

HEALTHCARE BUSINESS SERVICES GROUPS, INC.

Form SB-2/A

August 08, 2007

SECURITIES AND EXCHANGE COMMISSION

FORM SB-2/A

AMENDMENT # 1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

HEALTHCARE BUSINESS SERVICES GROUPS, INC.

(Exact Name of Small Business Issuer in its Charter)

Nevada
(State of Incorporation)

7389
(Primary Standard Classification Code)

88-0478644
(IRS Employer ID No.)

1105 Terminal way, Suite 220

Reno, NV 89502

Address and Telephone Number of Registrant's Principal

Executive Offices and Principal Place of Business)

CHANDANA BASU

CEO, TREASURER AND DIRECTOR

HEALTHCARE BUSINESS SERVICES GROUPS, INC.

1105 TERMINAL WAY, SUITE 220

RENO, NV 89502

(775) 348-5735

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

Copies of communications to:

RICHARD I. ANSLOW, ESQ.

ANSLOW & JACLIN, LLP

195 ROUTE 9 SOUTH, SUITE 204

MANALAPAN, NEW JERSEY 07726

TELEPHONE NO.: (732) 409-1212

FACSIMILE NO.: (732) 577-1188

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective. If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☒ [X]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the following box and list the Securities Act registration Statement number of the earlier effective registration statement for the same offering. ☐ []

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐ [] If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐ []

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

CALCULATION OF REGISTRATION FEE

Title of Each Class Of Securities to be Registered	Number of Units/Shares to be Registered	Proposed Maximum		
		Aggregate Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration fee
Common Stock, par value \$0.001(1)	6,130,150(2)(3)	\$.018	\$ 110,342.70	\$3.39

Total

6,130,150

\$110,342.70

\$3.39

1. Represents 6,130,150 shares of common stock issuable in connection with the conversion of promissory notes in accordance with a Securities Purchase Agreement dated June 27, 2006 between us and AJW Partners, LLC, AJW Offshore, Ltd., AJW Qualified Partners, LLC and New Millenium Capital Partners II, LLC, respectively. The price of \$.018 per share is being estimated solely for the purpose of computing the registration fee pursuant to Rule 457(c) under the Securities Act and is based on the estimated conversion price of the callable secured convertible notes (\$.03 was the closing price on the date the transaction closed less a 40% discount).

2. The number of shares being registered for the conversion of the callable secured convertible notes is 6,130,150 representing approximately 1/3 of our 18,390,450 non-affiliate outstanding common shares issued and outstanding as of July 23, 2007.

3. None of the 6,130,150 shares being registered are shares that have been, or will be, received as liquidated damages or conversion default payments.

PRELIMINARY PROSPECTUS SUBJECT TO COMPLETION DATED JULY , 2007

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the securities act of 1933 or until the registration statement shall become effective on such date as the commission, acting pursuant to said section 8(a), may

determine.

HEALTHCARE BUSINESS SERVICES GROUPS, INC.

6,130,150 SHARES OF COMMON STOCK ISSUABLE UPON THE CONVERSION OF PROMISSORY NOTES

Our selling security holders are offering to sell 6,130,150 shares of common stock issuable upon the conversion of promissory notes.

THE COMPANY IS CONSIDERED TO BE IN UNSOUND FINANCIAL CONDITION. PERSONS SHOULD NOT INVEST UNLESS THEY CAN AFFIORD TO LOSE THEIR ENTIRE INVESTMENTS.

THE PURCHASE OF THE SECURITIES OFFERED THROUGH THIS PROSPECTUS INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD CAREFULLY CONSIDER THE FACTORS DESCRIBED UNDER THE HEADING RISK FACTORS BEGINNING ON PAGE 2.

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. Any representation to the contrary is a criminal offense.

The Date of This Prospectus Is: June 5, 2007

TABLE OF CONTENTS

TABLE OF CONTENTS

	PAGE
<u>Summary Financial Data</u>	
<u>Risk Factors</u>	13
<u>Use of Proceeds</u>	18
<u>Market for Common Equity and Related Stockholder Matters</u>	18
<u>Description of Business</u>	26
<u>Description of Property</u>	28
<u>Legal Proceedings</u>	28
<u>Selling Shareholders</u>	33
<u>Plan of Distribution</u>	35
<u>Certain Relationships and Related Transactions</u>	36
<u>Description of Securities</u>	37
<u>Index to Financial Statements</u>	

ABOUT OUR COMPANY

The Company was incorporated in the State of Nevada on May 2, 2000, as Winfield Capital Group, Inc. On June 6, 2001, the Company filed a Certificate of Amendment to its Articles of Incorporation to affect a name change to "Winfield Financial Group, Inc." On April 23, 2004, the Company acquired 100% of the equity interest of Healthcare Business Services Groups, Inc. ("Healthcare"). As part of the same transaction, the Company acquired 100% of the equity interest of AutoMed Software Corp. ("AutoMed") and Silver Shadow Properties, LLC ("Silver Shadow") on May 7, 2004. Prior to the Acquisition (defined below), the Company was a business broker, primarily representing sellers and offering its clients' businesses for sale. As a result of the acquisition, the Company changed its business focus to medical billing. On January 7, 2005, the Company filed a Certificate of Amendment to its Articles of Incorporation, with the Nevada Secretary of State and changed its name to "Healthcare Business Services Groups, Inc."

On April 23, 2004, the Company acquired 100% of the issued and outstanding shares of Healthcare Business Services Groups, Inc., a Delaware corporation ("Healthcare"). As part of the same transaction on May 7, 2004, the Company acquired 100% of the issued and outstanding shares of AutoMed Software Corp., a Nevada corporation ("AutoMed"), and 100% of the membership interests of Silver Shadow Properties, LLC, a Nevada single member limited liability company ("Silver Shadow"). The transactions are collectively referred to herein as the "Acquisition." The Company acquired Healthcare, AutoMed, and Silver Shadow from Chandana Basu, the sole owner, in exchange for 25,150,000 newly issued treasury shares of the Company's Common Stock. As a result of the Acquisition, the Company has changed its business focus. The term "Company" shall include a reference to Healthcare Business Services Groups, Inc. (the "Company"),

On June 21, 2004, the Company entered into an agreement with Robert Burley (former Director, President and Chief Executive Officer of the Company) and Linda Burley (former Director and Secretary of the Company) whereby the Company agreed to transfer certain assets owned by the Company immediately prior to the change in control in consideration for Mr. and Mrs. Burley's cancellation of an aggregate of 2,640,000 of their shares of the Company's common stock. The Company transferred the following assets to Mr. and Mrs. Burley: (i) the right to the name "Winfield Financial Group, Inc." and (ii) any contracts, agreements, rights or other intangible property that related to the Company's business operations immediately prior to the change in control whether or not such intangible property was accounted for in the Company's financial statements. After the issuance of shares to Ms. Basu and the cancellation of 2,640,000 shares of Mr. and Mrs. Burley's Common Stock, there were 29,774,650 shares of the Company's Common Stock outstanding. As a result of these transactions, control of the Company shifted to Ms. Basu. Ms. Basu currently owns 28,750,000 shares (or approximately 57.11%) out of 50,340,450 shares of the Company's issued and outstanding Common Stock.

On January 5, 2005, the Registrant changed its name to Healthcare Business Services Groups, Inc. The Registrant is a holding company for HBSGI. The business operations discussed herein are conducted by HBSGI. The Registrant, through HBSGI, is engaged in the business of providing medical billing services to healthcare providers in the United States.

The Company is a medical billing service provider that for over seventeen years has assisted various healthcare providers to successfully enhance their billing function. The Company has a diversified market base with headquartered in Upland, California . The Company has developed a proprietary medical billing software system named AutoMed®. The Company has installed, and is currently ready to market and install, AutoMed® at some of the Company's existing medical billing clients. The Company expects that after this software is launched, revenues will grow substantially over the next three to five years extending its billing model into the technology era.

Summary Financial Data

The following summary financial data should be read in conjunction with Management's Discussion and Analysis, Plan of Operation and the Financial Statements and Notes thereto, included elsewhere in this prospectus. The statement of operations and balance sheet data from our December 31, 2006 and December 31, 2005 audited financial statements and our March 31, 2007 unaudited financial statements and March 31, 2006 restated financial statements.

			For the three month period ended March 31, 2007	For the three month period ended March 31, 2006
	For the year ended December 31, 2006	For the year ended (RESTATED)		
STATEMENT OF OPERATIONS				
Revenues	\$ 1,011,644	\$ 1,565,262	\$ 284,434	\$ 314,809
Net Income (Loss)	\$ (1,175,695)	\$ (1,179,420)	\$ 160,265	\$ (217,341)
General and Administrative Expenses	\$ 1,430,130	\$ 1,758,137	\$ 258,612	\$ 326,838
Net Income (Loss) Per Share	\$ (0.09)	\$ (\$0.04)	\$ 0.00	\$ (0.01)

DISCLOSURE REGARDING OUR RECENT FINANCING AND CONVERSION OF NOTES AND EXERCISE OF WARRANTS

Terms of Financing Documents

Securities Purchase Agreement

On June 27, 2006 (the Issuance Date), we entered into a Securities Purchase Agreement with AJW Capital Partners, LLC, AJW Offshore, Ltd., AJW Qualified Partners, LLC and New Millennium Capital Partners II, LLC (the Investors), whereby the Investors purchased an aggregate of (i) \$2,000,000 in Callable Secured Secured Convertible Notes (the Notes) and (ii) warrants to purchase 50,000,000 shares of our common stock (the Warrants). The Investors

will purchase the Notes and Warrants in two tranches as set forth below:

1.

At closing on June 29, 2006 (Closing), the Investors purchased Notes aggregating \$700,000 and warrants to purchase 50,000,000 shares of our common stock;

2.

Upon the filing of a registration statement registering the shares of common stock underlying the Notes (Registration Statement), the Investors will purchase Notes aggregating \$600,000; and,

3.

Upon effectiveness of the Registration Statement, the Investors will purchase Notes aggregating \$700,000. However, the Company has previously withdrawn a Registration Statement, there could be a penalty of \$5,000 for each \$250,000 outstanding balance due to non effectiveness of registration statement within the initial 120 days.

Under the Securities Purchase Agreement, we are obligated to pay all costs and expenses incurred by us in connection with the negotiation, preparation and delivery of the transaction documents, as well as the costs associated with registering the common shares underlying the Notes being offered in this Prospectus.

Future Capital Raising Limitations. The Company may not, without the prior written consent of a majority-in-interest of the Investors, negotiate or contract with any party to obtain additional equity financing (including debt financing with an equity component) involving the following:

1. At closing on June 29, 2006 (Closing), the Investors purchased Notes aggregating \$700,000 and warrants to purchase 50,000,000 shares of our common stock;
 2. Upon the filing of a registration statement registering the shares of common stock underlying the Notes (Registration Statement), the Investors will purchase Notes aggregating \$600,000; and,
 3. Upon effectiveness of the Registration Statement, the Investors will purchase Notes aggregating \$700,000.
- However, the Company has previously withdrawn a Registration Statement, there could be a penalty of \$5,000 for each \$250,000 outstanding balance due to non effectiveness of registration statement within the initial 120 days.

Under the Securities Purchase Agreement, we are obligated to pay all costs and expenses incurred by us in connection with the negotiation, preparation and delivery of the transaction documents, as well as the costs associated with registering the common shares underlying the Notes being offered in this Prospectus.

In addition, Investors have a right of first refusal of any future equity offerings (including debt with an equity component) for the period beginning on the Closing and ending two (2) years after the end of the Lock-up Period (the Right of First Refusal). The Right of First Refusal provides each Buyer Investor an option to purchase its pro rata share of the securities being offered in the future offering on the same terms as contemplated by such Future Offering. For purposes of the Securities Purchase Agreement, discussions relating to financing of the construction of studio facilities with investment banks, commercial banks, investment groups, development partners or individual investors shall not be considered engaging in equity financing.

Notwithstanding the above, such limitations shall not apply to any transaction involving:

1.

issuances of securities in a firm commitment underwritten public offering (excluding a continuous offering pursuant to Rule 415 under the 1933 Act), an equity line of credit or similar financing arrangement) resulting in net proceeds to the Company of in excess of \$15,000,000; or

2.

issuances of securities as consideration for a merger, consolidation or purchase of assets, or in connection with any strategic partnership or joint venture (the primary purpose of which is not to raise equity capital), or in connection with the disposition or acquisition of a business, product or license by the Company; .

The limitations also shall not apply to the issuance of securities upon exercise or conversion of the Company's options, warrants or other convertible securities outstanding as of the date hereof or to the grant of additional options or warrants, or the issuance of additional securities, under any Company stock option or restricted stock plan approved by the shareholders of the Company.

Furthermore, the limitations shall not apply in the event the Company's Board of Directors decides, in good faith, to enter into a transaction or relationship in which the Company issues shares of Common Stock or other securities of the Company to a person or any entity which is, itself or through its subsidiaries, an operating company in a business synergistic with the business of the Company and in which the Company received benefits in addition to the investment of funds, but shall not include a transaction in which the Company is issuing securities primarily for the purpose of raising capital or to an entity whose business is investing in securities.

Liquidated Damages. We are liable to pay liquidated damages in shares or cash, at our election, equal to 3% of the outstanding amount of the Notes per month plus accrued and unpaid interest if we breach any (i) covenant set forth in the Securities Purchase Agreement, including the failure to comply with blue sky laws, timely file all public reports, use the proceeds from the sale of the Notes in the agreed upon manner, obtain written consent from the Investors to negotiate or contract with a party for additional financing, reserve and have authorized the required number of common shares or maintain the listing or quotation of our common shares on an exchange or automated quotation system; or (ii) representation or warranty regarding the condition of our company set forth in the Securities Purchase Agreement.

Security Agreement and Intellectual Property Security Agreement

In connection with the Securities Purchase Agreement and as security for the Notes, we executed a Security Agreement and an Intellectual Property Security Agreement granting the Investors a continuing security interest in, a continuing first lien upon, an unqualified right to possession and disposition of, and a right of set-off against, in each case to the fullest extent permitted by law, all of the Company's right, title and interest in all of our goods, inventory, contractual rights and general intangibles, receivables, documents, instruments, chattel paper, and intellectual property, excluding Camelot Studio Group and Camelot Film Group. Under the Security Agreement and Intellectual Property Security Agreement, events of default occur upon:

o

The occurrence of an event of default (as defined in the Notes and listed below) under the Notes;

o

Any representation or warranty we made in the Security Agreement or in the Intellectual Property Security Agreement shall prove to have been incorrect in any material respect when made;

o

The failure by us to observe or perform any of our obligations under the Security Agreement or Intellectual Property Security Agreement for ten (10) days after receipt of notice of such failure from the Investors; and

o

Any breach of, or default under, the Warrants.

Warrants

Exercise Terms and Limitation. We simultaneously issued to the Investors seven (7) year Warrants to purchase 50,000,000 shares of our common stock at an exercise price of \$0.07. The Investors have contractually agreed to restrict their ability to exercise the Warrants and receive shares of our common stock such that the number of shares of our common stock held by them and their affiliates after such exercise does not exceed 4.99% of the then issued and outstanding shares of our common stock.

Cashless Exercise. If the shares of common stock underlying the Warrants are not registered, then the Investors are entitled to exercise the Warrants on a cashless basis without paying the exercise price in cash. In the event that the Investors exercise the Warrants on a cashless basis, then we will not receive any proceeds.

Anti-Dilution. The Warrants' exercise price will be adjusted in certain circumstances such as if we issue common stock at a price below market price, except for any securities issued in connection with the Notes, if we pay a stock dividend, subdivide or combine outstanding shares of common stock into a greater or lesser number of shares, or take such other actions as would otherwise result in dilution of the Investors' position.

Notes

Interest, Maturity and Conversion. The Notes bear interest at 6 percent per annum, mature three (3) years from the issuance date, and are convertible into shares of our common stock at the applicable percentage of the average of the lowest three (3) intraday trading prices for our shares of common stock during the twenty (20) trading day period prior to conversion, but not including the conversion date. The Applicable Percentage means 50%; provided, however, that the Applicable Percentage shall be increased to (i) 55% in the event that a Registration Statement is filed within thirty (30) days of the closing, and (ii) 60% in the event that the Registration Statement is declared effective by the SEC.

In the event of full conversion of the aggregate principal amount of the Notes of \$2,000,000, we would have to register a total of 87,719,298 shares of common stock. This amount is calculated as follows:

The aggregate principal amount of the Notes is \$2,000,000. The estimated conversion price of the Notes is \$0.0228 based on the following: \$0.038 was the average of the lowest three (3) trading prices for our shares of common stock during the twenty (20) trading days prior to the Issuance Date (Average Common Stock Price), less a 40% discount. Thus, at a discounted price-per-share of \$0.0228, 87,719,298 shares of the Company's common stock would be issuable upon conversion of \$2,000,000 into common shares of the Company ("Conversion Shares") and would be registered.

There is no limit to the number of shares that we may be required to issue upon conversion of the Notes as it is dependent upon our share price, which varies from day to day. This could cause significant downward pressure on the price of our common stock. The following table shows the effect on the number of shares issuable upon full conversion, in the event the common stock price declines by 25%, 50% and 75% from its most recent trading price.

	<u>Price Decreases By</u>			
	<u>6/27/2006</u>	<u>25%</u>	<u>50%</u>	<u>75%</u>
Average Common Stock Price (as defined above)	\$ 0.038	\$ 0.0285	\$ 0.019	\$ 0.0095
Conversion Price	\$ 0.0228	\$ 0.0171	\$ 0.0114	\$ 0.0057
100% Conversion Shares	87,719,298	116,959,064	175,438,596	350,877,192

Conversion Limitation. The Investors have contractually agreed to restrict their ability to convert the Notes and receive shares of our common stock such that the number of shares of our common stock held by them and their affiliates after such conversion does not exceed 4.99% of the then issued and outstanding shares of our common stock.

Call Option. The Notes have a call option, which provides us with the right to prepay the Notes in the event that no event of default exists, there are a sufficient number of shares available for conversion of the Notes and the market price is at or below \$0.05 per share. Prepayments are to be made in cash equal to either (i) 120% of the outstanding principal and accrued interest for prepayments occurring within 30 days following the issue date of the Notes; (ii) 130% of the outstanding principal and accrued interest for prepayments occurring between 31 and 60 days following the issue date of the Notes; and (iii) 140% of the outstanding principal and accrued interest for prepayments occurring after the 60th day following the issue date of the Notes. To exercise this right, we must provide to the note holders prior written notice no less than two (2) business days before the exercise date.

Partial Call Option. In the event that the average daily price of the common stock for each day of the month ending on any determination date is below \$0.05 we have a partial call option which provides us with the right to prepay a portion of the outstanding principal amount of the Notes equal to 104 of the principal amount hereof divided by thirty-six (36) plus one month's interest. Exercise of this option will stay all conversions for the following month. The full principal amount of the Notes is due upon default under the terms of Notes. In addition, we have granted the Investors a security interest in substantially all of our assets and intellectual property as well as registration rights.

Anti-Dilution. The Notes' conversion price will be adjusted in certain circumstances such as if we issue common stock at a price below market price, except for any securities issued in connection with the Notes, if we pay a stock dividend, subdivide or combine outstanding shares of common stock into a greater or lesser number of shares, or take such other actions as would otherwise result in dilution of the Investors' position.

Default. An Event of Default occurs if we:

- o Fail to pay the principal or interest when due;

- o Fail to issue shares of common stock upon receipt of a conversion notice;

- o Fail to file a registration statement within 45 days following the Closing or fail to have the registration statement effective 135 days following the Closing;

- o Breach any material covenant or other material term or condition in the Notes or the Securities Purchase Agreement;

- o Breach any representation or warranty made in the Securities Purchase Agreement or other document executed in connection with the financing transaction;

- o Fail to maintain the listing or quotation of our common stock on the OTCBB or an equivalent exchange, the Nasdaq National Market, the Nasdaq SmallCap Market, the New York Stock Exchange, or the American Stock Exchange;

- o Apply for or consent to the appointment of a receiver or trustee for us or any of our subsidiaries or for a substantial part of our of our subsidiaries' property or business, or such a receiver or trustee shall otherwise be appointed;

- o Have any money judgment, writ or similar process shall be entered or filed against us or any of our subsidiaries or any of our property or other assets for more than \$50,000, and shall remain unvacated, unbonded or unstayed for a period of twenty (20) days unless otherwise consented to by the Investors;

- o Institute or have instituted against us or any of our subsidiaries any bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings for relief under any bankruptcy law or any law for the relief of debtors; or

o Default under any Note issued pursuant to the Securities Purchase Agreement.

Value of Shares Underlying Notes

The maximum aggregate dollar value of the 6,130,150 shares of common stock underlying the Notes that the Company has registered for resale is \$139,767.42. This number is based 1/3 of our 50,340,450 common shares outstanding as of July 31, 2007 and the estimated conversion price per share of \$0.0228 (\$0.038 was the average of the lowest three (3) trading prices for our common shares during the twenty (20) trading days prior to the Issuance Date, less a 40% discount).

The market price for the Company's common stock on the Issuance Date was \$0.03 per share based on the closing price that day. Using this market price per share, the maximum aggregate dollar value of the 6,130,150 common shares underlying the Notes that the Company has registered for resale is \$183,904.50.

Fees and Payments Associated with Transaction

In connection with the recent financing and pursuant to a Structuring Agreement, we also issued to Lionheart Associates LLC d/b/a Fairhills Capital warrants representing the right to purchase up to 582,609 shares of our common stock under the same terms as the Warrants issued to the Investors (the Finder's Warrants). We also paid to Lionheart a fee of \$70,000 (the Finder's Fee).

The following table discloses the dollar amount of each payment (including the dollar value of any payments to be made in common stock) in connection with the financing transaction that the Company has paid, or may be required to pay to any Selling Stockholder, any affiliate of a Selling Stockholder, or any person with whom any Selling Stockholder has a contractual relationship regarding the transaction. The table also reflects the potential net proceeds to the Company from the sale of the Notes and the total possible payments to all selling shareholders and any of their affiliates in the first year following the sale of convertible notes. We intend to use all proceeds received in connection

with the financing transaction for general corporate, business development and working capital purposes. For purposes of this table, we assumed that the aggregate of \$2,000,000 in Notes were issued on June 27, 2006. Upon effectiveness of the Registration Statement, the Investors will purchase Notes aggregating \$700,000. However, the Company has previously withdrawn a Registration Statement, there could be a penalty of \$5,000 for each \$250,000 outstanding balance due to non effectiveness of registration statement within the initial 120 days.

	Structuring and	Maximum	Maximum	Maximum			Net
Finder s	Due Diligence	Possible Interest	Redemption	Liquidated	Maximum	Maximum	Proceeds to
Fee(1)	Fees(2)	Payments(3)	Premium(4)	Damages(5)	First Year Payments(6)	Payments(7)	Company(8)
\$ 70,000	\$ 30,000	\$ 190,379.50	\$ 841,175.48	\$ 63,088.16	\$166,026.87	\$353,467.66	\$1,910,000

(1) The Company paid to Lionheart Associates a fee of \$70,000 on June 30, 2006 for arranging the financing pursuant to a Structuring Agreement with Lionheart.

(2) Pursuant to the Securities Purchase Agreement, the Company paid to The National Investment Resources, LLC \$30,000 in structuring and due diligence fees in connection with the transaction.

(3) Maximum amount of interest that can accrue assuming all Notes aggregating \$2,000,000 were issued on June 27, 2006 and remain outstanding until the maturity date. Interest is payable quarterly provided that no interest shall be due and payable for any month in which the intraday trading price is greater than \$0.04. The Company, at its option, may pay accrued interest in either cash or, in shares of its common stock.

(4) Under certain circumstances we have the right to redeem the full principal amount of the Notes prior to the maturity date by repaying the principal and accrued and unpaid interest plus a redemption premium of 40%. This represents the maximum redemption premium the Company would pay assuming we redeem all of the Notes twelve (12) months from June 27, 2006.

(5) Under the Stock Purchase Agreement, the maximum amount of liquidated damages that the Company may be required to pay for the twelve (12) months following the sale of all Notes is 3% of the outstanding principal and accrued and unpaid interest.

(6) Total maximum payments that the Company may be required to pay to the Selling Stockholders for the twelve (12) months following the sale of all Notes, which is comprised of \$102,938.71 in interest and \$63,088.16 in liquidated damages. If we redeemed the Notes one year from the Issuance Date, then the total payments would be \$2,841,175.48.

(7) Total maximum payments payable by Company, includes finder's fees of \$70,000, structuring and due diligence fees of \$30,000, maximum possible interest of \$190,379.50 and maximum possible liquidated damages of \$63,088.16.

We also incurred \$50,000 in legal fees for the transaction and filing of this registration statement, which would increase the possible maximum payments by Company to \$403,467.66 and reduce the net proceeds to Company to \$1,860,000. In addition, we were required to place in escrow \$20,000 for the purchase of Keyman insurance for our executives. We anticipate the premium to be less than \$20,000 and the balance of money held in escrow to be returned to us after paying the initial premium. Assuming the initial premium is \$20,000, would increase the possible maximum payments by Company to \$373,467.66 and reduce the net proceeds to Company to \$1,890,000.

(8) Total net proceeds to the Company including the \$70,000 finder's fees and \$20,000 structuring and due diligence fees. We also incurred \$50,000 in legal fees for the transaction and filing of this registration statement.

Total Possible Profit Selling Stockholders Could Realize

Notes

The following table discloses the total possible profit Selling Stockholders could realize as a result of the conversion discount for the securities underlying the Notes. For purposes of this table, we assumed that the aggregate of \$2,000,000 in Notes were issued on June 27, 2006. Upon effectiveness of the Registration Statement, the Investors will purchase Notes aggregating \$700,000. However, the Company has previously withdrawn a Registration Statement, there could be a penalty of \$5,000 for each \$250,000 outstanding balance due to non effectiveness of registration statement within the initial 120 days.

		Shares		Total Possible	
		Underlying	Combined Market	Total Amount Paid by	Discount to
Market Price(1)	Conversion Price(2)	Notes(3)	Price of Shares(4)	Selling Stockholders ⁽⁵⁾	Market Price(6)
\$ 0.03	\$ 0.0228	87,719,298	\$ 2,631,578.94	\$ 2,000,000	\$ 631,578.94

(1) Market price per share of our common stock on the Issuance Date (June 27, 2006).

(2) The conversion price per share of our common stock underlying the Notes on the Issuance Date is calculated by the average of the lowest three (3) trading prices for our common shares during the twenty (20) trading days prior to the date the Notes were issued on June 27, 2006 (\$0.06 was the average), less a 40% discount.

(3) Total number of shares of common stock underlying the Notes assuming full conversion as of the Issuance Date. Since the conversion price of the Notes may fluctuate as market prices fluctuate, the actual number of shares that

underlie the Notes will also fluctuate.

(4) Total market value of shares of common stock underlying the Notes assuming full conversion as of the Issuance Date based on the market price on the Issuance Date.

(5) Total amount paid by selling stockholders assuming full conversion of the Notes as of the Issuance Date based on the conversion price.

(6) Total Potential profit calculated by subtracting the total conversion price (result in footnote (5)) from the combined market price (result in footnote (4)).

Warrants

We also issued to Selling Stockholders seven year Warrants to purchase an aggregate of 50,000,000 shares of our common stock, exercisable on a cashless basis provided we are not in default of the Notes with the aggregate exercise price of \$1,500,000 if exercised on a cashless basis. The following table discloses the total possible profit Selling Stockholders could realize as a result of the cashless exercise of the Warrants.

		Shares		Total Possible	
		Underlying	Combined	Total Exercise	Discount to
Market Price(1)	Exercise Price(2)	Warrants(3)	Market Price(4)	Price(5)	Market Price(6)
\$0.03	\$0.07	50,000,000	\$1,500,000	\$3,500,000	\$0

(1) Market price per share of our common stock on the Issuance Date (June 27, 2006).

(2) The exercise price per share of our common stock underlying the Warrants is fixed at \$0.07 except that the Warrants contain anti-dilution protections which in certain circumstances may result in a reduction to the exercise price.

(3) Total number of shares of common stock underlying the Warrants assuming full exercise as of the Issuance Date. Upon certain adjustments of the exercise price of the warrants, the number of shares underlying the warrants may also be adjusted such that the proceeds to be received by us would remain constant.

(4) Total market value of shares of common stock underlying the Warrants assuming full exercise as of the Issuance Date based on the market price of the common stock on the Issuance Date.

(5) Total value of shares of common stock underlying the Warrants assuming full exercise as of the Issuance Date based on the conversion price.

(6) Discount to market price calculated by subtracting the total conversion price (result in footnote (5)) from the combined market price (result in footnote (4)). The result of an exercise of the Warrants at the exercise price and a sale at the market price would be a loss to the Selling Stockholder. Since the current closing price of our common stock is less than the Warrants exercise price, the Warrants are out of the money and no profit would be realized as of June 27, 2006.

Combined Total Possible Profit Selling Stockholders Could Realize

The following table summarizes the potential proceeds available to the Company pursuant to the financing with the Investors and the Investors return on investment. For purposes of this table, we assumed that the aggregate of \$2,000,000 in Notes were issued on June 27, 2006. Upon effectiveness of the Registration Statement, the Investors will purchase Notes aggregating \$700,000. However, the Company has previously withdrawn a Registration Statement, there could be a penalty of \$5,000 for each \$250,000 outstanding balance due to non effectiveness of registration statement within the initial 120 days.

				All Payments + Possible	
Gross Proceeds	Maximum Possible		Combined Total	All Payments + Possible	Profit / Net Proceeds
Payable to Company(1)	Payments by Company(2)	Net Proceeds to Company(3)	Possible Profit to Investors(4)	Profit / Net Proceeds(5)	Averaged Over 3 Years(6)
\$2,000,000	\$353,467.66	\$1,910,000	\$631,578.94	51.57%	17.17%

(1) Total amount of the Notes.

(2) Total maximum payments payable by Company, includes finder's fees of \$70,000, structuring and due diligence fees of \$30,000, maximum possible interest of \$190,379.50 and maximum possible liquidated damages of \$63,088.16. We also incurred \$50,000 in legal fees for the transaction and filing of this registration statement, which would increase the possible maximum payments by Company to \$403,467.66 and reduce the net proceeds to Company to \$1,860,000. In addition, we were required to place in escrow \$20,000 for the purchase of keyman insurance for our executives. We anticipate the premium to be less than \$20,000 and the balance of money held in escrow to be returned to us after paying the initial premium. Assuming the initial premium is \$20,000, would increase the possible maximum payments by Company to \$373,467.66 and reduce the net proceeds to Company to \$1,890,000.

(3) Total net proceeds to the Company including the \$120,000 finder's fee and \$20,000 structuring and due diligence fees. We also incurred \$65,000 in legal fees for the transaction and filing of this registration statement, and placed in escrow \$15,000 for the purchase of keyman insurance for our executives, both of which would increase the possible maximum payments by Company to \$365,176.17 and \$380,176.17, respectively, and reduce the net proceeds to Company to \$792,932.99 and \$777,932.99, respectively.

(4) Total possible profit to the Investors is based on the aggregate discount to market price of the conversion of the Notes and cashless exercise of Warrants. The Notes' conversion price is calculated by the average of the lowest three (3) trading prices for our common shares during the twenty (20) trading days prior to the date the Notes were issued on June 27, 2006 (\$0.038 was the average), less a 40% discount. The result of an exercise of the Warrants at the exercise price and a sale at the market price would be a loss to the Selling Stockholder. Since the current closing price of our common stock is less than the Warrants' exercise price, the Warrants are out of the money and no profit would be realized as of June 27, 2006.

(5) Percentage equal to the maximum possible payments by us in the transaction (\$353,467.66) plus total possible discount to the market price of the shares underlying the Notes (\$631,578.94), plus profit from 50,000,000 warrants in the money as of June 27, 2006 (\$0), divided by the net proceeds to the Company resulting from the sale of the Notes (\$1,910,000).

(6) Calculated by dividing 51.57% (footnote 5) by 3.

Prior Securities Transactions with Selling Stockholders

We have not engaged in any prior securities transactions with the Selling Stockholders, any affiliates of the Selling Stockholders, or any person with whom any Selling Stockholder has a contractual relationship regarding the transaction (or any predecessors of those persons).

Shares Outstanding Prior to the Transaction

The following table discloses certain information comparing the number of shares outstanding prior to the transaction, number of shares registered by the Selling Stockholders, or their affiliates, in prior registration statements (along with that number still held and number sold pursuant to such prior registration statement) and the number of shares registered for resale in this Registration Statement relating to the financing transaction.

Number of shares outstanding prior to convertible note transaction held by persons other than the Selling Stockholders,	
affiliates of the Company and affiliates of the Selling Stockholders.	18,390,450
Number of shares registered for resale by Selling Stockholders or affiliates in prior registration statements.	0
Number of shares registered for resale by Selling Stockholders or affiliates of Selling Stockholders that continue to be	
held by Selling Stockholders or affiliates of Selling Stockholders.	0
Number of shares sold in registered resale by Selling Stockholders or affiliates of Selling Stockholders.	0
Number of shares registered for resale on behalf of Selling Stockholders or affiliates of Selling Stockholders	
in current transaction.	6,130,150

Repayment, Shorting and Prior Transactions with Selling Stockholders

The Company intends to repay the overlying securities and believes that it will have the financial ability to make all payments on the Notes when they become due and payable. To the best of our knowledge, and based on information obtained from the Selling Stockholders, none of the selling shareholders have an existing short position in the Company's common stock.

Other than its issuance and sale of the Notes and the Warrants to the Selling Stockholders, the Company has not in the past three (3) years engaged in any securities transaction with any of the Selling Stockholders, any affiliates of the Selling Stockholders, or, after due inquiry and investigation, to the knowledge of the management of the Company, any person with whom any Selling Stockholder has a contractual relationship regarding the transaction (or any predecessors of those persons). In addition, other than in connection with the contractual obligations set forth in the transaction documents filed as Exhibits to our Form 8-K filed August 15, 2006, including the (i) the Securities Purchase Agreement, (ii) the Notes and the Warrants and (iii) the Security Agreement, (iv) the Intellectual Property Security Agreement, the Company does not have any agreements or arrangements with the Selling Stockholders with respect to the performance of any current or future obligations.

WHERE YOU CAN FIND US

Our executive offices are located at 1126 West Foothill Blvd., Suite 105, Upland, California 91786. Our telephone number is (909) 608-2035 and our facsimile number is (909) 608-1081.

SECURITIES OFFERED BY US

We are not offering any securities. All shares being registered are for our selling security holders.

RISK FACTORS

An investment in our common stock is highly speculative and involves a high degree of risk. Therefore, you should consider all of the risk factors discussed below, as well as the other information contained in this document. You should not invest in our common stock unless you can afford to lose your entire investment and you are not dependent on the funds you are investing.

NOTWITHSTANDING OUR PRESENT FINANCING TRANSACTION, OUR BUSINESS PLAN REQUIRES ADDITIONAL FINANCING FOR OUR AUTOMED SUBSIDIARY AND THE FAILURE TO OBTAIN SUCH FINANCING CAN RESULT IN THE CURTAIL OF OUR CURRENT MEDICAL BILLING OPERATIONS

In addition to its continued medical billing operation, we have planned to begin marketing AutoMed. We do not believe that we can satisfy the current cash requirements for Medical Billing, if we maintain our operations as they are currently. We need to raise \$4 to \$5 million of additional financing to implement our business plan with respect to billing operation and software AutoMed.

We anticipate the need for approximately \$3 to \$5 million dollars of financing for development and marketing its software. We intend to raise the additional capital in one or more private placements. We do not have any commitments or identified sources of additional capital from third parties or from our officers, directors or majority shareholders. There is no assurance that additional financing will be available on favorable terms, if at all. If we are unable to raise such additional financing, or accept financing on unfavorable terms to our Company, it could have a materially adverse effect upon our ability to implement our business plan with respect to AutoMed, and may force us to curtail or scale back our current Medical Billing operations.

WE PAY A SUBSTANTIAL SALARY TO OUR CHIEF EXECUTIVE OFFICER AND TREASURER RELATIVE TO OUR REVENUE WHICH REDUCES OUR LIKELIHOOD FOR A PROFIT AND INCREASES THE POSSIBILITY THAT WE WILL HAVE TO CURTAIL OUR BUSINESS PLAN

Chandana Basu, our Chief Executive Officer and Treasurer, receives the substantial amount of \$50,000 per month (or \$600,000 per year) for her services, which includes approximately \$5,000 of salary and a minimum bonus of \$45,000 each month. In addition, Ms. Basu is entitled to receive 1,000,000 shares of common stock each year in compensation. We expect to continue to pay Ms. Basu such salary or more for the foreseeable future. The amount of salary that Ms. Basu receives relative to our revenue and other expenses reduces the likelihood that we will make a profit, and increases the possibility that we will be forced to curtail or abandon our business plan in the future if we fail to raise additional capital.

WE MAY NOT BE ABLE TO COMPLETE THE DEVELOPMENT OF AUTOMED AS A STAND-ALONE, COMMERCIALY VIABLE PRODUCT WHICH MAY DECREASE THE VALUE OF OUR COMPANY

We are currently developing additional features for AutoMed with the intent that the AutoMed software package will be used for medical office management. We intend to make the AutoMed software applications available based on what we call one-stop shopping. We intend for a medical practice to be able to customize AutoMed based on the particular needs of each medical specialization, office or hospital. We are currently using AutoMed to perform the medical billing function for some of our existing medical billing clients. Further development will be required before AutoMed is commercially viable as a stand-alone product for our intended use for medical office management. There is no assurance that we will complete the development. In the event that we do not complete the development of AutoMed as a stand-alone, commercially viable product, we will not generate revenue from AutoMed unless we charge an additional fee for AutoMed in connection with medical billing. The failure to develop AutoMed would have a materially adverse effect on our potential for future revenues and as a result, the value of our securities would likely decrease in value.

OUR AUDITORS HAVE EXPRESSED AN OPINION THAT THERE IS SUBSTANTIAL DOUBT ABOUT OUR ABILITY TO CONTINUE AS A GOING CONCERN WHICH MAY RESULT IN THE LOSS OF YOUR ENTIRE INVESTMENT

Our auditors have expressed an opinion that there is substantial doubt about our ability to continue as a going concern primarily because we have a working capital deficiency. For the quarter ended March 31, 2007, we had a loss of \$134,888, a working capital deficiency of \$4,898,500, stockholders' deficit of \$4,898,500, an accumulated deficit of \$6,511,324 and cash provided by operations of \$19,471. For the year ended December 31, 2006, we had a loss of \$2,997,584, a working capital deficiency of \$5,060,515, stockholders' deficit of \$5,060,515, an accumulated deficit of \$6,671,589, and cash used in operations of \$94,588. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The financial statements do not include any adjustments that might result from our inability to continue as a going concern. Our continuation as a going concern is dependent upon future events, including obtaining financing (discussed above) for expansion and to implement our business plan with respect to AutoMed and Surgery Centers. If we are unable to continue as a going concern, you will lose your entire investment.

WE MAY FACE POTENTIAL LIABILITY IN CONNECTION WITH PENDING LEGAL PROCEEDINGS AND ARBITRATION PROCEEDINGS WHICH HAVE BEEN BROUGHT AGAINST US WHICH IF SUCH JUDGMENTS COME TO FRUITION MAY RESULT IN OUR ABANDONMENT OR CURTAILMENT OF OUR BUSINESS OPERATIONS

As of the filing of this report, we are a party to approximately one arbitration matter in which we brought claims against former client. There are two default judgments which we are currently litigating. If we are unable to settle or defend we do not have enough cash on hand to pay the judgments, which may be substantial, we may be forced to abandon or curtail our business operations.

WE RELY ON KEY MANAGEMENT AND THE LOSS OF SUCH KEY MANAGEMENT WILL HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS OPERATIONS

Our success depends upon the personal efforts and abilities of Chandana Basu, our Chief Executive Officer, Director and Treasurer. We face competition in retaining Ms. Basu and in attracting new personnel should Ms. Basu choose to leave us. There is no assurance that we will be able to retain and/or continue to adequately motivate Ms. Basu in the future. The loss of Ms. Basu or our inability to continue to adequately motivate her could have a material adverse effect on our business and operations.

BECAUSE MS. CHANDANA BASU OWNS 81.0% OF OUR OUTSTANDING COMMON STOCK, SHE WILL EXERCISE CONTROL OVER CORPORATE DECISIONS THAT MAY BE ADVERSE TO OTHER MINORITY SHAREHOLDERS

Chandana Basu, our Chief Executive Officer and Treasurer, owns approximately 81.0% of our issued and outstanding shares of common stock. Accordingly, she will exercise control in determining the outcome of all corporate transactions or other matters, including mergers, consolidations and the sale of all or substantially all of our assets, and also the power to prevent or cause a change in control. The interests of Ms. Basu may differ from the interests of the other stockholders and thus result in corporate decisions that are adverse to other shareholders.

NOTWITHSTANDING THE RECENT FINANCING AND FUTURE RECEIPTS OF SUCH FINANCING THAT WE MAY RECEIVE, WE MAY NEED TO RAISE ADDITIONAL FUNDS TO THE EXTENT THAT CURRENT CASH FLOWS ARE INSUFFICIENT TO CONTINUE OPERATION AND TO FUND FUTURE ON-GOING OPERATIONS OR WE MAY BE UNABLE TO FULLY EXECUTE OUR PLAN OF OPERATION

Based on our recent financing, we anticipate that our cash flows from the financing and our operations will be not be adequate to satisfy our capital requirements for current operations for the next twelve (12) months. To the extent that the financing and the funds generated by our on-going operations are insufficient to fund our future operating requirements, it may be necessary to raise additional funds, through public or private financings. Without sufficient capital we will be unable to develop and fully execute our business plan as set forth herein.

OUR CHARTER PROVIDES INDEMFICATION TO OUR OFFICERS AND DIRECTORS

Our articles of incorporation limit and indemnify against the personal liability of our officers and directors for monetary damages for breach of fiduciary duty of care as officers and directors, subject to certain exceptions, to the fullest extent allowed by Nevada law. Accordingly, except in limited circumstances, our officers and directors may not be liable to the company's liabilities.

OUR RECENT FINANCING REQUIRED THIS REGISTRATION STATEMENT TO BECOME EFFECTIVE WITHIN 120 DAYS AFTER THE INITIAL CLOSING DATE OF JUNE 29, 2006 AND AS THIS FAILED TO HAPPEN WE ARE IN DEFAULT AND BEGAN INCURRING LIQUIDATED DAMAGES

We recently received financing from the selling security holders listed in this document. Such financing requires us to file this registration statement and have the registration statement declared effective by the SEC within 120 days of the closing of the financing, which occurred on June 29, 2006. As this registration statement was not declared effective by October 27, 2006, we began incurring liquidated damages equal to 2% of the principal of the promissory notes issued for each 30 day period that this registration statement was not declared effective after October 27, 2006.

THE CONVERSION OF THE PROMISSORY NOTES BASED ON OUR RECENT FINANCING IS BASED ON AN AVERAGE OF THE CLOSING BID PRICE OF OUR INTRA DAY TRADING PRICES OF OUR COMMON STOCK OVER A CERTAIN PERIOD OF TIME PRIOR TO CONVERSION AND THE DECREASE OF THE INTRA DAY TRADING PRICE WILL RESULT IN ISSUANCE OF A SIGNIFICANT INCREASE OF SHARES RESULTING IN DILUTION TO OUR SHAREHOLDERS

The conversion of the promissory notes in our recent financing is based on the average of the lowest three intra-day trading prices of our common stock for the 20 trading days before a conversion of the promissory notes. The price of our common shares may fluctuate and the lower intra-day trading price in the future will result in a conversion ratio resulting in issuance of a significant amount of our common shares to the promissory note holders. This will result in our present shareholders being diluted.

IF THERE IS A MARKET FOR OUR COMMON STOCK, OUR STOCK PRICE MAY BE VOLATILE.

If there is a market for our common stock, we anticipate that such market would be subject to wide fluctuations in response to several factors, including, but not limited to:

(1)

actual or anticipated variations in our results of operations;

(2)

our ability or inability to generate new revenues;

(3)

increased competition; and

(4)

conditions and trends in the medical billing industry.

Further, because our common stock is traded on the NASD over the counter bulletin board, our stock price may be impacted by factors that are unrelated or disproportionate to our operating performance. These market fluctuations, as well as general economic, political and market conditions, such as recessions, interest rates or international currency fluctuations may adversely affect the market price of our common stock.

PENNY STOCK RULES MAY MAKE BUYING OR SELLING OUR COMMON STOCK DIFFICULT

Trading in our securities is subject to the penny stock rules. The SEC has adopted regulations that generally define a penny stock to be any equity security that has a market price of less than \$5.00 per share, subject to certain exceptions. These rules require that any broker-dealer who recommends our securities to persons other than prior customers and accredited investors, must, prior to the sale, make a special written suitability determination for the purchaser and receive the purchaser's written agreement to execute the transaction. Unless an exception is available, the regulations require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the risks associated with trading in the penny stock market. In addition, broker-dealers must disclose

commissions payable to both the broker-dealer and the registered representative and current quotations for the securities they offer. The additional burdens imposed upon broker-dealers by such requirements may discourage broker-dealers from effecting transactions in our securities, which could severely limit the market price and liquidity of our securities. Broker-dealers who sell penny stocks to certain types of investors are required to comply with the Commission's regulations concerning the transfer of penny stocks. These regulations require broker-dealers to:

-

Make a suitability determination prior to selling a penny stock to the purchaser;

-

Receive the purchaser's written consent to the transaction; and

-

Provide certain written disclosures to the purchaser.

SELLING SHAREHOLDERS MAY IMPACT OUR STOCK VALUE THROUGH THE EXECUTION OF SHORT SALES WHICH MAY DECREASE THE VALUE OF OUR COMMON STOCK

Short sales are transactions in which a selling shareholder sells a security it does not own. To complete the transaction, a selling shareholder must borrow the security to make delivery to the buyer. The selling shareholder is then obligated to replace the security borrowed by purchasing the security at the market price at the time of replacement. The price at such time may be higher or lower than the price at which the security was sold by the selling shareholder. If the underlying security goes down in price between the time the selling shareholder sells our security and buys it back, the selling shareholder will realize a gain on the transaction. Conversely, if the underlying security goes up in price during the period, the selling shareholder will realize a loss on the transaction. The risk of such price increases is the principal risk of engaging in short sales. The selling shareholders in this registration statement could short the stock by borrowing and then selling our securities in the market, and then converting the stock through either the Note or Warrants at a discount to replace the security borrowed. Because the selling shareholders control a large portion of our common stock, the selling shareholders could have a large impact on the value of our stock if they were to engage in short selling of our stock. Such short selling could impact the value of our stock in an extreme and volatile manner to the detriment of other shareholders.

SHARES ELIGIBLE FOR PUBLIC SALE IN THE FUTURE COULD DECREASE THE PRICE OF OUR SHARES OF COMMON STOCK AND REDUCE OUR FUTURE ABILITY TO RAISE CAPITAL

Sales of substantial amounts of shares of our common stock in the public market could decrease the prevailing market price of our common stock. If this is the case, investors in our shares of common stock may be forced to sell such shares at prices below the price they paid for their shares, or in the case of the investors in the June 2006 financing, prices below the price they converted their notes and warrants into shares. In addition, a decreased market price may result in potential future investors losing confidence in us and failing to provide needed funding. This will have a negative effect on our ability to raise equity capital in the future.

USE OF PROCEEDS

The selling stockholders are selling shares of common stock covered by this prospectus for their own account. We will not receive any of the proceeds from the resale of these shares. We have agreed to bear the expenses relating to the registration of the shares for the selling security holders.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is currently traded on the OTC Bulletin Board under the symbol HBSV. Prior to January 12, 2005, our trading symbol was WFLD. The following table sets forth the range of high and low bid quotations for the periods indicated below. These quotations as reported by the OTC Bulletin Board reflect inter-dealer prices without retail mark-up, mark-down, or commissions and may not necessarily represent actual transactions.

YEAR	QUARTER	HIGH	LOW
2007	First	\$ 0.015	\$ 0.007
2006	First	\$ 0.075	\$ 0.065
2006	Second	0.065	0.02
2006	Third	0.04	0.02

2006	Fourth	0.0325	0.015
2005	First	\$ 0.07	\$ 0.06
2005	Second	0.15	0.11
2005	Third	0.13	0.11
2005	Fourth	0.20	0.17
2004	First	\$ 0.05	\$ 0.01
2004	Second	1.01	0.20
2004	Third	1.01	0.20
2004	Fourth	0.45	0.10

As of May 17, 2007 in accordance with our transfer agent records, we had 78 shareholders of record. Such shareholders of record held 50,390,450 shares of our common stock. We have no outstanding warrants or options to purchase our securities, other than the common stock issuable upon the conversion of promissory notes and the exercise of warrants being registered in this registration statement.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth certain information as of July 31, 2007, with respect to compensation plans under which our equity securities are authorized for issuance:

	(a)	(b)	(c)
			Number of securities
			remaining available for
	Number of securities to	Weighted-average	future issuance under equity
	be issued upon exercise	exercise price of	compensation plans
	of outstanding options, warrants	outstanding options,	(excluding securities reflected in
	and rights	warrants and rights	column (a))
Equity compensation	None		
Plans approved by			
Security holders			
Equity compensation	None		
Plans not approved			
By security holders			
Total			

DIVIDENDS

We have never paid a cash dividend on our common stock. It is our present policy to retain earnings, if any, to finance the development and growth of our business. Accordingly, we do not anticipate that cash dividends will be paid until our earnings and financial condition justify such dividends. There can be no assurance that we can achieve such earnings.

PENNY STOCK CONSIDERATIONS

Trading in our securities is subject to the penny stock rules. The SEC has adopted regulations that generally define a penny stock to be any equity security that has a market price of less than \$5.00 per share, subject to certain exceptions. These rules require that any broker-dealer who recommends our securities to persons other than prior customers and accredited investors, must, prior to the sale, make a special written suitability determination for the purchaser and receive the purchaser's written agreement to execute the transaction. Unless an exception is available, the regulations require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the risks associated with trading in the penny stock market. In addition, broker-dealers must disclose commissions payable to both the broker-dealer and the registered representative and current quotations for the securities they offer. The additional burdens imposed upon broker-dealers by such requirements may discourage broker-dealers from effecting transactions in our securities, which could severely limit their market price and liquidity of our securities. Broker-dealers who sell penny stocks to certain types of investors are required to comply with the Commission's regulations concerning the transfer of penny stocks. These regulations require broker-dealers to:

-

Make a suitability determination prior to selling a penny stock to the purchaser;

-

Receive the purchaser's written consent to the transaction; and

-

Provide certain written disclosures to the purchaser.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

This report contains forward looking statements within the meaning of section 27a of the securities act of 1933, as amended and section 21e of the securities exchange act of 1934, as amended. The company's actual results could differ materially from those set forth on the forward looking statements as a result of the risks set forth in the company's filings with the Securities and Exchange Commission, general economic conditions, and changes in the assumptions used in making such forward looking statements.

OVERVIEW

Winfield Financial Group, Inc. (the "Registrant") was incorporated in the State of Nevada on May 2, 2000. Prior to the Acquisition, discussed below, the Registrant was a business broker, primarily representing sellers and offering its clients' businesses for sale. As a result of the Acquisition, the Registrant changed its business focus.

On April 7, 2004, the Registrant filed Articles of Exchange with the State of Nevada to take effect on such date. Under the terms of the Articles of Exchange, the Registrant was to acquire Vanguard Commercial, Inc., a Nevada corporation ("Vanguard") whereby the Registrant was to issue 197,000 of its shares of Common Stock in exchange for all of the issued and outstanding Common Stock of Vanguard. Robert Burley, a former Director of the Registrant and the Registrant's former President, Chief Executive Officer and Treasurer is also an officer and director of Vanguard. Subsequent to the effective date of the exchange with Vanguard, the Registrant and Vanguard mutually agreed to rescind the transaction. The Registrant filed a Certificate of Correction with the State of Nevada rescinding the exchange with Vanguard, which never took place and the Registrant never issued any of its shares with respect thereto.

On April 22, 2004, the Registrant amended its Articles of Incorporation to increase the authorized shares to Fifty Million (50,000,000) shares of Common Stock, to reauthorize the par value of \$.001 per share of Common Stock and to reauthorize 5,000,000 shares of preferred stock with a par value of \$.001 per share of preferred stock.

On April 23, 2004, the Registrant acquired 100% of the issued and outstanding shares of Healthcare Business Services Groups, Inc., a Delaware corporation ("Healthcare"). As part of the same transaction on May 7, 2004, the Registrant acquired 100% of the issued and outstanding shares of AutoMed Software Corp., a Nevada corporation ("AutoMed"), and 100% of the membership interests of Silver Shadow Properties, LLC, a Nevada single member limited liability company ("Silver Shadow"). The transactions are collectively referred to herein as the "Acquisition."

The Registrant acquired Healthcare, AutoMed, and Silver Shadow from Chandana Basu, the sole owner, in exchange for 25,150,000 newly issued treasury shares of the Registrant's Common Stock. The term "Company" shall include a reference to Winfield Financial Group, Inc., Healthcare, AutoMed and Silver Shadow unless otherwise stated. Healthcare, AutoMed and Silver Shadow are sometimes collectively referred to herein as "HBSGII."

On June 21, 2004, the Registrant entered into an agreement with Robert Burley (former Director, President and Chief Executive Officer of the Registrant) and Linda Burley (former Director and Secretary of the Registrant) whereby the Registrant agreed to transfer certain assets owned by the Registrant immediately prior to the change in control in consideration for Mr. and Mrs. Burley's cancellation of an aggregate of 2,640,000 of their shares of the Registrant's Common Stock. The Registrant transferred the following assets to Mr. and Mrs. Burley: i) the right to the name "Winfield Financial Group, Inc." and ii) any contracts, agreements, rights or other intangible property that related to the Registrant's business operations immediately prior to the change in control whether or not such intangible property was accounted for in the Registrant's financial statements. After the issuance of shares to Ms. Basu and the cancellation of 2,640,000 shares of Mr. and Mrs. Burley, there were 28,774,650 shares of the Registrant's Common Stock outstanding. As a result of these transactions, control of the Registrant shifted to Ms. Basu. Ms. Basu currently owns 25,150,000 shares (or approximately 81.1%) out of 31,040,150 of the Registrant's issued and outstanding Common Stock.

On January 5, 2005, the Registrant changed its name to Healthcare Business Services Groups, Inc. The Registrant is a holding company for HBSGI. The business operations discussed herein are conducted by HBSGI. The Registrant, through HBSGI, is engaged in the business of providing medical billing services to healthcare providers in the United States .

The Company is a medical billing service provider that for over fourteen years has assisted various healthcare providers to successfully enhance their billing function. The Company has a diversified market base with headquartered in Upland , California . The Company has developed a proprietary medical billing software system named AutoMed®. The Company has installed, and is currently ready to market and install, AutoMed® at some of the Company's existing medical billing clients. The Company expects that after this software is launched, revenues will grow substantially over the next three to five years extending its billing model into the technology era.

RESULTS OF OPERATIONS

THREE MONTH PERIOD ENDED MARCH 31, 2007 COMPARED TO THREE MONTH PERIOD ENDED MARCH 31, 2006

Revenue for the three month period ended March 31, 2007 were \$ 284,434 compared to \$ 314,809 for the same period in 2006. The decrease in revenues was due to reduction in collections from the customers and hence decrease in commissions earned during the three month period ended March 31, 2007 as compared to same period in 2006. The Company expects to earn higher revenues in future since it has hired more marketing representatives. The revenues are recognized on accrual basis of accounting.

General & administrative (G&A) expense for the three month period ended March 31, 2007 was \$ 258,612 compared to \$ 326,838 for the same period in 2006. The decrease in G&A expenses in 2007 was due to decrease in costs incurred by the Company in marketing the company s business as well as legal fees paid against settlement of various litigations.

Depreciation and amortization was \$ 23,960 for the three month period ended March 31, 2007 as compared to \$ 19,607 for the same period in 2006. The depreciation and amortization expense is consistent with the prior year since the assets are being depreciated straight line over the life.

Interest expense and financing costs for the three month period ended March 31, 2007 was \$ 27,499 compared to \$ 17,755 for the same period in 2006. The increase in interest expense and financing costs are due to \$ 1,300,000 note that Company borrowed during the year.

Net income was \$ 160,265 (or basic and diluted net income per share of \$(0.00) for the three month period ended March 31, 2007 as compared to net loss of \$ (217,341) (or basic and diluted net loss per share of \$0.01) for the same period in 2006. The net income for the three month period ending March 31, 2007 is because of the change in fair value of derivative liability associated with the \$ 1,300,000 note.

LIQUIDITY AND CAPITAL RESOURCES

The Company had a working capital deficiency of \$ 4,974,345 as of March 31, 2007. The Company had total assets of \$ 75,845 as of March 31, 2007, which consisted of \$ 52,707 of property and equipment, \$ 19,489 of intangible assets from the Company's website technology costs and \$3,650 of deposits.

The Company had total current liabilities of \$ 4,974,345 as of March 31, 2007, consisting of accounts payable and accrued expenses of \$ 1,481,007, litigation accrual of \$ 209,000, line of credit of \$92,968, note payable to third parties of \$ 1,318,938, due to officer of \$ 452,402 and \$ 1,415,030 in derivative liability related to \$ 1,300,000 note and 50,000,000 warrants associated with the note.

The Company has two revolving lines of credit from two financial institutions for \$50,000 and \$75,000. The credit lines are unsecured and bear an annual interest rate of 10.75% and 16.24%, respectively. The credit lines are personally guaranteed by the CEO of the Company. The Company has borrowed \$15,837 and \$ 77,131 from the credit lines as of March 31, 2007.

Net cash provided by operating activities was \$ 19,471 for the three month period ended March 31, 2007, as compared to net cash used in operating activities of \$ 139,577 during the same period in 2006.

Net cash used in investing activity for the three month period ended March 31, 2007 was \$16,021 as compared to no net cash used in investing activities during the same period in 2006.

Net cash used in financing activities was \$ 3,450 for the three month period ended March 31, 2007, as compared to net cash used in financing activities of \$ 21,778 for the same period in 2006.

The Company does not have any commitments or identified sources of additional capital from third parties or from its officers, directors or majority shareholders. There is no assurance that additional financing will be available on favorable terms, if at all. If the Company is unable to raise such additional financing, it would have a materially adverse effect upon the Company's ability to implement its business plan and may cause the Company to curtail or scale back its current operations.

On June 27, 2006, the Company entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") with New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC (collectively, the "Investors"). Under the terms of the Securities Purchase Agreement, the Investors purchased an aggregate of (i) \$2,000,000 in callable convertible secured notes (the "Notes") and (ii) warrants to purchase 50,000,000 shares of our common stock (the "Warrants").

Pursuant to the Securities Purchase Agreement, the Investors purchased the Notes and Warrants in three tranches as set forth below:

1. At closing, on July 1, 2006 ("Closing"), the Investors purchased Notes aggregating \$700,000 and warrants to purchase 17,500,000 shares based on the prorated shares of our common stock;

2. On August 8, 2006 the investors purchased Notes aggregating \$600,000 and warrants to purchase 15,000,000 shares based on the prorate shares of our common stock and, upon effectiveness of the Registration Statement, the Investors will purchase Notes aggregating \$700,000. However, the Company has previously withdrawn a Registration Statement, there could be a penalty of \$5,000 for each \$250,000 outstanding balance due to non effectiveness of registration statement within the initial 120 days.

The Notes carry an interest rate of 6% and a maturity date of June 27, 2009. The notes are convertible into our common shares at the Applicable Percentage of the average of the lowest three (3) trading prices for our shares of common stock during the twenty (20) trading day period prior to conversion. The Applicable Percentage means 50%; provided, however, that the Applicable Percentage shall be increased to (i) 55% in the event that a Registration Statement is filed within thirty days of the closing and (ii) 60% in the event that the Registration Statement becomes effective within one hundred and twenty days from the Closing.

The Company has an option to prepay the Notes in the event that no event of default exists, there are a sufficient number of shares available for conversion of the Notes and the market price is at or below \$.05 per share. In addition, in the event that the average daily price of the common stock, as reported by the reporting service, for each day of the month ending on any determination date is below \$.05, the Company may prepay a portion of the outstanding principal amount of the Notes equal to 101% of the principal amount hereof divided by thirty-six (36) plus one month's interest. Exercise of this option will stay all conversions for the following month. The full principal amount of the Notes is due upon default under the terms of Notes. In addition, the Company has granted the investors a security interest in substantially all of its assets and intellectual property as well as registration rights.

The Company simultaneously issued to the Investors seven year warrants to purchase 32,500,000 shares of common stock at an exercise price of \$.07.

The Investors have contractually agreed to restrict their ability to convert the Notes and exercise the Warrants and receive shares of the Company's common stock such that the number of shares of the Company's common stock held by them and their affiliates after such conversion or exercise does not exceed 4.99% of the then issued and outstanding shares of the Company's common stock.

The Company has received the \$ 1,300,000 through March 31, 2007.

YEAR ENDED DECEMBER 31, 2006 COMPARED TO YEAR ENDED DECEMBER 31, 2005

Revenue for the year ended December 31, 2006 were \$ 1,011,644 compared to \$ 1,565,262 for the same period in 2005. The decrease in revenues was due to reduction in collections from the customers and hence decrease in commissions earned during the year ended December 31, 2006 as compared to same period in 2005. The Company expects to earn higher revenues in future since it has hired more marketing representatives. The revenues are recognized on accrual basis of accounting.

General & administrative ("G&A") expense for the year ended December 31, 2006 was \$ 1,430,130 compared to \$ 1,758,137 for the same period in 2005. The decrease in G&A expenses in 2006 was due to decrease in costs incurred by the Company in marketing the company's business as well as legal fees paid against settlement of various litigations.

Depreciation and amortization was \$ 118,459 for the year ended December 31, 2006 as compared to \$ 101,347 for the same period in 2005. The depreciation and amortization expense is consistent with the prior year since the assets are being depreciated straight line over the life.

Interest expense and financing costs for the year ended December 31, 2006 was \$ 2,201,173 compared to \$ 80,559 for the same period in 2005. The increase in interest expense and financing costs are due to \$ 1,300,000 note that Company borrowed during the year.

Net loss was \$ 2,997,584 (or basic and diluted net loss per share of \$(0.05) for the year ended December 31, 2006 as compared to net loss of \$ 1,236,297 (or basic and diluted net loss per share of \$0.04) for the same period in 2005. Net loss for the year ended December 31, 2006 was higher as compared to the corresponding period in the last year since the Company incurred more expenses in marketing the business.

LIQUIDITY AND CAPITAL RESOURCES

The Company had a working capital deficiency of \$ 5,144,299 as of December 31, 2006. The Company had total assets of \$ 83,784 as of December 31, 2006, which consisted of \$ 41,156 of property and equipment, \$ 38,978 of intangible assets from the Company's website technology costs and \$3,650 of deposits.

The Company had total current liabilities of \$ 5,144,299 as of December 31, 2006, consisting of accounts payable and accrued expenses of \$ 1,327,796, litigation accrual of \$ 325,000, line of credit of \$96,418, note payable to third parties of \$ 1,300,000, lease payable of \$18,938, due to officer of \$ 337,665 and \$ 1,738,482 in derivative liability related to \$ 1,300,000 note and 50,000,000 warrants associated with the note.

The Company has two revolving lines of credit from two financial institutions for \$50,000 and \$75,000. The credit lines are unsecured and bear an annual interest rate of 10.75% and 16.24%, respectively. The credit lines are personally guaranteed by the CEO of the Company. The Company has borrowed \$22,412 and \$74,006 from the credit lines as of December 31, 2006.

Net cash used in operating activities was \$94,588 during the year ended December 31, 2006, as compared to net cash used in operating activities of \$ 212,807 during the same period in 2005.

Net cash used in investing activity during the year ended December 31, 2006 was \$7,290 as compared to net cash used in investing activities of \$ 21,512 during the same period in 2005.

Net cash provided by financing activities was \$ 201,245 during the year ended December 31, 2006 , as compared to net cash provided by financing activities of \$ 293,838 for the same period in 2005.

The Company does not have any commitments or identified sources of additional capital from third parties or from its officers, directors or majority shareholders. There is no assurance that additional financing will be available on favorable terms, if at all. If the Company is unable to raise such additional financing, it would have a materially adverse effect upon the Company's ability to implement its business plan and may cause the Company to curtail or scale back its current operations.

On June 27, 2006, the Company entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") with New Millennium Capital Partners II, LLC, AJW Qualified Partners, LLC, AJW Offshore, Ltd. and AJW Partners, LLC (collectively, the "Investors"). Under the terms of the Securities Purchase Agreement, the Investors purchased an aggregate of (i) \$2,000,000 in callable convertible secured notes (the "Notes") and (ii) warrants to purchase 50,000,000 shares of our common stock (the "Warrants").

Pursuant to the Securities Purchase Agreement, the Investors purchased the Notes and Warrants in three trenches as set forth below:

1. At closing, on July 1, 2006 ("Closing"), the Investors purchased Notes aggregating \$700,000 and warrants to purchase 17,500,000 shares based on the prorate shares of our common stock;
2. On August 8, 2006 the investors purchased Notes aggregating \$600,000 and warrants to purchase 15,000,000 shares based on the prorate shares of our common stock and,
3. Upon effectiveness of the Registration Statement, the Investors will purchase Notes aggregating Upon effectiveness of the Registration Statement, the Investors will purchase Notes aggregating \$700,000. However, the Company has previously withdrawn a Registration Statement, there could be a penalty of \$5,000 for each \$250,000 outstanding balance due to non effectiveness of registration statement within the initial 120 days.

The Notes carry an interest rate of 6% and a maturity date of June 27, 2009. The notes are convertible into our common shares at the Applicable Percentage of the average of the lowest three (3) trading prices for our shares of common stock during the twenty (20) trading day period prior to conversion. The "Applicable Percentage" means 50%; provided, however, that the Applicable Percentage shall be increased to (i) 55% in the event that a Registration Statement is filed within thirty days of the closing and (ii) 60% in the event that the Registration Statement becomes effective within one hundred and twenty days from the Closing.

The Company has an option to prepay the Notes in the event that no event of default exists, there are a sufficient number of shares available for conversion of the Notes and the market price is at or below \$.05 per share. In addition, in the event that the average daily price of the common stock, as reported by the reporting service, for each day of the month ending on any determination date is below \$.05, the Company may prepay a portion of the outstanding principal amount of the Notes equal to 101% of the principal amount hereof divided by thirty-six (36) plus one month's interest. Exercise of this option will stay all conversions for the following month. The full principal amount of the Notes is due upon default under the terms of Notes. In addition, the Company has granted the investors a security interest in substantially all of its assets and intellectual property as well as registration rights.

The Company simultaneously issued to the Investors seven year warrants to purchase 50,000,000 shares of common stock at an exercise price of \$.07.

The Investors have contractually agreed to restrict their ability to convert the Notes and exercise the Warrants and receive shares of the Company's common stock such that the number of shares of the Company's common stock held by them and their affiliates after such conversion or exercise does not exceed 4.99% of the then issued and outstanding shares of the Company's common stock.

The Company has received the \$ 1,300,000 through December 31, 2006.

The Company amortized the entire unamortized beneficial conversion feature amount of \$1,103,741 as of December 31, 2006 due to the default on the note.

The Company prepaid lender attorney fees and broker commission of \$ 180,000. The Company amortized the entire amount of \$180,000 as of December 31, 2006 due to the default on the note.

BUSINESS - OUR COMPANY

A SUMMARY OF WHAT WE DO

BACKGROUND

We were incorporated in the State of Nevada on May 2, 2000, as Winfield Capital Group, Inc. On June 6, 2001, we filed a Certificate of Amendment to our Articles of Incorporation to affect a name change to Winfield Financial Group, Inc. On April 23, 2004, we acquired 100% of the equity interest of Healthcare Business Services Groups, Inc. (Healthcare). As part of the same transaction, we acquired 100% of the equity interest of AutoMed Software Corp. (AutoMed) and Silver Shadow Properties, LLC (Silver Shadow) on May 7, 2004. Prior to the Acquisition (defined below), we were a business broker, primarily representing sellers and offering our clients' businesses for sale. As a result of the acquisition, we changed our business focus to medical billing. On January 7, 2005, we filed a Certificate of Amendment to our Articles of Incorporation with the Nevada Secretary of State and changed our name to Healthcare Business Services Groups, Inc.

On April 23, 2004, we acquired 100% of the issued and outstanding shares of Healthcare Business Services Groups, Inc., a Delaware corporation (Healthcare). As part of the same transaction on May 7, 2004, we acquired 100% of the issued and outstanding shares of AutoMed Software Corp., a Nevada corporation (AutoMed), and 100% of the membership interests of Silver Shadow Properties, LLC, a Nevada single member limited liability company (Silver Shadow). The transactions are collectively referred to herein as the Acquisition. We acquired Healthcare, AutoMed,

and Silver Shadow from Chandana Basu, the sole owner, in exchange for 25,150,000 newly issued treasury shares of our common stock. As a result of the Acquisition, we changed our business focus. Healthcare, AutoMed and Silver Shadow are sometimes collectively referred to herein as HBSGI. During the year, we transferred the real estate and construction with historical cost of \$488,137 and the loan associated with the real estate worth \$250,000 with accrued interest of \$12,500 to an officer of ours.

On June 21, 2004, we entered into an agreement with Robert Burley (our former Director, President and Chief Executive Officer) and Linda Burley (our former Director and Secretary) whereby we agreed to transfer certain assets owned by us immediately prior to the change in control in consideration for Mr. and Mrs. Burley's cancellation of an aggregate of 2,640,000 of their shares of our common stock. We transferred the following assets to Mr. and Mrs. Burley: i) the right to the name Winfield Financial Group, Inc. and ii) any contracts, agreements, rights or other intangible property that related to our business operations immediately prior to the change in control whether or not such intangible property was accounted for in our financial statements. After the issuance of shares to Ms. Basu and the cancellation of 2,640,000 shares of Mr. and Mrs. Burley's common stock, there were 29,774,650 shares of our common stock outstanding. As a result of these transactions, control of us shifted to Ms. Basu. Ms. Basu currently owns 28,750,000 shares (or approximately 57.11%) out of 50,340,450 shares of our issued and outstanding common stock.

We are a holding company for HBSGI. The business operations discussed herein are conducted by HBSGI. Through HBSGI, we are engaged in the business of providing medical billing services to health care providers in the United States.

DESCRIPTION OF OUR FORMER BUSINESS OPERATIONS

Prior to the Acquisition of Healthcare, AutoMed, and Silver Shadow (described above), we operated as a business broker, primarily representing sellers and offering our clients' businesses for sale. We limited our business to asset sale transactions and not transactions in which businesses are sold through the sale of stock.

THE BUSINESS

DESCRIPTION OF OUR CURRENT BUSINESS OPERATIONS

As a result of the Acquisition, discussed above, we operate as a medical billing service provider which attempts to assist various health care providers to enhance their billing functions. We have a diversified market base with customers in Texas, California, Florida, New York and Washington. We have developed a proprietary medical billing software system named AutoMed. We have beta tested AutoMed, are currently using AutoMed in-house for our billing services.

DESCRIPTION OF OUR PRINCIPAL PRODUCTS AND SERVICES

We are a medical reimbursement consulting firm dedicated to helping medical practices become more efficient and save money by allowing them to out-source their insurance processing and medical billing functions. We currently provide medical billing services (Medical Billing) to various health care providers within the United States. We are in the process of entering into another new line of business: the research, development and marketing of our proprietary medical billing software (AutoMed).

Our traditional core competency is Medical Billing. With Medical Billing, we have a track record of assisting various health care providers to enhance their billing function. We also continue to increase relationships with physicians and medical specialty practices around the country to provide our Medical Billing services.

COMPETITIVE BUSINESS CONDITIONS

MEDICAL BILLING

Due to today's extremely competitive healthcare industry, many healthcare providers are outsourcing their billing operations. Medical billing services exist to help healthcare providers better manage their medical practices. These services relieve medical professionals of tedious detail work, but rarely do they offer a means to substantially maximize the medical practice's bottom line.

Medical billing companies generally gather patient information and billing details from a physician or clinic and submit these details to insurance carriers for payment. A billing company may also submit statements to a patient for payment of the patient's portion. We distinguish ourselves from other billing agencies in the industry as a customized billing agency and a one-stop shopping service for all medical practice collection functions. We consider our medical billing service to be the key to our clients getting paid accurately, efficiently and quickly by private and government administered insurance companies.

We provide a customized medical billing service that can be fine tuned to any medical practice or specialty. In addition to billing and collection, we also provide a wide range services including:

-

Delinquent account management

-

Surgery center setup and management

-

Assessment of practice cash flow

-

Practice management

-

Health Maintenance Organization (HMO), Preferred Provider Organization (PPO) and capitation contract management

-

Business Auditing

The medical billing business is labor intensive; however, we believe that our clients collect more revenue than they otherwise would collect without our services. Due to this benefit to our clients, Healthcare has experienced continued growth since its inception. By outsourcing the medical billing function, we believe that our clients have been able to maximize their return from insurance carriers, and to allocate their office staff capacity to more crucial tasks.

AUTOMED

We initially designed AutoMed to satisfy our custom medical billing needs. We began implementing AutoMed in our Medical Billing line of business in July 2003. We have been using AutoMed since October 2003 for all new medical

billing. We intend to use AutoMed for other aspects of medical office management as well. We are currently beta testing certain aspects of AutoMed at existing medical billing clients and developing certain other aspects of AutoMed.

NEED FOR GOVERNMENTAL APPROVAL AND THE EFFECTS OF GOVERNMENT REGULATIONS

We offer medical business services which are subject to the compliance requirements of the Health Insurance Portability and Accountability Act (HIPPA) and the billing guidelines of the Health Care Financing Administration (HCFA). As a result, Medical Billing and AutoMed are subject to government regulation and government approval. Although we have completed developing AutoMed, we are also subject to various federal laws regarding the development of Surgery Centers as well as state and local zoning laws and potentially state and local laws governing the need for such facilities.

RESEARCH & DEVELOPMENT OVER THE PAST TWO YEARS

We have spent less than 10% of our time during the last two years on research and development. We have generated a predominate portion of our business through word of mouth.

EMPLOYEES

We have a total of 13 full-time employees, none of which are members of any union in connection with our operations. We may hire four to five employees in the next twelve months, if the need for additional employees arises.

RECENT FINANCING

On June 29, 2006, we completed financing agreements by executing several callable convertible promissory notes with the following entities: AJW Partners, LLC, AJW Offshore, Ltd., AJW Qualified Partners, LLC and New Millennium Capital Partners II, LLC. . The notes are convertible into shares of our common stock. The conversion price is based on the average of the lowest three intra-day trading prices during the 20 trading days immediately prior to the conversion date discounted by 40%. The timing of the conversion is at the option of the holder. The notes are secured by a grant of a general security interest in all of our assets both tangible and intangible.

In addition, we are to issue stock purchase warrants convertible into shares of our common stock on a one for one basis. The exercise price is \$.07 per share and the term of the warrants is seven years. The warrants are cashless and we are not required to register them.

A consulting firm, Fairhills Capital based in New York, received a commission of \$70,000 (10% of the initial proceeds of \$700,000) for arranging this financing.

To date, we have received proceeds of \$700,000 under the terms of the securities purchase agreement. We shall receive the balance as follows: (i) proceeds of \$600,000 upon filing this registration statement; and (ii) proceeds of \$700,000 when this registration statement is declared effective by the SEC. If the registration statement is not declared effective within 120 days after execution of the securities purchase agreement, or October 26, 2006, we must pay a penalty of 2% of the outstanding principal balance of the callable secured convertible notes for each thirty-day period that the registration statement is not declared effective.

DESCRIPTION OF PROPERTY

We currently rent office space in Upland, California. We pay \$3,337 per month for 3,800 square feet of office space in Upland, California.

LEGAL PROCEEDINGS

The Company is currently plaintiff to two and defendant to two law suits. The Company filed claims for non payment of fees by former clients due to clients diverted funds billed by company and did not pay Billing fees. The Company has accrued \$ 209,000 in the accompanying financials statements.

1. On July 12, 2004, Nimish Shah, M.D. d/b/a New Horizon Medical, Inc. ("New Horizon") initiated a lawsuit against the Company in the Superior Court of California, County of Los Angeles, Case No. VC 042695, styled New Horizon Medical, Inc. v. HBSGI, et al. In connection with arbitration, the Company has claimed against New Horizon the compensatory damages in the amount of \$75,000 (subject to amendment), prejudgment interest, costs and attorneys'

fees in an unspecified amount. New Horizon has not submitted a cross-complaint against the Company for the breach of contract alleging that there is substantial discrepancy between the amounts of bills provided by New Horizon to the Company, for the purpose of securing payment from various insurance companies, and the funds actually received from the Company. This matter was dismissed by arbitrator for non payment of arbitrator's fee.

2. In January 2004, Claimant Leonard J. Soloniuk, MD initiated an arbitration against HBSGI with the American Arbitration Association, Case No. 72 193 00102 04 TMS, styled Leonard J. Soloniuk, MD v. HBSGI

In a decision dated April 5, 2006, the arbitrator awarded HBSGI nothing against Soloniuk. The arbitrator further awarded Soloniuk \$ 275,000 against the HBSGI as well as interest accruing from June 1, 2006, at the rate of ten percent per annum on the unpaid balance. The arbitrator further ordered HBSGI to reimburse Soloniuk costs in the amount of \$ 1,875. Company argues that of this \$275,000, \$210,000 was already paid to Soloniuk since November 4, 2002, last date of payment were considered by arbitrator and therefore the judgment should be reduced accordingly. The Company can provide no assurances that it will be successful in this argument.

3. Company recently filed new legal actions against Soloniuk for fraud, deception, and intentional non disclosure of money received from HBSGI collection to the arbitration hearing to gain advantage. Company also filed an application of injunction to prevent Soloniuk to use HBSGI billing method. Hearing is set for May 10, 2007. Company is suing Soloniuk for \$750,000 plus cost of lawsuit.

4. On September 20, 1999, Mohammad Tariq, MD was granted a default judgment in the District Court of Collin County, Texas, 380th Judicial District in the amount of \$280,835.10, plus prejudgment and post-judgment interest against Healthcare Business Services Group, Inc., d/b/a/ Peacock Healthcare. Kamran Ghadimi bought the Tariq judgment in April 28, 2006 and pursuing collection in California.

This matter was settled on November 8, 2006 for \$185,000. The Company paid \$140,000 out of \$185,000 and making payments monthly for \$3,000. As of filing this report company owes 15 months of payment equal to \$45,000. Case was dismissed in 2007.

5. Healthcare filed a collection action against Frank Zondlo, and Zondlo also filed across-complaint against Healthcare. The matter is now in the discovery and law and motion stage.

From time to time, we may become party to litigation or other legal proceedings that we consider to be a part of the ordinary course of our business. Other than the legal proceedings listed below, we are not currently involved in legal proceedings that could reasonably be expected to have a material adverse effect on our business, prospects, financial condition or results of operations. However, we may become involved in material legal proceedings in the future.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth information about our executive officers and directors.

Name	Age	Position
Chandana Basu	53	Chief Executive Officer, Treasurer and Director
Arjinderpal Singh Sekhon, M.D.	58	Director
Abhijit Bhattacharya	59	Director

The above listed officers and directors will serve until the next annual meeting of the shareholders or until their death, resignation, retirement, removal, or disqualification, or until their successors have been duly elected and qualified. Vacancies in the existing Board of Directors are filled by majority vote of the remaining Directors. Officers of the Company serve at the will of the Board of Directors. To the Company's knowledge, there are no agreements or understandings for any officer or director to resign at the request of another person nor is any officer or director acting on behalf of or is to act at the direction of any other person other than in his fiduciary capacity of and for the benefit of the Company and at its direction.

Set forth below is certain biographical information regarding our executive officers and directors:

Chandana Basu Chief Executive Officer, Treasurer and Director

Chandana Basu has served as our Chief Executive Officer and Treasurer since May 2004, after we acquired Healthcare Business Services Group, Inc. (HBSGI), a full-service medical billing agency and our wholly-owned subsidiary. She has served as our director since November 12, 2004. Ms. Basu incorporated HBSGI in December 1994. Ms. Basu has operated HBSGI for the past 14 years. Ms. Basu has been grown HBSGI from a core client base of doctors and hospitals in California, Florida, Washington State and Texas without the use of consistent marketing or advertising. Ms. Basu has over 14 years of experience in medical bill collecting from insurance companies. Ms. Basu also has over 14 years of experience in computer design and programming. Ms. Basu is the CEO and President of AutoMed Software Corp. and the Manager of Silver Shadow Properties, LLC, both of our wholly-owned subsidiaries. Ms. Basu received a Bachelors Degree with majors in Math, Physics and Chemistry from Bethune College in 1975. She attended the Computer Learning Center during 1978. She also received specialized education in medical billing, anesthesia billing and attended various pain management conferences. Ms. Basu is a Technical Exhibitor for the American Association of Anesthesiology.

29

Arjinder Paul Singh Sekhon, M.D. - Director

Sing Sekhon is self-employed doctor with a specialty in pulmonary medicine. He has been a member of the United States Army Reserve for over 20 years. He has served in the Persian Gulf War and in the current military operation enduring freedom. He received Army's highest honor upon graduation from the United States Army College recently. During the past congressional election cycles, he has been a candidate for the U.S. House of Representatives. Lastly, he has served as a Director of local medical clinic for the past few years.

Abhijit Bhattacharya - Director

Abhijit Bhattacharya has been affiliated with our Company for over twelve years. In particular, he has connected the Company with several clients, has directed our marketing program, and has promoted our business at various medical conferences throughout the country. Most recently, he has been officially appointed Vice President and is responsible for building new relationships with clients.

None of the foregoing Directors or Executive Officers has, during the past five years:

(a)

Had 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;

(b)

Been convicted in a criminal proceeding or subject to a pending criminal proceeding;

(c)

Been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; and

(d)

Been found by a court of competent jurisdiction (in a civil action), the Commission 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.

EXECUTIVE COMPENSATION

Compensation of Executive Officers

Summary Compensation Table. The following information relates to accumulated (amount actually paid is less than accrued) compensation received by our officers in fiscal years ending December 31, 2006, 2005 and 2004 whose

salary and compensation exceeded \$100,000.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year	<u>Annual Compensation</u>			<u>Long-Term Compensation</u>	
		Salary	Bonus	Other Annual Compensation	Restricted Stock	Securities Underlying
					Award(s)	Options
Chandana Basu (1)	2006	\$ 60,000 (1)	\$ 540,000 (1)	600,000 (4)	0	0
Chief Executive Officer, Treasurer and Director	2005	\$ 60,000 (2)	\$ 540,000 (2)	0	0	0
	2004	\$ 60,000 (3)	540,000 (3)	0	0	0

(1) Chandana Basu receives a salary of \$5,000 per month and a minimum bonus of \$45,000 per month pursuant to an employment agreement with Healthcare.

(2) Chandana Basu is to receive a salary of \$5,000 per month and a minimum bonus of \$45,000 per month pursuant to an employment agreement with Healthcare.

(3) Chandana Basu is to receive a salary of \$5,000 per month and a minimum bonus of \$45,000 per month pursuant to an employment agreement with Healthcare.

(4) We also issued 600,000 shares of common stock valued at \$42,000 to Ms. Basu pursuant to her employment agreement with us. The employment agreement provides for the issuance of 1,000,000 shares of common stock for each year. As of December 31, 2006, 400,000 shares of common stock valued at \$28,500 remain issuable to her.

Option Grants Table. The following table sets forth information concerning individual grants of stock options to purchase our common stock made to the executive officer named in the Summary Compensation Table during fiscal year ended December 31, 2006.

OPTIONS GRANTS IN PRESENT FISCAL YEAR (Individual Grants)

Name	Number of securities	Percent of total options	Exercise or base	
	underlying options granted (#)	granted to employees in last fiscal year	Price (\$/Share)	Expiration Date
None				

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

Aggregated Option Exercises and Fiscal Year-End Option Value Table. The following table sets forth certain information regarding stock options exercised during fiscal year ending December 31, 2006, by the executive officer named in the Summary Compensation Table.

Name	Shares acquired	Value realized (\$)	Number of Securities	Value of Unexercised
------	-----------------	---------------------	----------------------	----------------------

on exercise (#)	Underlying Unexercised	In-the-Money Options
	Options at Fiscal Year-End (#)	at Fiscal Year- End (\$) (1)
	Exercisable/ Unexercisable	Exercisable/ Unexercisable
None		

Employment Contracts

We have an employment agreement with Chandana Basu, our Chief Executive Officer and Treasurer. The Agreement was executed on April 1, 2004 and can not be terminated by us. It shall remain in existence until Ms. Basu retires or assigns her position to others. It provides for a monthly base salary of \$5,000 per month and a bonus of 25% of our gross receipts payable monthly with a minimum bonus of \$45,000 per month. It also includes reimbursement of all reasonable expenses. It provides for the issuance of a minimum of 1,000,000 shares annually as per amendment of employment agreement in October 2005.

Based on our recent financing, we are required to purchase \$2,000,000 of additional key man life insurance on the life of Chandana Basu, our Chief Executive Officer and Treasurer. Ms. Basu is in the process of undertaking a physical examination to secure the insurance policy. \$20,000 has been reserved to fund the above additional insurance policy.

Compensation of Directors

Directors are permitted to receive fixed fees and other compensation for their services as directors. The Board of Directors has the authority to fix the compensation of directors. No amounts have been paid to, or accrued for, directors in such capacity.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information derived from the named person, or from the transfer agent, concerning the ownership of common stock as of May 17, 2007, of (i) each person who is known to us to be the beneficial owner of more than 5 percent of the common stock; (ii) all directors and executive officers; and (iii) directors and executive officers as a group:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class (1)
Chandana Basu 1126 West Foothill Blvd., Suite 105 Upland, California 91786	28,750,000	57.11%
Abhijit Bhattacharya 540 Kanoff Ave Montara, CA 94037	3,200,000	6.35%
Shahandana Z.U. Garcia 404 ½ 8th Street Upland, California 91786 1085 Grey Avenue Yuba City, CA 95991	3,000,000	5.95%
Officers and Directors as a Group (3 persons)		

32,950,000

65.45%

(1) Based on 50,340,450 shares issued and outstanding as of July 23, 2007.

Under the terms of the callable secured convertible note and the related warrants, the callable secured convertible note and the warrants are exercisable by any holder only to the extent that the number of shares of common stock issuable pursuant to such securities, together with the number of shares of common stock owned by such holder and its affiliates (but not including shares of common stock underlying unconverted shares of callable secured convertible notes or unexercised portions of the warrants) would not exceed 4.99% of the then outstanding common stock as determined in accordance with Section 13(d) of the Exchange Act. Therefore, the table does not include AJW Partners, LLC, AJW Offshore, Ltd., AJW Qualified Partners, LLC and New Millenium Capital Partners II, LLC.

SELLING SHAREHOLDERS

Selling Security Holders and Recent Financing

On June 27, 2006, we entered into a Securities Purchase Agreement for a total subscription amount of \$2,000,000 that included Stock Purchase Warrants (option to purchase in the next seven years at \$.07 per share) and Callable Secured Convertible Notes with AJW Capital Partners, LLC, AJW Offshore, Ltd., AJW Qualified Partners, LLC and New Millenium Capital Partners II, LLC. The initial funding of \$700,000 was completed on June 29, 2006 with the following parties and evidenced by callable secured convertible notes: AJW Partners, LLC invested \$68,600; AJW Offshore, Ltd. invested \$427,000; AJW Qualified Partners, LLC invested \$195,300 and New Millenium Capital Partners II, LLC invested \$9,100. The parties received the following amount of warrants: AJW Partners, LLC 4,900,000 warrants; AJW Offshore, Ltd. 30,500,000 warrants; AJW Qualified Partners, LLC 13,950,000 warrants; and New Millenium Capital Partners II, LLC 650,000 warrants. The callable secured convertible notes are convertible into shares of our common stock based upon an average of the lowest three intra-day trading prices of our common stock during the 20 days immediately prior to the conversion date multiplied by a discount of 40%. The exercise price of the warrants is \$.07 per share and they have a cashless exercise feature. Under the terms of the callable secured convertible note and the related warrants, the callable secured convertible notes and the warrants are exercisable by any holder only to the extent that the number of shares of common stock issuable pursuant to such securities, together with the number of shares of common stock owned by such holder and its affiliates (but not including shares of common stock underlying unconverted shares of callable secured convertible notes or unexercised portions of the warrants) would not exceed 4.99% of the then outstanding common stock as determined in accordance with Section 13(d) of the Securities Exchange Act of 1934. In addition, pursuant to the Securities Purchase Agreement, we are required to purchase \$2,000,000 of key man life insurance on the life of Chandana Basu. Ms. Basu will be undertaking a physical examination to secure the insurance policy.

When we filed the original registration statement, we received an additional \$600,000 (evidenced by a Callable Secured Convertible Note). There is a final funding commitment of \$700,000 (evidenced by a Callable Secured Convertible Note) when our registration statement becomes effective.

Upon the full subscription to the Securities Purchase Agreement, including the conversion in full of the Callable Secured Convertible Notes, the total shares being registered are 111,111,111 as follows: (i) AJW Partners, LLC 10,888,889 shares of common stock issuable in connection with the conversion of the callable secured convertible note; (ii) AJW Offshore, Ltd. 67,777,778 shares of common stock issuable in connection with the conversion of the callable secured convertible note; (iii) AJW Qualified Partners, LLC 31,000,000 shares of common stock issuable in connection with the conversion of the callable secured convertible note; and (iv) New Millenium Capital Partners II, LLC 1,444,444 shares of common stock issuable in connection with the conversion of the callable secured

convertible note.

The following table sets forth the names of the selling stockholders, the number of shares of common stock beneficially owned by each of the selling stockholders as of July 26, 2006 and the number of shares of common stock being offered by the selling stockholders. The shares being offered hereby are being registered to permit public secondary trading, and the selling stockholders may offer all or part of the shares for resale from time to time. However, the selling stockholders are under no obligation to sell all or any portion of such shares nor are the selling stockholders obligated to sell any shares immediately upon effectiveness of this prospectus. All information with respect to share ownership has been furnished by the selling stockholders.

Name of selling stockholder (11)	Shares of common stock owned prior to the offering (1)	Percent of common shares owned prior to the offering	Shares of
----------------------------------	--	---	-----------