could be burdensome, time consuming and expensive.

Other new laws and regulations affecting healthcare software development and marketing could also be enacted in the future. If so, it is possible that our costs and the length of time for product development and marketing could increase and that other unforeseeable consequences could arise.

GOVERNMENT REGULATION OF HEALTHCARE INFORMATION DELIVERY SYSTEMS MAY AFFECT HEALTHCARE PROVIDERS' DECISIONS WHICH COULD RESULT IN UNPLANNED PRODUCT ENHANCEMENTS, DELAYS, OR CANCELLATIONS OF PRODUCT ORDERS OR SHIPMENTS, OR REDUCE THE NEED FOR CERTAIN SYSTEMS.

During the past several years, the healthcare industry within the United States and other countries has been subject to changing political, economic and regulatory influences and to increasing levels of governmental regulation. These regulations, if enacted, could change the operating environment for any of our customers within Brazil that could have a negative impact on our business, financial condition and results of operations. We are unable to predict what, if any, changes will occur.

Changes in current healthcare financing, reimbursement systems and procurement practices could result in unplanned product enhancements, delays, or cancellations of product orders or shipments, or reduce the need for certain systems.

Consolidation in the healthcare industry, particularly in the hospital and managed care markets, could decrease the number of potential purchasers of our Health Information Management Products and adversely affect our business. In addition, the decision to purchase such products generally involves a committee approval. Consequently, it is difficult for us to predict the timing or outcome of the buying decisions of our potential customers.

WE MAY EXPERIENCE PRICE REDUCTIONS, REDUCED GROSS MARGINS AND LOSS OF MARKET SHARE IF WE ARE UNABLE TO SUCCESSFULLY COMPETE.

Competition for our products and services is intense and is expected to increase. Increased competition could result in reductions in our prices, gross margins and market share, and could have a material adverse effect on our business, financial condition and results of operations. We compete with other providers of healthcare information software and services, as well as healthcare consulting firms. Some competitors may have formed business alliances with other competitors that may affect our ability to work with some potential customers. In addition, if some of our competitors merge, a stronger competitor may emerge. Some principal competitors include: Orizon, Connectmed and Salutia, major software information systems companies, including those specializing in the healthcare industry, may not presently offer competing products but may in the future enter our market. Many of our competitors and potential competitors have significantly greater financial, technical, product development, marketing and other resources, and market recognition than we have.

Many of these competitors also have, or may develop or acquire, substantial installed customer bases in the healthcare industry. As a result of these factors, our competitors may be able to respond more quickly to new or emerging technologies, changes in customer requirements, and changes in the political, economic or regulatory environment in the healthcare industry. These competitors may be in a position to devote greater resources to the development, promotion and sale of their products than we can. We may not be able to compete successfully against current and future competitors, and such competitive pressures could materially adversely affect our business, financial condition and operating results.

RISKS RELATING TO OUR BUSINESS

WE HAVE BEEN THE SUBJECT OF A GOING CONCERN OPINION FROM OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM, WHICH MEANS THAT WE MAY NOT BE ABLE TO CONTINUE OPERATIONS UNLESS WE OBTAIN ADDITIONAL FUNDING FOR OUR CURRENT AND FUTURE WORKING CAPITAL NEEDS.

Our financial statements have been subject to a "going concern" opinion by our independent registered public accounting firm for fiscal years ended December 31, 2009 and 2008. Management believes that we will need additional working capital to be successful and to service our current debt for the coming year and, therefore, our continuation as a going concern is dependent upon obtaining the additional working capital necessary to accomplish our objectives. Our inability to obtain adequate financing may result in the need to curtail business operations and you could lose your entire investment. Our consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Management anticipates that we will incur net losses for the immediate future, and expects our operating expenses to increase. As a result, we will need to generate increased monthly revenue if we are to continue as a going concern. To the extent that we do not generate sufficient revenues, that we do not obtain additional funding, that our stock price does not increase, and that we are unable to adjust operating expense levels accordingly, we may not have the ability to continue on as a going concern.

WE HAVE A WORKING CAPITAL DEFICIT AT DECEMBER 31, 2009 AND IF WE ARE UNABLE TO RAISE ADDITIONAL CAPITAL WE WILL NEED TO CURTAIL BUSINESS OPERATIONS.

We had a working capital deficit of $6,007,080 and $4,581,205 at December 31, 2009 and 2008, respectively. At December 31, 2009, we have an accumulated deficit of $17,056,011. We have relied on external financing and cash flow from operations to fund our working capital needs. As at December 31, 2009, we had $21,813 in cash on hand, total current assets were $828,352, and our total current liabilities were $6,835,432. We will need to raise additional capital to fund our anticipated operating expenses and future expansion. Among other things, external financing may be required to cover our operating costs. Unless we achieve profitable operations, it is unlikely that we will be able to secure additional financing from external sources. If we are unable to secure additional financing, we believe that we will not have sufficient funds to continue operations. If we do not sell our operating subsidiary, we estimate that we will require $1,000,000 to $3,000,000 of financing to fund our anticipated operating expenses for the next twelve (12) months. The sale of our common stock to raise capital may cause dilution to our existing shareholders. Any of these events would be materially harmful to our business and may result in a lower stock price. Our inability to obtain adequate financing will result in the need to curtail business operations and you could lose your entire investment. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty.

WE WILL REQUIRE ADDITIONAL FUND AND FUTURE ACCESS TO CAPITAL IS UNCERTAIN AND WE MAY HAVE TO DELAY, REDUCE OR ELIMINATE CERTAIN BUSINESS OPERATIONS.

It is expensive to develop and commercialize Health Information Management Products. We plan to continue to conduct research and development, which is costly. Our product development efforts may not lead to new commercial products, either because our products fail to be found effective or because we lack the necessary financial or other resources or relationships to pursue commercialization. Our capital and future revenues may not be sufficient to support the expenses of our business operations and the development of commercial infrastructure. We may need to raise additional capital to: (i) fund operations; (ii) continue the research and development of Health Information Management Products; and (iii) commercialize our products.

We may not be able to obtain additional financing on favorable terms or at all. If we are unable to raise additional funds, we may have to delay, reduce or eliminate certain business operations. If we raise additional funds by issuing equity securities, further dilution to our existing stockholders will result.

BECAUSE WE ARE DEPENDENT UPON A FEW MAJOR CUSTOMERS FOR SUBSTANTIALLY ALL OF OUR CURRENT SALES, THE LOSS OF ANY ONE OF THEM WOULD REDUCE OUR REVENUES, LIQUIDITY

AND HINDER OUR ABILITY TO BECOME PROFITABLE, AS SUCH, WE MAY HAVE TO CEASE OPERATIONS AND INVESTORS MAY LOSE THEIR INVESTMENT.

Significant portions of our revenues to date have been, and will continue to be, made through a small number of significant customers. We had net revenues from two and three major customers during the years ended December 31, 2009 and 2008 that accounted for approximately 75%, or $3,219,000,and 88%, or $5,410,000 of the net revenues for the years ended December 31, 2009 and 2008, respectively. In 2009, the two major customers accounted for 62% and 13% of net revenues, respectively. In 2008, three major customers accounted for 38%, 40% and 10% of net revenues, respectively. At December 31, 2008, these two major customers accounted for 18% and 48%, respectively, of the total accounts receivable balance outstanding. At December 31, 2009, the same major customers accounted for 62% and 13%, respectively, of the total accounts receivable balance outstanding.

During December 2008, Bradesco, which was formerly our largest customer, terminated its relationship with the Company. The Company has entered into a number of new contracts that began generating revenue in 2009. These revenues have partially offset the loss of Bradesco revenue.

MEDLINK CONECTIVIDADE HAS AN OUTSTANDING LIABILITY TO THE BRAZILIAN GOVERNMENT FOR SALES, PAYROLL AND OTHER TAXES IN ARREARS. FAILURE TO PAY SUCH PAYROLL AND SOCIAL SECURITY TAXES TO THE BRAZILIAN AUTHORITIES WHEN REQUIRED TO DO SO COULD RESULT IN ADDITIONAL LIABILITIES.

Since 2000, we have been deficient in the payment of Brazilian sales, payroll and other taxes. At December 31, 2009 and 2008, these deficiencies (including interest and fines) amounted to approximately $3,224,000 and $1,180,000, respectively. These tax liabilities are included as part of the current and long-term accounts payable and accrued expenses within the December 31, 2009 and 2008 consolidated balance sheets.

In 2009, the Company submitted to the Brazilian government a request to pay out the federal taxes pursuant to a recently enacted law issued on May 27, 2009, which refinanced all federal tax debts due by November 30, 2008. The Company's request was granted by the government on November 16, 2009. The monthly amount to be paid for the taxes due has not yet been determined by the government. There is no certainty that the Brazilian authorities will enter into a similar plan in the future.

FAILURE TO ACCURATELY ASSESS, PROCESS OR COLLECT HEALTHCARE CLAIMS OR ADMINISTER CONTRACTS COULD SUBJECT US TO COSTLY LITIGATION AND FORCE US TO MAKE COSTLY CHANGES TO OUR PRODUCTS.

Our products and services are used in the payment, collection, coding and billing of healthcare claims and the administration of managed care contracts. If our products and services fail to accurately assess, possess or collect these claims, customers could file claims against us. As of the date of this Annual Report, we do not carry insurance coverage to cover such claims or, if we carry such insurance coverage in the future, such insurance coverage may not be adequate to cover such claims. A successful claim that is not covered by or is in excess of insurance coverage could adversely affect our business, financial condition, and results of operations. Even a claim without merit could result in significant legal defense costs and could consume management time and resources.

In addition, claims could increase insurance premiums such that appropriate insurance cannot be found at commercially reasonable rates. Furthermore, if we were found liable, we may have to significantly alter one or more of our products, possibly resulting in additional unanticipated research and development costs.

THE NATURE OF OUR PRODUCTS MAKES US VULNERABLE TO UNDETECTED ERRORS THAT COULD REDUCE REVENUES, MARKET SHARE OR DEMAND.

Health Information Management Products may contain errors or failures, especially when initially introduced or when new versions are released. Although we conduct extensive testing of our products and services, software errors could be discovered in certain enhancements and products after their introduction. Despite such testing by us and by our current and potential customers, products under development, enhancements or shipped products may contain errors or performance failures resulting in, among other things: (i) loss of customers and revenue; (ii) delay in market acceptance; (iii) diversion of resources; (iv) damage to our reputation; or (v) increased service costs. Any of these consequences could have a material adverse effect on our business, financial condition and results of operations.

THE INABILITY TO PROTECT OUR INTELLECTUAL PROPERTY COULD LEAD TO UNAUTHORIZED USE OF OUR PRODUCTS.

We rely on a combination of trade secrets, copyright and trademark laws, nondisclosure, non-compete and other contractual provisions to protect our proprietary rights. Measures taken by us to protect our intellectual property may not be adequate, and our competitors could independently develop products and services that are substantially equivalent or superior to our products and services. Any infringement or misappropriation of our proprietary software and databases could put us at a competitive disadvantage in a highly competitive market and could cause us to lose revenues, incur substantial litigation expense, and divert management's attention from other operations. Intellectual property litigation is increasingly common in the software industry.

Therefore, the risk of an infringement claim against us may increase over time as the number of competitors in the industry segment grows and the functionality of products overlaps. Third parties could assess infringement claims against us in the future. Regardless of the merits, we could incur substantial litigation expenses in defending any such asserted claim. In the event of an unfavorable ruling on any such claim, such an infringement may result in significant monetary liabilities that could have a material adverse effect on the business.

In the event of an unfavorable ruling on any such claim, a license or similar agreement may also not be available to use on reasonable terms, if at all. We may not be successful in the defense of these or similar claims.

FAILURE TO RETAIN KEY PERSONNEL COULD IMPEDE OUR ABILITY TO COMMERCIALIZE OUR PRODUCTS, MAINTAIN THE LICENSE AGREEMENT OR OBTAIN SOURCES OF FUNDS.

We depend to a significant extent on the efforts of Mr. Stephen Walters, our President, Chief Executive Officer and director, and on the efforts of our research and development personnel. The development of Health Information Management Products requires expertise from a number of different disciplines, some of which are not widely available. The quality and reputation of our research and development personnel, including our executive officers, and their success in performing their responsibilities, may directly influence our success. In addition, Mr. Walters is involved in a broad range of critical activities, including providing strategic and operational guidance. The loss of Mr. Walters or our inability to retain or recruit other key management and research and development personnel may delay or prevent us from achieving our business objectives. We face intense competition for personnel from other companies, public and private research institutions, government entities and other organizations In addition, we do not maintain any key man life insurance policies on Mr. Walters.

IF WE FAIL TO MAINTAIN THE ADEQUACY OF OUR INTERNAL CONTROLS, OUR ABILITY TO PROVIDE ACCURATE FINANCIAL STATEMENTS AND COMPLY WITH THE REQUIREMENTS OF THE SARBANES-OXLEY ACT OF 2002 COULD BE IMPAIRED, WHICH COULD CAUSE OUR STOCK PRICE TO DECREASE SUBSTANTIALLY.

We have committed limited personnel and resources to the development of the external reporting and compliance obligations that would be required of a public company. Recently, we have taken measures to address and improve our financial reporting and compliance capabilities and we are in the process of instituting changes to satisfy our obligations in connection with being a public company. Prior to taking these measures, we did not believe we had the resources and capabilities to do so. We plan to obtain additional financial and accounting resources to support and enhance our ability to meet the requirements of being a public company. We will need to continue to improve our financial and managerial controls, reporting systems and procedures, and documentation thereof. If our financial and managerial controls, reporting systems or procedures fail, we may not be able to provide accurate financial statements on a timely basis or comply with the Sarbanes-Oxley Act of 2002 as it applies to us. Any failure of our internal controls or our ability to provide accurate financial statements could cause the trading price of our common stock to decrease substantially.

RISKS RELATED TO DOING BUSINESS IN BRAZIL

BRAZILIAN POLITICAL AND ECONOMIC CONDITIONS HAVE DIRECT IMPACT ON OUR BUSINESS AND ON THE MARKET VALUE OF OUR STOCK

All of our operations and clients are located in Brazil. Accordingly, our financial condition and results of operations are substantially dependent on the Brazilian economy, which in the past has been characterized both by frequent intervention of the Brazilian Government and volatile economic cycles. In addition, our financial condition and the market value of our stock may also be adversely affected by changes in policies involving exchange and tax controls, as well as factors such as: fluctuations in exchange rates, interest rates, inflation rates and other political, diplomatic, social and economic events inside and outside Brazil that affect the country.

We cannot control or predict which measures or policies the Brazilian Government may take in response to the current or future situation of the Brazilian economy or how these measures or policies may affect the Brazilian economy and, both directly and indirectly, our operations and revenues.

IF BRAZIL UNDERGOES A PERIOD OF HIGH INFLATION IN THE FUTURE, OUR REVENUES AND THE MARKET VALUE OF OUR STOCK MAY BE REDUCED

In the last 15 years, Brazil has faced periods of extremely high inflation rates. Brazil's inflation rates were 1.2% in 2005, 3.8% in 2006, 7.9% in 2007, 6.3% in 2008 and 4.9% in 2009. Inflation and governmental measures to combat it have had significant negative effects on the Brazilian economy in past years. Public speculation about possible future measures has also contributed to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets. If Brazil suffers a period of high inflation in the future, our costs may increase, our operating and net margins may decrease and, if investor's confidence lags, the price of our stocks may drop. Inflationary pressures may curtail our ability to access foreign financial markets and may occasionally lead to further government interventions in the economy, including the implementation of policies that may adversely affect the overall performance of the Brazilian economy.

ACCESS TO INTERNATIONAL CAPITAL MARKETS BY COMPANIES OPERATING IN BRAZIL IS INFLUENCED BY THE PERCEPTION OF RISK IN EMERGING ECONOMIES WHICH MAY HARM OUR ABILITY TO FINANCE OUR OPERATIONS

The market of securities issued by companies operating in Brazil is influenced by economic and market conditions in Brazil and, at different levels, by the market conditions in other Latin American countries and other emerging countries. Although economic conditions in these countries may significantly differ from the Brazilian economic conditions, the investors' reaction to events in these countries may have an adverse effect on the market value of the Brazilian companies' securities. Crises in other emerging countries or economic policies in other countries, especially in the United States and European Union countries, may reduce the demand of investors for Brazilian companies' securities, including ours. Any of the events described above may negatively affect the market price of our stocks and make harder, or even prevent, our access to capital markets and our financing in future operations in acceptable conditions.

RISKS RELATED TO OUR COMMON STOCK

MARKET VOLATILITY MAY AFFECT OUR STOCK PRICE AND THE VALUE OF A SHAREHOLDER'S INVESTMENT IN OUR COMMON STOCK MAY BE SUBJECT TO SUDDEN DECREASES.

The trading price for our shares of common stock has been, and we expect it to continue to be, volatile. The price at which our common stock trades depends on a number of factors, including the following, many of which are beyond our control:

(i) historical and anticipated operating results, including fluctuations in financial and operating results;

(ii) the market perception of the prospects for health information management network solutions companies as an industry sector;

(iii) general market and economic conditions;

(iv) changes in government regulations affecting product approvals, reimbursement or other aspects of our and/or competitors' businesses;

(v) announcements of technological innovations or new commercial products by us or our competitors; (vi) developments concerning our contractual relations with our executive officers, executive management and intellectual property rights; and

(vii) announcements regarding significant collaborations or strategic alliances.

(viii) The sale of our 45% interest in Transax Limited.

In addition, the stock market has from time to time experienced extreme price and volume fluctuations. These broad market fluctuations may lower the market price of our common stock and affect the volume of trading in the stock. During periods of stock market price volatility, share prices of many health information management network solution companies have often fluctuated in a manner not necessarily related to their individual operating performance. Accordingly, our common stock may be subject to greater price volatility than the stock market as a whole. See "Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities."

FUTURE SALES BY OUR STOCKHOLDERS MAY ADVERSELY AFFECT OUR STOCK PRICE AND OUR ABILITY TO RAISE FUNDS IN NEW STOCK OFFERINGS ALONG WITH INCREASING OUR NUMBER OF COMMON SHARES AUTHORIZED.

Sales of our common stock in the public market could lower the market price of our common stock. Sales may also make it more difficult for us to sell equity securities or equity-related securities in the future at a time and price that our management deems acceptable or at all. Of the 91,662,293 shares of common stock outstanding as of the date of this Annual Report, 44,434,971 shares are freely tradable without restriction. The remaining 47,227,322 shares of common stock held by existing stockholders, including the officers and directors, are "restricted securities" and may be resold in the public market only if registered or pursuant to an exemption from registration. Some of these shares may be resold under Rule 144. In addition, as of December 31, 2009, if exercised or converted, we may issue up to 5,000,000 shares of common stock underlying the warrants, up to 1,950,000 shares underlying stock options, 900,625,000 shares underlying our Series A Preferred stock, and up to 1,400,000 shares of common stock upon conversion of related party debt. Currently, we only have 100,000,000 common shares authorized and we may be required to increase the number of common shares authorized by the Company or otherwise modify our capital structure.

THERE ARE A LARGE NUMBER OF SHARES UNDERLYING OUR SERIES A PREFERRED STOCK THAT MAY BE AVAILABLE FOR FUTURE SALE AND THE SALE OF THESE SHARES MAY DEPRESS THE MARKET PRICE OF OUR COMMON STOCK.

As of the date of this Annual Report, we have 91,662,293 shares of common stock issued and outstanding and 14,243 shares of our Series A Preferred stock issued and outstanding. In addition, the number of shares of common stock issuable upon conversion of the outstanding Series A Preferred stock may increase if the market price of our stock declines. All of the shares, including all of the shares issuable upon conversion of the Series A Preferred Shares, may be sold without restriction. The sale of these shares may adversely affect the market price of our common stock.

THE CONTINUOUSLY ADJUSTABLE CONVERSION PRICE FEATURE OF OUR SERIES A PREFERRED STOCK COULD REQUIRE US TO ISSUE A SUBSTANTIALLY GREATER NUMBER OF SHARES, WHICH WILL CAUSE DILUTION TO OUR EXISTING SHAREHOLDERS.

The number of shares of common stock issuable upon conversion of our Series A Preferred Stock will increase if the market price of our common stock declines, which will cause dilution to our existing stockholders. Our obligation to issue shares upon conversion of our Series A Preferred Stock is essentially limitless if the trading price per common share declines towards zero as the number of Series A Preferred Stock convertible into common stock is based on the trading price per common share.

THE CONTINUOUSLY ADJUSTABLE CONVERSION PRICE FEATURE OF OUR SERIES A PREFERRED STOCK MAY ENCOURAGE INVESTORS TO MAKE SHORT SALES IN OUR COMMON STOCK, WHICH COULD REDUCE THE PRICE OF OUR COMMON STOCK.

The shares of Series A Preferred Stock are convertible into common stock at any time by dividing the dollar amount being converted by the lower of $0.192 or eighty percent (80%) of the lowest daily volume weighted average of our common stock, as determined by price quotations from Bloomberg, LP, during the ten (10) trading days immediately preceding the date of conversion.

The significant downward pressure on the price of the common stock as the selling stockholder converts and sells material amounts of common stock could encourage short sales by investors. This could place further downward pressure on the price of the common stock. In addition, not only the sale of shares issued upon conversion of preferred stock, but also the mere perception that these sales could occur, may adversely affect the market price of the common stock.

THE HOLDER OF THE SERIES A PREFERRED STOCK HAS THE OPTION OF CONVERTING THE PRINCIPAL OUTSTANDING INTO SHARES OF OUR COMMON STOCK. IF THE HOLDER CONVERTS ADDITIONAL SHARES OF SERIES A PREFERRED STOCK, THERE WILL BE DILUTION OF YOUR SHARES OF OUR COMMON STOCK.

The conversion of the Series A Preferred Stock will result in dilution to the interests of other holders of our common stock since the holders may ultimately convert the full amount of the Series A Preferred Stock and sell all of these shares into the public market.

The following table sets forth the number and percentage of shares of our common stock that would be issuable if the holders of the shares of Series A Preferred Stock converted at conversion prices of $0.05, $0.03, $0.01 and $0.005 (the conversion price shall be equal to the lesser of (i) $0.192 or (ii) eighty percent (80%) of the lowest daily volume weighted average price ("VWAP") of the common stock during the ten (10) Trading Days immediately preceding the date of conversion):

CONVERSION PRICE	NUMBER OF SHARES ISSUABLE ON CONVERSION (1)	PERCENTAGE OF ISSUED AND OUTSTANDING (2)
$0.05	28,486,000	23.71%
$0.03	47,476,666	34.12%
$0.01	142,430,000	60.84%
$0.005	284,860,000	75.66%
$0.001	1,424,300,000	93.95%

(1) Represents the number of shares issuable if 14,243 shares of Series A Preferred Stock were converted at the corresponding conversion price.

(2) Represents the percentage of the total outstanding common stock that the shares issuable on conversion of the shares of Series A Preferred Stock without regard to any contractual or other restriction on the number of securities the stockholder may own at any point in time and based on 91,662,293 shares issued and outstanding as of the date of this Annual Report.

OUR COMMON STOCK IS SUBJECT TO THE "PENNY STOCK" RULES OF THE SECURITIES AND EXCHANGE COMMISSION AND THE TRADING MARKET IN OUR SECURITIES IS LIMITED, WHICH MAKES TRANSACTIONS IN OUR STOCK CUMBERSOME AND MAY REDUCE THE VALUE OF AN INVESTMENT IN OUR STOCK.

The Securities and Exchange Commission has adopted Rule 15g-9 which establishes the definition of a "penny stock", for the purposes relevant to us, as any equity security that has a market price of less than $5.00 per share or with an exercise price of less than $5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require: (i) that a broker or dealer approve a person's account for transactions in penny stocks; and (ii) the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must: (i) obtain financial information and investment experience objectives of the person; and (ii) make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the SEC relating to the penny stock market, which, in highlight form: (i) sets forth the basis on which the broker or dealer made the suitability determination; and (ii) that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

WE MAY BE EXPOSED TO POTENTIAL RISKS RELATING TO OUR INTERNAL CONTROLS OVER FINANCIAL REPORTING AND OUR ABILITY TO HAVE THOSE CONTROLS ATTESTED TO BY OUR INDEPENDENT AUDITORS.

As directed by Section 404 of the Sarbanes-Oxley Act of 2002 ("SOX 404"), the Securities and Exchange Commission adopted rules requiring small business issuers, such as us, to include a report of management on our internal controls over financial reporting in our annual reports for fiscal years ending on or after December 15, 2010. We are in the process of instituting changes to satisfy our obligations in under the Sarbanes-Oxley Act. We will need to continue to improve our financial and managerial controls, reporting systems and procedures, and documentation thereof. If our financial and managerial controls, reporting systems or procedures fail, we may not be able to provide accurate financial statements on a timely basis or comply with the Sarbanes-Oxley Act. Any failure of our internal controls or our ability to provide accurate financial statements could cause the trading price of our common stock to decrease substantially.

A DECLINE IN THE PRICE OF OUR COMMON STOCK COULD AFFECT OUR ABILITY TO RAISE FURTHER WORKING CAPITAL AND ADVERSELY IMPACT OUR OPERATIONS.

A decline in the price of our common stock could result in a reduction in the liquidity of our common stock and a reduction in our ability to raise additional capital for our operations. Because a portion of our operations to date have been financed through the sale of equity securities, a decline in the price of our common stock could have an adverse effect upon our liquidity and our continued operations. A reduction in our ability to raise equity capital in the future would have a material adverse effect upon our business plan and operations, including our ability to continue our current operations. If our stock price declines, we may not be able to raise additional capital or generate funds from operations sufficient to meet our obligations.

THE TRADING PRICE OF OUR COMMON STOCK ON THE OTC BULLETIN BOARD AND THE OVER THE COUNTER PINK SHEET MARKET HAS BEEN AND MAY CONTINUE TO FLUCTUATE SIGNIFICANTLY AND STOCKHOLDERS MAY HAVE DIFFICULTY RESELLING THEIR SHARES.

During 2009, our common stock has traded as low as $0.0005 and as high as $0.007 In addition to volatility associated with Bulletin Board and Pink Sheet securities in general, the value of your investment could decline due to the impact of any of the following factors upon the market price of our common stock: (i) failure to meet our revenue or profit goals or operating budget; (ii) decline in demand for our common stock; (iii) downward revisions in securities analysts' estimates or changes in general market conditions; (iv) technological innovations by competitors or in competing technologies; (v) lack of funding generated from operations; (vi) investor perception of our industry or our prospects; and (vii) general economic trends.

In addition, stock markets have experienced price and volume fluctuations and the market prices of securities have been highly volatile. These fluctuations are often unrelated to operating performance and may adversely affect the market price of our common stock. As a result, investors may be unable to sell their shares at a fair price and you may lose all or part of your investment.

A MAJORITY OF OUR DIRECTORS AND OFFICERS ARE OUTSIDE THE UNITED STATES. THEREFORE, IT MAY BE DIFFICULT FOR INVESTORS WITHIN THE UNITED STATES TO ENFORCE ANY JUDGMENTS OBTAINED AGAINST US OR ANY OF OUR DIRECTORS OR OFFICERS.

A majority of our directors and officers are nationals and/or residents of countries other than the United States, and all or a substantial portion of such persons' assets are located outside the United States. As a result, it may be difficult for investors to effect service of process on our directors or officers, or enforce within the United States any judgments obtained against us or our officers or directors, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof. Consequently, you may be effectively prevented from pursuing remedies under U.S. federal securities laws against them. In addition, investors may not be able to commence an action in a foreign court predicated upon the civil liability provisions of the securities laws of the United States. The foregoing risks also apply to those experts identified in this prospectus that are not residents of the United States.

COLORADO LAW AND OUR ARTICLES OF INCORPORATION MAY PROTECT OUR DIRECTORS FROM CERTAIN TYPES OF LAWSUITS.

Colorado law provides that our officers and directors will not be liable to us or our stockholders for monetary damages for all but certain types of conduct as officers and directors. Our Bylaws permit us broad indemnification powers to all persons against all damages incurred in connection with our business to the fullest extent provided or allowed by law. The exculpation provisions may have the effect of preventing stockholders from recovering damages against our officers and directors caused by their negligence, poor judgment or other circumstances. The indemnification provisions may require us to use our limited assets to defend our officers and directors against claims, including claims arising out of their negligence, poor judgment, or other circumstances.

WE DO NOT ANTICIPATE PAYING ANY CASH DIVIDENDS.

We presently do not anticipate that we will pay any dividends on any of our capital stock in the foreseeable future. The payment of dividends, if any, would be contingent upon our revenues and earnings, if any, capital requirements, and general financial condition. The payment of any dividends is within the discretion of our Board of Directors. We presently intend to retain all earnings, if any, to implement our business plan; accordingly, we do not anticipate the declaration of any dividends in the foreseeable future.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. DESCRIPTION OF PROPERTIES

Except as described above, we do not own any other real estate or other properties. We lease office space in several locations as follows:

(i) United States: 1133 S. University Drive, Suite 210, Plantation, Florida, 33324 USA;

(ii) Brazil: Praia de Botafogo # 440, 4 andar, Botafogo 22250 040, Rio de Janeiro, RJ Brazil; and

(iii) Brazil: Av, Paulista, 726, conj. 1707, Bela Vista Sao Paulo, Brazil.

ITEM 3. LEGAL PROCEEDINGS

Our Brazilian subsidiary, Medlink Conectividade, is involved in litigation pertaining to a previous provider of consultancy services regarding "breach of contract" and two labor law suits involving employees for "unfair dismissal' claims. At December 31, 2009, we have accrued approximately $260,000 related to these lawsuits. The outcome of these clams is uncertain at this time.

Other than as disclosed above, we are not aware of any legal proceedings contemplated by any governmental authority or other party involving us or our subsidiaries or our intellectual properties. None of our directors, officers or affiliates is: (i) a party adverse to us in any legal proceedings; or (ii) has an adverse interest to us in any legal proceedings. We are not aware of any other legal proceedings pending or that have been threatened against us, our subsidiaries or our properties.

ITEM 4. (REMOVED AND RESERVED)

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET FOR COMMON EQUITY

Through December 3, 2009, shares of our common stock are traded on the Over-the-Counter Bulletin Board under the symbol "TNSX.OB". On November 24, 2009, we received notice from the Financial Industry Regulatory Authority ("FINRA") that our common stock would be removed from trading on the OTCBB effective December 3, 2009. We were informed that pursuant to FINRA Rule 6350(e) we had been delinquent in our reporting obligations for a third time in twenty four months, and therefore would be removed from the OTCBB at the open of trade on December 3, 2009. Effective December 3, 2009, our common stock will be traded on the Over the Counter Pink Sheet Market. The market for our common stock is limited, and can be volatile. The following table sets forth, for the periods indicated, the reported high and low closing bid quotations for our common stock by calendar quarters during 2008 and 2009 and the first quarter of 2010 as quoted on FINRA. These quotations reflect inter-dealer prices without retail mark-up, mark-down, or commissions, and may not reflect actual transactions.

	2008	2009	2010

	Low	High	Low	High	Low	High
First quarter	$0.005	$0.067	$0.0005	$0.002	$0.0012	$0.007
Second quarter ...	0.002	0.030	0.0005	0.0033		
Third quarter	0.002	0.010	0.0012	0.0070		
Fourth quarter ...	0.0006	0.004	0.0013	0.0069		

On April 8, 2010, the last sale price of our common stock as reported on the OTCBB was $0.002.

SHAREHOLDERS

As of the date of this Annual Report, we have approximately 177 shareholders of record, which does not include shareholders whose shares are held in "street" or nominee names. We believe that there are approximately 800 beneficial owners of our common stock.

DIVIDEND POLICY

No dividends have ever been declared by the Board of Directors on our common stock. Our losses do not currently indicate the ability to pay any cash dividends, and we do not indicate the intention of paying cash dividends either on our common stock in the foreseeable future. There are no restrictions in our articles of incorporation or by-laws that prevent us from declaring dividends. The Nevada Revised Statutes, however, do prohibit us from declaring dividends where, after giving effect to the distribution of the dividend, we would not be able to pay our debts as they become due in the usual course of business or our total assets would be less than the sum of our total liabilities plus the amount that would be needed to satisfy the rights of stockholders who have preferential rights superior to those receiving the distribution.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER COMPENSATION PLANS

We have one equity compensation plan, the Transax International Limited Stock Option Plan (the "Stock Option Plan"). The table set forth below presents the securities authorized for issuance with respect to the Stock Option Plan under which equity securities are authorized for issuance as of December 31, 2009:

	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (A)	WEIGHTED AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (B)	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN COLUMN (A)) (C)
Plan category			
Plans approved by shareholders:			
2004 Incentive Stock Option Plan .	1,950,000	$0.12	2,000,000
Plans not approved by shareholders			
Warrants	5,000,000	$0.25	n/a

STOCK OPTION PLAN

On July 22, 2003, our Board of Directors unanimously approved and adopted a stock option plan, and during fiscal year 2004, our Board of Directors unanimously approved and adopted a 2004 incentive stock option plan (collectively, the "Stock Option Plan"). The purpose of the Stock Option Plan is to advance our interests and those of our shareholders by affording our key personnel an opportunity for investment and the incentive advantages inherent in stock ownership. Pursuant to the provisions of the Stock Option Plan, stock options (the "Stock Options") will be granted only to our key personnel, generally defined as a person designated by our Board of Directors upon whose judgment, initiative and efforts we may rely including any of our directors, officers, employees or consultants. The Stock Option Plan provides authorization to our Board of Directors to grant Stock Options to purchase a total number of shares of our common stock not to exceed 4,500,000 shares and, in accordance with the provisions of the 2004 incentive stock option plan, an additional 2,500,000 shares for an aggregate of 7,000,000 shares.

The Stock Option Plan is to be administered by our Board of Directors, which shall determine (i) the persons to be granted Stock Options under the Stock Option Plan; (ii) the number of shares subject to each option, the exercise price of each Stock Option; and (iii) whether the Stock Option shall be exercisable at any time during the option period of ten (10) years or whether the Stock Option shall be exercisable in installments or by vesting only. At the time a Stock Option is granted under the Stock Option Plan, our Board of Directors shall fix and determine the exercise price at which shares of our common stock may be acquired; provided, however, that any such exercise price shall not be less than that permitted under the rules and policies of any stock exchange or over-the-counter market which are applicable.

In the event an optionee who is one of our directors or officers ceases to serve in that position, any Stock Option held by such optionee generally may be exercisable within up to ninety (90) calendar days after the effective date that his position ceases, and after such 90-day period any unexercised Stock Option shall expire. In the event an optionee who is one of our employees or consultants ceases to be employed by us, any Stock Option held by such optionee generally may be exercisable within up to sixty (60) calendar days (or up to thirty (30) calendar days where the optionee provided only investor relations services to us) after the effective date that his employment ceases, and after such 60- or 30-day period any unexercised Stock Option shall expire.

No Stock Options granted under the Stock Option Plan will be transferable by the optionee, and each Stock Option will be exercisable during the lifetime of the optionee subject to the option period of ten (10) years or limitations described above. Any Stock Option held by an optionee at the time of his death may be exercised by his estate within one (1) year of his death or such longer period as our Board of Directors may determine.

Unless restricted by the option agreement, the exercise price shall by paid by any of the following methods or any combination of the following methods: (i) in cash; (ii) by cashier's check, certified check, or other acceptable banker's note payable to us; (iii) by net exercise notice whereby the option holder will authorize the return to the Stock Option Plan pool, and deduction from the option holder's Stock Option, of sufficient Stock Option shares whose net value (fair value less option exercise price) is sufficient to pay the option price of the shares exercise (the fair value of the shares of the Stock Option to be returned to the pool as payment will be determined by the closing price of our shares of common stock on the date notice is delivered); (iv) by delivery to us of a properly executed notice of exercise together with irrevocable instructions (referred to in the industry as `delivery against payment') to a broker to deliver to us promptly the amount of the proceeds of the sale of all or a portion of the stock or of a loan from the broker to the option holder necessary to pay the exercise price; of (v) such other method as the option holder and our Board of Directors may determine as adequate including delivery of acceptable securities (including our securities), set-off for wages or invoices due, property, or other adequate value. In the discretion of our Board of Director, we may grant a loan or guarantee a third-party loan obtained by an option holder to pay part of all of the exercise option price of the shares provided that such loan or our guaranty is secured by the shares of common stock.

INCENTIVE STOCK OPTIONS

The Stock Option Plan further provides that, subject to the provisions of the Stock Option Plan and prior shareholder approval, our of Board of Directors may grant to any one of our key personnel who is an employee eligible to receive options one or more incentive stock options to purchase the number of shares of common stock allotted by our Board of Directors (the "Incentive Stock Options").

The option price per share of common stock deliverable upon the exercise of an Incentive Stock Option shall be no less than fair market value of a share of common stock on the date of grant of the Incentive Stock Option. In accordance with the terms of the Stock Option Plan, "fair market value" of the Incentive Stock Option as of any date shall not be less than the closing price for the shares common stock on the last trading day preceding the date of grant.

The option term of each Incentive Stock Option shall be determined by our Board of Directors, which shall not commence sooner than from the date of grant and shall terminate no later than ten (10) years from the date of grant of the Incentive Stock Option, subject to possible early termination as described above.

STOCK OPTIONS GRANTED AND EXERCISED

As of the date of this Annual Report, there are an aggregate of 1,950,000 Stock Options granted and outstanding.

COMMON STOCK PURCHASE WARRANTS

As of the date of this Annual Report, there are an aggregate of 5,000,000 common stock purchase warrants issued and outstanding.

RECENT SALES OF UNREGISTERED SECURITIES

During fiscal 2009, we issued 5,033,333 shares of its common stock upon conversion of 50 shares of Series A preferred stock.

On February 8, 2010, we issued 4,260,204 shares of its common stock upon conversion of 167 shares of Series A preferred stock.

The shares were issued pursuant to an exemption from registration under Section 4(2) of the 1933 Securities Act.

ITEM 6. SELECTED FINANCIAL DATA

As a smaller reporting company, we are not required to provide the information called for by Item 6 of Form 10-K.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The summarized consolidated financial data set forth in the tables below and discussed in this section should be read in conjunction with our consolidated financial statements and related notes for fiscal years ended December 31, 2009 and 2008, which financial statements are included elsewhere in this Annual Report.

RESULTS OF OPERATION

YEAR ENDED DECEMBER 31, 2009 COMPARED TO YEAR ENDED DECEMBER 31, 2008

	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008
REVENUES	$ 4,289.523	$ 6,119,046
OPERATING EXPENSES		
Cost of product support services	2,035,450	2,752,757
Compensation and related benefits	1,819,918	1,701,001
Professional fees	57,406	108,990
Management and consulting fees - related partiers	273,214	299,087
Investor relations	2,000	1,000
Depreciation and amortization	263,857	265,278
General and administrative	1,490,609	1,809,713
TOTAL OPERATING EXPENSES	5,942,454	6,937,826
LOSS FROM OPERATIONS	(1,652,931)	(818,780)
OTHER (EXPENSES) INCOME		
Foreign exchange loss	(9,327)	7,268
Gain from derivative liabilities	(343,259)	116,912
Interest expense	(751,917)	(316,409)
Interest expense - related parties	(44,917)	(42,068)
	(1,149,420)	(234,297)
LOSS BEFORE INCOME TAXES	(2,802,351)	(1,053,077)
PROVISION FOR INCOME TAXES	-	(43,565)
NET LOSS	(2,802,351)	(1,096,642)
OTHER COMPREHENSIVE LOSS		
Unrealized foreign currency translation gain (loss)	(481,025)	473,758
COMPREHENSIVE LOSS	$ (3,283,376)	$ (622,884)

Our net loss for the year ended December 31, 2009 was $2,802,351 compared to

$1,096,642 for the year ended December 31, 2008 (an increase of $1,705,709 or 156%).

During fiscal year ended December 31, 2009, we generated $4,289,523 in revenues compared to $6,119,046 in revenues generated during fiscal year ended December 31, 2008 (an decrease of $1,829,523 or 29.9%). The significant decrease in revenues is due to the loss of a major customer, Bradesco. The decrease in revenues from the loss of Bradesco was approximately $2,312,000 and was partially offset by an increase of revenues from new customers and increased revenues from existing customers of approximately $483,000. We continue the installation of our software and/or hardware devices containing our software at healthcare providers' locations in Brazil. Upon installation, we begin the processing of applications submitted by healthcare providers for approval of patients for healthcare services from the insurance carrier. We charge for these services on a per transaction basis. We processed approximately 8,452,000 "real time" transactions for the year ended December 31, 2009, of which 2,511,000 were from POS terminals, 891,000 from PC and PC servers, 4,282,000 were via our proprietary WEB solution, and 768,000 from our Interactive Voice Response solution. We undertook approximately 8,900,000 "real time" transactions during the year ended December 31, 2008, of which 4,800,000 were from POS terminals, 2,100,000 from PC servers, 900,000 from Interactive Voice Response and 1,100,000 from our proprietary WEB solution. The decrease in transaction volume for the year ended December 31, 2009 compared with the year ended December 31, 2008 was due to the non renewal of the Bradesco contract commencing January 1, 2009 being partially offset by new transactions from recently signed contracts and continued roll out of established contracts during the year ended December 31, 2009.

During the year ended December 31, 2009, we incurred operating expenses in the aggregate amount of $5,942,454 compared to $6,937,826 incurred during the year ended December 31, 2008 (a decrease of $995,372 or 14.4%). The decrease in operating expenses incurred during the year ended December 31, 2009 compared to the year ended December 31, 2008 resulted from: (i) a decrease of $717,307 or 26.1% in cost of product support services resulting from the decrease in revenues. Specifically, we had a decrease in consulting fees paid for development of approximately $244,000 and a decrease in data entry fees of $197,000; (ii) a decrease of $51,584 or 47.3% based on a decrease in the amount of professional fees incurred including a decrease in legal and auditing fees; (iii) a decrease of $25,873 or 8.6% in management and consulting fees-related parties due to a decrease in use of certain management and a director/consultant needed to handle our operations; (iv) a decrease of $319,104 or 17.6% in general and administrative expenses primarily resulting from a decrease in operating costs associated with our decreased business revenues in 2009. These decreases were offset by an increase of $118,917 or 7.0% in compensation and related benefits from the addition of sales personnel.

We reported a loss from operations of ($1,652,931) for fiscal year ended December 31, 2009 as compared to a loss from operations of ($818,780) for fiscal year ended December 31, 2008 (an increase of $834,151 or 101.2%).

During the year ended December 31, 2009, we incurred other expense of $1,149,420, compared to other expense of $234,297 during the year ended December 31, 2008 (an increase of $915,123). The variance for year ended December 31, 2009, compared to the year ended December 31, 2008 resulted primarily from the change in the fair value of the Company's derivative liabilities which was a gain of $116,912 in 2008, as compared to a loss in 2009 of $343,259. Additionally, for the year ended December 31, 2009, we incurred interest expense of $751,917 as compared to $316,409 for the year ended December 31, 2008, an increase of $435,508 or 137.6% primarily attributable to the recording of interest and related penalties incurred of approximately $346,000 on the Company's delinquent and outstanding sales, payroll and other taxes due as of December 31, 2009 of approximately $3.23 million.

For the year ended December 31, 2009, our loss was approximately $2,802,000 compared to $1,097,000 for the year ended December 31, 2008

During fiscal year ended December 31, 2009, we recorded a deemed and cumulative preferred stock dividend of $100,880 compared to $77,476 during fiscal year ended December 31, 2008, which is related to our Series A Preferred Stock.

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We reported a net loss attributable to common shareholders of approximately $2,903,000 for fiscal year ended December 31, 2009 as compared to $1,174,000 for fiscal year ended December 31, 2008. This translates to a loss per common share available to shareholders of $0.04 and $0.03 for fiscal years ended December 31, 2009 and 2008, respectively.

We recorded an unrealized foreign currency translation gain (loss) of $(481,025) and $473,758 for the years ended December 31, 2009 and 2008, respectively. This resulted in a comprehensive net loss during fiscal year ended December 31, 2009 of approximately $3,283,000 as compared to $623,000 during fiscal year ended December 31, 2008.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations and otherwise operate on an ongoing basis. At December 31, 2009 and 2008, we had cash balances of $21,813 and $25,676, respectively. These funds are located in financial institutions located as follows:

	DECEMBER 31, 2009		DECEMBER 31, 2008	
Country:				
United States	$ 2,745	12.6%	$22,649	88.2%
Brazil	19,068	87.4%	3,027	11.8%
Total cash and cash equivalents	$21,813	100.0%	$25,676	100.0%

As of December 31, 2009, our current assets were $828,352 and our current liabilities were $6,991,849, which resulted in a working capital deficit of $6,163,497. As of December 31, 2009, our total assets were $1,329,458 consisting of: (i) $21,813 in cash; (ii) $448,033 in prepaid expenses and other current assets; (iii) $358,506 in accounts receivable; (iv) $33,405 in net software development costs; and (v) $467,701 in net property and equipment. As at December 31, 2009, our total assets were $1,329,458 compared to $1,284,033 at December 31, 2008.

As of December 31, 2009, our total liabilities were $8,723,045 consisting of: (i) $4,363,678 in total accounts payable and accrued expenses(including $3,224,000 for delinquent sales, payroll and other taxes, penalties and interest); (ii) $572,722 due to related parties; (iii) $220,679 in convertible loan to related party; (iv) $419,462 in loan payable to related party; (v) $795,705 in current portion of loans payable; (vi) $1,696 in warrant liability; (vii) $1,348,157 in convertible feature liability; (viii) $63,246 in long-term loans payable; and (ix) $937,700 in deferred gain on sale of minority interest in subsidiary. As at December 31, 2009, our total liabilities were $8,723,045 compared to $5,458,442 at December 31, 2008.

Our stockholders' deficit increased from $4,174,409 at December 31, 2008 to $7,393,587 at December 31, 2009 principally due to the net loss incurred in fiscal 2009 of approximately $2.8 million.

For the year ended December 31, 2009, net cash flow used in operating activities was $95,984 compared to $919,011 for the year ended December 31, 2008. For the year ended December 31, 2009, net cash used in operating activities of $95,984 primarily consisted of our net loss of $2,802,351, the add back of non-cash items including a loss from derivative liabilities of $343,259, depreciation and amortization of $263,857, and the amortization of software maintenance costs of $114,491, and changes in operating assets and liabilities such as a decrease in accounts receivable of $125,004, an increase in accounts payable of accrued expenses (short-term) of $340,925 and accounts payable of accrued expenses (long-term) of $1,258,844, and an increase in amounts due to related parties of $269,596 offset by an increase in prepaid expense and other current assets of ($63,853). For the year ended December 31, 2008, net cash used in operating activities of $919,011 primarily consisted of our net loss of $1,096,642, the add back of non-cash items including a gain from derivative liabilities of ($116,912), depreciation and amortization of $464,117, deposit on sale of 45% of our interest in Transax Limited ($20,000), and change in operating assets and liabilities such as an increase in prepaid expense and other current assets of ($86,824), an increase in accounts payable and accrued expenses (short-term and long-term) of $7,099 and a decrease in due to related parties of $102,926.

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For the year ended December 31, 2009, net cash flows used in investing activities amounted to ($154,042) and related to the acquisition of property and equipment as compared to net cash provided by investing activities of $909,356 for the year ended December 31, 2008. During the year ended December 31, 2008, we received proceeds of $937,700 from the sale of a minority interest ownership (45%) in Transax Limited offset by the acquisition of property and equipment of $28,344.

Net cash flows provided by financing activities for the year ended December 31, 2009 were $243,130 compared to net cash flows used in financing activities of $9,674 for the year ended December 31, 2008. For the year ended December 31, 2009, cash provided by financing activities was attributable to $242,306 in proceeds from loans and proceeds of $80,000 from related party loans offset by the payment of capital lease obligations of $79,176. For the year ended December 31, 2008, cash used in financing activities was attributable to $215,326 in proceeds from loans offset by the repayment of convertible debt of $225,000.

PLAN OF OPERATION

Since our inception, we have funded operations through borrowings and equity sales in order to meet our strategic objectives. Our future operations are dependent upon external funding and our ability to increase revenues and reduce expenses. Management believes that sufficient funding will be available from additional related party borrowings and private placements to meet our business objectives including anticipated cash needs for working capital, for a reasonable period of time. However, there can be no assurance that we will be able to obtain sufficient funds to continue the development of our software products and distribution networks.

YA GLOBAL INVESTMENTS ("YA GLOBAL")

On January 13, 2006, we entered into an Investment Agreement with YA Global (collectively, the "Parties"), pursuant to which we sold YA Global up to 16,000 shares of Series A Convertible Preferred Stock, no par value, (the "Series A

Preferred Shares") for a total price of up to $1,600,000. The Series A Preferred Shares is is convertible, at YA Global's discretion, into shares of our common stock.

In connection with the Investment Agreement, the Parties entered into an Investor Registration Rights Agreement, dated January 13, 2006; the Company recorded a registration rights penalty expense of $160,000 that is included in accrued expenses on the accompanying consolidated balance sheet for non-performance under that agreement. Certain covenants in the Investment Agreement could substantially impact our ability to raise funds from alternative sources in the future. For example, so long as any Series A Preferred Shares are outstanding, we shall not, without the prior written consent of YA Global (a) directly or indirectly consummate any merger, reorganization, restructuring, reverse stock split consolidation, sale of all or substantially all of our assets or any similar transaction or related transactions; (b) incur any indebtedness for borrowed money or become a guarantor or otherwise contingently liable for any such indebtedness except for trade payables or purchase money obligations incurred in the ordinary course of business; (c) file any other registration statements on any form (including but not limited to forms S-1, SB-2, S-3 and S-8); (d) issue or sell shares of common stock or preferred stock without consideration or for a consideration per share less than the bid price of the common stock determined immediately prior to its issuance or issue any preferred stock, warrant, option, right, contract, call, or other security or instrument granting the holder thereof the right to acquire common stock without consideration or for a consideration per share less than the bid price of the common stock determined immediately prior to the issuance of such convertible security or (e) enter into any security instrument granting the holder a security interest in any and all of our assets.

During the year ended December 31, 2008, we issued 17,735,978 shares of our common stock to YA Global in connection with the conversion of 870 shares of Series A Preferred Stock. During fiscal 2009, we issued 5,033,333 shares of our common stock to YA Global upon conversion of 50 shares of Series A preferred stock. Subsequent to the year ended December 31, 2009, we issued 4,260,204 shares of our common stock to YA Global upon conversion of 167 shares of Series A preferred stock. See "PART II ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES".

As of the date of this Annual Report, there is substantial doubt regarding our ability to continue as a going concern as we have not generated sufficient cash flow to fund our business operations and material commitments. Our future success and viability, therefore, are dependent upon our ability to consummate the sale of our subsidiary, Medlink Connectividade and to subsequently further develop, provide and market our information network solutions to healthcare providers, health insurance companies and other end-users, and the continuing ability to generate capital financing. We are optimistic that we will be successful in our business operations and capital raising efforts; however, there can be no assurance that we will be successful in generating revenue or raising additional capital. The failure to generate sufficient revenues or raise additional capital may have a material and adverse effect upon us and our shareholders.

We anticipate an increase in operating expenses over the next three years to pay costs associated with such business operations. We may need to raise additional funds. We may finance these expenses with further issuances of our common stock. We believe that any anticipated private placements of equity capital and debt financing, if successful, may be adequate to fund our operations over the next twelve months. Thereafter, we expect we will need to raise additional capital to meet long-term operating requirements. If we raise additional funds through the issuance of equity or convertible debt securities other than to current shareholders, the percentage ownership of our current shareholders would be reduced, and such securities might have rights, preferences or privileges senior to our existing common stock. In addition, additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available, or are not available with acceptable terms, we may not be able to conduct our business operations successfully. This eventuality could significantly and materially restrict our overall business operations.

Based upon a twelve (12) month work plan proposed by management, it is anticipated that such a work plan would require approximately $1,000,000 to $3,000,000 of financing designed to fund various commitments and business operations.

We believe that we can satisfy our cash requirements for the next twelve (12) months based on our ability to consummate the sale of our subsidiary, Medlink Connectividade, and to enter into additional financing arrangements as necessary. Our future success and viability are primarily dependent upon our current management to generate revenues from business operations and raise additional capital through further private offerings of our stock or loans from private investors. There can be no assurance, however, that we will be able to raise additional capital. Our failure to successfully raise additional capital will have a material and adverse affect upon us and our shareholders.

MATERIAL COMMITMENTS

CONVERTIBLE LOANS - RELATED PARTY

A material liability for us at December 31, 2009 is the aggregate principal amount of $175,000 and $45,679 in accrued interest due and owing to a related party in accordance with two convertible promissory notes (collectively, the "Convertible Promissory Note(s)"). The Convertible Promissory Notes are convertible into shares of our common stock at $0.125 per share together with a warrant to purchase our common stock at $0.25 per share for a period of two years. As of the date of this annual report, the Convertible Promissory Notes are deemed in default and due on demand. On August 5, 2009, we entered into a settlement agreement with Carlingford Investments Limited, ("Carlingford"), regarding the settlement of an aggregate amount of $60,000 of interest payable due and owing to Carlingford by issuing 30,000,0000 common shares.

LOAN - RELATED PARTY

A material liability for us at December 31, 2009 is the aggregate amount of $419,462 in principal and interest due and owing to Stephen Walters, our Chief Executive Officer (collectively, the "Loans"). The Loans are evidenced by a promissory note with an interest rate of 0.8% per month and are currently due on demand. For the year ended December 31, 2009 and 2008, we incurred $23,917 and $21,011, respectively, in interest related to these loans. At December 31, 2009 and 2008, $94,632 and $86,901 in interest and loan fees was accrued on these loans and the aggregate principal and interest amount due is $419,462 and $399,709, respectively. During the year ended December 31, 2009, we borrowed $80,000 which was used for working capital purposes.

CONSULTING AGREEMENT

A material liability for us at December 31, 2009 is the amounts due and owing as management fees to Stephen Walters, our Chief Executive Officer. For the year ended December 31, 2009 and 2008, we incurred $211,078 and $215,727, respectively, in management fees. At December 31, 2009 and 2008, $492,757 and

$274,646 in management fees and other expenses are payable to Mr. Walters. In accordance with the terms of an agreement effective July 2007, we pay monthly to Mr. Walters an aggregate amount of $17,500 as compensation for managerial and consulting services he provides.

ACCRUED TAXES AND RELATED EXPENSES

Since 2000, we have been deficient in the payment of Brazilian sales, payroll and other taxes. At December 31, 2009 and 2008, these deficiencies, plus interest and penalties, amounted to approximately $3,224,000 and $1,180,000, respectively. This liability is included as part of the accounts payable and accrued expenses (short-term and long-term) within the consolidated balance sheet. In 2009, the Company submitted to the Brazilian government a request to pay out the federal taxes pursuant to a recently enacted law issued on May 27, 2009, which refinanced all federal tax debts due by November 30, 2008. The Company's request was granted by the government on November 16, 2009. The monthly amount to be paid for the taxes due has not yet been determined by the government.

MEDLINK CONNECTIVIDADE LOAN PAYABLE AND OTHER LOANS PAYABLE

At December 31, 2009, significant liabilities for us are the several loans and credit lines with financial institutions in Brazil. The Brazil loans require monthly installment payments, bear interest at rates ranging from 28% to 42% per annum, are secured by certain receivables of Medlink Connectividade, and are due through July 2011. As of December 31, 2009 and December 31, 2008, the loans payable to these financial institutions and others aggregated approximately $860,000 and $664,000, respectively.

PURCHASE OF SIGNIFICANT EQUIPMENT

We do not intend to purchase any significant equipment during the next twelve months.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this Annual Report, we do not have any off-balance sheet arrangements that have or are reasonably like to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. The term "off-balance sheet arrangement" generally means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with us is a party, under which we have: (i) any obligation arising under a guarantee contract, derivative instrument or variable interest; or (ii) a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these 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. We continually evaluate our estimates, including those related to bad debts, recovery of long-lived assets, income taxes, and the valuation of equity transactions. We base our estimates on historical experience and on various other assumptions that we 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. Any future changes to these estimates and assumptions could cause a material change to our reported amounts of revenues, expenses, assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of the financial statements

We review the carrying value of property and equipment for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by the comparison of its carrying amount to the undiscounted cash flows that the asset or asset group is expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the property, if any, exceeds its fair market value.

Under the criteria set forth in Accounting Standards Codification Topic 985, "Costs of Computer Software to be Sold, Leased or Otherwise Marketed", capitalization of software development costs begins upon the establishment of technological feasibility of the software. The establishment of technological feasibility and the ongoing assessment of the recoverability of these costs require considerable judgment by management with respect to certain external factors, including, but not limited to, anticipated future gross product revenues, estimated economic life, and changes in software and hardware technology. Capitalized software development costs are amortized utilizing the straight-line method over the estimated economic life of the software not to exceed three years. We regularly review the carrying value of software development assets and a loss is recognized when the unamortized costs are deemed unrecoverable based on the estimated cash flows to be generated from the applicable software.

Revenue Recognition - Our revenues, which do not require any significant production, modification or customization for the Company's targeted customers and do not have multiple elements, is recognized when (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the Company's fee is fixed and determinable, and; (4) collectibility is probable.

Substantially all of our revenues are derived from the processing of applications by healthcare providers for approval of patients for healthcare services from insurance carriers. Our software or hardware devices containing our software are installed at the healthcare provider's location. We offer transaction services to authorize and adjudicate identity of the patient and obtain "real time" approval for any necessary medical procedure from the insurance carrier. Our transaction-based solutions provide remote access for healthcare providers to connect with contracted insurance carriers. Transaction services are provided through contracts with insurance carriers and others, which specify the services to be utilized and the markets to be served. Our clients are charged for these services on a per transaction basis. Pricing varies depending on the type of transactions being processed under the terms of the contract for which services are provided. Transaction revenues are recognized in the period in which the transactions are performed.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2009, FASB established the Accounting Standards Codification ("ASC") as the single source of authoritative accounting principles recognized by the FASB in the preparation of financial statements in conformity with the GAAP. The Codification will supersede all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification will become non-authoritative. The Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009. Adoption of the Codification had no impact on the Company's results of operations or financial position.

The Company adopted FASB ASC 815-10-65, which amends and expands previously existing guidance on derivative instruments to require tabular disclosure of the fair value of derivative instruments and their gains and losses. This ASC also requires disclosure regarding the credit-risk related contingent features in derivative agreements, counterparty credit risk, and strategies and objectives for using derivative instruments. The adoption of this ASC did not have a material impact on the Company's Consolidated Financial Statements.

The Company adopted FASB ASC 810-10-65 which amends previously issued guidance to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a non-controlling interest in a subsidiary, which is sometimes referred to as minority interest, is an ownership interest in the consolidated entity that should be reported as equity. Among other requirements, this Statement requires that the consolidated net earnings attributable to the parent and the non-controlling interest be clearly identified and presented on the face of the consolidated income statement. The adoption of the provisions in this ASC did not have a material impact on the Company's Consolidated Financial Statements.

The Company adopted FASB ASC 805-10, which establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in an acquiree and the goodwill acquired. The Company will apply ASC 805-10 to any business combinations subsequent to adoption.

The Company adopted FASB ASC 805-20, which amends ASC 805-10 to require that an acquirer recognize at fair value, at the acquisition date, an asset acquired or a liability assumed in a business combination that arises from a contingency if the acquisition-date fair value of that asset or liability can be determined during the measurement period. If the acquisition-date fair value of such an asset acquired or liability assumed cannot be determined, the acquirer should apply the provisions of ASC Topic 450, Contingences, to determine whether the contingency should be recognized at the acquisition date or after such date. The adoption of ASC 805-20 did not have a material impact on the Company's Consolidated Financial Statements.

In April 2009, the FASB updated the accounting standards for the recognition and presentation of other-than-temporary impairments. The standard amends existing guidance on other-than-temporary impairments for debt securities and requires that the credit portion of other-than-temporary impairments be recorded in earnings and the noncredit portion of losses be recorded in other comprehensive income. The standard requires separate presentation of both the credit and noncredit portions of other-than-temporary impairments on the financial statements and additional disclosures. This standard is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. At the date of adoption, the portion of previously recognized other-than-temporary impairments that represent the noncredit related loss component shall be recognized as a cumulative effect of adoption with an adjustment to the opening balance of retained earnings with a corresponding adjustment to accumulated other comprehensive income. The adoption of this standard did not have a material effect on the preparation of the Company's consolidated financial statements.

In May 2009, FASB issued FAS No. 165, "Subsequent Events," which was subsequently codified within ASC 855, "Subsequent Events." The standard establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. An entity should apply the requirements of ASC 855 to interim or annual financial periods ending after June 15, 2009. Adoption of this standard did not have a material impact on the Company's results of operations or financial position.

In June 2009, FASB updated the accounting standards related to the consolidation of variable interest entities ("VIEs"). The standard amends current consolidation guidance and requires additional disclosures about an enterprise's involvement in VIEs. The standard shall be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within the first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. The Company does not expect the adoption to have a material impact on the Company's results of operations or financial position.

In October 2009, the FASB concurrently issued the following ASC Updates:

o ASU No. 2009-14 - Software (Topic 985): Certain Revenue Arrangements That Include Software Elements. This standard removes tangible products from the scope of software revenue recognition guidance and also provides guidance on determining whether software deliverables in an arrangement that includes a tangible product, such as embedded software, are within the scope of the software revenue guidance.

o ASU No. 2009-13 - Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements. This standard modifies the revenue recognition guidance for arrangements that involve the delivery of multiple elements, such as product, software, services or support, to a customer at different times as part of a single revenue generating transaction. This standard provides principles and application guidance to determine whether multiple deliverables exist, how the individual deliverables should be separated and how to allocate the revenue in the arrangement among those separate deliverables. The standard also expands the disclosure requirements for multiple deliverable revenue arrangements.

These Accounting Standards Updates should be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with earlier application permitted. Alternatively, an entity can elect to adopt these standards on a retrospective basis, but both these standards must be adopted in the same period using the same transition method. The Company expects to apply this standard on a prospective basis for revenue arrangements entered into or materially modified beginning January 1, 2011. The Company is currently evaluating the potential impact these standards may have on its financial position and results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable for smaller reporting companies

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements begin on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

DISCLOSURE CONTROLS AND PROCEDURES

As required by Rule 13a-15 under the Exchange Act, our management, including Stephen Walters, our chief executive officer, and Adam Wasserman, our chief financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2009.

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Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating and implementing possible controls and procedures.

As discussed in more detail below, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures are ineffective as of December 31, 2009, due to material weaknesses that we identified in internal control over financial reporting.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act. Our management is also required to assess and report on the effectiveness of our internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 ("Section 404"). Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2009. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control - Integrated Framework. In our assessment of the effectiveness of internal control over financial reporting as of December 31, 2009, our management determined that material weaknesses existed as outlined below. A material weakness (within the meaning of PCAOB Auditing Standard No. 5) is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected in a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting. Therefore, our internal controls over financial reporting were not effective as of December 31, 2009.

Management identified material weaknesses. Management identified significant deficiencies related to (i) the U.S. GAAP expertise of our internal accounting staff, (ii) our internal audit functions; (iii) the absence of an Audit Committee as of December 31, 2009, and (iv) a lack of segregation of duties within accounting functions.

We began preparing to be in compliance with the internal control obligations, including Section 404, for our fiscal year ending December 31, 2009. Our internal accounting staff was primarily engaged in ensuring compliance with Brazil accounting and reporting requirements for our operating subsidiary and their U.S. GAAP knowledge was limited. As a result, majority of our internal accounting staff is relatively inexperienced with U.S. GAAP and the related internal control procedures required of U.S. public companies. Although our accounting staff is professional and experienced in accounting requirements and procedures generally accepted in Brazil, management has determined that they require additional training and assistance in U.S. GAAP matters. Management has determined that our internal audit function is also significantly deficient due to insufficient qualified resources to perform internal audit functions. Finally, management determined that the lack of an Audit Committee of our Board of Directors also contributed to insufficient oversight of our accounting and audit functions.

In order to correct the foregoing material weaknesses, we have taken the following remediation measures:

- We have committed to the establishment of effective internal audit functions, however, due to the scarcity of qualified candidates with extensive experience in U.S. GAAP reporting and accounting in the region, we were not able to hire sufficient internal audit resources before the end of 2009. However, we will increase our search for qualified candidates with assistance from recruiters and through referrals.

- We will consider searching for independent directors, with one qualified to serve on an audit committee to be established by our Board of Directors and we anticipate that our Board of Directors will also establish a compensation committee to be headed by one of the independent directors.

Due to our size and nature, segregation of all conflicting duties may not always be possible and may not be economically feasible. However, to the extent possible, we will implement procedures to assure that the initiation of transactions, the custody of assets and the recording of transactions will be performed by separate individuals.

We believe that the foregoing steps will remediate the significant material weaknesses identified above, and we will continue to monitor the effectiveness of these steps and make any changes that our management deems appropriate. Due to the nature of these material weaknesses in our internal control over financial reporting, there is a remote likelihood that misstatements which could be material to our annual or interim financial statements could occur that would not be prevented or detected.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Auditor Attestation

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in our internal controls over financial reporting during the fourth quarter of fiscal year 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCES

IDENTIFICATION OF DIRECTORS AND EXECUTIVE OFFICERS

All of our directors hold office until the next annual general meeting of the shareholders or until their successors are elected and qualified. Our officers are appointed by our board of directors and hold office until their earlier death, retirement, resignation or removal.

Our directors and executive officers, their ages, positions held are as follows:

NAME	AGE	POSITION WITH THE COMPANY
Stephen Walters	51	President, Chief Executive Officer and a Director
Laurie Bewes	57	Director
Adam Wasserman	45	Chief Financial Officer

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The following describes the business experience of each of our directors and executive officers, including other directorships held in reporting companies:

STEPHEN WALTERS is our President/Chief Executive Officer and a director. Mr. Walters currently is the President/Chief Executive Officer and a director of Transax. Mr. Walters has more than twenty (20) years of business experience. He is responsible for corporate development initiatives that have seen a successful restructuring of the predecessor company. Mr. Walters is also the founder and principal of the Carlingford Group of companies based in Singapore a private investment group undertaking investments in early stage companies. Mr. Walters possesses an in depth knowledge of the public markets having previously acted as President and Chief Executive Officer of US public company's since 2001.

LAURIE BEWES: Mr. Bewes currently is a director of Transax. Mr. Bewes hold a Bachelor of Business Administration and is a member of the Australian Institute of Company Directors. His business background over the past twenty (20) years includes joint ventures, business development, mergers, infrastructure privatization and start-ups across South America (Argentina and Brazil), Asia (Indonesia, Singapore and Malaysia) and Australia/New Zealand. Mr. Bewes has worked in various senior executive positions for companies such as P & O, ANL and TNT.

ADAM WASSERMAN has served as our Chief Financial Officer since February 2005 under the terms of the consulting agreement with his firm, CFO Oncall, Inc. Mr. Wasserman devotes a portion of his time to our company. Since November 1999, Mr. Wasserman has been CEO of CFO Oncall, Inc., a Weston, Florida based provider of consultant accounting services specializing in financial reporting, budgeting and planning, mergers and acquisitions, audit preparation services, accounting, automated systems, banking relations and internal controls. Mr. Wasserman has also served as the chief financial officer of Gold Horse International, Inc.

since July 2007. Mr. Wasserman has also served as the chief financial officer of Explorations Group Inc. (January 2002 until December 2005), Colmena Corp. (May 2003 until June 2004), China Wind Systems, Inc. (November 2007 to December 2008), Genesis Pharmaceuticals Enterprises, Inc. (October 2001 until October 2007), and other companies, all client companies of CFO Oncall, Inc. From June 1991 to November 1999 he was Senior Audit Manager at American Express Tax and Business Services, in Fort Lauderdale, Florida where his responsibilities included supervising, training and evaluating senior staff members, work paper review, auditing, maintaining positive client relations, preparation of tax returns and preparation of financial statements and the related footnotes. From September 1986 to May 1991, he was employed by Deloitte & Touche, LLP. During his employment, his significant assignments included audits of public (SEC reporting) and private companies, tax preparation and planning, management consulting, systems design, staff instruction, and recruiting. Mr. Wasserman holds a Bachelor of Science in Accounting from the State University of New York at Albany. He is a CPA (New York) and a member of The American Institute of Certified Public Accountants and is a director, treasurer and executive board member of Gold Coast Venture Capital Association.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

As of the date of this Annual Report, none of our directors or executive officers is or has been involved in any legal proceeding concerning (i) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (ii) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses) within the past five years; (iii) being subject to any order, judgment or decree permanently or temporarily enjoining, barring, suspending or otherwise limiting involvement in any type of business, securities or banking activity; or (iv) being found by a court, the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law (and the judgment has not been reversed, suspended or vacated).

AUDIT COMMITTEE

As of the date of this Annual Report, we have not appointed members to an audit committee and, therefore, the respective role of an audit committee has been conducted by our Board of Directors. When established, the audit committee's primary function will be to provide advice with respect to our financial matters and to assist our Board of Directors in fulfilling its oversight responsibilities regarding finance, accounting, tax and legal compliance.

The audit committee's primary duties and responsibilities will be to: (i) serve as an independent and objective party to monitor our financial reporting process and internal control system; (ii) review and appraise the audit efforts of our independent accountants; (iii) evaluate our quarterly financial performance as well as its compliance with laws and regulations; (iv) oversee management's establishment and enforcement of financial policies and business practices; and (v) provide an open avenue of communication among the independent accountants, management and our Board.

Our Board has considered whether the regulatory provision of non-audit services is compatible with maintaining the principal independent accountant's independence.

AUDIT COMMITTEE FINANCIAL EXPERT

As of the date of this Annual Report, our Board has determined that we do not have an audit committee financial expert nor do we have an audit committee.

COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Section 16(a) of the Exchange Act, requires our directors and officers, and the persons who beneficially own more than ten percent of our common stock, to file reports of ownership and changes in ownership with the SEC. Copies of all filed reports are required to be furnished to us pursuant to Rule 16a-3 promulgated under the Exchange Act. Based solely on the reports received by us and on the representations of the reporting persons, we believe that these persons have complied with all applicable filing requirements during the fiscal year ended December 31, 2009.

ITEM 11. EXECUTIVE COMPENSATION.

The following table summarizes all compensation recorded by us in each of the last two completed fiscal years for our principal executive officer, each other executive officer serving as such whose annual compensation exceeded $100,000 and up to two additional individuals for whom disclosure would have been made in this table but for the fact that the individual was not serving as an executive officer of our company at December 31, 2009. The value attributable to any option awards is computed in accordance with FAS 123R.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION (A)	YEAR (B)	SALARY ($) (C)	BONUS ($) (D)	STOCK AWARDS ($) (E)	OPTION AWARDS ($) (F)	NON-EQUITY INCENTIVE PLAN COMPENSATION ($) (G)	NONQUALIFIED DEFERRED COMPENSATION EARNINGS ($) (H)	ALL OTHER COMPENSATIO ($) (I)
Stephen Walters	2009	0	0	0	0	0	0	211,07
President, CEO, Director	2008	0	0	0	0	0	0	215,72
Laurie Bewes,	2009	0	0	0	0	0	0	12,00
Director	2008	0	0	0	0	0	0	6,00
Adam Wasserman(3)	2009	0	0	0	0	0	0	50,13
Chief financial officer	2008	0	0	0	0	0	0	47,36
Americao de Castro	2009	200,000	0	0	0	0	0	
President of Medlink	2008	164,000	0	0	0	0	0	

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OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table provides information concerning unexercised options, stock that has not vested and equity incentive plan awards for each named executive officer outstanding as of December 31, 2009:

NAME (A)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (#) EXERCISABLE (B)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (#) UNEXERCISABLE (C)	EQUITY INCENTIVE PLAN AWARDS: NUMBER OF SECURITIES UNDERLYING UNEXERCISED UNEARNED OPTIONS (#) (D)	OPTION EXERCISE PRICE ($) (E)	OPTION EXPIRATION DATE (F)	NUMBER OF SHARES OR UNITS OF STOCK THAT HAVE NOT VESTED (#) (G)	MARKET VALUE OF SHARES OR UNITS OF STOCK THAT HAVE NOT VESTED ($) (H)
Stephen Walters	400,000	-	-	0.15	5/05/10	-	-
	100,000	-	-	0.15	12/25/10	-	-
	150,000	-	-	0.15	8/17/11	-	-
	300,000	-	-	0.06	11/24/12	-	-
Laurie Bewes	175,000	-	-	0.15	5/05/10	-	-
	50,000	-	-	0.15	12/25/10	-	-
	75,000	-	-	0.15	8/17/11	-	-
	100,000	-	-	0.06	11/24/12	-	-
Americo de Castro	50,000	-	-	0.15	5/05/10	-	-
Adam Wasserman	150,000	-	-	0.15	5/05/10	-	-
	100,000	-	-	0.06	11/24/12	-	-

COMPENSATION OF DIRECTORS

In 2009 and 2008, we paid a directors fee of $12,000 and $6,000 to Laurie Bewes, respectively.

EMPLOYMENT AND CONSULTING AGREEMENTS

WALTERS CONSULTING AGREEMENT

We entered into a month-to-month consulting services agreement with Stephen Walters, our President/Chief Executive Officer (the "Walters Consulting Agreement"). On July 1, 2007, our Board of Directors approved an amendment to the Walters Consulting Agreement to increase the compensation from $15,000 per month to $17,500 per month. Pursuant to the terms and provisions of the Walters Consulting Agreement: (i) Mr. Walters provides managerial services to us; and (ii) Mr. Walters shall be paid a monthly fee of $17,500 plus reimbursement of expenses. Mr. Walters derived remuneration from us as compensation under the terms and provisions of the Walters Consulting Agreement. During fiscal years ended December 31, 2009 and 2008, $211,079 and $215,727 was incurred by us to Mr. Walters for management and consulting services rendered. At December 31, 2009 and 2008, $492,757 and $274,646 in management fees and other expenses are due and owing to Mr. Walters.

WASSERMAN FINANCIAL SERVICES AGREEMENT

Mr. Wasserman has served as our chief financial officer since February 2005. Compensation for Mr. Wasserman was paid to CFO Oncall, Inc., a company where Mr. Wasserman serves as chief executive officer. Mr. Wasserman works for us on a part-time basis pursuant to an agreement with CFO Oncall. Pursuant to the terms of this engagement letter, CFO Oncall is paid a monthly retainer fee of $2,500 plus hourly fees at a standard rate of $95 per hour for services performed. Mr. Wasserman agreed to act as our Chief Financial Officer and principal accounting office. During fiscal year ended December 31, 2009 and 2008, fees amounted to $50,135 and $47,360, respectively. As at December 31, 2009 and 2008, $67,965 and $28,480 in fees is due and owing to CFO Oncall.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth certain information with respect to the beneficial ownership of our common stock by each stockholder known by us to be the beneficial owner of more than 5% of our common stock and by each of our current directors and executive officers. Each person has sole voting and investment power with respect to the shares of common stock, except as otherwise indicated. Beneficial ownership consists of a direct interest in the shares of common stock, except as otherwise indicated. As of the date of this Annual Report, there are 91,662,293 shares of common stock issued and outstanding.

NAME AND ADDRESS OF BENEFICIAL OWNER(1)	NUMBER OF SHARES OWNED(1)	PERCENTAGE OF CLASS(1)
DIRECTORS AND OFFICERS:		
Stephen Walters .... Bali View Block A4/7 Jl. Cirendeu Raya 40 Jakarta Selatan 13419 Indonesia	44,478,076 (2)(6)	48.53%
Laurie Bewes .... 429 Willawrong Road Caringbah, Australia NSW 2229	633,333 (3)	0.69%
Adam Wasserman .... 1643 Royal Grove Way Weston, Florida 33327	250,000 (4)	*
All executive officers and directors .... as a group (4 persons), including holdings of Carlingford Investments Limited	45,361,409 (5)	49.22%
MAJOR SHAREHOLDERS:		
Carlingford Investments Limited .... 80 Raffles Place #16-20 UOB Plaza II Singapore 048624	40,593,257 (6)	44.29%

* Less than one percent.

(1) Under Rule 13d-3, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares: (i) voting power, which includes the

power to vote, or to direct the voting of shares; and (ii) investment power, which includes the power to dispose or direct the disposition of shares. Certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire the shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of these acquisition rights. As a

result, the percentage of outstanding shares of any person as shown in this table does not necessarily reflect the person's actual ownership or voting power with respect to the number of shares of common stock actually outstanding as of the date of this Annual Report. As of the date of this Annual Report, there are 91,662,293 shares issued and outstanding.

(2) This figure includes: (i) 2,934,819 shares of common stock held of record by Mr. Walters; (ii) an assumption of the exercise by Mr. Walters of 400,000 Stock Options to acquire 400,000 shares of common stock at $0.15 per share expiring on May 5, 2010; (iii) an assumption of the exercise by Mr. Walters of 100,000 Stock Options to acquire 100,000 shares of common stock at $0.15 per share expiring on December 25, 2010; (iv) an assumption of the exercise by Mr. Walters of 150,000 Stock Options to acquire 150,000 shares of common stock at $0.15 per share expiring on August 17, 2011; and (v) an assumption of the exercise by Mr. Walters of 300,000 Stock Options to acquire 300,000 shares of common stock at $0.06 per share expiring on November 24, 2012. As of the date of this Annual Report, no Stock Options have been exercised.

(3) This figure includes: (i) 233,333 shares of common stock held of record; (ii) an assumption of the exercise by Mr. Bewes of 175,000 Stock Options to acquire 175,000 shares of common stock at $0.15 per share expiring on May 5, 2010; (iii) an assumption of the exercise by Mr. Bewes of 50,000 Stock Options to acquire 50,000 shares of common stock at $0.15 per share expiring on December 25, 2010; (iv) an assumption of the exercise by Mr. Bewes of 75,000 Stock Options to acquire 75,000 shares of common stock at $0.15 per share expiring on August 17, 2011; and (v) an assumption of the exercise by Mr. Bewes of 100,000 Stock Options to acquire 100,000 shares of common stock at $0.06 per share expiring on November 24, 2012. As of the date of this Annual Report, no Stock Options have been exercised.

(4) This figure includes: (i) an assumption of the exercise by Mr. Wasserman of 150,000 Stock Options to acquire 150,000 shares of common stock at $0.15 per share expiring on May 4, 2010; and (ii) an assumption of the exercise by Mr. Wasserman of 100,000 Stock Options to acquire 100,000 shares of common stock at $0.06 per share expiring on November 24, 2012. As of the date of this Annual Report, no Stock Options have been exercised.

(5) This figure includes: (i) 43,761,409 shares of common stock held of record; and (ii) an assumption of the exercise of an aggregate of 1,600,000 Stock Options to acquire 1,600,000 shares of common stock.

(6) This figure includes: (i) 40,593,257 shares of common stock held of record by Carlingford Investments Limited, over which Mr. Walters has sole voting and disposition rights;

CHANGES IN CONTROL

We are unaware of any contract, or other arrangement or provision, the operation of which may be at a subsequent date result in a change of control of our company, except that ownership limitations of 4.99% pursuant to our Series A Preferred Stock has been waived effective May 21, 2009.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.

With the exception of the current month-to-month contractual relations between us and certain of our executive officers and the loans made by certain of our officers all as described above, as of the date of this Annual Report, we have not entered into any contractual arrangements with related parties other than those transactions resulting primarily from advances made by related parties to us and the consulting contractual arrangements. Our Board has not adopted or approved any policy regarding possible future transactions with related third parties.

Our executive officers and directors may be engaged in other businesses, either individually or through partnerships and corporations in which they may have an interest, hold an office or serve on the boards of directors. Our executive officers and directors may have other business interests to which they may devote a portion of their time. Certain conflicts of interest, therefore, may arise between us and our executive officers and directors. Such conflicts can be resolved through the exercise by such executive officers and directors of judgment consistent with their fiduciary duties to us.

Our executive officers and directors intend to resolve such conflicts in the best interests of us. Moreover, the executive officers and directors will devote his time to our affairs as they deem necessary.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

During fiscal year ended December 31, 2009, we incurred approximately $57,500 in fees to our principal independent accountant for professional services rendered in connection with the audit of our financial statements and for the review of our financial statements for each quarter.

During fiscal year ended December 31, 2008, we incurred approximately $ 60,400 in fees to our principal independent accountant for professional services rendered in connection with the audit of our financial statements and for the review of our financial statements for each quarter.

During fiscal years ended December 31, 2009 and 2008, we did not incur any other fees for professional services rendered by our principal independent accountant for any non-audit services which may include, but is not limited to, tax-related services, actuarial services or valuation services.

ITEM 15. EXHIBITS

The following exhibits are filed with this Annual Report on Form 10-K:

Exhibit Number	Description of Exhibit
3.1	Articles of Incorporation - incorporated by reference to the Company's Report filed on Form 10-SB filed on October 27, 1999.
3.2	By Laws - Incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form SB-2 as filed with the SEC on May 9, 2006.

3.3 Certificate of Designation of Series A Convertible Preferred Stock of Transax International, Ltd. Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K as filed with the SEC on January 20, 2006.

4.1 2004 Stock Option Plan, effective January 1, 2004 incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2004 as filed with the SEC on April 18, 2005.

10.1 Merger Agreement, dated July 22, 2003, by and among the Company, Vega-Atlantic Acquisition Corporation, Transax Limited and certain selling shareholders of Transax International Limited Incorporated by reference to the Company's Annual Report filed on Form 10-KSB for the year ended December 31, 2003 as filed with the SEC on April 14, 2004.

10.2 Securities Purchase Agreement, dated April 1, 2005, by and between the Company and Scott and Heather Grimes - Joint Tenants With Rights of Survivorship - Incorporated by reference to the Company's Current Report on Form 8-K as filed with the SEC on April 6, 2005.

10.3 Investors Registration Rights Agreement, dated April 1, 2005, by and between the Company and Scott and Heather Grimes - Joint Tenants With Rights of Survivorship - Incorporated by reference to the Company's Current Report on Form 8-K as filed with the SEC on April 6, 2005.

10.4 Secured Convertible Debenture, dated April 1, 2005, issued to Scott and Heather Grimes - Joint Tenants with Rights of Survivorship - incorporated by reference to the Company's Current Report on Form 8-K as filed with the SEC on April 6, 2005.

10.5 Termination Agreement, dated May 17, 2005, related to the 2004 Standby Equity Distribution Agreement by and between the Company and Cornell Capital Partners, LP - Incorporated by reference to the Company's Current Report on Form 8-K as filed with the SEC on May 20, 2005.

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10.6 Standby Equity Distribution Agreement, dated May 17, 2005, by and between the Company and Cornell Capital Partners, LP - Incorporated by reference to the Company's Current Report on Form 8-K as filed with the SEC on May 20, 2005.

10.7 Registration Rights Agreement, dated May 17, 2005, by and between the Company and Cornell Capital Partners, LP - Incorporated by reference to the Company's Current Report on Form 8-K as filed with the SEC on May20, 2005.

10.8 Placement Agent Agreement, dated May 17, 2005, by and between the Company and Monitor Capital, Inc. Incorporated by reference to the Company's Current Report on Form 8-K as filed with the SEC on May 20, 2005.

10.9 Promissory Note, dated May 17, 2005, issued by the Company to Cornell Capital Partners, LP - Incorporated by reference to the Company's Current Report on Form 8-K as filed with the SEC on May 20, 2005.

10.10 Securities Purchase Agreement, dated October 25, 2005, by and between the Company and Cornell Capital Partners, LP - Incorporated by reference to the Company's Current Report on Form 8-K as filed with the SEC on November 3, 2004.

10.11 Termination Agreement, dated as of January 13, 2006, by and between Transax International, Ltd. and Cornell Capital Partners, LP - Incorporated by reference to Exhibit 10.9 to the Company's Current Report on Form 8-K as filed with the SEC on January 20, 2006.

10.12 Letter from Cornell Capital Partners, LP, regarding the surrender of a Promissory Note - Incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K as filed with the SEC on January 20, 2006.

10.13 Investment Agreement, dated as of January 13, 2006, by and between Transax International, Ltd. and Cornell Capital Partners, LP - Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the SEC on January 20, 2006.

10.14 Investor Registration Rights Agreement, dated as of January 13, 2006, by and between Transax International, Ltd. and Cornell Capital Partners, LP - Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K as filed with the SEC on January20, 2006.

10.15 Warrant, dated as of January 13, 2006, issued to Cornell Capital Partners, LP - Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K as filed with the SEC on January20, 2006.

10.16 Warrant, dated as of January 13, 2006, issued to Cornell Capital Partners, LP - Incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K as filed with the SEC on January 20, 2006.

10.17 Escrow Agreement dated January 13, 2006, by and among Transax International, Ltd., Cornell Capital Partners, LP and David Gonzalez, Esq. - Incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K as filed with the SEC on January 20, 2006.

10.18 Irrevocable Transfer Agent Instructions, dated as of January 13, 2006, by and between Transax International, Ltd. and Cornell Capital Partners, LP - Incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K as filed with the SEC on January 20, 2006.

10.19 Investor Relations Agreement, dated January 17, 2006, by and between Transax International Limited and David Sasso - Incorporated by reference to Exhibit 10.11 to the Company's Amended Annual Report on Form 10-KSB/A as filed with the SEC on July 10, 2006.

10.20 Consulting Agreement, dated July 15, 2005, by and between Transax International Limited and Geoff Eiten Incorporated by reference to Exhibit 10.12 to the Company's Amended Annual Report on Form 10-KSB/A as filed with the SEC on July 10, 2006.

10.21 Consulting Agreement, dated March 31, 2005, by and between Transax International Limited and Aiden Capital Management - Incorporated by reference to Exhibit 10.13 to the Company's Amended Annual Report on Form 10-KSB/A as filed with the SEC on July 10, 2006.

10.22 Consulting Agreement, dated January 14, 2005, by and between Transax

International Limited and Mirador Consulting, Inc. - Incorporated by reference to Exhibit 10.14 to the Company's Amended Annual Report on Form 10-KSB/A as filed with the SEC on July 10, 2006.

10.23 Service Agreement and Proposal, dated March 20, 2006 by and Between the Company and ROI Group Associates, Inc. - Incorporated by reference to Exhibit 10.23 to the Company's Registration Statement on Form SB-2 as filed with the SEC on May 9, 2006.

10.24 Management Consulting Services Agreement dated July 1, 2007 among Transax International Limited, Transax Limited, and Carlingford Investments Limited - Incorporated by reference to Exhibit 10.1 to the Company's Form 10-QSB as filed with the SEC on November 19, 2007.

10.25 Stock Purchase And Option Agreement dated March 26, 2008 between Transax International Limited and Engetech, Inc.- Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K as filed with the SEC on March 31, 2008.

10.26 Escrow Agreement dated March 26, 2008 among Engetech, Inc., Transax International Limited and Carlton Fields PA. - Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K as filed with the SEC on March 31, 2008.

10.27 Intellectual Property License Agreement dated March 26, 2008 between Medlink Technologies Inc., and Transax International Limited - Incorporated by reference to Exhibit 10.3 to the Company's Form 8-K as filed with the SEC on March 31, 2008.

10.28 Promissory Note dated March 26, 2008 between Engetech, Inc., and Transax International Limited. - Incorporated by reference to Exhibit 10.4 to the Company's Form 8-K as filed with the SEC on March 31, 2008.

10.29 Stock Pledge Agreement dated March 26, 2008 between Engetech, Inc. and Transax International Limited - Incorporated by reference to Exhibit 10.5 to the Company's Form 8-K as filed with the SEC on March 31, 2008.

14.1 Code of Ethics - Incorporated by reference to Exhibit 14.1 to the Company's Registration Statement on Form SB-2 as filed with the SEC on May 9, 2006.

31.1 Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act. *

31.2 Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act *

32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *

32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *

* File herein.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TRANSAX INTERNATIONAL LIMITED

Dated: April 15, 2010

By: /s/ STEPHEN WALTERS

Stephen Walters, President/Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Stephen Walters Stephen Walters	Chief Executive Officer and Director	April 15, 2010
/s/ Adam Wasserman Adam Wasserman	Chief Financial Officer and Principal Accounting Officer	April 15, 2010
/s/ Laurie Bewes Laurie Bewes	Director	April 15, 2010

TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders'
of Transax International Limited.

We have audited the accompanying consolidated balance sheets of Transax International Limited and Subsidiaries as of December 31, 2009 and 2008 and the related consolidated statements of operations and comprehensive loss, changes in stockholders' deficit, and cash flows for each of the years in the two-year period ended December 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Transax International Limited and Subsidiaries as of December 31, 2009 and 2008 and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has accumulated losses from operations of approximately $17.2 million, a working capital deficiency of approximately $6.2 million and a stockholders' deficiency of approximately $7.4 million at December 31, 2009. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/S/ MSPC
MSPC Certified Public Accountants and Advisors
A Professional Corporation

New York, New York
April 14, 2010

TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

December 31,

	2009
ASSETS	
CURRENT ASSETS:	
Cash	$ 21,813
Accounts receivable, net	358,506
Prepaid expenses and other current assets	448,033
TOTAL CURRENT ASSETS	828,352
SOFTWARE DEVELOPMENT COSTS, net	33,405
PROPERTY AND EQUIPMENT, net	467,701
TOTAL ASSETS	$ 1,329,458
LIABILITIES AND STOCKHOLDERS' DEFICIT	
CURRENT LIABILITIES:	
Current portion of loans payable	$ 795,705
Current portion of capital lease obligations	-
Accounts payable and accrued expenses	2,695,728
Deferred gain on sale of minority interest in subsidiary	937,700
Due to related parties	572,722
Warrant liability	1,696
Convertible feature liability	1,348,157
Loans payable - related party	419,462
Convertible loan - related party	220,679
TOTAL CURRENT LIABILITIES	6,991,849
LOANS PAYABLE, NET OF CURRENT PORTION	63,246
CAPITAL LEASE OBLIGATION, NET OF CURRENT PORTION	-
ACCOUNTS PAYABLE AND ACCRUED EXPENSES, NET OF CURRENT PORTION	1,667,950
TOTAL LIABILITIES	8,723,045
Commitments and contingent liabilities	
STOCKHOLDERS' DEFICIT:	
Series A convertible preferred stock, no par value; 16,000 shares authorized; 14,410 and 14,460 shares issued and outstanding at December 31, 2009 and 2008, respectively; liquidation preference $1,441,000 at December 31, 2009	1,325,039
Common stock $.00001 par value; 100,000,000 shares authorized; 87,402,089 and 52,368,756 shares issued and outstanding at December 31, 2009 and December 31, 2008, respectively	874
Paid-in capital	8,474,832
Accumulated deficit	(17,212,428)
Accumulated other comprehensive income	18,096
TOTAL STOCKHOLDERS' DEFICIT	(7,393,587)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 1,329,458

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See accompanying notes to the consolidated financial statements.

TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	For the Years Ended December 31,	
	2009	2008
REVENUES	$ 4,289,523	$ 6,119,046
OPERATING EXPENSES:		
Cost of product support services	2,035,450	2,752,757
Compensation and related benefits	1,819,918	1,701,001
Professional fees	57,406	108,990
Management and consulting fees - related parties	273,214	299,087
Investor relations	2,000	1,000
Depreciation and amortization	263,857	265,278
General and administrative	1,490,609	1,809,713
TOTAL OPERATING EXPENSES	5,942,454	6,937,826
LOSS FROM OPERATIONS	(1,652,931)	(818,780)
OTHER INCOME (EXPENSES):		
Foreign currency exchange gain (loss)	(9,327)	7,268
Gain (loss) from derivative liabilities	(343,259)	116,912
Interest expense,net	(751,917)	(316,409)
Interest expense - related party	(44,917)	(42,068)
TOTAL OTHER INCOME (EXPENSES)	(1,149,420)	(234,297)
LOSS BEFORE INCOME TAXES	(2,802,351)	(1,053,077)
PROVISION FOR INCOME TAXES	-	(43,565)
NET LOSS	(2,802,351)	(1,096,642)
CUMULATIVE PREFERRED STOCK DIVIDENDS	(100,880)	(77,476)
NET LOSS ALLOCABLE TO COMMON STOCKHOLDERS	$ (2,903,231)	$ (1,174,118)
COMPREHENSIVE LOSS:		
NET LOSS	$ (2,802,351)	$ (1,096,642)
OTHER COMPREHENSIVE INCOME (LOSS)		

Unrealized foreign currency translation gain (loss) ..	(481,025)	473,758
COMPREHENSIVE LOSS	$ (3,283,376)	$ (622,884)
NET LOSS PER COMMON SHARE:		
BASIC	$ (0.04)	$ (0.03)
DILUTED	$ (0.04)	$ (0.03)
WEIGHTED AVERAGE SHARES OUTSTANDING:		
BASIC	68,568,025	43,869,691
DILUTED	68,568,025	43,869,691

See accompanying notes to the consolidated financial statements.

TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
For the Years Ended December 31, 2009 and 2008

	Series A Preferred Stock		Common Stock				Acc C h I
	Shares	Amount	Shares	Amount	Paid-in Capital	Accumulated Deficit	
BALANCE, DECEMBER 31, 2007 ..	15,330	$ 1,417,039	34,632,778	$ 346	$8,013,632	$(13,313,435)	$
Common stock issued for preferred stock	(870)	(87,000)	17,735,978	178	86,822	-	
Derivative liability reclassified to paid-in capital	-	-	-	-	305,530	-	
Grant of stock options and warrants for services	-	-	-	-	-	-	
Comprehensive Loss: Net loss for period	-	-	-	-	-	(1,096,642)	
Foreign currency translation adjustments	-	-	-	-	-	-	
Total comprehensive loss	-	-	-	-	-	-	
BALANCE, DECEMBER 31, 2008 ..	14,460	1,330,039	52,368,756	524	8,405,984	(14,410,077)	

Common stock issued for preferred stock	(50)	(5,000)	5,033,333	50	4,950	-	
Derivative liability reclassified to paid-in capital	-	-	-	-	4,198	-	
Common stock issued for accrued interest - related party	-	-	30,000,000	300	59,700	-	
Comprehensive Loss: Net loss for period	-	-	-	-	-	(2,802,351)	
Foreign currency translation adjustments	-	-	-	-	-	-	
Total comprehensive loss	-	-	-	-	-	-	
BALANCE, DECEMBER 31, 2009 ..	14,410	$ 1,325,039	87,402,089	$ 874	$8,474,832	$(17,212,428)	$

See accompanying notes to the consolidated financial statements.
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TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31, 2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(2,802,351)	$(1,096,642)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	263,857	265,278
Amortization of software maintenance costs	114,491	199,167
Deposit on sale of 45% interest in subsidiary applied to professional fees	-	(20,000)
Loss (gain) from derivative liabilities	343,259	(116,912)
Foreign currency exchange (gain) loss	9,327	(7,268)
Changes in assets and liabilities:		
Accounts receivable	125,004	(6,524)
Prepaid expenses and other current assets	(63,853)	(86,824)
Other assets	-	4,800
Accounts payable and accrued expenses	340,925	79,264
Accrued interest payable, related party	44,917	42,069
Due to related parties	269,596	(102,926)
Accounts payable and accrued expenses - long-term	1,258,844	(72,493)
NET CASH USED IN OPERATING ACTIVITIES	(95,984)	(919,011)

CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of minority interest in subsidiary	-	937,700
Acquisition of property and equipment	(154,042)	(28,344)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(154,042)	909,356
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans	242,306	215,326
Proceeds from loans payable - related party	80,000	-
Repayment of convertible debt	-	(225,000)
Payment of capital lease obligations	(79,176)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	243,130	(9,674)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	3,033	(130,933)
NET DECREASE IN CASH	(3,863)	(150,262)
CASH, BEGINNING OF YEAR	25,676	175,938
CASH, END OF YEAR	$ 21,813	$ 25,676
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 360,892	$ 281,608
Cash paid for income taxes	$ -	$ -
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Series A preferred stock converted to common stock	$ 5,000	$ 87,000
Derivative liability reclassified to equity upon conversion	$ 4,198	$ 305,530
Issuance of common stock for accrued interest - related party	$ 60,000	$ -

See accompanying notes to the consolidated financial statements.

TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

Transax International Limited ("TNSX" or the "Company") was incorporated in the State of Colorado in 1987. The Company currently trades on the OTC Pink Sheet market under the symbol "TNSX" and the Frankfurt and Berlin Stock Exchanges under the symbol "TX6".

The Company, primarily through its 55% owned subsidiary, Medlink Conectividade em Saude Ltda ("Medlink Conectividade") is an international provider of information network solutions specifically designed for healthcare providers and health insurance companies. The Company's MedLink Solution enables the real time automation of routine patient eligibility, verification, authorizations, claims processing and payment functions. The Company has offices located in Plantation, Florida and Rio de Janeiro, Brazil.

On March 26, 2008, the Company executed a stock purchase and option agreement (the "Agreement") with Engetech, Inc., a Turks & Caicos corporation (the "Buyer") controlled and owned 20% by Americo de Castro, director and President of Medlink Conectividade, and 80% by Flavio Gonzalez Duarte. In accordance with the terms and provisions of the Agreement, the Company sold to the Buyer 45% of the total issued and outstanding stock of its wholly-owned subsidiary, Transax Limited, which owns one hundred percent of the total issued and outstanding shares of: (i) Medlink Conectividade, and (ii) Medlink Technologies, Inc., ("MTI") a Mauritius corporation. The Agreement is currently in default and the Company continues to renegotiate this contract while seeking additional potential buyers for Medlink Conectividade (See Note 8).

Principles of Consolidation

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America. The consolidated financial statements include the Company and its 55% owned subsidiary Transax Limited, and Transax Limited's wholly-owned subsidiaries Medlink Conectividade, and MTI. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements. The Company recorded 100% of its Transax Limited losses incurred in 2009 and 2008 due to the minority stockholder has no legal obligation to reimburse the company for such losses.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and the related disclosures at the date of the financial statements and during the reporting period. Actual results could materially differ from these estimates. Significant estimates include the allowance for doubtful accounts on accounts receivable, the estimated lives and recoverable value of property, equipment and software development costs, and the assumptions used to calculate stock-based compensation and derivative liabilities.

Fair Value Measurements

On January 1, 2009, we implemented new accounting guidance, ASC 820, fair Value Measurements and Disclosures, on a prospective basis for our non-financial assets and liabilities that are not recognized or disclosed at fair value on a recurring basis. The new guidance requires that we determine the fair value of financial and non-financial assets and liabilities using the fair value hierarchy and describes three levels of inputs that may be used to measure fair value as follows:

Level 1- inputs which include quoted prices in active markets for identical assets or liabilities;

December 31, 2009 and 2008

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Level 2 - inputs which include observable inputs other than Level 1 inputs such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data for the full term of the asset or liability; and

Level 3 - inputs which include unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the underlying asset or liability. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques, as well as significant management judgment or estimation.

The carrying amounts of financial instruments reported in the balance sheet for cash, accounts receivable, accounts payable and accrued expenses approximate their fair market value based on the short-term maturity of these instruments. The carrying value of debt approximates fair value based on prevailing borrowing rates currently available for loans of similar terms and maturities. The Company uses Level 3 inputs to value its derivative liabilities.

The following table provides a reconciliation of the beginning and ending balances for the major classes of assets and liabilities measured at fair value using significant unobservable inputs (Level 3). The following table reflects gains and losses for the year 2009 for all financial assets and liabilities categorized as Level 3 as of December 31, 2009.

Liabilities:	
Balance of derivative liabilities as of January 1, 2009 .	$ 1,010,793
Reclassification of derivative liabilities to paid-in capital upon conversion	(4,198)
Change the in fair value of derivative liabilities (a) ..	343,259
Balance of derivative liabilities as of December 31, 2009	$ 1,349,853

(a) The Company calculates the fair value of the conversion features on the convertible preferred stock and warrants, as these conversion features on the convertible preferred stock and warrants have been treated as a derivative liability since their initial issuance dates (See Note 7).

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The Company had no cash equivalents at December 31, 2009 and 2008.

Concentrations of Credit Risk

Financial instruments that potentially subject us to significant concentrations of credit risk consist principally of cash and accounts receivable. The Company performs certain credit evaluation procedures and does not require collateral for financial instruments subject to credit risk. The Company believes that its credit risk is limited because the Company routinely assesses the financial strength of its customers, and, based upon factors surrounding the credit risk of its customers, establishes an allowance for uncollectible accounts and, as a consequence, believes that its accounts receivable credit risk exposure beyond such allowances is limited.

TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company recognizes an allowance for doubtful accounts to ensure accounts receivable are not overstated due to uncollectability and are maintained for all customers based on a variety of factors, including the length of time the receivables are past due, significant one-time events and historical experience. An additional reserve for individual accounts is recorded when the Company becomes aware of a customer's inability to meet its financial obligation, such as in the case of bankruptcy filings or deterioration in the customer's operating results or financial position. If circumstances related to customers change, estimates of the recoverability of receivables would be further adjusted. As of December 31, 2009 and 2008, the allowance for doubtful accounts was $0.

The Company's operations are carried out in Brazil. Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environment in Brazil, and by the general state of Brazil's economy. The Company's operations in Brazil are subject to specific considerations and significant risks not typically associated with companies in North America. The Company's results may be adversely affected by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation, among other things.

The Company had revenues from two and three major customers during the years ended December 31, 2009 and 2008 that accounted for approximately 75%, or $3,219,000 and 88%, or $5,410,000 of the revenues, respectively. For the year ended December 31, 2009, the two major customers accounted for 62% and 13% of net revenues, respectively. For the year ended December 31, 2008, the three major customers accounted for 38%, 40% and 10% of net revenues, respectively. At December 31, 2009, the same major customers accounted for 62% and 13%, respectively, of the total accounts receivable balance outstanding. At December 31, 2008, the three major customers accounted for 18%, 48% and 12%, respectively, of the total accounts receivable balance outstanding.

The Company maintains its cash in accounts with major financial institutions in the United States of America and Brazil. Deposits in these banks may exceed the amounts of insurance provided on such deposits. As of December 31, 2009, bank deposits in the United States of America did not exceed federally insured limits of $250,000. At December 31, 2009, the Company had deposits of $19,068 in banks in Brazil which is not insured. Historically, we have not experienced any losses on our deposits of cash.

Property and Equipment, net

Property and equipment, net, is stated at cost less accumulated depreciation and amortization. Depreciation and amortization is computed generally by the straight-line method at rates adequate to allocate the cost of applicable assets over their estimated useful lives, which range from 2 to 10 years.

Expenditures for maintenance and repairs that do not improve or extend the lives of the related assets are expensed as incurred, while major repairs are capitalized.

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. The Company recognizes an impairment loss when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The amount of impairment is measured as the difference between the asset's estimated fair value and its book value. The Company did not record any impairment charges during the years ended December 31, 2009 and 2008.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Company files federal and state income tax returns in the United States for its domestic operations, and files separate foreign tax returns for the Company's foreign subsidiaries in the jurisdictions in which those subsidiaries operate. Deferred tax assets and liabilities are determined based on differences between the financial statement and tax basis of assets and liabilities and net operating loss and credit carry forwards using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. A valuation allowance is established, when necessary, to reduce deferred tax assets to the amount that is more likely than not to be realized. If it becomes more likely than not that a deferred tax asset will be used, the related valuation allowance on such assets would be reversed. Management makes judgments as to the interpretation of the tax laws that might be challenged upon an audit and cause changes to previous estimates of tax liability. In management's opinion, adequate provisions for income taxes have been made for all years. If actual taxable income by tax jurisdiction varies from estimates, additional allowances or reversal of reserves may be necessary. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company has adopted the accounting standard related to the accounting for uncertainty in income taxes, which provides a financial statement recognition threshold and measurement attribute for a tax position taken or expected to be taken in a tax return. The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The accounting standard also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, and income tax disclosures. Management believes its exposure to uncertain tax positions as of December 31, 2009 is immaterial. The Company's tax returns for the years 2006 and beyond are subject to audit.

Foreign Currency Translation

The reporting currency of the Company is the U.S. dollar. The functional currency of the Company's operating subsidiary, Medlink Conectividade, is its local currency, the Brazilian Real ("R$"). Results of operations and cash flows are translated at average exchange rates during the period, assets and liabilities are translated at the unified exchange rate at the end of the period, and equity is translated at historical exchange rates. Translation adjustments resulting from the process of translating the local currency financial statements into U.S. dollars are included in determining comprehensive loss. The cumulative translation adjustment and effect of exchange rate changes on cash for the year ended December 31, 2009 and 2008 was $3,033 and ($130,933), respectively. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred.

Asset and liability accounts at December 31, 2009 and 2008 were translated at 1.7412 R$ to $1.00 and at 2.3375 R$ to $1.00, respectively. Equity accounts are translated at their historical rate. Cash flows from the Company's operations are calculated based upon the local currencies using the average translation rate. As a result, amounts related to assets and liabilities reported on the consolidated statement of cash flows will not necessarily agree with changes in the corresponding balances on the consolidated balance sheet.

Transactions and balances originally denominated in U.S. dollars are presented at their original amounts. Transactions and balances in other currencies are converted into U.S. dollars and are included in determining net loss.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Although the economic situation in Brazil has remained relatively stable in recent years, a return to higher levels of inflation, and currency exchange rate volatility could adversely affect the Company's operations. Changes in the valuation of the Brazilian Real in relation to the U.S. dollar may have significant effects on the Company's consolidated financial statements.

Revenue Recognition

The Company's revenues, which do not require any significant production, modification or customization for the Company's targeted customers and do not have multiple elements, are recognized when (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the Company's fee is fixed and determinable; and (4) collectability is probable.

Substantially all of the Company's revenues are derived from the processing of applications by healthcare providers for approval of patients for healthcare services from insurance carriers. The Company's software or hardware devices containing the Company's software are installed at the healthcare provider's location. The Company offers transaction services to authorize and adjudicate the identity of the patient and obtains "real time" approval for any necessary medical procedure from the insurance carrier. The Company's transaction-based solutions provide remote access for healthcare providers to connect with contracted insurance carriers. Transaction services are provided through contracts with insurance carriers and others, which specify the services to be utilized and the markets to be served. The Company's clients are charged for these services on a per transaction basis. Pricing varies depending on the type of transactions being processed under the terms of the contract for which services are provided. Transaction revenues are recognized in the period in which the transactions are performed for the contracted insurance carriers. Transaction services are provided through contracts with insurance carriers and others, which specify the services to be utilized and the markets to be served.

The Company's clients are charged for these services on a per transaction basis. Pricing varies depending on the type of transactions being processed under the terms of the contract for which services are provided. Transaction revenues are recognized in the period in which the transactions are performed

Accounting for Conversion Features and Warrants issued with Preferred Stock

In 2006, the Company issued 16,000 shares of convertible Series A preferred stock, (see Note 7), which contained an Embedded Conversion Feature, ("ECF"), and warrants to purchase common stock. In accordance with the accounting standards related to accounting for derivative instruments and hedging activities, it was necessary to evaluate the conversion option separately from the debt host and account for it separately as a derivative if the conversion option met certain criteria. The conversion option met all of the three criteria: (1) the conversion feature is not clearly and closely related to the host component, (2) the convertible instrument is not accounted for at fair value, and (3) the embedded conversion option meets the definition of a derivative.

In assessing whether or not the conversion option would be classified as equity or a liability if it were freestanding, management determined whether or not the Series A convertible preferred stock is considered "conventional." Conventional convertible debt is defined as debt whereby the holder will, at the issuer's option, receive a fixed amount of shares or the equivalent amount of cash as proceeds when the conversion option is exercised. Management determined that the Series A convertible preferred stock was not conventional as defined.

This caused the ECF of the Series A convertible preferred stock to be classified as a derivative financial instrument. In addition, all warrants to purchase common stock issued with the preferred stock were then deemed to be derivative instruments. The accounting treatment of derivative financial instruments requires that the Company record the ECF and warrants at their fair values as of each reporting date. Any change in fair value is recorded as a gain or loss from derivative liabilities within the consolidated statements of operations for all periods presented. The derivatives are valued using the Black-Scholes-Merton option pricing model and are classified in the consolidated balance sheets as current liabilities at December 31, 2009 and 2008.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic and Diluted Loss per Share

Basic loss per common share is computed by dividing net loss allocable to common shareholders by the weighted average number of shares of common stock outstanding during the period. Diluted loss per common share is computed by dividing net loss by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during each period. Potentially dilutive common shares consist of common shares issuable upon the conversion of series A preferred stock (using the if-converted method) and common stock warrants and options (using the treasury stock method). The computation of diluted loss per share does not assume conversion, exercise, or contingent issuance of securities that would have an anti-dilutive effect on loss per share (i.e. reducing loss per share). The dilutive effect of outstanding options and warrants and their equivalents are reflected in dilutive earnings per share by the application of the treasury stock method which recognizes the use of proceeds that could be obtained upon the exercise of options and warrants in computing diluted earnings per share. It assumes that any proceeds would be used to purchase common stock at the average market price of the common stock during the period.

The following were excluded from the computation of diluted shares outstanding as they would have had an anti-dilutive impact. In periods where the Company has a net loss, all dilutive securities are excluded. In periods where the Company has net income, the dilutive securities are excluded when, for example, their exercise prices are greater than the average fair values of the Company's common stock as follows:

	Year ended December 31,	
	2009	2008
Stock options	1,950,000	2,375,000
Stock warrants	5,000,000	7,402,500
Convertible debt-related party	1,400,000	1,400,000
Convertible preferred stock ..	900,625,000	2,892,000,000
Total	908,975,000	2,903,177,500

These common stock equivalents may be dilutive in the future. However, the Company's authorized number of shares of common stock is limited to 100,000,000 common shares and 87,402,089 were outstanding at December 31, 2009; only 12,597,911 additional shares are authorized for issuance as of that date.

Stock-Based Compensation

Stock-based compensation is accounted for based on the requirements of the share-based payment topic 718 of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification. This FASB Accounting Standards Codification requires recognition in the financial statements of the cost of employee and director services received in exchange for an award of equity instruments over the period the employee or director is required to perform the services in exchange for the award (presumptively the vesting period). The FASB Accounting Standards Codification also requires measurement of the cost of employee and director services received in exchange for an award based on the grant-date fair value of the award.

Advertising

Advertising costs are expensed when incurred. For the year ended December 31, 2009 and 2008, advertising expense was deemed to be not material.

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TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comprehensive Income (Loss)

The Company follows the accounting standards related to reporting comprehensive income (loss) to recognize the elements of comprehensive income (loss). Comprehensive income (loss) is comprised of net income (loss) and all changes to the statements of stockholders' equity (deficit), except those due to investments by stockholders, changes in paid-in capital and distributions to stockholders. For the Company, comprehensive loss for the years ended December 31, 2009 and 2008 included net loss and unrealized foreign currency translation adjustments.

Research and Development

Research and development costs are expensed as incurred. For the years ended December 31, 2009 and 2008, research and development costs were immaterial.

Related Parties

Parties are considered to be related to the Company if the parties directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. The Company discloses all related party transactions. All transactions shall be recorded at fair value of the goods or services exchanged. Property purchased from a related party is recorded at the cost to the related party and any payment to or on behalf of the related party in excess of the cost is reflected as a distribution to related party.

Subsequent Events

For purposes of determining whether a post-balance sheet event should be evaluated to determine whether it has an effect on the financial statements for the period ending December 31, 2009, subsequent events were evaluated by the Company through April 14, 2010 , the date on which the consolidated financial statements at and for the year ended December 31, 2009, were available to be issued.

Recently Issued Accounting Pronouncements

In June 2009, FASB established the Accounting Standards Codification ("ASC") as the single source of authoritative accounting principles recognized by the FASB in the preparation of financial statements in conformity with the GAAP. The Codification will supersede all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification will become non-authoritative. The Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009. Adoption of the Codification had no impact on the Company's results of operations or financial position.

The Company adopted FASB ASC 815-10-65, which amends and expands previously existing guidance on derivative instruments to require tabular disclosure of the fair value of derivative instruments and their gains and losses. This ASC also requires disclosure regarding the credit-risk related contingent features in derivative agreements, counterparty credit risk, and strategies and objectives for using derivative instruments. The adoption of this ASC did not have a material impact on the Company's Consolidated Financial Statements.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company adopted FASB ASC 810-10-65 which amends previously issued guidance to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a non-controlling interest in a subsidiary, which is sometimes referred to as minority interest, is an ownership interest in the consolidated entity that should be reported as equity. Among other requirements, this Statement requires that the consolidated net earnings attributable to the parent and the non-controlling interest be clearly identified and presented on the face of the consolidated income statement. The adoption of the provisions in this ASC did not have a material impact on the Company's Consolidated Financial Statements.

The Company adopted FASB ASC 805-10, which establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in an acquiree and the goodwill acquired. The Company will apply ASC 805-10 to any business combinations subsequent to adoption.

The Company adopted FASB ASC 805-20, which amends ASC 805-10 to require that an acquirer recognize at fair value, at the acquisition date, an asset acquired or a liability assumed in a business combination that arises from a contingency if the acquisition-date fair value of that asset or liability can be determined during the measurement period. If the acquisition-date fair value of such an asset acquired or liability assumed cannot be determined, the acquirer should apply the provisions of ASC Topic 450, Contingences, to determine whether the contingency should be recognized at the acquisition date or after such date. The adoption of ASC 805-20 did not have a material impact on the Company's Consolidated Financial Statements.

In April 2009, the FASB updated the accounting standards for the recognition and presentation of other-than-temporary impairments. The standard amends existing guidance on other-than-temporary impairments for debt securities and requires that the credit portion of other-than-temporary impairments be recorded in earnings and the noncredit portion of losses be recorded in other comprehensive income. The standard requires separate presentation of both the credit and noncredit portions of other-than-temporary impairments on the financial statements and additional disclosures. This standard is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. At the date of adoption, the portion of previously recognized other-than-temporary impairments that represent the noncredit related loss component shall be recognized as a cumulative effect of adoption with an adjustment to the opening balance of retained earnings with a corresponding adjustment to accumulated other comprehensive income. The adoption of this standard did not have a material effect on the preparation of the Company's consolidated financial statements.

In May 2009, FASB issued FAS No. 165, "Subsequent Events," which was subsequently codified within ASC 855, "Subsequent Events." The standard establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. An entity should apply the requirements of ASC 855 to interim or annual financial periods ending after June 15, 2009. Adoption of this standard did not have a material impact on the Company's results of operations or financial position.

In June 2009, FASB updated the accounting standards related to the consolidation of variable interest entities ("VIEs"). The standard amends current consolidation guidance and requires additional disclosures about an enterprise's involvement in VIEs. The standard shall be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within the first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. The Company does not expect the adoption to have a material impact on the Company's results of operations or financial position.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In October 2009, the FASB concurrently issued the following ASC Updates:

o ASU No. 2009-14 - Software (Topic 985): Certain Revenue Arrangements That Include Software Elements. This standard removes tangible products from the scope of software revenue recognition guidance and also provides guidance on determining whether software deliverables in an arrangement that includes a tangible product, such as embedded software, are within the scope of the software revenue guidance.

o ASU No. 2009-13 - Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements. This standard modifies the revenue recognition guidance for arrangements that involve the delivery of multiple elements, such as product, software, services or support, to a customer at different times as part of a single revenue generating transaction. This standard provides principles and application guidance to determine whether multiple deliverables exist, how the individual deliverables should be separated and how to allocate the revenue in the arrangement among those separate deliverables. The standard also expands the disclosure requirements for multiple deliverable revenue arrangements.

These Accounting Standards Updates should be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with earlier application permitted. Alternatively, an entity can elect to adopt these standards on a retrospective basis, but both these standards must be adopted in the same period using the same transition method. The Company expects to apply this standard on a prospective basis for revenue arrangements entered into or materially modified beginning January 1, 2011. The Company is currently evaluating the potential impact these standards may have on its financial position and results of operations.

NOTE 2 - GOING CONCERN

Since inception, the Company has incurred cumulative net losses of $17,212,428, and has a stockholders' deficit of $7,393,587 and a working capital deficit of $6,163,497 at December 31, 2009. Since inception, the Company has funded operations through short-term borrowings, related party loans, and the proceeds from equity sales in order to meet its strategic objectives. The Company's future operations are dependent upon external funding and its ability to increase revenues and reduce expenses. Management believes that sufficient funding will be available from additional related party borrowings and private placements to meet its business objectives, including anticipated cash needs for working capital, for a reasonable period of time. However, there can be no assurance that the Company will be able to obtain sufficient funds to continue the development of its software products and distribution networks.

Further, since fiscal 2000, the Company has been deficient in the payment of Brazilian sales, payroll, and other taxes. At December 31, 2009 and 2008, these deficiencies (including interest and penalties) amounted to approximately

$3,224,000 and $1,180,000, respectively. This tax liability is included as part of the accounts payable and accrued expenses (short-term and long-term) within the consolidated balance sheets. Additionally, the Company had sold 45% of its operating subsidiary and the Buyer had an option to acquire the remaining 55%. However, the Buyer has defaulted on payments and the Company is renegotiating with the Buyer and its assignee to restructure the contract or is seeking additional buyers.

At December 31, 2009, the Company cannot determine the outcome of these negotiations. If the negotiations are successful, the Company may sell the remaining 55% of Transax Limited, at which point the Company will have no continuing operations. If the outcome of the negotiations is not successful, the Company will seize the 45% interest in its operating subsidiary and will seek to sell it to other buyers. As a result of the foregoing, there exists substantial doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2009 and 2008:

	2009	2008
Computer Equipment	$ 1,344,636	$ 1,251,416
Software	695,033	379,107
Office Furniture and Equipment	23,682	18,045
Vehicle	79,272	59,050
Other	9,670	17,142
	2,152,293	1,724,760
Accumulated Depreciation	(1,684,592)	(1,267,918)
	$ 467,701	$ 456,842

For the years ended December 31, 2009 and 2008, depreciation expense amounted to $263,857 and $265,278, respectively.

NOTE 4 - SOFTWARE DEVELOPMENT COSTS

Pursuant to accounting standards related to accounting for the costs of computer software to be sold, leased or otherwise marketed, capitalization of software development costs begins upon the establishment of technological feasibility of the software. The establishment of technological feasibility and the ongoing assessment of the recoverability of these costs require considerable judgment by management with respect to certain external factors, including, but not limited to, anticipated future gross product revenues, estimated economic life, and changes in software and hardware technology. Capitalized software development costs are amortized utilizing the straight-line method over the estimated economic life of the software not to exceed three years. The Company regularly reviews the carrying value of software development assets and a loss is recognized when the unamortized costs are deemed unrecoverable based on the estimated cash flows to be generated from the applicable software. Capitalized software development costs consisted of the following at December 31, 2009 and

2008:

	2009	2008
Software development costs	$ 471,419	$ 471,419
Accumulated amortization .	(438,014)	(323,523)
	$ 33,405	$ 147,896

For the year ended December 31, 2009 and 2008, amortization of development costs amounted to $114,491 and $199,167, respectively, and has been included in cost of product support services on the accompanying consolidated statements of operations.

TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
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December 31, 2009 and 2008

NOTE 5 - RELATED PARTY TRANSACTIONS

Convertible Loan- Related Party

At December 31, 2009 and 2008, the Company had aggregate loans payable for $175,000 to Carlingford Investments Limited ("Carlingford"), a related party company whose officer is an officer of the Company. These loans are convertible into the Company's common stock at $0.125 per share (1,400,000 common shares). For each share of common stock received upon conversion of the principal balance, the related party is entitled to receive one warrant to purchase the Company's common stock at $0.25 per share for a period of two years from the conversion date. The interest rate of the loan is 12% per annum computed at simple interest. At December 31, 2009 and 2008, interest due on these loans amounted to $45,679 and $84,679, respectively, and the aggregate principal amount due is $175,000. The Company and Carlingford entered into a settlement agreement dated August 5, 2009, regarding the settlement of an aggregate amount of $60,000 due and owing to Carlingford by the Company (see Note 7). During the year ended December 31, 2009 and 2008, the Company incurred $21,000 and $21,058, respectively, in interest expense related to these two loans. These two loans are in default and are currently under re-negotiation with the lender.

Due to Related Parties

For the years ended December 31, 2009 and 2008, the Company incurred $211,079 and $215,727, respectively, in management fees to an officer/director of the Company, which has been included in management and consulting fees - related party on the accompanying consolidated statements of operations. Effective July 1, 2007, pursuant to a Management Consulting Services Agreement, the Company's board of directors agreed to pay this officer/director $17,500 per month. At December 31, 2009 and 2008, $492,757 and $274,646 in management fees and other expenses are payable to this officer/director and are included in due to related parties on the accompanying consolidated balance sheets. The amount due is unsecured, non-interest bearing and payable on demand.

For the years ended December 31, 2009 and 2008, the Company incurred $50,135 and $47,360, respectively, in accounting fees to a company whose officer is an officer of the Company. The fees are included in management and consulting fees - related party on the accompanying consolidated statements of operations. At

December 31, 2009 and 2008, $67,965 and $28,480 in these fees is payable to this officer and are included in due to related parties on the accompanying consolidated balance sheets. The amount due is unsecured, non-interest bearing and payable on demand.

For the years ended December 31, 2009 and 2008, the Company incurred $12,000 and $6,000, respectively, in director and consulting fees to a director of the Company which has been included in management and consulting fees - related party on the accompanying consolidated statement of operations. At December 31, 2009 and 2008, $12,000 and $0 in these fees is payable to this director and are included in due to related parties on the accompanying consolidated balance sheets. The amount due is unsecured, non-interest bearing and payable on demand.

Loans Payable - Related Party

On March 5, 2004, the Company borrowed 115,000 Euros (translated to $164,830 and $162,116 at December 31, 2009 and 2008, respectively) from an officer of the Company for working capital purposes. The loan accrues 0.8% non-compounding interest per month, (9.6% per annum), had an initial term of twelve months, and was repayable quarterly in arrears. This loan has not been repaid and is currently payable on demand. Additionally, during fiscal 2007 and during the year ended December 31, 2009, the Company borrowed $80,000 and $80,000 from this officer, respectively. These loans accrue 1.0% non-compounding interest per month, (12% per annum), and are due on demand. For the years ended December 31, 2009 and 2008, the Company incurred $23,917 and $21,011, respectively, in interest related to these loans. At December 31, 2009 and 2008, $94,632 and $64,102 in interest and loan fees was accrued on these loans and the aggregate principal and interest amount due is $419,462 and $306,218, respectively, and is included in loan payable - related party on the accompanying consolidated balance sheets.

NOTE 6 - FINANCING ARRANGEMENTS

Loans Payable

The Company's subsidiary, Medlink Conectividade, has several loans and credit lines with financial institutions. The loans require monthly installment payments, bear interest at rates ranging from 28% to 42% per annum, are secured by certain receivables of Medlink Conectividade, and are due through July 2011. At December 31, 2009 and 2008, loans payable to these financial institutions aggregated $858,951 and $663,854, respectively.

Convertible Debenture Payable

On April 1, 2005, the Company entered into a Securities Purchase Agreement with Scott and Heather Grimes, Joint Tenants - with Rights of Survivorship ("Grimes"). Pursuant to the Securities Purchase Agreement, the Company issued convertible debentures to Grimes in the original principal amount of $250,000. The debentures were convertible at the holder's option any time up to maturity at a conversion price equal to the lower of (i) 120% of the closing bid price of the common stock on the date of the debentures or (ii) 80% of the lowest closing bid price of the common stock for the five trading days immediately preceding the conversion date. The debentures had a two-year term and accrue interest at 5% per year.

In 2005, the Company determined that the conversion feature of the convertible debentures represents an embedded derivative since the debentures are convertible into a variable number of shares. Accordingly, the convertible debentures were not considered to be conventional debt and the embedded conversion feature was required to be bifurcated from the debt host and accounted for as a derivative liability. Accordingly, the fair value of this derivative instrument has been recorded as a liability on the consolidated balance sheets. The gains and losses recorded from changes in the fair value of the liability for derivative contracts has been recorded as a component of other income/(expense) in the consolidated statements of operations. At the end of each reporting period and through May 15, 2008, the Company revalued the convertible feature of these derivative liabilities and the unexpired warrant. For the year ended December 31, 2008, the Company recorded a loss on valuation of this derivative liability and warrants of $41,939 (see Note 7). At May 15, 2008, pursuant to an agreement, the convertible debt was paid in cash. Accordingly, the remaining derivative liability at May 15, 2008 of $257,058 was reclassified to paid-in capital. As of December 31, 2008, all remaining debt was paid in full.

NOTE 7 - STOCKHOLDERS' DEFICIT

Preferred stock

On January 13, 2006, the Company's Board of Directors approved the creation of 16,000 shares of Series A Convertible Preferred Stock having the following rights, preferences and limitations:

(a) each share has a liquidation value of $100 per share and no par value;

(b) With respect to the payment of dividends and other distributions on the capital stock of the Company, including distribution of the assets of the Company upon liquidation, the Series A Preferred Shares shall be senior to the common stock of the Company, par value $.00001 per share and senior to all other series of Preferred Shares (the "Junior Stock").

NOTE 7 - STOCKHOLDERS' DEFICIT (CONTINUED)

(c) The holders of Series A Preferred Shares shall be entitled to receive dividends or distributions on a pro rata basis according to their holdings of shares of Series A Preferred Shares in the amount of seven percent (7%) per year (computed on the basis of a 365-day year and the actual days elapsed). Dividends shall be paid in cash. Dividends shall be cumulative. No cash dividends or distributions shall be declared or paid or set apart for payment on the common stock in any calendar year unless cash dividends or distributions on the Series A Preferred Shares for such calendar year are likewise declared and paid or set apart for payment. No declared and unpaid dividends shall bear or accrue interest.

(d) Each share of Series A Preferred Shares shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such shares, into such number of fully paid and non-assessable shares of common stock equal to the sum of (i) the Liquidation Amount of the Series A Preferred Shares ($100 per share) plus (ii) all accrued but unpaid dividends thereon, divided by the "Conversion Price", which is equal to the lower of (i) $0.192 (the "Fixed Conversion Price"), or (ii) eighty percent (80%) of the lowest daily volume weighted average price ("VWAP") of the common stock during the ten (10) Trading Days immediately preceding the date of conversion (the "Market Conversion Price"). The VWAP shall be determined using price quotations from Bloomberg, LP. A "Trading Day" is any day during which the FINRA OTC Bulletin Board is open for trading. Additionally, each share of Series A Preferred Shares shall automatically convert into shares of common stock at the Conversion Price then in effect immediately upon the consummation of the occurrence of a stock acquisition, merger, consolidation or reorganization of the Company into or with another entity through one or a series of related transactions, or the sale, transfer or lease of all or substantially all of the assets of the Company.

(e) The Series A Preferred Shares shall not have any voting rights except as provided under the laws of the state of Colorado.

(f) The Company has the right to redeem (unless otherwise prevented by law), with three (3) business days advance written notice (the "Redemption Notice"), any shares of Series A Preferred Shares provided that the closing bid price of the of the Company's common stock, as reported by Bloomberg, LP, is less than the Fixed Conversion Price at the time of the Redemption Notice. The Company shall pay an amount equal to One Hundred Fifteen percent (115%) of the Liquidation Amount, plus accrued but unpaid dividends thereon (the "Redemption Amount"). The Company shall deliver to the holder the Redemption Amount on the third (3rd) business day after the Redemption Notice. Upon receipt of a Redemption Notice, the holder shall be entitled to continue to convert outstanding shares of Series A Preferred Shares until the Redemption Price is received, subject to the conversion limitations as defined. The Company may not redeem these shares under any other circumstances.

Initially, there was an automatic conversion clause associated with the Series A Preferred Shares which would cause them to automatically convert into shares of common stock at the Conversion Price then in effect upon the third anniversary of the date of the Investment Agreement. On January 8, 2009, the Company amended the certificate of designation for the Series A Preferred shares to eliminate this provision.

The Company is required to record the fair value of the ECF and warrants as a liability. At December 31, 2009 and 2008, the Company revalued the ECF and warrants resulting in (loss) gains on derivative liability of $(343,259) and $116,912 for the years ended December 31, 2009 and 2008, respectively.

NOTE 7 - STOCKHOLDERS' DEFICIT (CONTINUED)

At December 31, 2009, the estimated fair value of the ECF and warrants were liabilities of $1,348,157 and $1,696, respectively. At December 31, 2008, the estimated fair value of the ECF and warrants were liabilities of $1,007,472 and $3,321, respectively. These derivative liabilities are reflected as a conversion feature liability and a warrant liability, respectively, on the accompanying consolidated balance sheets.

At the valuation date of December 31, 2009 and 2008, the fair value of the ECF and warrants were estimated using the Black-Scholes-Merton option pricing model with the following assumptions:

	2009	2008
Dividend rate	0%	0%
Term (in years)	.75 to 1.00 years	.50 to 2.03 years
Volatility	248%	208%
Risk-free interest rate	0.20% - 0.47%	0.11% - 0.76%

For the years ended December 31, 2009 and 2008, the related gain (loss) from derivative liabilities is as follows:

	Convertible debt (a)	Preferred stock	Total
2009			
Loss from change in fair value of derivative liabilities	$ -	$(343,259)	$(343,259)
2008			
(Loss) gain from change in fair value of derivative liabilities	$ (41,939)	$ 158,851	$ 116,912

(a) At the end of each reporting period and through May 15, 2008, the Company revalued the convertible feature of derivative liabilities and the unexpired warrant relating to a previously outstanding convertible debt. For the years ended December 31, 2008, the Company recorded a loss on valuation of the derivative liability and warrants of $41,939. At May 15, 2008, pursuant to an agreement with the investor, the convertible debt was payable in cash. Accordingly, the remaining derivative liability at May 15, 2008 of $257,058 was reclassified to paid-in capital. Prior to December 31, 2008, all remaining debt was paid in full.

Common Stock

During fiscal year 2008, the Company issued 17,735,978 shares of its common stock upon conversion of 870 shares of Series A preferred stock.

During fiscal 2009, the Company issued 5,033,333 shares of its common stock upon conversion of 50 shares of Series A preferred stock.

NOTE 7 - STOCKHOLDERS' DEFICIT (CONTINUED)

On August 6, 2009, the Board of Directors of the Company, pursuant to unanimous written consent, authorized and approved the execution of a debt settlement agreement whereby the Company issued 30,000,0000 shares of its restricted stock in settlement of $60,000 of outstanding interest. The Company and Carlingford, a related party, entered into a settlement agreement dated August 5, 2009, (the "Carlingford Settlement Agreement"), regarding the settlement of an aggregate amount of $60,000 due and owing to Carlingford by the Company relating to cash advances in the principal amount of $175,000 and accrued interest thereon (the "Debt"). Pursuant to the terms and provisions of the Carlingford Settlement Agreement: (i) the Company agreed to partially settle $60,000 of the accrued interest by issuing to Carlingford an aggregate of 30,000,000 shares of its restricted Common Stock at the rate of $0.002 per share (which amount is based upon the weighted average close price of $0.002 of the Company's shares of Common Stock traded on the OTC Bulletin Board between July 10, 2009 and August 4, 2009); and (ii) Carlingford agreed to convert the accrued interest and accept the issuance of an aggregate of 30,000,000 shares of restricted Common Stock.

Stock Options

On November 28, 2004, the Company adopted the 2004 Incentive Stock Option Plan (the "Plan"). The Plan, as amended, provides options to be granted, exercisable for a maximum of 7,000,000 shares of common stock. Both incentive and nonqualified stock options may be granted under the Plan. The exercise price of options granted, the expiration date, and the vesting period, pursuant to this plan, are determined by a committee of the Board of Directors.

A summary of the status of the Company's outstanding stock options as of December 31, 2009 and 2008 and changes during the period ending on that date is as follows:

	Year Ended December 31, 2009		Year Ended December 31, 2008	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Stock options				
Balance at beginning of year	2,375,000	$ 0.14	3,425,000	$ 0.25
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	(425,000)	0.20	(1,050,000)	0.50
Balance at end of year	1,950,000	$ 0.12	2,375,000	$ 0.14
Options exercisable at end of year	1,950,000	$ 0.12	2,375,000	$ 0.14
Weighted average fair value of options granted during the year ..		$ -		$ -

NOTE 7 - STOCKHOLDERS' DEFICIT (CONTINUED)

The following table summarizes information about employee and consultant stock options outstanding at December 31, 2009:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number Outstanding at December 31, 2009	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable at December 31, 2009	Weighted Average Exercise Price
$ 0.15	1,350,000	0.73	0.15	1,350,000	0.15
$ 0.06	600,000	2.90	0.06	600,000	0.06
	1,950,000		$ 0.12	1,950,000	$ 0.12

As of December 31, 2009 and 2008, there are no unrecognized compensation costs since all options granted under the stock option plan are vested.

Stock Warrants

A summary of the status of the Company's outstanding stock warrants as of December 31, 2009 and 2008 and activities during the period then ended is as follows:

	Year Ended December 31, 2009		Year Ended December 31, 2008	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants				
Balance at beginning of year	7,402,500	$ 0.23	11,902,500	$ 0.50
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	(2,402,500)	0.20	(4,500,000)	0.93
Balance at end of year	5,000,000	$ 0.25	7,402,500	$ 0.23

The following information applies to all warrants outstanding at December 31, 2009:

	Warrants Outstanding			Warrants Exercisable	
Range of Exercise Prices	Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
$ 0.30	2,500,000	1.04	0.30	2,500,000	0.30
$ 0.20	2,500,000	1.04	0.20	2,500,000	0.20
	5,000,000		$ 0.25	5,000,000	$ 0.25

The aggregate intrinsic value of outstanding and exercisable options and warrants at December 31, 2009 and 2008 was nil, respectively.

TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2009 and 2008

NOTE 8 - SALE OF NON-CONTROLLING INTEREST IN SUBSIDIARY

On March 26, 2008, the board of directors of the Company, pursuant to unanimous written consent resolutions, approved the execution of a stock purchase and option agreement (the "Agreement") with the Buyer. In accordance with the terms and provisions of the Agreement, the Company sold to the Buyer 45% of the total issued and outstanding stock of its wholly-owned subsidiary, Transax Limited ("Transax Sub"). Transax Sub owns one hundred percent of the total issued and outstanding shares of: (i) Medlink Conectividade and (ii) MTI.

The purchase price for the 45%, or 45 shares, ("Initial Shares") is $3,200,000. Through December 31, 2008, the Company received proceeds towards the purchase price of $937,700. The Company did not receive any proceeds during the year ended December 31, 2009. The balance due and owing by the Buyer is evidenced by an installment note secured by a pledge of all of the Initial Shares. As of the date of this annual report, the Buyer is in default on its payments of principal and interest. At December 31, 2009 and 2008, pursuant to the terms of the Agreement, as amended, the Company has a remaining note receivable of $2,262,300 due from the Buyer. Since collection of the remaining purchase price is not reasonably assured, the Company recorded the full amount of the purchase price of $3,200,000 as deferred revenue and is reflecting the deferred revenue net of the remaining note receivable on the accompanying consolidated balance sheets.

Accordingly, at December 31, 2009 and 2008, the Company's consolidated balance sheets reflect a deferred gain on the sale of non-controlling interest of $937,700, which will be recognized as other income when collection is reasonably assured and when all of the risks and other incidents of ownership have been passed to the buyer. At December 31, 2009 and 2008, deferred gain on sale of non-controlling interest consists of the following:

Sale price of 45% interest in Transax Limited	$ 3,200,000
Less: note receivable balance	(2,262,300)
Deferred gain on sale of minority interest in subsidiary	$ 937,700

As of the date of this annual report, the Buyer is in default on the remaining notes receivable balance of $2,262,300. The Company has issued default notices to the buyer in respect of non-payment under the Agreement. The Company is currently in discussion with the Buyer and/or assignees and plans to conclude any renegotiation of contract terms on or before September 30, 2010.

NOTE 9 - INCOME TAXES

As of December 31, 2009, the Company had approximately $8,244,000 of U.S. federal and state net operating loss carry forwards available to offset future taxable income which, if not utilized, begin expiring in 2011. In addition, the Company has approximately $5,262,000 of foreign net operating loss carry forwards related to the Company's Brazilian subsidiaries. Current Brazilian tax legislation imposes no time period for the utilization of the losses, although it does limit the annual usage of the losses to offset no more than 30% of taxable profits.

Under the Tax Reform Act of 1986, the utilization of a corporation's net operating loss carry forward is limited following a greater than 50% change in ownership. Due to prior transactions, the Company's net operating loss carry forwards are subject to an annual limitation. Any unused annual limitation may be carried forward to future years for the balance of the net operating loss carry forward period. Additionally, because U.S. tax laws limit the time during which these carry forwards may be applied against future taxes, the Company may not be able to take full advantage of these attributes for Federal income tax purposes.

NOTE 9 - INCOME TAXES (CONTINUED)

Deferred income taxes reflect the net tax effects of operating loss and tax credit carry forwards and temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences representing net future deductible amounts become deductible. Due to the uncertainty of the Company's ability to realize the benefit of the deferred tax assets, the deferred tax assets are offset by a full valuation allowance at December 31, 2009 and 2008.

The Company's tax benefit differs from the "expected" tax benefit for the years ended December 31, 2009 and 2008 as follows:

	2009	2008
Computed "expected" tax benefit	$(952,800)	$(358,000)
State income taxes benefit	(112,100)	(42,100)
Permanent differences	346,800	135,400
US effective rate in excess of Brazil tax rate	59,200	(5,100)
Change in valuation allowance	658,900	313,400
	$ -	$ 43,600

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at December 31, 2009 and 2008 are as follows:

	2009	2008
Deferred tax assets:		
Net operating loss carry forward	$ 4,921,900	$ 4,263,000
Total gross deferred tax assets	4,921,900	4,263,000
Less valuation allowance	(4,921,900)	(4,263,000)

Net deferred tax assets	$ -	$ -

TRANSAX INTERNATIONAL LIMITED AND SUBSIDIARIES
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NOTE 10 - FOREIGN OPERATIONS

The Company identifies its operating segments based on its geographical locations. The Company operates in the United States, Brazil and Mauritius. Substantially all of the Company's assets are located in Brazil.

	Years ended December 31,	
	2009	2008
Revenues to unaffiliated customers:		
Brazil	$ 4,289,523	$ 6,119,046
Operating Expenses:		
Brazil	5,573,968	6,393,787
USA	367,004	542,756
Mauritius	1,482	1,283
Total Operating Expenses	5,942,454	6,937,826
Loss from operations	(1,652,931)	(818,780)
Other income (expenses) and income taxes:		
Brazil	(751,917)	(355,810)
USA	(397,503)	77,948
	(1,149,420)	(277,862)
Net loss as reported	$(2,802,351)	$(1,096,642)

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Accrued Taxes and Social Contribution

Since 2000, the Company has been deficient in the payment of Brazilian sales, payroll, and other taxes. At December 31, 2009 and 2008, these deficiencies, plus interest and penalties, amounted to approximately $3,224,000 and $1,180,000, respectively. This liability is included as part of the accounts payable and accrued expenses (short-term and long-term) within the consolidated balance sheet. In 2009, the Company submitted to the Brazilian government a request to pay out the federal taxes pursuant to a recently enacted law issued on May 27, 2009, which refinanced all federal tax debts due by November 30, 2008. The Company's request was granted by the government on November 16, 2009. The monthly amount to be paid over a period of approximately ten years for the deficient taxes has not yet been determined by the Brazilian government.

Legal Proceedings

The Company's subsidiary, Medlink Conectividade, is involved in litigation pertaining to a previous provider of consultancy services regarding breach of contract and two labor law suits involving employees for claims of unfair dismissal. At December 31, 2009 and 2008, the Company has accrued approximately $260,000 and $151,000, respectively, related to these lawsuits which are probable and estimable. The ultimate outcome of these claims is uncertain at this time.

NOTE 12 - SUBSEQUENT EVENT

On February 8, 2010, the Company issued 4,260,204 shares of its common stock upon conversion of 167 shares of Series A preferred stock.