MDwerks, Inc.
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PROSPECTUS

MDWERKS, INC.

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

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

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

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

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

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

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

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

The date of this prospectus is April 25, 2008.

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

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PROSPECTUS SUMMARY

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

Overview

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

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

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

Business Services

Claims Management Services

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

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

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

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

Billing Services

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

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

Lending Services

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

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

Consulting Services

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

Workers Compensation, Durable Medical Equipment and Pharmacy Claim Services

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

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

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

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

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

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

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

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

Corporate Information

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

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

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

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

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

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

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

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

The Offering

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

As of April 14, 2008, we had approximately 12,940,065 shares of common stock issued and outstanding, which includes 1,477,716 shares being offered by this prospectus. The number of outstanding shares of common stock does not include 57,566,346 shares which may be issued pursuant to the exercise of warrants previously issued by the Company, 40,000 shares of common stock which may be issued upon conversion of currently outstanding shares of Series A Convertible Preferred Stock, 13,333,334 shares of common stock which may be issued upon conversion of currently outstanding shares of Series B Convertible Preferred Stock, 2,777,778 shares of common stock which may be issued upon conversion of our Senior Notes, and options to purchase 3,514,250 shares of common stock under our 2005 Incentive Compensation Plan.

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

SUMMARY RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

As of March 31, 2008, we had a cash balance of approximately $6,900,000. The amount of cash available to us may be insufficient for us to implement our business plan as anticipated and may require us to seek additional debt or equity financing in the future, as we may be unable to generate sufficient cash flow from our operations. As our business develops, we may need to raise capital through the incurrence of additional long-term or short-term indebtedness or the issuance of additional equity securities in private or public transactions in order to complete further investments. This could result in dilution of existing equity positions, increased interest expense, decreased net income and diminished shareholder s value. In addition, significant capital requirements associated with such investments may impair our ability to pay dividends (although we do not anticipate paying any dividends on our common stock in the foreseeable future) or interest on indebtedness or to meet our operating needs. There can be no assurance that acceptable financing for future investments can be obtained on suitable terms, if at all.

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

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

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

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

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

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We may need to raise additional capital in the future and may need to initiateother operational strategies to continue

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

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

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

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

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

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

Our operations have been and will continue be dependent on the efforts of Mr. Howard Katz, our Chief Executive Officer, Mr. Solon Kandel, our President and Mr. Vincent Colangelo, our Chief Financial Officer and Corporate Secretary. The commercialization of our products and the development of improvements to our products and systems, as well as the development of new products is dependent on retaining the services of certain technical personnel who were involved in the development of MDwerks products and services. The loss of key management, the inability to secure or retain such key legacy personnel with unique knowledge of our products and services and the technology and programming employed as part of our products and services, the failure to transfer knowledge from legacy personnel to current personnel, or an inability to attract and retain sufficient numbers of other qualified management personnel would adversely delay and affect our business, products and services and could have a material adverse effect on our business, operating results and financial condition.

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

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

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

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

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

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

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

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

These risks include:

- greater difficulty in collecting accounts receivable;