Novel, Internet-enabled Personal Health Records

## Snapshot   June 28, 2011

MedeFile International, Inc. ("MedeFile" or "the Company") is a healthcare **information technology (IT)**[†] company that develops and markets its branded product, called *MedeFile*, which is a proprietary web-based system for storing **personal health records (PHRs)**. MedeFile is a full-service solution that collects members' actual medical records from a variety of sources and then organizes and electronically stores these documents in a secure, central location. Members can access information anywhere and at any time through multiple channels, including via a secure Internet portal and/or a web-enabled mobile device, as well as through the Company's patent-pending *MedeDrive™*, which is a specially designed **Universal Serial Bus (USB) drive**. MedeFile's flexible design allows subscribers to tailor the system to their needs—selecting what information is collected and from where, and defining rules for sharing that information with third parties, such as physicians, pharmacists, family members, or caretakers. The MedeFile solution also entails additional services, such as an interactive health calendar, a reminder service for medications and appointments, and a drug-to-drug interaction module. The Company believes that MedeFile's multiple access points, unlimited storage space, automatically updated records, portability, and privacy features provide a competitive advantage in the marketplace.

Recent Financial Data

Ticker (Exchange)	MDFI (OTCQB)
Recent Price (06/28/2011)	$0.0039
52-week Range	$0.017 - $0.0029
Shares Outstanding*	3.45 billion
Market Capitalization	$13.5 million
Average 3-month Volume	35.5 million
Insider Owners	38.5%
Institutional Owners + >5%	2.7%
EPS (Qtr. ended 03/31/2011)	($0.00)
Employees	4
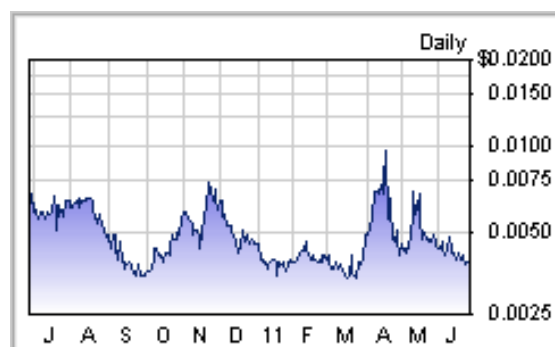
* As of May 16, 2011.

Key Points

- In the past 18 months, MedeFile's subscriber base has expanded by nearly 545%, from approximately 2,000 members at the start of 2010 to over 12,900 members as of May 2011.

- The Company reported revenues of over $133,000 for fiscal year (FY) 2010, representing an increase of approximately 839% over FY 2009 revenues of $14,264. For the recently reported first quarter ended March 31, 2011, the Company achieved revenues of $132,000, a 56-fold increase over revenues of roughly $2,400 for the comparable three months in 2010.

- Going forward, government-sponsored financial incentives could increase market adoption of PHRs. For example, in the U.S., the **HITECH Act** makes available more than $27 billion over 10 years in financial incentive payments intended to encourage the adoption and use of **electronic health records (EHRs)**.

- The Company's growing consumer base represents a source of revenue and a proof-of-concept opportunity, upon which MedeFile is capitalizing through alliances with professional groups, membership-based associations, and other entities. Since November 2010, MedeFile has announced several strategic alliances with healthcare companies or consulting and marketing firms intended to drive adoption of its PHR solution among respective consumer bases.

- MedeFile's leadership is experienced in developing and commercializing healthcare technology, specifically knowledgeable on administrative and legal proceedings of healthcare organizations.

- As of March 31, 2011, MedeFile held nearly $389,000 in cash and cash equivalents.

[†]**BOLD** WORDS ARE REFERENCED IN THE GLOSSARY ON PAGES 49-50.

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Executive Summary

MedeFile International, Inc. ("MedeFile" or "the Company") is a healthcare information technology (IT) company that develops and markets, through its Medefile, Inc. subsidiary, its branded product *MedeFile*—a proprietary Internet-enabled personal health record (iPHR) system. MedeFile includes a comprehensive mix of services and products designed to provide a total solution for the acquisition, organization, and management of an individual's medical records in one centralized location.

Once members input their physicians' information, emergency contacts, medications, medical conditions, and any other pertinent information, MedeFile collects and compiles their medical records from a variety of sources and transforms them into digital form. MedeFile's subscribers can access personal medical information at any time via a web-enabled device (e.g., a computer, cell phone, or personal digital assistant [PDA]), as well as through the portable, patent-pending *MedeDrive™*. MedeDrive is a specially designed, external Universal Serial Bus (USB) drive that holds emergency medical information as well as a patient's entire medical record. In the event of a medical emergency, first responders can plug the MedeDrive into any computer, and only the member's emergency medical information is displayed automatically. However, members can authorize third-party users—such as physicians, pharmacists, family members, or caretakers—to access the system and obtain critical medical information as needed.

Personal Health Records (PHRs)

A personal health record (PHR) is a consolidated medical record that provides a complete summary of an individual's medical history and personal health information, including information such as medical conditions, allergies, past procedures, clinical test results, and prescriptions, by gathering data from many sources and making this information accessible to the patient in different formats.

A PHR that includes both input from the patient and the collection of medical records from physicians' offices, hospitals, and clinical laboratories could provide the most valuable and functional information, as it does not rely on a patient's willingness to spend the time and effort to fully complete the PHR questions and keep information updated.

Market Overview

PHRs are in an early stage of market adoption, with many consumers still unaware of their benefits. However, some surveys have found that the use of online records has doubled over the past two years (Source: the California HealthCare Foundation's *Consumers and Health Information Technology: A National Survey* 2010). In addition, customers' preference to have electronic access to their personal health information could drive continued uptake of PHR solutions and create an opportunity for PHR companies that are already positioned to meet consumer demand (Source: Frost & Sullivan's *Opportunity and Trends in the U.S. Personal Health Records Market* 2007).

Internal systems developed by healthcare providers or insurers may have a built-in patient base, foregoing the difficulties of slow adoption rates faced by companies creating PHRs for the open market. However, they lack key benefits provided by independent PHRs: (1) portability, which provides users with the ability to "take" their records if they change health plans or providers, thereby preserving their PHR; and (2) privacy, which provides consumers with greater control over content and accessibility.

Going forward, government-sponsored financial incentives could drive the adoption of PHRs. Enacted as part of the American Recovery and Reinvestment Act of 2009, the Health Information Technology for Economic and Clinical Health (HITECH) Act is designed to promote adoption of technologies that facilitate the electronic exchange of health information. Beginning in January 2011, HITECH makes available more than $27 billion over the next 10 years in financial incentive payments intended to encourage physicians and hospitals to adopt and use EHRs. The drive to increase the use of EMRs and PHRs stems from the potential healthcare cost savings that these systems can provide. Total U.S. healthcare spending in 2009 reached $2.5 trillion, up from $1.3 trillion in 1999. In contrast, implementation of PHRs alone could reduce healthcare costs by an estimated $13 billion to $21 billion each year (Sources: the U.S. Department of Health and Human Services' National Health Expenditure Accounts and *American Medical Informatics Association [AMIA] Annual Symposium Proceedings* 343-347; 2008).

Although the general population represents the greatest target audience for PHR products, consumer segments that most frequently interact with the health system may derive greater benefits from PHR services, and thus serve as market drivers for the PHR sector. These groups include key target markets for MedeFile's proprietary offerings: (1) geriatric care; (2) chronic disease patients; (3) diabetics; (4) cardiac care; (5) cancer patients; (6) baby boomers; and (7) high-risk children.

MedeFile's iPHR Solution

The Company's subscription-based iPHR, branded MedeFile, is a full-service solution that collects, organizes, and delivers personal medical records obtained from healthcare providers. MedeFile complements a member's input by collecting the individual's actual medical records on their behalf from multiple sources, while also allowing the member to tailor the system to meet his or her needs. Members can choose what information is collected and from where, define access guidelines to share data with third parties, and access records at any time and from any location where an Internet connection is available.

The Company believes that its product, branded MedeFile, possesses a competitive advantage when compared to existing PHR options, due to its following characteristics: (1) includes a service-oriented platform and patient-centric design; (2) has multiple information access points; and (3) offers unlimited storage space and information updates.

MedeFile offers members the ability to access information through multiple channels, including through secure Internet portals, faxes, cell phones or mobile PDA devices, and the MedeDrive™. In addition, MedeFile provides members with unlimited storage capacity and, as part of its services, gathers information from as many care providers and physicians' groups as each member desires. Members can also update information as frequently as needed, facilitating the creation of a complete and current record.

The Company believes that MedeFile's patient-centric design, geared toward the needs of subscribers but compliant with provider and industry regulations, also provides a competitive advantage, as healthcare providers can use the information available in the system to help diagnose and treat patients.

Record Collection and Data Input

A complete MedeFile is composed of copies of the member's actual medical records as well as a Digital Health Profile (DHP), which is an overview of the patient's medical history as entered by the individual. Once the member completes the necessary authorization forms and provides MedeFile with a list of care provider contact data, MedeFile uses that information to collect actual medical records from physicians' offices, hospitals, dentists, and nursing home facilities, among other care providers. MedeFile can receive records via direct feeds through its interface with EMR systems, by fax, or by digitizing hard copies of records. Once information is collected, MedeFile automatically updates the files on a quarterly basis or as often as requested by the member.

Data Storage

Records are stored in the MedeVault™, a secure repository that subscribers can access 24 hours a day, 7 days a week. Information remains in the system for as long as the individual continues their MedeFile membership, unless the individual requests the deletion of files. This is in contrast to federal and state laws, which allow physicians and medical institutions to discard patients' information after a set timeframe following the last contact, typically 7 years for physicians and 10 years for hospitals.

Records Access

The MedeFile portal offers multiple login capabilities: (1) a member login for use by subscribers; (2) a visitor login where the member can grant read-only access to anyone they wish, including physicians, caretakers, and family members; (3) an emergency login for emergency medical technicians (EMTs) and other first responders; and (4) a provider login for physicians who participate in the Company's Quality of Care program. Each member controls what information each visitor can access, creating a customized system depending on the clearance granted by the individual.

Members not only have the ability to view their medical records through the MedeFile portal but also to fax on demand. This feature allows users to send by fax any records that they want to share with a provider, caregiver, or other third party.

Members can also access their information when away from the Internet portal by using either the MedeDrive™ or the MedeMobile™ capability. The MedeDrive is a patent-pending, specially designed USB drive that holds emergency medical information as well as the PHR. When plugged into the USB port of a computer, MedeDrive automatically loads in its own viewer, allowing EMTs to view emergency medical information. Members can access and update their PHR online by logging in with a username and password. The updated data can then be uploaded to the MedeDrive.

MedeMobile allows members to view and fax medical records directly from a **smartphone**, PDA, or Internet-enabled cell phone. This capability includes an emergency application for the iPhone® that serves as a personal electronic medical response system. This application not only allows members to access their account on a mobile device but can also notify emergency services of the member's exact location (using the smartphone's **geo-positioning** capabilities) and pertinent medical information in case of emergency.

Product Features

MedeFile includes a comprehensive mix of product features designed to provide a total solution for the acquisition, access, and maintenance of an individual's medical records. The Company offers three levels of service, each of which include web access, mobile access, and the MedeDrive: (1) Basic Service; (2) Premium Service; and (3) MedeOne.

Basic service includes the DHP and allows users to input, store, and access information, such as emergency contacts, medications, allergies, history of family illness, and insurance information. The premium service, which is the Company's signature service, also includes the collection and upkeep of medical records from physicians' offices, laboratories, and other care provider sources. MedeOne is targeted for younger and healthier individuals, as it limits record collection to only one physician, which is typically the primary care physician or an internist, four times a year. In addition, the Company offers two additional service add-ons—MedeMinder™ and Concierge services—for an additional fee. An overview of all product features is provided in the Core Story on pages 29-32.

Benefits of MedeFile for Members

MedeFile allows members to compile and maintain organized health records that are easily accessible, regularly updated, transferable, and protected from natural disasters. The Company's particular combination of features may offer the following benefits: (1) improved health or achievement of health goals; (2) improved quality of care; and (3) reduced healthcare costs.

Through the use of MedeFile, members can track health indicators, such as body mass index and cholesterol levels, facilitating the achievement of health-related goals. In addition, MedeFile's reminder features improve at-home care by reminding members of medications, appointments, and other health-related events.

The Company's iPHR solutions can also improve the quality of care by enabling patients to prepare and provide essential medical information for physicians and other healthcare professionals for use when performing diagnostic tests and developing a treatment plan, which may lead to fewer medical errors. MedeFile's drug-to-drug interaction tool can reduce the likelihood of a negative drug reaction by providing alerts of any potential issues. In addition, medical responders can access information in case of emergency, obtaining the necessary data to personalize treatment based on the individual's allergies, current medications, and family history, among other information. MedeFile also helps members avoid duplicate procedures, ineffective treatments, and costly medical errors, which could translate into lower healthcare-related expenses.

Benefits of MedeFile for Providers

Importantly, MedeFile's medical records collection process does not require physicians' groups or hospitals to change their practices or methods of record keeping, as requests for medical records are part of the regular course of business.

As well, MedeFile offers incentive programs for providers to increase usage and referral of the MedeFile iPHR among patients. These include an administrative remuneration program that covers administrative efforts, training for administrative staff, and educational materials to be included in new patient packets and the Company's Quality of Care program, which was initiated in late 2010. The Quality of Care program is a revenue-share program under which the Company partners with medical practices to encourage adoption of its iPHR services by a practice's patients. Notably, in April 2011, MedeFile enrolled five new practices into the Quality of Care program, which could ultimately allow the Company to target nearly 55,000 additional prospective subscribers.

Marketing and Business Development Strategies

The Company's marketing and business development activities include brand-building initiatives as well as key strategic alliances and partnering opportunities with professional groups, membership associations, and healthcare entities that could provide MedeFile with a captive consumer base that is intended to drive the acceptance of products among members of their organizations.

MedeFile's marketing efforts have resulted in a membership base increase of nearly 545%, from approximately 2,000 subscribers at the start of 2010 to 12,902 members (including trial memberships) by May 16, 2011. This growth translated into revenues of $133,869 in 2010, an 839% increase from $14,264 in 2009. Additionally, the Company reported revenues of over $132,000 for the first quarter 2011 versus revenues of approximately $2,400 in the corresponding three-month period in 2010.

The Company's consumer base represents both a source of revenue as well as a proof-of-concept opportunity, which MedeFile intends to fully capitalize on through strategic alliances and relationships with professional groups, membership-based associations, and healthcare companies. To this extent, MedeFile has recently announced partnerships with multiple professional groups and marketing and consulting firms, detailed within the Growth Strategy/Strategic Relationships section on pages 7-10.

History, Headquarters, and Employees

On November 1, 2005, Bio-Solutions International, Inc. and OmniMed International, Inc. entered into a merger agreement, by which Bio-Solutions acquired all of the outstanding equity stock of OmniMed. Pursuant to the agreement, the OmniMed Shareholders assumed control of Bio-Solutions. As a result of the merger, Bio-Solutions changed its name to OmniMed International, Inc. on November 21, 2005, and subsequently changed its name to MedeFile International, Inc. on January 17, 2006. The Company is headquartered in Boca Raton, Florida. As of April 2011, MedeFile employed four full-time individuals and four consultants. A fully reporting company, MedeFile trades on the OTCQB market—the middle tier of the OTC Markets Group's quotation and trading system—under the symbol "MDFI."

Growth Strategy/Strategic Relationships

MedeFile is working to capitalize on the growth trends of its industry in order to perpetuate and accelerate business expansion. In late 2010, the Company implemented an aggressive multimedia marketing strategy that led to an increase in MedeFile's membership base of nearly 250%. The Company reported having approximately 2,000 subscribers to its services at the start of 2010 versus 5,100 subscribers by the end of the year. Moreover, by May 16, 2011, MedeFile reported over 12,900 members (including trial memberships).

As a result of both market dynamics and its recent emphasis on driving growth, MedeFile experienced a revenue increase of 839% during 2010. The Company believes that it is poised to continue growth during 2011. MedeFile reported revenues of $133,869 for 2010, up from $14,264 in 2009, and $132,012 for the quarter ended March 31, 2011.

MedeFile's goal is to organically increase its subscriber base to over 20,000 members by the end of 2011. This milestone could enable positive cash flow for the Company. The Company's current consumer base translates into both a source of revenue as well as a proof-of-concept opportunity, upon which MedeFile intends to fully capitalize through strategic alliances and partnering opportunities with professional groups, membership-based associations, and healthcare companies. Over a longer 36-month timeframe, the Company hopes to reach 200,000 subscribers.

Sales and Marketing

As MedeFile seeks to obtain greater market penetration for its iPHR products, the Company is increasingly focusing on brand-building and marketing on a national (U.S.) and global scale. Marketing strategies include direct sales, direct mail, public relations campaigns, radio and television infomercials, speaking engagements by executive officers, participation in trade shows, and alliances and partnerships with third parties. To further its worldwide recognition, the Company launched its website in Russian and Spanish (in addition to the existing English version of the website). Translations into French and German are underway.

As part of the Company's marketing strategy, MedeFile has partnered with PrescriptionDrugs.com. Through this arrangement, PrescriptionDrugs.com may display promotional information concerning the benefits of MedeFile's services on its homepage. For example, the site may advertise that a subscription to the MedeFile iPHR system could help site users better track and manage their prescribed medications as well as avoid potential life-threatening drug interactions. This agreement is summarized under the Strategic Relationships section on page 9.

The objective of these marketing approaches is to target the types of organizations and market segments listed in Table 1.

Table 1

MedeFile International, Inc.

A SELECTION OF SALES AND MARKETING TARGETS

▪ Health Maintenance Organizations (HMOs)	▪ Home Healthcare Agencies
▪ Preferred Provider Organizations (PPOs)	▪ Retirement Communities
▪ Managed Care Organizations	▪ Nursing Homes
▪ Insurance Companies	▪ Public and Private Schools and Colleges
▪ Unions	▪ Summer Camps
▪ Large Groups of Individuals, such as AARP	▪ Internet Users
▪ Large and Medium Corporations	

Source: MedeFile International, Inc.

The MedeFile service is designed for annual membership sales payable in monthly installments or as a one-time yearly payment directly through the website (www.medefile.com), physician referrals where patients enroll based on their physicians' recommendations, large group offerings where membership-driven organizations offer the MedeFile system to their members at a discounted rate, and sales through insurance companies to their insured. Essentially, MedeFile's business model entails three platforms: (1) business → consumer; (2) business → business; and (3) provider → consumer.

Business to Consumer

With nearly 13,000 individual subscribers, the business-to-consumer segment is a key focus for MedeFile. The Company is employing a direct-to-consumer marketing strategy that presently uses telemarketing campaigns and online social networking tools to educate consumers about the benefits and cost saving potential of MedeFile's iPHRs. As of April 2011, MedeFile reported that it was averaging approximately 100 new trial memberships daily through these marketing channels. MedeFile may also in the future augment these marketing efforts with additional campaigns, including **direct-response** television and radio infomercials and direct mail approaches.

Business to Business

MedeFile's business-to-business sales include identifying organizations that may be willing to subsidize the cost of MedeFile memberships for their employees, customers, or members. Due to the features of the Company's iPHR offerings (detailed on pages 29-32), MedeFile believes that implementing these across the workplace can reduce employee absenteeism and stress. With an effective PHR, individuals can spend significantly less time on the phone or taking time off of work to communicate with doctors or care providers trying to track down medical records for themselves or loved ones. By partnering with MedeFile, large, membership-driven organizations, such as trade unions and insurance companies, are able to offer the Company's iPHR products to their members at a discounted rate negotiated with MedeFile based on the size of expected enrollment. Further, these entities may choose to integrate MedeFile functionality with their own website, thereby obtaining additional promotional advantages.

As well, the Company has stated that its services may qualify as healthcare expenses under **IRS Publication 502** under a Medical Information Plan within Medical and Dental Expenses. Accordingly, a MedeFile membership can be paid via health savings accounts, flexible spending accounts, or other health reimbursement arrangements. However, individuals should consult a tax professional to confirm the availability of these tax benefits.

Provider to Consumer

In addition to targeting consumers directly and working with other businesses to target their customer bases, the Company collaborates with physician groups to market the MedeFile system to their patients and educate these patients on the importance of maintaining a PHR.

As part of the Company's strategy for bringing provider groups on board, it is offering cash remuneration to the providers in exchange for patients who enroll in MedeFile's services. The incentive-laden administrative remuneration program includes remuneration to cover administrative efforts, training for a group's administrative staff to set up and manage the reimbursement process, and educational materials to be included in new patients' packets and displayed in waiting rooms.

Quality of Care Program

In late 2010, MedeFile launched the Quality of Care program, which is designed to facilitate the Company's alliances with physicians, specialty medical practices, and private hospitals in order to co-market the MedeFile system with these entities to their respective patient populations on a revenue-share basis. MedeFile employs commission-based sales specialists to actively promote the Quality of Care program to providers across the U.S. Under this initiative, the Company has announced partnerships with a major cardiology practice and a noted gastroenterologist. In April 2011, five additional physician practice groups agreed to offer MedeFile's iPHR solution to patients. Combined, these new practices target nearly 55,000 patients. These include multi-specialty practices, a primary care practice, a family care and internal medicine group, and two other internal medicine specialists.

Strategic Relationships

MedeFile is actively pursuing key partnering opportunities with individuals, industry groups, and healthcare-related companies. These efforts have resulted in multiple strategic alliances intended to facilitate the adoption of the Company's iPHR solution by offering customized products to the partners' captive consumer bases.

- RTM Networks (www.rtmnetworks.com)—November 2010. Through its relationship with RTM, a marketing firm specializing in connecting members of college and university alumni associations, corporate alumni groups, and professional and membership associations, MedeFile anticipates being able to offer customized products and services to alumni associations and professional groups across the U.S. as well as market its PHRs to undergraduate and graduate students. The partnership also gives MedeFile access to RTM's MemberConnect database.

- PrescriptionDrugs.com—February 2011. MedeFile intends to offer its services to consumers of PrescriptionDrugs.com, a free online resource for drug discount and couponing programs, in order to improve consumers' ability to manage prescribed medications and avoid potential life-threatening drug interactions.

- National Association of Local Advertisers (NALA™ [http://thenala.com])—April 2011. MedeFile expects to provide NALA™ subscribers with a customized MedeFile membership as part of NALA's special benefits program offered to its growing national membership. The MedeFile initiative is part of NALA's objective of offering its members the latest technologies to efficiently promote their respective businesses.

- Carlisle and Associates (www.carlisle-llc.com)—April 2011. The Company expects its partnership with this healthcare industry consultancy firm to facilitate strategic alliances with health plans, health systems, large physician practice groups, and other healthcare-related service groups to help fuel the adoption of MedeFile's iPHR system.

- HealthPro BioVentures, LLC (www.healthprobioventures.com)—May 2011. The Company's partnership with HealthPro BioVentures, a life sciences investment bank and strategic advisory firm, is intended to facilitate strategic partnerships with global healthcare and biotechnology companies. HealthPro BioVentures' network of contacts includes healthcare venture capital firms, senior-level executives at public and private biotechnology companies, and major research institutions.

- MedSave USA, Inc. (www.medsaveusa.com)—May 2011. MedeFile and MedSave USA, a provider of healthcare cost containment and medical record retrieval services, plan to jointly market MedeFile's iPHR system as a value-added service to MedSave USA's global client base, which is composed of insurance companies, healthcare providers, self-insured employers, third-party administrators, and government payer organizations. MedeFile's initial focus is on implementing new MedeFile subscriptions for those insured by one of MedSave USA's largest clients, a global insurance carrier currently serving eight million individuals.

- ADAR, Inc. (www.adar-inc.net)—May 2011. The Company granted exclusive rights to ADAR, a government contracting firm, to market Medefile's advanced iPHR solution to U.S. federal departments and agencies, including the U.S. Department of Veterans Affairs, the Department of Defense, the Department of Health and Human Services, and the Department of Homeland Security. In addition, ADAR also has non-exclusive rights to market MedeFile's system to companies, major medical institutions, and other entities outside of the traditional government contracting space.

Going forward, MedeFile expects to announce new sales developments related to ongoing discussions with entities that seek to offer PHR solutions to their customers.

Wholesale Activities

Through its business development activities, MedeFile is also targeting partnerships in market segments outside the normal scope of healthcare providers. In particular, the Company views vertical market segments that routinely require access to medical records, such as attorney organizations and insurance companies, as an opportunity for increased revenues.

The need for medical records in cases of malpractice and personal injury, as well as during the underwriting process for life insurance, can represent a lengthy and costly process for these organizations. Statutes and rules limiting what physicians' offices can charge patients for the acquisition of medical records (which is in place to protect consumers) do not apply to these companies. By using MedeFile to facilitate the acquisition of medical records, the Company can provide third parties with a faster and less costly process.

The Company also relies on strategic alliances for the penetration of international markets. MedeFile plans to offer a white-label solution in international markets through partnerships with health insurance companies. MedeFile's services could be made available to all members of an insurance company, with MedeFile receiving a fee based on the total number of customers from the insurance provider. The Company may limit the features available in the base white-label product, providing the opportunity to generate additional revenue for itself and its partners through the sale of upgrades and additional services.

To provide optimal support to its international members, MedeFile has been actively engaged in translating and localizing its website (www.medefile.com) to accommodate member/user interface in multiple foreign languages. To date, the website is viewable in English, Russian, and Spanish, and development is underway for French and German translations, with other languages to follow.

Intellectual Property

The Company filed patent application (No. 20080172254) on January 15, 2008, to cover its proprietary software as well as the MedeDrive™, MedeFile's specially designed USB drive. The pending application covers MedeFile's system and method for collecting, aggregating, and providing **electronic medical records (EMRs)**. The pending application claims priority from provisional patent application No. 60/880,662, which was filed on January 16, 2007.

In addition, MedeFile holds trademarks for key products and functionalities, including but not limited to the MedeDrive™, MedeMinder™, MedeMobile™, and MedeVault™ offerings.

Company Leadership

The accompanying pages summarize MedeFile's management, Board of Directors, and advisors. At present, the Company does not maintain any committees on its Board of Directors. Mr. Kevin Hauser, formerly the Company's director of new business development, was appointed chairman and chief executive officer (CEO) of MedeFile in August 2010. In addition to naming a new CEO, MedeFile has expanded its Board of Advisors over the past year. Table 2 provides a summary of the Company's key individuals, followed by detailed biographies.

Table 2

MedeFile International, Inc.

COMPANY LEADERSHIP

Kevin Hauser	President, Chief Executive Officer, Acting Chief Financial Officer, and Director
Michael S. Delin	Director
Advisors	
Barbara A. DeBuono, M.D., MPH	Former Commissioner of Health for the State of New York
Richard L. Farren, J.D.	Member of New York City Law Firm, McLaughlin & Stern, LLP
Howard Mofshin	Cofounder of Cash4Gold
Gurinder Shahi, M.D., Ph.D., MPH	Cofounder and Chief Marketing Officer of Rhapsody Holdings LLC

Source: MedeFile International, Inc.

Kevin Hauser, President, Chief Executive Officer, Acting Chief Financial Officer, and Director

Mr. Hauser was appointed as the Company's president, CEO, acting chief financial officer (CFO), and chairman on August 15, 2010, after his father and Company founder, Milton Hauser, stepped down following a personal health crisis. Previously, Mr. Kevin Hauser was a key member of the executive management team, serving as MedeFile's vice president of sales, marketing, and new business development since 2005. In this capacity, he helped design, develop, and implement strategies and programs aimed at establishing the MedeFile brand on a global basis. Among his many diverse responsibilities, he led a three-year series of consumer focus groups and conducted several in-depth industry market studies, helping to define "must-have" features and functionality of the MedeFile iPHR platform. In addition, he was charged with pursuing strategic business partnerships capable of enhancing the Company's brand-building and marketing efforts, which has since resulted in several important teaming arrangements being secured by the Company. Mr. Kevin Hauser was also instrumental in the conception and commencement of MedeFile's Quality of Care program, a strategic physician-focused initiative designed to educate patients on the benefits of MedeFile's iPHR solution, promote new annual subscribers, and generate a profitable new revenue channel for care providers. Since becoming CEO, he has remained largely focused on executing a broad range of commercialization strategies to drive MedeFile's subscription growth and build enduring long-term value for the Company's stockholders.

Prior to joining MedeFile in early 2005, Mr. Kevin Hauser worked primarily with Raymond James Financial Services, Inc. (part of Raymond James Financial, Inc. [RJF-NYSE]). In 1996, Mr. Hauser established a branch office for Raymond James in New York City's Wall Street district. He earned placement in Raymond James' President Club and was the youngest independent sales associate to receive that honor at that time. Mr. Hauser attended George Washington University from 1990 to 1994.

Michael S. Delin, Director

Mr. Delin is the sole proprietor and operator of an accounting and tax preparation service. He has previously provided consulting services to the Company. Mr. Delin also currently serves as the CFO of a construction company based in southwest Florida. He graduated from the University of South Florida with a B.A. in accounting.

Barbara A. DeBuono, M.D., MPH, Advisor

Dr. DeBuono is a visiting professor at the George Washington University School of Public Health and Health Services in the Departments of Health Services Management and Leadership and Global Health. She is also currently serving as interim chair of the Department of Prevention and Community Health. Previously, Dr. DeBuono served as executive director, public health and government at Pfizer Inc. (PFE-NYSE) and was responsible for creating and managing public-private partnership programs in public health innovation, education, and research. She also served as commissioner of health for the State of New York in the first term of Governor George Pataki, after serving as director of health in Rhode Island in the Cabinet of Governor Bruce Sundlun. In both roles, Dr. DeBuono led efforts to develop Medicaid Managed Care and State Children's Health Insurance Programs (SCHIP) and crafted HIV, immunization, and breast and cervical cancer prevention policies. She has served on many health policy boards, among them the Advisory Committee to the Director of the U.S. Centers for Disease Control (CDC), the Center for Health Policy Development, and the Partnership for Prevention. She is a fellow of the American College of Physicians and has been published extensively in peer-reviewed journals, including the *Journal of the American Medical Association*, the *New England Journal of Medicine*, the *Journal of Public Health Policy*, and the *American Journal of Public Health*.

Richard L. Farren, J.D., Advisor

Mr. Farren has been a member of the New York City law firm of McLaughlin & Stern, LLP since 1990. In the healthcare field, he has represented major New York City hospitals in administrative proceedings and offered counsel to a number of physicians in all aspects of their practice. In addition, he has worked with a medical HMO; several diagnostic and treatment centers in administrative law matters; a company specializing in EMR billing for physicians in various matters, including antitrust and unfair competition concerns; the organization of an independent practice association for skilled nursing facilities in New York State; and the medical staff of a New York City hospital in connection with its reorganization in Federal Chapter 11 proceedings. Mr. Farren is a graduate of the Phillips Exeter Academy; a graduate of Yale University, where he earned a B.A. in history (*cum laude*); and a graduate of Harvard Law School, where he served as editor-in-chief of the Harvard Law School Yearbook for two years.

Howard Mofshin, Advisor

Mr. Mofshin is globally recognized for his work in direct-response marketing and as an emerging growth trends analyst. He is the cofounder of Cash4Gold. He is a noted entrepreneur, public speaker, and venture capitalist whose innovations in direct-response marketing have resulted in his being featured in national publications that have included *AdAge*, *Smart Business*, *USA Today*, and the *Washington Post*, among others. He was nominated for Ernst & Young's Entrepreneur of the Year Award after engineering the "Cash4Gold" Super Bowl commercial featuring MC Hammer and Ed McMahon—among the first direct-response commercials to reach such a large audience. Mr. Mofshin is a speaker for direct-response and venture growth conferences around the world and is experienced at identifying emerging growth trends in business. He joined MedeFile's Advisory Board in July 2010 and continues to provide the Company's management team with critical guidance and direction on effectively developing and executing a long-term, results-oriented marketing agenda.

Gurinder Shahi, M.D., Ph.D., MPH, Advisor

The cofounder and chief marketing officer of Rhapsody Holdings LLC, Dr. Shahi has served as an advisor and consultant to the World Bank and the World Health Organization (WHO) as well as governments, corporations, and foundations on health systems, life science technology innovation/commercialization management, and biotechnology industry development. Dr. Shahi's book, *BioBusiness in Asia: How Asia Can Capitalize on the Life Science Revolution*, has been used as a blueprint for biotechnology industry development in several countries around the world. He has also been actively involved in providing strategic guidance to a range of start-up enterprises and in helping a growing number of U.S., European, and Australian enterprises establish strategic alliances and build operations in Asia. With degrees from Harvard and the National University of Singapore, Dr. Shahi served as the director of operations and program development of the International Vaccine Institute, and was the founding executive director and coordinator of the Asia-Pacific International Molecular Biology Network, as well as the founding director of the Global BioBusiness Initiative. The author of over 60 published articles in the field, Dr. Shahi is a frequent presenter and speaker at international healthcare conferences worldwide and is presently working on several new initiatives dedicated to the development of technology solutions for health and wellness management.

Core Story

MedeFile International, Inc. ("MedeFile" or "the Company") is a healthcare information technology (IT) company that develops and markets, through its Medefile, Inc. subsidiary, its branded product *MedeFile*, a proprietary, Internet-enabled personal health record (iPHR) system. The MedeFile system allows customers to maintain a consolidated medical record with their own medical history and personal health information in one centralized location. MedeFile offers a simple, secure, and cost-effective way for individuals to access and maintain their medical records.

MedeFile's iPHR solution is designed to gather each member's actual medical records from a variety of sources, creating a single comprehensive electronic health record (EHR). The system is interoperable with the majority of electronic medical record (EMR) systems used by physicians, hospitals, clinics, and other healthcare providers. Once the member inputs their physician, emergency contacts, medications, medical conditions, and any other pertinent information, the Company collects the member's medical records from multiple sources and compiles them into a digital form (as depicted in Figure 1).

Figure 1
MedeFile International, Inc.
MEDEFILE OVERVIEW

Physicians' Offices Records

Hospital Records

Dental Records

Radiological Images

Clinics

Laboratories

Sources: Crystal Research Associates, LLC and MedeFile International, Inc.

Using its proprietary software, MedeFile indexes the medical records by date, provider, and record type, or by a customized theme selected by the individual. MedeFile members can access their medical information at any time via any web-enabled device (e.g., computer, cell phone, or personal digital assistant [PDA]), as well as through the portable, patent-pending *MedeDrive™*—a specially designed Universal Serial Bus (USB) drive. In addition, members can authorize third-party users—such as physicians, pharmacists, or caretakers—to access the system and review personal medical information, as needed.

Although MedeFile's products and services are geared to the individual, the system is designed to offer healthcare providers the ability to reference their patients' actual past medical records, potentially resulting in more accurate treatment while simultaneously reducing redundant procedures. MedeFile hopes to improve the quality of healthcare by enabling the patient to manage, access, and make available the information typically retained by physicians and other care providers. In addition, medical responders can access the information in case of emergency, obtaining potentially life-saving data, such as medical conditions or allergies, to increase the chances of a positive outcome.

The MedeFile solution includes a comprehensive mix of services and products, including an interactive health calendar, a reminder service for medications and appointments, as well as additional features that are designed to provide a total solution for the acquisition, organization, and management of an individual's medical records. A detailed description of MedeFile's services and product features are provided on pages 25-32.

AN OVERVIEW OF THE PERSONAL HEALTH RECORD (PHR) MARKET

A personal health record (PHR) is an individual's consolidated medical record containing a compilation of medical history and personal health information. A PHR is typically initiated and maintained by the individual and is generally stored in an electronic format for easier accessibility. Competitive PHRs integrate and provide a complete and accurate summary of the health and medical history of an individual, including information such as medical conditions, allergies, past medical procedures, clinical test results, and current prescriptions, by gathering data from many sources and making this information accessible to the patient in different formats.

In order to have a positive effect on user experience, quality of care, and costs, PHRs are designed to support certain key functionalities, such as those depicted in Figure 2. Fully functional PHRs have the potential to improve the patient-provider relationship, reduce costs, and enable the healthcare system to evolve toward a more personalized medicine model (Source: *Journal of the American Medical Informatics Association* Vol. 15(6):729–736; 2008). The primary functions of PHRs are listed following Figure 2.

Figure 2
PHR FUNCTIONALITIES
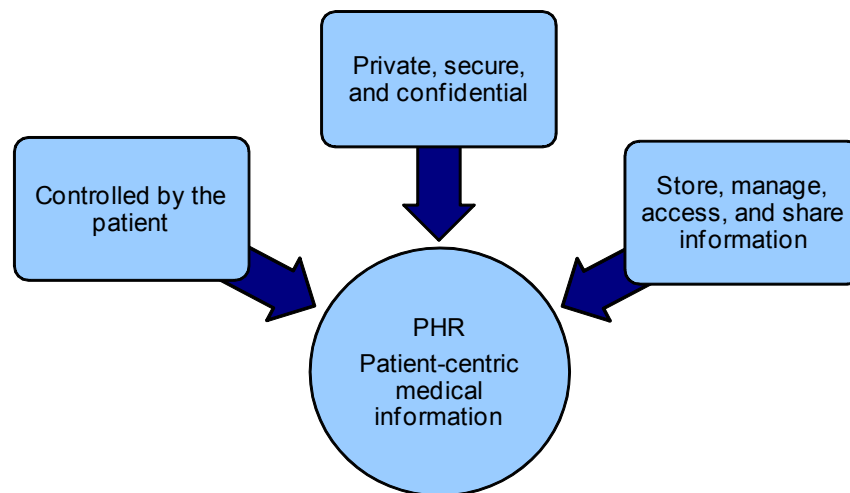
Source: MedeFile International, Inc.

- *Information Collection*—Allows for the collection of information from multiple sources, including the users' self-input as well as external data such as physician's offices and healthcare entities

- *Information Sharing*—Allows patients to engage in one-way sharing of their health information with others

- *Information Exchange*—Allows patients to engage in two-way data exchange with others

- *Information Self-Management*—Permits patients to better manage their own healthcare via functions to record, track, and edit medical information

It is important to note that PHRs are not the same as EMRs. Every patient visit generates a medical record, which is stored at the physician's office or other healthcare facility. EMRs are software systems designed for use by healthcare providers to collect the clinical data created by the health professional in the course of providing care. Although patients have access to such records, the average person's medical record is distributed over multiple locations, including different physician's offices, hospitals, and clinical laboratories. Most patients do not know where all their information is or how to obtain it. Thus, the process of reconciling medical records from multiple providers in order to create a single, coherent, record can be time consuming and challenging. To the Company's knowledge, few PHRs have evolved to meet this need.

Despite the difficulties in consolidating an individual's medical records, access to this information can be critical. Information about a patient's medical history, treatment, and care are key factors in the delivery of quality healthcare by increasing the coordination of care. An up-to-date PHR, giving the healthcare provider the necessary background knowledge, can improve the quality and safety of care, translating into enhanced and more timely diagnosis and treatment, while avoiding the duplication of clinical tests (Source: Frost & Sullivan's *Opportunity and Trends in the U.S. Personal Health Records Markets*, February 2007). In addition, PHRs give emergency services and medical staff access to critical medical information in case of an emergency or if the patient requires care while traveling (Source: *Health Information Security and Privacy Collaboration: Personal Health Record [PHR] Website Inventory, Analyses, and Findings*, March 31, 2009).

PHR Classification

PHRs can be classified by how and where the information is stored, which also translates into differences of how the information is accessed. Most PHRs fall into one of the three categories, as described below.

(1) *Paper Based.* Health information is recorded and stored in paper format. Printed laboratory reports, copies of clinic notes, and health histories created by the individual may be parts of a paper-based PHR. This method is low cost and accessible without the need for a computer or any other hardware. However, paper-based PHRs may be difficult to locate, update, and share with others. In addition, paper-based PHRs are subject to physical loss and damage, such as can occur during a natural disaster.

(2) *Electronic Device Based.* Health information is recorded and stored in computer software that may offer the capability to print, backup, encrypt, and import data from other sources, such as a hospital laboratory. The health history created in this manner can be printed, copied, and shared with anyone with a compatible word processor. Some PHR products allow the copying of health records to a mass-storage device such as a CD-ROM, DVD, smart card, or USB flash drive. However, PC-based PHRs are subject to physical loss and damage of the computer and the data that it contains. As well, since in most cases these PHRs depend on access to a specific computer, they may have limited accessibility in an emergency.

(3) *Web Based.* Web-based PHRs (also called Internet-enabled PHRs [iPHRs]) are essentially the same as electronic device PHR solutions; however, the information is stored in a web-based software solution accessible at any time and from any place where an Internet connection is present. Similar to device-based systems, mass-storage devices such as USB flash drives are also used. Web-based solutions have the advantage of being easily integrated with other services, allowing the import of medical data from external sources and the sharing of data with other applications or people. As described on pages 25-32, MedeFile offers a proprietary iPHR solution.

The risks of keeping health information on paper or in an electronic device-based PHR without an off-site back-up were exposed during hurricanes Katrina and Rita in 2005. Thousands of evacuees seeking care in new medical communities across the country lacked even the most basic personal health information, such as their medications and dosages. Most of their paper records were destroyed in the hurricane-caused flooding, and many medical practices and hospitals were shut down, preventing access to the information (Source: *Family Practice Management* Vol. 13(5):57-62, 2006).

iPHRs, such as MedeFile's, allow consumers to maintain health records online within a hosted environment, which is intended to facilitate easy access to records from anywhere with an Internet connection. In some cases, the iPHR can even be accessed via a mobile phone or PDA. An iPHR allows the consumer to populate the record via self-entry as well as import data from other sources that may include providers, insurers, retail clinics, pharmacies, and laboratories (Source: Chilmark Research's [a healthcare IT analyst and market research firm] *iPHR Market Report,* October 2008).

Data Collection

The manner in which third-party information is collected also has an effect on the usefulness of PHRs. Some solutions rely on the patient to gather, store, and manage documents. Patient-entered data has the potential to be highly ineffective, as the accuracy of information relies on the patient's memory and willingness to spend the time and effort to fully complete the PHR questions and sections. In addition, the consumer would be responsible for keeping the information current, which can be problematic if the user becomes inattentive or passive on the retrieval and management of information (Source: *Health Information Security and Privacy Collaboration: Personal Health Record [PHR] Website Inventory, Analyses, and Findings*). A PHR that not only includes input from the individual but that also facilitates the collection of actual medical records from sources such as physician offices, hospitals, and clinical laboratories could provide the most comprehensive information. In addition, automatic information updates could help ensure a current PHR, thereby increasing its value and functionality.

PHR Adoption and Benefits

Although the adoption of PHR services remains low among the general public, PHRs are a new concept in healthcare, with most patients unaware of their existence, benefits, or availability. Federal government and healthcare IT professionals involved in establishing health information exchange and EHR systems expect the slow adoption rates and lack of consumer demand to change as awareness increases and healthcare culture shifts toward more frequent, freely exchanged medical information between providers and patients (Source: SearchHealthIT.com's *Market for personal health records, Google Health, at a crossroads*, June 2010). It is important that healthcare leaders and professionals work to increase awareness and deliver information on PHRs to the general population, highlighting the advantages and value of these systems. If this does not take place over time, PHRs would remain an untapped technology despite their benefits (Source: SearchHealthIT.com's *Consumers slow to adopt PHR software—for now*, June 2010).

Patients, policymakers, providers, payers, employers, and organizations have an interest in using PHRs to reduce healthcare cost, and improve quality and efficiency (Source: *Journal of the American Medical Informatics Association* 2008). Factors that may fuel PHR adoption vary according to the organization offering the system. Table 3 lists primary drivers, followed by a description of the benefits of PHRs for both individual consumers as well as for providers and businesses.

Table 3
PHR SEGMENTS AND ADOPTION DRIVERS

Consumers	• Provide easy access to information • Improve understanding of care • Provide personal control • Offer portability	Providers and Hospitals	• Improve customer retention • Improve disease management • Increase patient satisfaction • Offer value-added service
Health Plans	• Improve customer retention • Lower re-admissions and ER visits • Improve efficiencies and lower costs • Promote better consumer behavior	Employers	• Promote employee health • Lower costs • Increase productivity • Offer value-added service

Sources: Chilmark Research, Deloitte Center for Health Solutions, and Journal of the American Medical Informatics Association.

An estimated 70 million people in the U.S. have access to a PHR, mostly through health insurers or healthcare institutions (Source: *Journal of the American Medical Informatics Association* 2008). Systems developed internally by providers or insurers, such as the U.S. Department of Veterans Affairs' MyHealtheVet or Kaiser Permanente's My Health Manager, have their own patient base they can bring online. Conversely, companies developing PHRs for the open market may encounter greater difficulty due to slow adoption rates (Source: *Market for personal health records, Google Health, at a crossroads*). However, independent PHRs provide two key advantages over employer health plan or provider-sponsored systems: (1) portability, as independent PHRs allow the consumer to take their records if they change employers, health plans, or providers, preserving and maintaining their PHR; and (2) privacy, as independent PHRs may provide greater control over information accessibility and content. Consumers may remain wary of employers or health plans using information on their medical records against them.

The Company believes that the use of PHRs among consumers could follow in the footsteps of other industries with similar security and complexity concerns, such as electronic banking and personal credit reports. Although the uptake of these services by consumers was slow at first, adoption rates have increased significantly as a result of the inherent benefits and increased confidence in online security and privacy measures. Online banking and electronic bill payment have moved into the mainstream and are no longer used strictly by young or tech-savvy consumers. Currently, nearly 72.5 million U.S. households, or 80% of total households with Internet access, now perform banking activities online (Source: Fiserv's *Consumer Billing and Payment Trends Study* 2011).

Individual Consumers

According to a survey of 1,848 U.S. residents over the age of 18, 7% stated that they had used a PHR—which was double the percentage of respondents with PHR experience in a survey conducted two years prior (Source: the California HealthCare Foundation's *Consumers and Health Information Technology: A National Survey*, April 2010). Moreover, among adults surveyed who did not presently have a PHR, 40% expressed an interest in obtaining one. Despite low awareness of available options, surveys indicate that customers generally prefer electronic access to their personal health information. This, coupled with a shift in the patient's role from passive to active, could drive uptake of PHR solutions and create an opportunity for PHR companies that are positioned to meet consumers' needs (Source: *Opportunity and Trends in the U.S. Personal Health Records Markets*).

For example, an additional survey found that approximately 75% of respondents would consider communicating electronically with physicians if given the means to do so, while another study found that 60% of adults would look up test results and track medication use through PHRs if these records were available (Source: *Journal of the American Medical Informatics Association* 2008).

Besides offering convenience, the use of PHRs can also translate into better care via access to real-time information when diagnostic and therapeutic decisions are made. Individuals who have online access to their health information are believed to pay more attention and become more engaged in their health care. The California HealthCare Foundation survey revealed that PHR users felt they had a better understanding of their care as more than 50% of consumers believed they knew more about their condition and their treatment and 40% believed that it led them to ask their physician a question they may not have otherwise asked. PHRs have also increased consumers' associations with healthcare providers, as patients feel they are more connected to their physician (Source: the Deloitte Center for Health Solutions' *The Mobile Personal Health Record: Technology-enabled self-care*, 2010).

Businesses and Providers

Since the late 1990s, vendors have offered PHR solutions directly to customers. However, the increasing focus on PHRs in the healthcare industry is driving employers, health insurers, and healthcare providers to offer PHR solutions as part of their competitive strategies as well. Vendors are still offering solutions directly to consumers but are also increasingly looking to provide PHR solutions through these alternative distribution channels (Source: *Opportunity and Trends in the U.S. Personal Health Records Markets*).

Interest and investment in PHRs can have multiple motivations. Some organizations have implemented PHRs with the goal of improving customer retention by enhancing patient relationships, while others are motivated by increased efficiencies, greater patient empowerment, or improved disease management (Source: *Journal of the American Medical Informatics Association* 2008).

Hospitals and Physicians

The primary drivers of PHR adoption by healthcare providers and hospitals are customer retention and improved disease management. By providing customers with tools that facilitate interaction with their care provider, hospitals and physicians are able to enhance the value proposition they offer consumers, increase customer satisfaction, and ultimately increase retention rates (Source: Chilmark Research 2008). In addition, by accessing all relevant existing medical information for the patient, healthcare providers can improve quality and safety of care with more comprehensive diagnostic and treatment options.

Health Plans

Among covered members, health plans' PHR use is driven by the ability to educate the consumer, promote better behaviors, offer guidance, and facilitate disease management, with the ultimate goal of lowering costs, improving efficiencies, and increasing member retention. PHRs can translate into lower costs and increased savings for health plan providers by reducing hospital re-admissions and emergency room visits, eliminating redundant procedures, avoiding drug interactions and overuse of medications, and increasing the use of self-care and over-the-counter therapeutics for treating common chronic conditions (Source: the Deloitte Center for Health Solutions 2010).

Employers

Employers may view PHRs as a key component of their total strategic health promotion program. PHRs not only reduce sick days by improving and optimizing care but can also be positioned as a value-added service for a company to offer employees. Although some employers rely on their health plan providers to deliver such capabilities, more employers are opting to contract directly with an independent PHR to ensure portability of employees' medical records (Source: Chilmark Research 2008).

Additional Drivers: Government Incentives and Healthcare Savings

As part of a larger effort to improve the quality and efficiency of the healthcare system, the U.S. government is emphasizing the adoption of information technology and PHRs. While several federal programs—including the Veterans Health Administration and the Department of Defense's TRICARE military health plan—now offer PHR solutions to members, many patients continue to have privacy concerns despite increasing interest. To address this issue, the U.S. government has focused on bolstering public confidence by implementing legislation protecting privacy as it relates to personal medical records.

Legislation Encouraging the Adoption of Electronic Patient Records

While each individual has the right to access their own medical records, patients must provide written consent in order for third parties, such as insurance companies or lawyers, to obtain authorization to review these personal files. Designed to protect the privacy of individuals, this process is governed by Release of Information (ROI) policies and procedures, which are based on American Health Information Management Association (AHIMA) policies and guidelines, various state laws, and the federal Health Insurance Portability and Accountability Act (HIPAA). Enacted by the U.S. Congress in 1996, HIPAA established national standards for electronic healthcare transactions as well as the security and privacy of health-related data in an effort to protect confidential patient information, minimize fraud, and improve efficiency throughout the healthcare system. HIPAA applies to most entities involved with electronic healthcare information. Importantly, although not required by HIPAA, MedeFile has worked to ensure that its products are fully compliant with HIPAA standards.

The Health Information Technology for Economic and Clinical Health (HITECH) Act

Enacted as part of the American Recovery and Reinvestment Act of 2009, the HITECH Act addresses privacy and security issues associated with the electronic transmission of health-related information under HIPAA. HITECH is designed to promote the adoption of processes and technology that facilitate the electronic exchange of health information in an effort to improve the quality and efficiency of medical care. In particular, HITECH creates short-term financial incentives beginning in January 2011 for physicians and other providers who implement and utilize EHRs while imposing penalties on professionals who have not yet transitioned by 2015. As shown in Table 4, physicians who are early adopters could receive up to $18,000 in the first year. HITECH makes available more than $27 billion over the next 10 years in financial incentive payments intended to encourage physicians and hospitals to adopt and use EHRs. The funds, in the form of Medicare and Medicaid incentive payments, are allocated to providers who can demonstrate a significant deployment of certified EHR systems (Source: The *New England Journal of Medicine's The "Meaningful Use" Regulation for Electronic Health Records*, July 2010). As a result of the HITECH Act incentives, the Congressional Budget Office anticipates that roughly 90% of physicians and 70% of hospitals may adopt the use of EHRs by 2019.

Table 4
MAXIMUM HITECH ACT INCENTIVES (2011-2015)

| | | ← Amount Paid Each Year → | | | | |
		2011	2012	2013	2014	2015	Total
↑	2011	$18,000	$12,000	$8,000	$4,000	$2,000	**$44,000**
	2012	-	$18,000	$12,000	$8,000	$4,000	**$42,000**
Year of Eligibility	2013	-	-	$15,000	$12,000	$8,000	**$35,000**
	2014	-	-	-	$15,000	$12,000	**$27,000**
↓	2015	-	-	-	-	-	**-**

Source: Medical Transcription Billing Company (www.mtbc.com).

In addition, HITECH imposes steeper consequences for data breaches. The combination of incentives and consequences is designed to encourage physicians and hospitals to implement health IT quickly while emphasizing the importance of maintaining the privacy of patients' health records. In parallel, market research firm Javelin Strategy & Research expects increased patient participation in the management of PHRs, in part, due to a rising number of healthcare identity fraud cases (Source: Javelin Strategy & Research, July 2009). With nearly 2,500 pending cases in 2009, the cost of healthcare-related identity fraud is believed to be roughly $100 billion annually in the U.S. (Source: CNNMoney's "Healthcare: A 'goldmine' for fraudsters," January 13, 2010).

Healthcare Costs

Managing and reducing costs continues to be a tremendous challenge for the U.S. healthcare system. As shown in Figure 3 (page 22), healthcare costs in the U.S. have nearly doubled in the past decade. In 2009, total healthcare spending in the U.S. reached $2.5 trillion, up from $1.3 trillion in 1999 (Source: the U.S. Department of Health and Human Services' National Health Expenditure Accounts).

Redundant (or duplicate) testing in the health industry costs $65.6 billion annually in the U.S. (Source: the Center for Information Technology Leadership's [CITL] *The Value of Personal Health Records*, 2008). The ability to safely transmit data from one healthcare facility to another could significantly reduce healthcare costs by minimizing the occurrence of redundant testing. Employing PHRs and minimizing the occurrence of duplicate testing can help reduce waste and error, administrative costs, and clinical costs.

Figure 3

ANNUAL U.S. HEALTHCARE EXPENDITURES (IN MILLIONS)
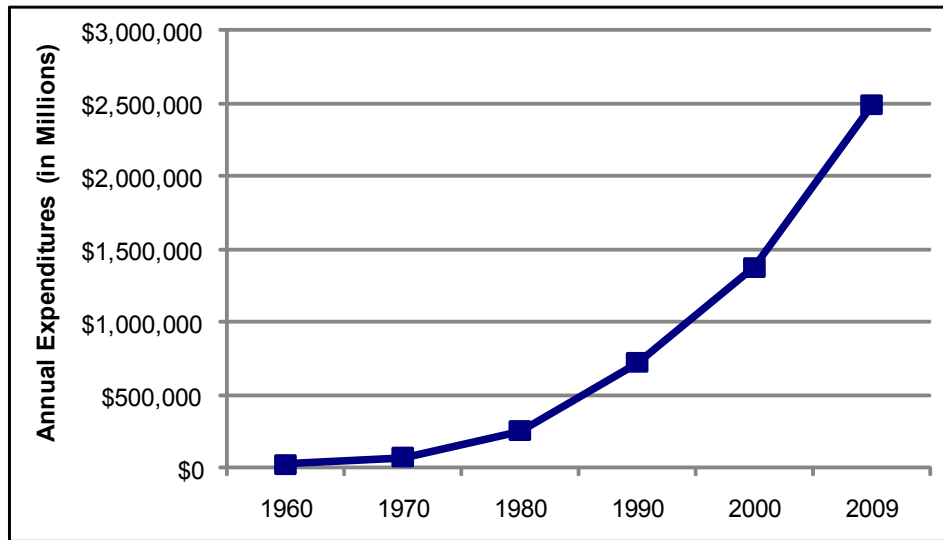
Source: the U.S. Department of Health & Human Services, 2009.

Research has shown that carefully designed and implemented PHRs could lower costs and improve the quality and safety of care when widely used (Source: *Journal of the American Medical Informatics Association* 2008). In particular, technologies that enhance self-care, such as mobile PHR devices, can be used as tools to help maintain or decrease healthcare costs by allowing patients to make informed decisions using fewer resources (Source: the Deloitte Center for Health Solutions 2010). Interoperable PHRs could reduce healthcare costs by an estimated $13 billion to $21 billion each year (Source: *American Medical Informatics Association [AMIA] Annual Symposium Proceedings* 343-347; 2008).

Potential Target Markets for PHR Products

In a March 2009 report prepared by the Office of the National Coordinator for Health Information Technology's (http://healthit.hhs.gov) Office of Policy and Research (OPR), researchers found that the general population—comprising patients, families, and caregivers—likely represent the greatest target audience for PHR products. These consumers could employ PHRs in emergency situations, to document treatments and payments to confirm the accuracy of provider visits, to manage nursing home or other forms of care, and for assistance in filling out medical histories, school questionnaires, and more (Source: *Health Information Security and Privacy Collaboration: Personal Health Record [PHR] Website Inventory, Analyses, and Findings*, March 31, 2009).

In particular, there are several segments of the population that may derive greater benefits from PHR services, and consequently serve as market drivers. Consumer segments that most frequently interact with the health system might be most frustrated by the system's inefficiencies and thus have the most to gain from the use of PHRs. These groups, which include target markets for MedeFile's proprietary offerings (detailed on pages 23-25), may be characterized by more rapid PHR adoption than that of the general population. Table 5 identifies key PHR consumers, followed by an overview of these segments.

Table 5

A SELECTION OF KEY POPULATIONS FOR PHR PRODUCTS

|	
▪ Geriatric Care	▪ Cardiac Care
▪ Chronic Disease Patients	▪ Cancer Patients
▪ Diabetics	▪ Baby Boomers and High-risk Children

Sources: MedeFile International, Inc. and Crystal Research Associates, LLC.

Geriatric Care

As individuals age, they often experience a greater incidence of medical events, thereby accruing a lengthy medical history. As well, treatment for age-related diseases can be more complex and require an interdisciplinary approach to care that involves a number of different practitioners, physicians, specialists, nurses, social workers, occupational therapists, and even family members. Thus, PHR products and services that can simplify and help manage comprehensive care for the elderly, such as those provided by MedeFile, could be particularly valuable to the geriatric population and the people who care for them.

Due to advances in medicine and medical technology, by 2050, nearly two billion people over age 60 are expected to be alive, which is almost triple the 700 million people over 60 who were alive in 2009 (Source: *World Population Ageing 2009* from the United Nations' Department of Economic and Social Affairs, Population Division). Figure 4 illustrates the predicted increase in the world's population age 60 or older from 2009 to 2050. Moreover, individuals over 80 years old are a rapidly increasing subset of the geriatric population. This segment expands at 4% annually, far more than the population as a whole, which increases an average of 1.2% each year (Source: *World Population Ageing 2009*). Accordingly, the global aging population contributes to demand for improved healthcare services, such as PHR products.

Figure 4
PROPORTION OF POPULATION 60 YEARS
OR OVER: WORLD, 1950-2050
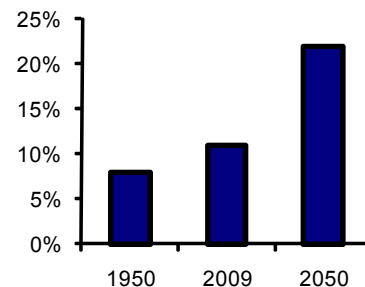
Source: World Population Ageing 2009 (Figure I).

Chronic Disease (including Diabetes, Cardiac Care, and Cancer)

Generally, chronic diseases persist for more than three months and cannot be cured or prevented through vaccinations; nor do they disappear over time. Table 6 lists several of the most commonly diagnosed chronic conditions across the U.S. and other developed countries, including cancer, diabetes, and heart disease. Altogether, chronic diseases are thought to affect nearly 50% of U.S. citizens—one out of every two adults as of 2005 (Source: the U.S. Centers for Disease Control and Prevention [CDC]). One in every 10 U.S. adults suffers through daily limitations as a result of their illness.

Table 6
LEADING CHRONIC DISEASES IN DEVELOPED COUNTRIES

▪ Arthritis	▪ Diabetes	▪ Obesity	▪ Cardiovascular Disease
▪ Cancer	▪ Epilepsy and Seizures	▪ Oral Health Problems	(e.g., heart attacks, stroke)

Source: MedicineNet, Inc. <www.medterms.com>.

The mortality rate among this patient population is approximately 1.7 million individuals in the U.S. each year, and 35 million worldwide (as of 2005) (Source: CDC and the World Health Organization [WHO]). Compared to other causes of death, chronic diseases have a role in an estimated 70% of deaths in the U.S. annually and 60% of deaths globally. Much of the prevalence and mortality of chronic conditions, such as diabetes and cardiovascular diseases, is due to controllable lifestyle behaviors, including lack of physical activity, poor nutrition, smoking, and excessive alcohol consumption. As such, while cancer, diabetes, and heart disease represent some of the most common and most costly health problems, they are also among the most preventable.

In addition to the toll that chronic diseases take on the afflicted and their families, there are exorbitant economic costs to communities and institutions for support, treatment, and care of chronic illnesses. With $2.5 trillion spent in the U.S. on healthcare each year (a considerable portion of that for chronic diseases), healthcare now represents more than 17% of gross domestic product (GDP) in the U.S. By 2019, it is expected to exceed 19% (Source: Centers for Medicare & Medicaid Services).

For the millions of individuals coping with the pain, complexities, and costs of a chronic disease, MedeFile offers PHR services to simplify care management. MedeFile may be particularly beneficial to patients who must interact frequently with physicians' offices, pharmacies, laboratories, insurance companies, and care facilities as a result of their chronic condition. MedeFile's PHR products offer appointment reminders, automatically updated records, and stored test results, scans, medications, reports, and treatment details that can be easily and conveniently transported on a secure, keychain-sized flash drive. Such freedom of movement reduces the need for patients or their caregivers to remember to bring every past medical record to each new doctor appointment and may also improve the quality of care, as the practitioner has available to them a comprehensive record of the patient's medical history.

Diabetes

In the U.S. alone, 23.6 million people are living with diabetes, accounting for roughly 7.8% of the total population (Source: CDC). There are two forms of diabetes with no known cure: Type 1 (or "insulin-dependent") and Type 2 (or "non-insulin dependent") diabetes. During the past decade, the prevalence of Type 2 diabetes has significantly increased due to a corresponding rise in obesity as well as a globally aging population. If these trends continue, as many as one in three U.S. adults could have diabetes by 2050 (Source: CDC). Worldwide, an estimated 285 million people were living with diabetes in 2010, forecasted to reach 438 million by 2030 (Source: the International Diabetes Federation).

Presently, the objectives of diabetes treatment are to prolong life, improve quality of life by reducing symptoms, and prevent related complications. Treatment entails a lifelong commitment and requires a multifaceted regimen, including blood sugar monitoring, a healthy diet, exercise, weight control, and medications, such as insulin and metformin.

Cardiac Care

The same unhealthy behaviors that can lead to diabetes (smoking, obesity, excessive alcohol) also lead to heart disease. Thus, the cardiovascular market is sizeable and includes a number of common ailments, such as high blood pressure, coronary heart disease, heart failure, heart attacks, and stroke. Approximately 36% of the U.S. population currently has some form of heart disease, expected to exceed 40% by 2030 (Source: *Bloomberg Businessweek*, January 24, 2011). Cardiovascular diseases are the leading cause of death in the U.S. and globally, and are also a major cause of disability. Over 17 million people each year perish from a cardiovascular disease (Source: WHO). A January 2011 policy statement from the American Heart Association postulated that the overall costs of treating heart disease and stroke could total $818 billion in the U.S. within 20 years, which is approximately triple the current costs.

Cancer

Although significant improvements in cancer diagnosis and treatment have been made in recent years, it continues to be a leading healthcare challenge worldwide. In the U.S., nearly one out of two men and roughly one out of three women develop cancer in their lifetime (Source: the American Cancer Society's *Cancer Facts & Figures 2010*). In 2010 alone, over 1.5 million new cases of cancer were expected to be diagnosed in the U.S. with over 569,000 related deaths—over 1,500 people per day. Cancer is second only to cardiovascular disease as the most common cause of death in the U.S. Overall medical expenditures for cancer were $93.2 billion in 2008, forecast to increase to $158 billion within 10 years (Source: U.S. National Institutes of Health [NIH], January 12, 2011).

Baby Boomers

The "baby boomer" generation comprises roughly 76 million U.S. adults born between 1946 and 1964 in the aftermath of World War II. As these individuals—which represent a significant market measured in size alone—seek greater medical information and care, MedeFile believes that it is able to address their care management demands and needs. Younger boomers are juggling a multitude of healthcare and life tasks, such as children, aging parents, education costs, careers, and commuting. Older boomers have just begun entering retirement, may be grandparents, and may still be caring for older parents. Increasingly, this generation is focusing on health and maintaining youth as they aim to slow the aging process and ensure they are receiving the best healthcare.

In addition to the baby boomers who may use PHRs to streamline their own care and their parents' care, these individuals (and younger generations) may be caring for high-risk children who are afflicted with illnesses that require constant medical attention. Such guardians may benefit from PHR products that can provide immediate access to information for their child's specific medical conditions and current immunizations, height, weight, medications, allergies, and treatments, among other data.

THE MEDEFILE PHR

The Company's subscription-based PHR offering, branded MedeFile, is a full-service, customer-centric solution that collects, digitizes, organizes, and stores medical records obtained from members' personal healthcare providers. MedeFile complements its customers' input into the PHR system by compiling each individual's medical records from different sources while allowing members to tailor the system to meet their specific needs. Members can choose which information is collected and from whom, define access guidelines to share information with third parties, and access the information at any time, from anywhere an Internet collection is available, as well as through additional channels, such as cell phones and the Company's proprietary MedeDrive™ (an external USB drive). An overview of MedeFile's process is shown in Figure 5.

Figure 5
MedeFile International, Inc.
PROCESS OVERVIEW
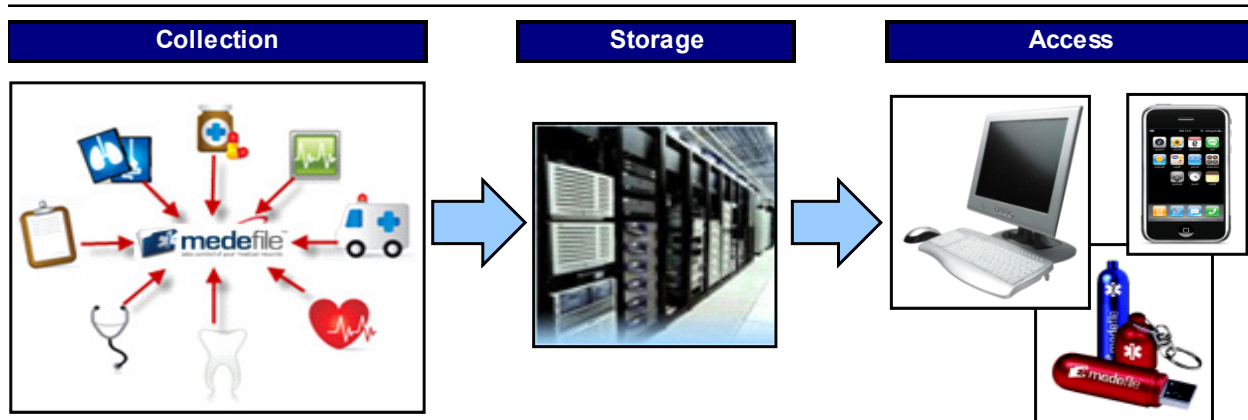
Sources: Crystal Research Associates, LLC and MedeFile International, Inc.

Competitive Advantages

MedeFile believes that its medical records solution enables a competitive advantage versus existing products due to the following characteristics: (1) multiple information access points; (2) unlimited storage space and information updates; and (3) a patient-centric design.

MedeFile offers its members different access options, including access through secure Internet portals on computers and/or web-enabled mobile devices, as well as through the patent-pending MedeDrive™. More detailed information on the Company's accessibility options can be found on pages 27-28. In addition, MedeFile provides members with unlimited storage capacity as well as the ability to gather information from as many doctors and physician groups as desired. Further, members can update information as frequently as needed, facilitating current and timely records.

MedeFile's patient-centric design is geared toward the needs of subscribers and is compliant with providers' regulations. It may present a competitive advantage versus systems that only provide patient data entry or unsubstantiated information. Since MedeFile collects actual medical records directly from physicians, laboratories, hospitals, and other trusted sources, healthcare providers can use the information available in the system for their diagnostic process and for treatment of patients.

Record Collection and Data Input

MedeFile creates a longitudinal record for each of its members by retrieving and consolidating copies of their medical records into an easy-to-access resource—even digitizing documents from healthcare practices that still use paper records. A complete MedeFile entails copies of the member's medical records as well as a Digital Health Profile (DHP), which is an overview of the patient's personal and family medical history, as inputted by the individual. Figure 6 highlights the components of a complete MedeFile.

Figure 6

MedeFile International, Inc.

MEDEFILE DATA COLLECTION
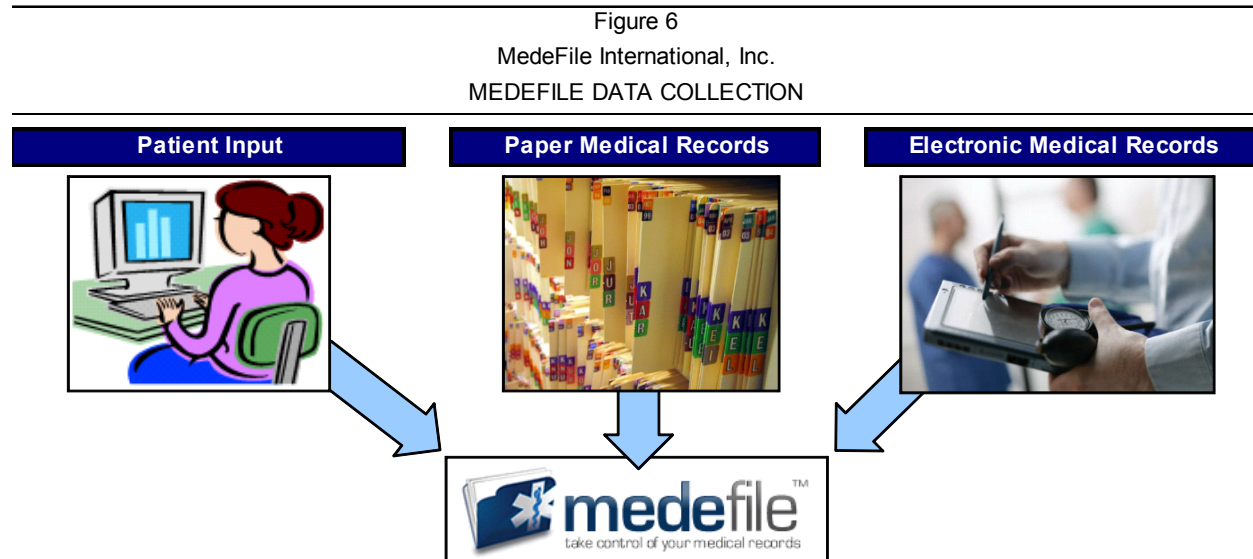
Sources: Crystal Research Associates, LLC and MedeFile International, Inc.

Each DHP is composed of 12 sections, ranging from general information, such as physical characteristics, to more specific information, including physicians and hospitals, current medications, and other health-related documentation, immunizations, medical alerts, and medication databases. Once the DHP is complete, MedeFile polls the places where medical data exists, including physicians' offices, hospitals, dentists, specialists, nurse practitioners, and home nursing facilities to gather the member's medical records. Providers send the records accompanied with a fax cover page that includes a bar coding technology that is used to automatically index and organize the information into the proper account by date, doctor, institution, or record type. In addition, MedeFile can scan images and records into the system. Once the information is collected, the Company reviews it for timeliness and accuracy.

In addition, MedeFile's design allows the system to interact and interface with different EMR systems used by physicians, so the Company can receive direct feeds of information as physicians input it into their EMR system, including patient demographics, insurance information, and medications.

MedeFile automatically updates each member's file on a quarterly basis. Members have the ability to request updates on-demand and as often as desired.

Data Storage

MedeFile offers unlimited storage, allowing individuals to maintain a complete record without the need to limit information. The records are stored in the Company's MedeVault™, a secure repository that can be accessed by MedeFile members 24 hours a day, seven days a week. The novel security procedures incorporated into the MedeFile system assigns each member as the only person who can access or give permission to others to access their records.

Records remain in the system for as long as an individual continues their MedeFile membership, unless the individual requests that files be deleted. This is in contrast to federal and state laws, which allow providers to discard patient information after a set length of time following the last contact. For many states, physicians are only required to keep patients' medical information on hand for 7 years, while hospitals generally must retain them for 10 years.

Records Access

MedeFile includes a number of ways to access information. Members can use the secure Internet portal located at www.medefile.com, receive and send information by fax, or use their cell phones or PDA devices to view and share records. In addition, every MedeFile member receives a MedeDrive™, which is an external USB drive that stores emergency medical information as well as a copy of the member's MedeFile.

The MedeFile online portal offers varying access levels. In addition to the member's login entry, the system offers a visitor login that can be used to grant read-only access to spouses, physicians, caretakers, and family members, among others. The member controls what information each visitor can access, creating a customized system depending on the clearance granted by the individual.

A provider login is used by physicians and other providers who participate in MedeFile's Quality of Care program. This program allows physicians to obtain a full listing of their patients that have MedeFile accounts and access their medical information using a single login, provided the patient has granted such authorization. As well, members can provide access to physicians who do not participate in the Quality of Care program through the visitor login.

MedeFile also incorporates an emergency login to provide emergency medical technicians (EMTs) and first responders with access to critical medical information. Through this login, medical personnel can access pertinent information, such as allergies, current medications, medical history, emergency contacts, primary physician, and insurance information.

Members not only have the ability to view their medical records through the MedeFile portal but also to fax on demand. This feature allows users to query their record and send by fax any records that they would like to share with a provider, caregiver, or other third party included on a designated list.

MedeDrive™ and MedeMobile™

When away from an Internet connection, MedeFile accounts can be accessed using a personal MedeDrive or the MedeMobile capability.

The MedeDrive, as shown in Figure 7, is a patent-pending, specially-designed waterproof and shock-proof external USB drive that holds emergency medical information as well as the MedeFile record. When plugged into a USB port, MedeDrive loads automatically in its own viewer, without requiring a special program or software. This feature enables the automatic and rapid display of only emergency medical information for first responders. In addition, members can access their full medical records by logging into the MedeDrive using their username and password. MedeDrive can be updated easily and as frequently as the member desires at no additional cost. Furthermore, data on the MedeDrive is encrypted and secure, with parameters in place to prevent unauthorized attempts. For example, the security protocols are designed to erase all the information on the MedeDrive after three unsuccessful login attempts. The Company also offers members the option of a MedeDrive bracelet for an additional fee.

Figure 7
MedeFile International, Inc.
MEDEDRIVE™
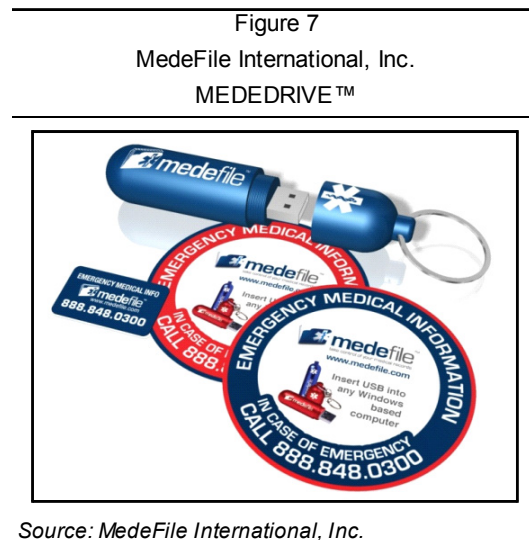
Source: MedeFile International, Inc.

In addition, MedeMobile functionality allows members to securely access and fax medical records directly from a smartphone, PDA, or other Internet-enabled mobile device. MedeMobile may facilitate the adoption of MedeFile among younger populations. Twice as many **Gen X** and **Gen Y** consumers desire to access and maintain PHRs using a mobile device than do baby boomers and seniors, indicating that younger generations are more likely to adopt a PHR system that offers this capability (Source: the Deloitte Center for Health Solutions 2010).

MedeFile also offers an emergency application for smart phones that functions as a personal electronic medical response system which contains an emergency call feature. Using this application, members can access account information and input new data. When the emergency button is depressed, it notifies the Company's call center of the member's exact location based on the geo-positioning capabilities of the smartphone. The Company then reports the patient's location and pertinent medical information to the EMT or other first responder. At present, MedeFile only offers this application for the iPhone®, but the Company is working to develop the same capabilities for **Android**™ devices.

Security

MedeFile's security architecture employs multiple lines of defense using established security methodologies. The Company's security architecture addresses the following key areas: (1) network communications security; (2) authentication; (3) access control; and (4) site security. Table 7 overviews these key security areas, followed by a description of each area.

Table 7

MedeFile International, Inc.

SECURITY

Network Communications Security	Use of secure cryptosystems to prevent unauthorized disclosure of protected data
Authentication	Verifying the identity of users, guests, and services of the system
Access Control	Restricting access to data, based on levels of authorization
Site Security	Use of biometric devices and other measures to control physical access

Source: MedeFile International, Inc.

Network Communications Security

All Internet connections between MedeFile and its users employ the **Secure Sockets Layer (SSL)** security protocol using a **128-bit key encryption**. The SSL protocol, developed by Netscape Communications Corporation, provides both client and server authentication before sensitive data is exchanged by higher-level applications. The SSL protocol authenticates the MedeFile to a member's computer in order to offer users assurance that they are interacting with MedeFile's servers. Data exchanged during an SSL session is encrypted in both directions and each MedeFile client application uses SSL to communicate to the MedeFile server.

Authentication

MedeFile members are required to use their personal user name and password, which they can change at any time during their membership. MedeFile's web servers authenticate themselves to the browsers in an SSL session using Secure Server, **Class 3 Digital IDs** issued by GeoTrust, Inc. (www.geotrust.com). MedeFile purchases its certificates from GeoTrust in order to limit the possibility of fraud. GeoTrust is a provider of retail and reseller services for SSL encryption, website authentication, digital signatures, code signing, secure email, and enterprise SSL products.

Access Control

The MedeFile application security begins with web servers that process Internet transactions from clients who communicate over the Internet via authenticated and encrypted SSL sessions. Each valid MedeFile user has a user ID on the system. MedeFile applications provide privacy for sensitive data by encrypting the data. The security system database fields that contain especially sensitive information are stored in encrypted form and decrypted only when made available for authorized and authenticated requests. All data accesses are logged in permanent, archived records and all access requests without proper credentials or application authentication tokens are reported to a real-time security alert system.

Site Security

The MedeFile site's physical security system consists of comprehensive, proprietary controls and a multi-layered internal network. MedeFile has implemented strict facility and development protocols that ensure the safety of physical access as well as site-wide restrictions on resource availability and authentication control for all users, staff, and support personnel.

Product Features

MedeFile includes a comprehensive mix of product features designed to provide a total solution for the acquisition, access, and maintenance of an individual's medical records. The Company offers three levels of service, each of which includes web access, mobile access, and the MedeDrive™: (1) Basic; (2) Premium; and (3) MedeOne. In addition, the Company offers two add-on services for an additional fee: MedeMinder™ and concierge services.

Basic service entails a full DHP that can be accessed online through any Internet-enabled cell phone or PDA, or via the MedeDrive. It allows users to input, store, and access data, such as emergency contacts, medications, allergies, history of family illness, and insurance information.

Premium service—the Company's signature service—includes patient-inputted information (which is offered with basic service as well) and also includes the collection and upkeep of medical records from physician offices, laboratories, and other sources.

MedeOne is directed toward younger and healthier individuals. It includes record collection from one physician, typically the primary care physician or internist, four times a year.

Table 8 summarizes the features included in MedeFile's primary product offerings, which are the basic and premium packages. Details of a selection of these services are provided following Table 8, noting that MedeDrive and MedeMobile™ are described on page 27.

Table 8

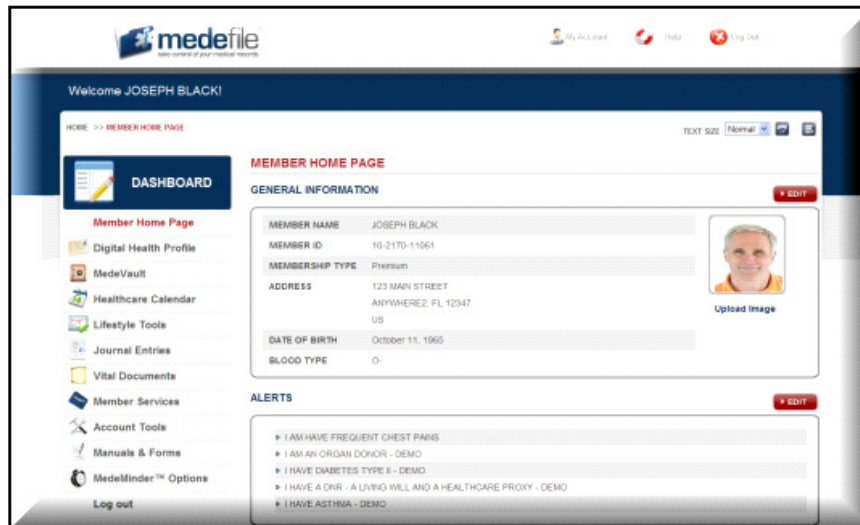MedeFile International, Inc.

PRIMARY PRODUCT PACKAGES

	Basic Service	**Premium Service**
Digital Health Profile (DHP)	Included	Included
MedeView	Included	Included
MedeDrive™	Included	Included
MedeMobile™	Included	Included
Medical Records Collection	—	Included
MedeVault™	—	Included
Audit Trail	Included	Included
Interactive Health Calendar	Included	Included
Medications Library	Included	Included
Drug Interaction Alerts	Included	Included
Emergency Call Service (ECS)	Included	Included
Healthy Lifestyle Tools	Included	Included
Fax on Demand	Included	Included
Vital Document Storage	Included	Included
MedeMinder™	Optional	Optional
Concierge Service	Optional	Optional

Source: MedeFile International, Inc.

Digital Health Profile (DHP)

The DHP, a screen shot of which is provided in Figure 8, contains information completed by the patient when providing a summary of his/her healthcare history, including allergies, family history, medical conditions, emergency contacts, pharmacies, healthcare providers, and other related information. This document, along with **Advanced Directives** and medical record copies, are contained in the individual's MedeFile.

Figure 8
MedeFile International, Inc.
DHP SCREENSHOT

Contains…
General information
Emergency contacts
Physicians/hospitals
Medications
Medical/legal alerts
Surgeries
Journal entries
Pharmacies
Family medical history
Insurance information

Source: MedeFile International, Inc.

MedeView

MedeView is a secure method in the MedeFile system for members to grant read-only access for people of their choosing. This read-only permission can be revoked by the member at any time. MedeView makes it possible for those who are caregivers to be fully involved in a patient's treatment plan.

Medical Records Collection

Available only to premium subscribers, medical records collection is performed by MedeFile, which then digitizes and indexes records in what the Company believes to be an intuitive, simple, and user-friendly format (illustrated in Figure 9 [page 31]).

MedeVault™

MedeVault™ is a secure online storage option for all medical records collected by MedeFile. The MedeVault™ is designed to serve as an electronic data and document repository that incorporates security features to prevent unauthorized access to patient records. Records can be indexed by date, physician/hospital, or record type, with the objective of simplifying searches for previous test results or medical visits.

Audit Trail

Any logins, viewings, or changes to an account are monitored and documented, and are accessible in real-time—creating a comprehensive record of all account activity. This enables a complete audit trail of all activity to enable privacy and security of the system's content.

Figure 9
MedeFile International, Inc.
DIGITIZING DOCUMENTS
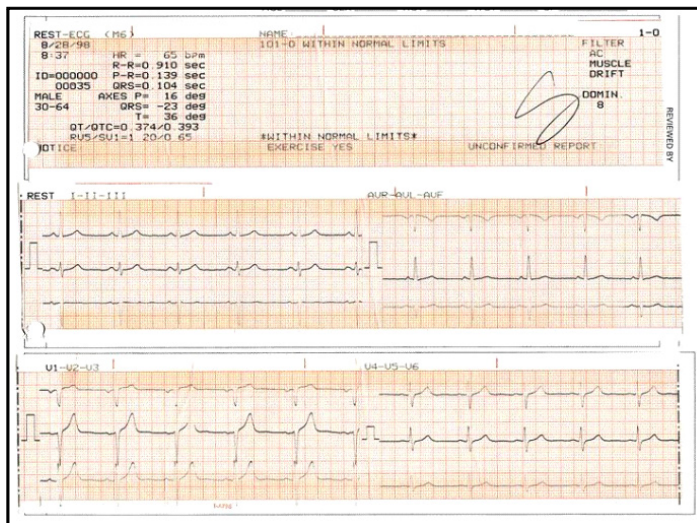
Paper forms are stored as electronic files.
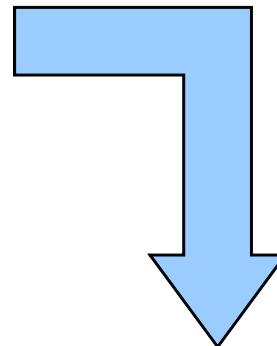
Sources: MedeFile International, Inc. and Crystal Research Associates, LLC.

Interactive Healthcare Calendar

MedeFile's healthcare calendar function allows members to track appointments, medication schedules, and prescription refills. The interactive calendar sends automated email reminders of appointments and alerts for medication reminders. Going forward, the Company plans to interface its healthcare calendar with Microsoft® Outlook. MedeFile's calendar functionality also serves as an intelligent system for updating data. Once an appointment is saved into the calendar, MedeFile triggers an order for the system to request records from that particular healthcare provider the day following the appointment.

Medications Library

The medication log allows members to enter medication, dosages, conditions treated, and prescribing physician for a running record of prescription and over-the-counter medications. In addition, MedeFile's drug-to-drug interaction tool automatically performs a cross reference between a new medication and any other medication in the system, and provides alerts of any potential issues or effects that the specific drug combination might cause.

Emergency Call Service

In the case of a medical emergency, MedeFile's Emergency Call Service automatically notifies members' pre-designated emergency contacts once the system is alerted by emergency care providers.

Healthy Lifestyle Tools

MedeFile's Healthy Lifestyle Tools allow members to track and chart a number of important health measures, such as blood pressure, cholesterol, blood sugar levels, and body mass index. Members can determine the frequency of updates and automatically generate graphs of data for comparison to the normal range for each factor. Accordingly, individuals using Healthy Lifestyle Tools can compare and track their progress and identify body changes.

Fax on Demand

The fax functionality provides members with the option to immediately fax specific medical records to any healthcare provider or other contact.

Vital Document Storage

Vital document storage is used to keep copies of important documents, such as living wills and Advanced Directives, insurance documents, birth certificates, and any other information that individuals request to have safeguarded.

MedeMinder™

MedeMinder™ is a reminder tool that complements the healthcare calendar. The functionality is designed to contact the individual with upcoming prescriptions and appointments. Once a member inputs the preferred contact location and time as well as the schedule, the system automatically contacts the member with the appropriate reminder, which is spoken by a live voice.

Concierge Service

The optional concierge service provides one-on-one personal support, assisting members with MedeFile usage, including filling out the DHP, loading physician information, and establishing reminders in the healthcare calendar and MedeMinder™ programs. In addition, the MedeFile Concierge is able to instruct individuals on how to use tools, such as Healthy Lifestyle, and assist in working with all of MedeFile's functionalities. Members can access their personal concierge by calling a toll-free number.

MedeFile's Emergency Medical Information (EMI) Card

All MedeFile members receive a membership/Emergency Medical Information (EMI) card, shown in Figure 10, with instructions for contacting MedeFile in order to retrieve emergency medical information.

Figure 10

MedeFile International, Inc.

MEMBERSHIP CARD

FRONT	BACK
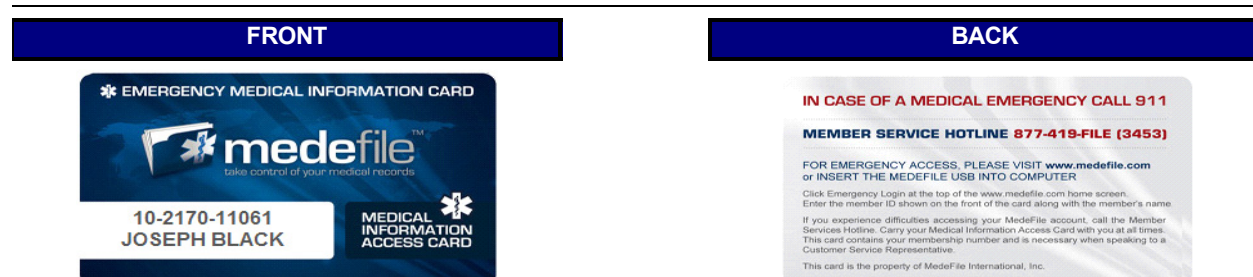
Source: MedeFile International, Inc.

BENEFITS OF EMPLOYING A PHR FROM MEDEFILE

By subscribing to the MedeFile system, members can control their health by creating an easily accessible full medical record that is consistently updated and protected from fire, natural disaster, document misplacement, or the closing of a medical or dental practice. In addition, because MedeFile can contain information used by treating physicians and medical personnel—given the actual medical records have been collected (at the individual's request) by MedeFile—it also empowers healthcare providers to make sound and lifesaving decisions using accurate, current medical data.

Benefits for Members

Improved Health

MedeFile believes that it is providing a simple technique for understanding and actively tracking health conditions. Through the use of its iPHR solution, members can track health indicators, such as body mass index and cholesterol, facilitating the achievement of health-related goals. In addition, members can refer to prescriptions, allergies, and drug interaction information that could prevent negative reactions to medications or drug-to-drug interactions. Furthermore, MedeFile's reminder features improve at-home care by reminding patients of medications, appointments, and other events.

Improved Quality of Care

Relocation, changes in insurance coverage, or development of new medical conditions may require patients to interact with a variety of healthcare professionals. MedeFile provides the ability to prepare a brief summary of medical history, providing essential medical information to physicians and other health professionals quickly, easily, and accurately. The information can help physicians and healthcare providers perform diagnostic tests, develop a plan of action, and minimize medical errors.

Preventable medical errors account for approximately 200,000 deaths every year (Source: Hearst Newspapers' *Dead by Mistake*, August 2009). These include deaths related to negative drug interactions, which the U.S. Centers for Disease Control and Prevention (CDC) has stated increased 68% between 1999 and 2004 to become the second-leading cause of accidental death in the U.S. after automobile accidents (Source: *Washington Post* 2007). MedeFile's drug-to-drug interaction tool may reduce the likelihood of a negative drug reaction by providing alerts of any potential issues arising from combining specific medications.

Reduced Healthcare Costs

MedeFile also helps members avoid duplicate medical procedures, ineffective treatments, and costly medical errors by keeping accurate health records. In addition, using MedeFile to schedule appointments, communicate with physicians, and obtain prescriptions can reduce unnecessary trips to offices and pharmacies.

Benefits for Physicians and Practices

Importantly, the Company's record collection process does not require physicians' groups or hospitals to change their practices or their methods of record keeping. Rather, MedeFile's request for medical records is part of a physician's regular course of business, as other parties (e.g., patients or insurance companies) already request copies of medical records on a regular basis. Physicians' groups can fax or photocopy records for transmission to MedeFile, without disrupting daily activities. In addition, MedeFile's design allows the system to interact and interface with different EMR systems used by physicians; thus, MedeFile can receive direct feeds from the information physicians input into their EMRs, such as patient demographics, insurance information, and medications.

MedeFile offers incentive programs to increase use and referral of its iPHR solution among providers and patients, including an administrative remuneration program and a Quality of Care program. In addition, MedeFile offers patient education workshops and healthcare provider workshops.

Competition

As the U.S. healthcare culture continues to reform—with increasing emphasis on electronic records, information security, cost efficiencies, and improved quality of care—greater numbers of PHR providers are entering the space to meet demand for digital personal medical records. PHRs are offered by private companies, such as MedeFile, as well as through healthcare provider/hospital systems, insurers, employers, and government agencies. The PHRs offered by these entities vary in terms of how personal data is obtained (e.g., whether it is the patient's responsibility to collect and input information), how it is accessed (online, external device, or both) and by whom, costs, ease of updating information, privacy and security measures, and membership bases. For example, the U.S. Department of Veterans Affairs offers a PHR system targeted to active personnel, veterans, and their families called MyHealtheVet, which is accessible by both patients and caregivers. A benefit of systems developed internally for a specific population group, such as by a health insurance agency, is that these plans already have a built-in customer base to bring online.

To help distinguish the Company from other entities working in the medical IT arena, MedeFile's PHR products include several novel characteristics, such as those listed below.

■ MedeFile does not require that patients obtain or input their own information, but rather the Company gathers, consolidates, organizes, and securely stores members' medical records on their behalf.

■ The Company's offerings are web-based, enabling virtually seamless information updates.

■ In addition to supplying web-based records, a MedeFile membership is accompanied by a MedeDrive™ that plugs into a USB port, allowing patients to carry, share, and update their information as desired.

At www.myphr.com, the American Health Information Management Association ([AHIMA] a national nonprofit) offers a tool to help individuals select an appropriate PHR for their needs. AHIMA's PHR database lists dozens of commercially available PHR programs categorized by format (web-based, software-based, paper only) and costs (free or charge).

The companies listed below are not intended to be an exhaustive collection of potential competitors but rather an indication of the type of competition that MedeFile may encounter as it markets its products and services.

GE Healthcare
A division of General Electric Company (GE-NYSE)

Headquartered in the UK, GE Healthcare operates across more than 100 countries. It provides healthcare equipment and services for multiple market sectors, including medical imaging, IT, medical diagnostics, patient monitoring systems, performance improvement, drug discovery, and biopharmaceutical manufacturing. In late 2009, GE Healthcare launched a new business unit called eHealth in order to enhance connectivity for clinicians and patients. Solutions within this unit incorporate data privacy and security features that enable health information sharing to increase efficiency, reduce error, and improve health outcomes. The eHealth business comprises the following services, among others: (1) patient health records; (2) health information sharing; (3) structured clinician views; and (4) patient identification and matching. GE's PHRs are web-based and incorporate tools for patients to access their health histories, collaborate with care providers, direct their own wellness plans, and manage chronic disease, nutrition, and fitness. Information is inputted by patients and can include patients' and their dependents' immunizations, allergies, past surgeries and hospitalizations, medical history, and contact information, among other data. The PHRs can be integrated with GE's Centricity Health Information Exchange (HIE) products, which is an infrastructure for clinicians to share information in a secure and private manner.

Metavante HealthManager
Part of Fidelity National Information Services, Inc. (FIS-NYSE)

In 2009, FIS (www.fisglobal.com), a global provider of banking and payments technologies, acquired banking and payment technology company Metavante Corp. Also in 2009, Metavante completed the acquisition of CapMed, which was previously the personal health management division of contract research organization Bio-Imaging Technologies, Inc. As a result of the CapMed transaction, today Metavante operates within the FIS group of companies to provide interactive personal health management solutions for the healthcare and pharmaceutical industries. Through Metavante (FIS) HealthManager, the company supplies secure, personalized healthcare management software to patients, which is anticipated to enable organizations to achieve goals of brand awareness, patient retention, and treatment adherence. HealthManager products are available in both online (accessible through any Internet connection) and mobile (accessible via patients' mobile devices) formats. They are patient controlled and support sending and receiving information. HealthManager is currently being used by parents and managers of households, caregivers of the sick or elderly, individuals who are managing a chronic condition, those who want to maintain everyday health and wellness, and those who travel.

Additionally, HealthManager includes an online and mobile platform, icePHR (www.icePHR.com), powered by Microsoft™ HealthVault™ (detailed below), which allows users to securely store, update, and access emergency information with a unique URL. Access to icePHR is $9.95 a year per family and includes wallet-sized emergency cards. Metavante has estimated that it has one million PHRs marketed.

Microsoft® HealthVault™
Provided by Microsoft Corporation (MSFT-NASDAQ)

Microsoft launched a PHR platform in the U.S. in October 2007 called the Microsoft® HealthVault™. HealthVault™ is free of charge and offers individuals an online repository to store their medical records. Patients can type health information into their HealthVault™ or upload documents. As well, this platform allows physicians to fax patient records directly into the HealthVault™ and is compatible with third-party services that collect and digitize records on the patient's behalf. Microsoft's PHR program enables users to connect with certain pharmacies, laboratories, hospitals, and clinics online to add existing records into HealthVault™. Through Microsoft's free HealthVault Connection Center software, users can upload data from a range of compatible devices, such as pedometers, scales, and blood pressure monitors, and download medical images, including X-rays, MRIs, and ultrasounds. Within the HealthVault™ PHR platform, users can access online health tools to manage and analyze their care as well as share information with family members and providers. As well, a number of other PHR systems are powered by Microsoft® HealthVault™, including the Mayo Clinic Health Manager (healthmanager.mayoclinic.com).

Google Health
Provided by Google Inc. (GOOG-NASDAQ)

Launched in May 2008, Google Health is a free, web-based platform where patients can manage their health history online, setting personal wellness goals and tracking their progress. The platform is equipped for the storage of wellness data, medical records, personalized wellness goals centered on weight or exercise, and information related to medications, allergies, procedures, immunizations, conditions, health insurance, and test results. Users can also create, store, and share advance directives within their Google Health record, which are legal documents detailing patients' desired care in emergency or end-of-life situations where another person must act on the patient's behalf.

Medical data is kept private through Google's security techniques, with provisions allowing users to share information with others as desired. It is primarily based on information entered by the individual themselves, although Google Health also maintains partnerships with a selection of hospitals, retail pharmacies, and laboratories from which patients can import their medical documents. Current partners include the Beth Israel Deaconess Medical Center (BIDMC), Blue Cross Blue Shield of Massachusetts, the Cleveland Clinic, CVS Caremark Corporation (CVS-NYSE), Walgreen Co. (WAG-NYSE), Kmart pharmacy (part of Sears Holdings Corporation [SHLD-NASDAQ]), and Quest Diagnostics, Inc. (DGX-NYSE), among several others. The company is also actively pursuing additional partners with value-added services to further improve the Google Health platform, including those that already maintain

health data for consumers or that offer innovative mobile devices and applications for managing personal information. As well, Google Health has integrated with Medicare for a one-year pilot in Utah and Arizona, where users can have their preceding 24 months of Medicare claims information sent to their Google Health account.

911 Medical ID™ Card
Provided by Memi Tech, LLC (closely held)

Headquartered in Louisville, Kentucky, Memi Tech offers several proprietary software products to manage and secure personal information. Its core product line is the 911 Family of Products™, which encompass the 911 Medical ID™ Card, 911 Medical ID Medallion™, 911 My Property eSafe™, 911 My Pet eSafe™ Collar Tag, and 911 My Financial eSafe™ (coming soon). Built into a USB drive, Memi Tech has designed the 911 Medical ID™ Card and 911 Medical ID Medallion™ to be simple, portable PHRs. The 911 Medical ID™ Card holds personal and medical information and is designed for convenient carrying, so it can travel with the individual and be handed to medical personnel. It uses the company's patented technologies and is pre-loaded with software, enabling the device to be plugged into the USB port on any Windows® computer. An Internet connection is not required. Memi Tech states that as the EHR industry evolves, its product software can be updated to reflect changes. The 911 Medical ID™ Medallion is functionally the same as the ID™ Card but fits on a lanyard or chain to be worn around the neck, rather than held in a pocket or wallet like the ID™ Card. Memi Tech estimates that the 911 Medical ID™ Medallion is among the thinnest and lightest medical records USB devices available. The company sells its products across the U.S., Canada, and the UK, as well as in numerous other countries. The 911 products are priced at $39.95, with no recurring monthly or service fees.

HealthTrio *PHR*
Provided by HealthTrio® LLC (closely held)

HealthTrio, based in Denver, Colorado, is a healthcare IT and services company working to streamline administrative processes. The company has over 25 years of healthcare experience and has combined Internet and systems integration technologies in the creation of e-health applications for organizations that manage care. The company's product portfolio includes the following solutions: (1) HealthTrio *connect*™, which facilitates online information and transaction exchanges between a health plan, its members, and its partners; (2) HealthTrio *PHR*, which is a service that health plans can offer to their members; (3) HealthTrio *Total EHR*™, designed specifically for healthcare providers; (4) HealthTrio *MyMedicalHome*™, which creates a foundation to support the personal physician, a team of healthcare professionals, and transitions of care (e.g., from acute to long-term to outpatient), and empowers the patient; and (5) HealthTrio *wellness and prevention programs* to promotes change in personal behavior through customized tools, educational content, reminders, and care plans. These offerings can be implemented as stand-alone products and services or bundled together as a total solution.

The HealthTrio *PHR* provides a comprehensive personal summary of health and medical history, decision-support tools used to select cost-effective treatments, alerts, reminders, and secure communications. By offering this PHR to its members, health plans empower their members with real-time, online access to their test results, medical history, and medical and prescription information. Patient data is populated from claims, laboratories, health reimbursement accounts, pharmacies, member input, and other disparate, third-party sources in a HIPAA-compliant manner. With HealthTrio *PHR*, members can grant specific providers and family members permission to access their online health records.

myMediConnect®
A MediConnect Global Inc. company (closely held)

MediConnect Global is a Salt Lake City, Utah-based company providing medical records retrieval, digitization, coding, extraction, and analysis for large health insurance payers, life insurance carriers, law firms, and individual consumers seeking ownership of their own healthcare records. In addition to health records, MediConnect also provides an online document management system with customizable workflow solutions. Among its businesses, the company includes myMediConnect®, a personal health service company marketing a HIPAA-compliant PHR system through an online portal. Rather than relying solely on patient input, myMediConnect® PHR retrieves healthcare records on the patient's behalf—

contacting physicians, pharmacies, clinics, and hospitals—and then organizing and digitizing the records and uploading them into the patient's secure myMediConnect® account. The company estimates that it has more than six million medical records currently hosted in its online repository. Patients' PHRs can be authorized for viewing by physicians and family members, and are designed for portability. The PHR is accessible online via a virtual safety deposit box, as a wallet-sized card, in an 8.5" x 11" document for physician's files, and on a miniature flash drive with a 2 GB storage capacity that can hang on a keychain. As well, myMediConnect® can sync with Microsoft® HealthVault™.

Milestones

Recent Milestones

MedeFile has recently advanced several strategic relationships with third parties that are serving to increase awareness and may facilitate accelerated adoption of the Company's iPHR offerings, as these third parties begin marketing the MedeFile system as well. A related key milestone was MedeFile's launch of a Quality of Care program in late 2010, under which the Company aims to secure revenue-share partnerships with established medical practitioners, physician groups, and hospitals to educate patients on the benefits and advantages of adopting the MedeFile system.

- Demonstrated an increase in its membership base of nearly 150% during 2010, reaching 7,000 subscribers by the end of March 2011 and over 12,900 subscribers as of May 2011

  o Reported an 839% increase in revenue during 2010, with revenues of $133,869 for 2010, up from $14,264 in 2009. The Company's growth continued in the first quarter 2011 with reported revenues of $132,012.

- Enrolled new physician practice groups into its Quality of Care program, which increased the targeted patient population for MedeFile's iPHR solutions by nearly 55,000 individuals

- Began offering the MedeFile system to members of the National Association of Local Advertisers (NALA™), who now receive a customized MedeFile membership as part of NALA's special benefits program

- Entered into an agreement with Carlisle and Associates to collaborate on opportunities that may accelerate adoption of MedeFile's iPHR by health plans, health systems, large physician practice groups, and other healthcare-related service groups

- Entered into a partnership with PrescriptionDrugs.com to offer consumers the Company's iPHR, highlighting MedeFile's ability to monitor medication schedules and potentially reduce the likelihood of dangerous drug combinations

- Entered into a partnership with HealthPro BioVentures, LLC to facilitate strategic partnerships with global healthcare and biotechnology companies

- Entered into an agreement with MedSave USA, Inc. to jointly market MedeFile's iPHR system as a value-added service to MedSave USA's client base, with an initial focus on one of MedSave USA's largest clients, a global insurance carrier currently serving eight million customers

- Entered into an agreement granting ADAR, Inc., a government contracting firm, exclusive rights to market the Company's advanced iPHR solution to several U.S. federal departments and agencies as well as non-exclusive rights to market the system to entities outside the traditional government space

Key Milestones

By the end of 2011, MedeFile seeks to service 20,000 members, a milestone that may enable positive cash flow for the Company.

Over the next 36 months, MedeFile hopes to reach 200,000 subscribers. In doing so, the Company believes that its technology can begin making an impact on the quality and safety of delivered healthcare. Long term, the Company aims for one million members.

Key Points to Consider

- MedeFile is a healthcare information technology (IT) company that develops and markets its branded product, called MedeFile, a proprietary Internet-enabled personal health record (iPHR) system that provides a complete summary of an individual's medical history and personal health information in one centralized location. MedeFile is a full service solution that collects, organizes, and delivers the members' actual medical records obtained from their personal healthcare providers.

  o Members can access the medical information at any time through multiple channels, including through a secure Internet portal and/or any web-enabled mobile device, as well as through the Company's patent pending MedeDrive™, which is a specially designed USB drive.

  o MedeFile's flexible design allows subscribers to tailor the system to meet his/her needs. Members can choose which information is collected and from whom, and define access guidelines to share information with third parties—such as physicians, pharmacists, family members, or caretakers.

  o The Company's PHR solution comprises a comprehensive mix of services and products, including an interactive health calendar, a reminder service for medications and appointments, as well as additional features that are designed to provide a total solution for the acquisition, organization, and management of an individual's medical records.

- While PHRs are in an early stage of market adoption, some surveys indicate that the use of online records has doubled over the past two years. Government sponsored financial incentives could play a key role for increasing the adoption of PHRs. The Health Information Technology for Economic and Clinical Health (HITECH) Act makes available more than $27 billion over the next 10 years in financial incentive payments intended to encourage the adoption and use of EHRs.

- The Company believes that MedeFile's multiple access points, unlimited storage space and information updates, and patient-centric design provides a solution with a competitive advantage compared to other available alternatives. In addition, its independent nature provides advantages in portability and privacy over systems developed by healthcare providers or insurers.

- The Company offers three levels of service, all of them incorporating web access, mobile access, and the MedeDrive™. Its Basic Service includes an individual's digital health profile (DHP)—an overview of the patient's medical history as entered by the individual—with information such as emergency contacts, medications, allergies, and history of family illness. The Premium Service includes the DHP as well as the collection and upkeep of medical records and access to the full line features. Geared towards younger and healthier individuals, MedeOne service includes collection of records from one physician four times a year.

- MedeFile allows members to compile and maintain organized health records that are easily accessible, continually updated, transferable, and protected against natural disasters. The combination of features provides members with benefits in the following areas: (1) improved health and achievement of health goals; (2) improved quality of healthcare; and (3) reduced healthcare costs.

- The Company's marketing and business development activities have resulted in a membership base increase of nearly 545% in roughly 18 months, from approximately 2,000 subscribers at the start of 2010 to over 12,900 members as of May 2011. This growth has resulted in reported revenues of $133,869 in 2010, an 839% increase from $14,264 in 2009, and $132,012 for the quarter ended March 31, 2011.

- MedeFile is actively pursuing key strategic alliances and partnering opportunities with professional groups, membership associations, and healthcare related companies and consulting firms. These relationships provide MedeFile with a captive consumer base intended to drive the acceptance of its products among organizations' members.

- As of March 31, 2011, MedeFile reported nearly $389,000 in cash and cash equivalents.

Historical Financial Results

Tables 9, 10, and 11 provide a summary of MedeFile's key historical financial statements—its Statements of Operations, Balance Sheets, and Statements of Cash Flows.

In April 2011, MedeFile reported that Mr. Kevin Hauser, chairman, president, and chief executive officer (CEO) of the Company (biography on page 12), increased his equity ownership stake in MedeFile's Common Stock from 1.1% to 9.8%. He was gifted 200,000,000 shares of MedeFile's Common Stock from his brother Lyle Hauser, MedeFile's majority stockholder and owner of the Vantage Group, Ltd., a private equity firm. To date, Lyle Hauser and the Vantage Group have invested approximately $6 million in MedeFile. Mr. Hauser also acquired an additional 100,000,000 shares from Lyle Hauser at a purchase price of $0.005 per share pursuant to a five-year, interest-bearing Promissory Note. These transactions bring Kevin Hauser's total equity stake in the Company to 339,620,000 shares and reduces Lyle Hauser's personal equity ownership from 37.4% to 28.7%.

Table 9

MedeFile International, Inc.

CONDENSED STATEMENTS OF OPERATIONS

(unaudited)

	For the Three Months Ended March 31, 2011	For the Three Months Ended March 31, 2010
Revenue	$ 132,102	$ 2,359
Cost of goods sold	63,475	—
Gross profit	68,627	2,359
Operating expenses		
Selling, general, and administrative expenses	379,120	79,175
Marketing expense	129,854	—
Depreciation and amortization expense	7,846	4,250
Total operating expenses	516,820	83,425
Loss from operations	(448,193)	(81,066)
Other Expenses		
Interest expense - Note payable	—	(7,709)
Interest expense - related party Note payable	—	(1,766)
Total other expense	—	(9,475)
Loss before income tax	(448,193)	(90,541)
Provision for income tax	—	—
Net Loss	$ (448,193)	$ (90,541)
Net loss per share: basic and diluted	$ (0.00)	$ (0.00)
Weighted average share outstanding basic and diluted	3,450,021,410	1,463,021,410

Source: MedeFile International, Inc.

Table 10

MedeFile International, Inc.

CONDENSED BALANCE SHEETS

	Unaudited March 31, 2011		December 31, 2010	
Assets				
Current assets				
Cash	$	388,398	$	499,652
Inventory		20,418		22,184
Merchant services reserve		10,950		6,173
Accounts receivable, net		3,991		2,468
Total current assets		423,757		530,477
Website development, net of accumulated amortization		41,963		47,210
Furniture and equipment, net of accumulated depreciation		17,764		20,364
Investments		1,800		—
Intangibles		1,339		1,339
Total assets	$	486,623	$	599,390
Liabilities and Stockholders' Equity				
Accounts payable and accrued liabilities	$	257,269	$	310,325
Cash overdraft		13,947		6,928
Deferred revenues		7,539		9,575
Total Current Liabilities		278,755		326,828
Stockholders' Equity				
Preferred Stock, $.0001 par value: 10,000 authorized,				
no shares issued and outstanding		—		—
Common Stock, $.0001 par value: 5,000,000,000 authorized;				
3,459,396,410 and 3,450,021,410 shares issued and outstanding				
on March 31, 2011 and December 31, 2010, respectively		345,939		345,002
Common Stock payable		230,000		—
Additional paid in capital		16,242,678		16,090,116
Accumulated deficit		(16,610,749)		(16,162,556)
Total stockholders' equity		207,868		272,562
Total liability and stockholders' equity	$	486,623	$	599,390

Source: MedeFile International, Inc.

Table 11

MedeFile International, Inc.

CONDENSED STATEMENTS OF CASH FLOWS

(unaudited)

	For the Three Months Ended March 31, 2011	For the Three Months Ended March 31, 2010
Cash flows from operating activities		
Net loss	$ (448,193)	$ (90,451)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	7,847	4,250
Stock-based services	37,500	—
Interest expense	—	7,709
Interest expense - related party	—	1,766
Changes in operating assets and liabilities		
Accounts receivable	(1,523)	—
Inventory	1,766	—
Merchant services reserve	(4,777)	—
Deposits and other assets	—	13,325
Accounts payable and accrued liabilities	62,943	(16,157)
Cash overdraft	7,019	—
Deferred revenue	(2,036)	326
Net Cash used in operating activities	(339,454)	(79,232)
Cash flows from investing activities		
Investment	(1,800)	—
Website development	—	(14,400)
Net cash used in investing activities	(1,800)	(14,400)
Cash flow from financing activities		
Proceeds from Common Stock subscription	230,000	
Proceeds from Note payable		95,834
Net cash provided by financing activities	230,000	95,834
Net increase (decrease) in cash and cash equivalents	(111,254)	2,202
Cash and cash equivalents at beginning of period	499,652	1,513
Cash and cash equivalents at end of period	$ 388,398	$ 3,715
Supplemental disclosure of cash flow information		
Cash paid during period for		
Cash paid for interest	$ —	$ —
Cash paid for income taxes	$ —	$ —
Cancellation of payroll liability to CEO	$ 116,000	$ —

Source: MedeFile International, Inc.

Risks

Some of the information in this Executive Informational Overview® (EIO®) relates to future events or future business and financial performance. Such statements can only be predictions and the actual events or results may differ from those discussed due to the risks described in MedeFile's statements on Forms 10-K, 10-Q, and 8-K, as well as other forms filed from time to time. The content of this report with respect to MedeFile has been compiled primarily from information available to the public released by the Company through news releases, Annual Reports, and U.S. Securities and Exchange Commission (SEC) filings. MedeFile is solely responsible for the accuracy of this information. Information as to other companies has been prepared from publicly available information and has not been independently verified by MedeFile. Certain summaries of activities have been condensed to aid the reader in gaining a general understanding. For more complete information about MedeFile, please refer to the Company's website at www.medefile.com.

Investors should carefully consider the risks and information about MedeFile's business described below. Investors should not interpret the order in which these considerations are presented as an indication of their relative importance. The risks and uncertainties described below are not the only risks that the Company faces. Additional risks and uncertainties not presently known to MedeFile or that the Company currently believes to be immaterial may also adversely affect its business. If any of the following risks and uncertainties develops into actual events, MedeFile's business, financial condition, and results of operations could be materially and adversely affected, and the trading price of the Company's shares could decline.

RISKS RELATED TO MEDEFILE'S BUSINESS

MedeFile has a history of operating losses and it may not achieve or maintain profitability in the future.

The Company has experienced a net loss of $2,276,310, or a loss of ($0.00) per share, for the year ended December 31, 2010. The consolidated financial statements (provided in Tables 9, 10, and 11, on pages 40-42) have been prepared contemplating a continuation of the Company as a going concern.

In the event that cash flow from operations is less than anticipated and the Company is unable to secure additional funding to cover its expenses, in order to preserve cash, MedeFile would be required to reduce expenditures and effect reductions in its corporate infrastructure, either of which could have a material adverse effect on its ability to continue its current level of operations.

To the extent that operating expenses increase or the Company requires additional funding to make acquisitions, develop new technologies, or acquire strategic assets, the need for additional funding may be accelerated and there can be no assurances that any such additional funding can be obtained on terms acceptable to it, if at all. If MedeFile is not able to generate sufficient capital, either from operations or through additional debt or equity financing, to fund its current operations, the Company would be forced to significantly reduce or delay plans for continued research and development and expansion. This could significantly reduce the value of its securities.

The commercial success of MedeFile's products and services depends on the widespread market acceptance of digital technology in the healthcare industry.

The market for digitization of medical records is emerging. MedeFile's success will depend on acceptance of digital technology for use in and maintaining and accessing medical records by individuals and healthcare providers, as well as the success of the commercialization of MedeFile's products and services. Presently, it is difficult to assess or predict with any assurance the potential size, timing, and viability of market opportunities for the Company's technology in this market. The healthcare records market sector is well established with entrenched competitors with whom it must compete (a selection of which are described on pages 34-37).

The Company may be unable to effectively manage its growth or implement its expansion strategy.

MedeFile's growth strategy is subject to related risks, including pressure on its management and on its internal systems and controls. The Company's planned growth will require it to invest in new and existing operational, technological, and financial systems and to expand, train, and retain its employee base. The Company's failure to effectively manage its own growth could have a material adverse effect on its future financial condition. In addition, due to its lack of operating experience, MedeFile may have difficulty in managing its growth. The Company has limited marketing or sales capabilities and, if it is unable to develop sales and marketing capabilities, MedeFile may not be successful in commercializing its products.

The Company currently has limited sales, marketing, and distribution capabilities. As a result, it may be forced to depend on collaborations or agreements with third parties that have established distribution systems and direct sales forces. To the extent that the Company enters into co-promotion or other licensing arrangements, its revenues will depend upon the efforts of third parties, over which the Company may have little or no control.

MedeFile may engage in future acquisitions, which may be costly and time consuming, and the Company may not realize anticipated benefits.

MedeFile may acquire additional businesses, technologies, and products if it determines that these additional businesses, technologies, and products complement its existing business or otherwise serve its strategic goals. If the Company does undertake transactions of this sort, the process of integrating an acquired business, technology, or product may result in operating difficulties and expenditures and may absorb significant management attention, which would otherwise be available for ongoing development of its business. Moreover, the Company may never realize the anticipated benefits of any acquisition. Future acquisitions could result in potentially dilutive issuances of the Company's securities, the incurrence of debt, and contingent liabilities and amortization expenses related to intangible assets, which could adversely affect its results of operations and financial condition.

Dependence upon Major Customer

For the years ended December 31, 2010, and December 31, 2009, there was no primary customer accounting for a majority of MedeFile's revenues. The Company does not have a written agreement with its customers. Therefore, the provision of services to these customers is provided by MedeFile "at will" and the customers may decide not to use its services at any time.

RISKS RELATED TO THE COMPANY'S COMMON STOCK

Because MedeFile's Common Stock is not registered under the Exchange Act, the Company will not be subject to the federal proxy rules and its directors, executive officers, and 10% beneficial holders will not be subject to Section 16 of the Exchange Act. In addition, its reporting obligations under Section 15(d) of the Exchange Act may be suspended automatically if the Company has fewer than 300 shareholders of record on the first day of its fiscal year.

The Company's Common Stock is not registered under the Securities Exchange Act of 1934, as amended, (the "Exchange Act"), and MedeFile does not intend to register its Common Stock under the Exchange Act for the foreseeable future (provided that, it will register its Common Stock under the Exchange Act if the Company has, after the last day of its fiscal year, more than 500 shareholders of record, in accordance with Section 12[g] of the Exchange Act).

MedeFile will be required to file annual, quarterly, and current reports pursuant to Section 15(d) of the Exchange Act as long as its Common Stock is not registered under the Exchange Act and the Company will not be subject to Section 14 of the Exchange Act, which, among other things, prohibits companies that have securities registered under the Exchange Act from soliciting proxies or consents from shareholders without furnishing to shareholders and filing with the SEC a proxy statement and form of proxy complying with the proxy rules.

As well, as long as its Common Stock is not registered under the Exchange Act, the Company's directors and executive officers and beneficial holders of 10% or more of its outstanding Common Stock will not be subject to Section 16 of the Exchange Act. Section 16(a) of the Exchange Act requires executive officers, directors, and persons who beneficially own more than 10% of a registered class of equity securities to file with the SEC initial statements of beneficial ownership, reports of changes in ownership, and annual reports concerning their ownership of Common Shares and other equity securities on Forms 3, 4, and 5, respectively.

Such information about the Company's directors, executive officers, and beneficial holders will only be available through registration statements and periodic reports filed thereafter. Furthermore, so long as MedeFile's Common Stock is not registered under the Exchange Act, its obligation to file reports under Section 15(d) of the Exchange Act will be automatically suspended if, on the first day of any fiscal year (other than a fiscal year in which a registration statement under the Securities Act has gone effective), the Company has fewer than 300 shareholders of record. This suspension is automatic and does not require any filing with the SEC. In such an event, the Company may cease providing periodic reports and current or periodic information, including operational and financial information, may not be available with respect to results of operations.

MedeFile's Common Stock is subject to the "penny stock" rules of the SEC and the trading market in its securities is limited, which makes transactions in its stock cumbersome and may reduce the value of an investment in the stock.

The SEC has adopted Rule 15(g)(9) which establishes the definition of a penny stock, for the purposes relevant to the Company, as any equity security that has a market price of less than $5.00 per share or with an exercise price of less than $5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, several rules are required:

■   a broker or dealer must approve a person's account for transactions in penny stocks; and

■   the broker or dealer must receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must do the following:

■   obtain financial information and investment experience objectives of the person; and

■   make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the Commission relating to the penny stock market that achieves the following:

■   sets forth the basis on which the broker or dealer made the suitability determination; and

■   specifies that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the penny stock rules. This may make it more difficult for investors to dispose of MedeFile's Common Stock and cause a decline in the market value of its stock.

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

The Company does not expect to pay dividends for some time, if at all.

No cash dividends have been paid on MedeFile's Common Stock. The Company expects that any income received from operations will be devoted to its future operations and growth. MedeFile does not expect to pay cash dividends in the near future. Payment of dividends would depend upon the Company's profitability at the time, cash available for those dividends, and other factors.

MedeFile's future capital needs could result in dilution to investors. Additional financing could be unavailable or have unfavorable terms.

The Company's future capital requirements will depend on many factors, including cash flow from operations, progress in its present operations, competing market developments, and the Company's ability to market its products successfully. It may be necessary to raise additional funds through equity or debt financings. Any equity financings could result in dilution to the Company's then-existing stockholders. Sources of debt financing may result in higher interest expense. Any financing, if available, may be on terms unfavorable to it. If adequate funds are not obtained, MedeFile may be required to reduce or curtail operations.

Recent Events

05/19/2011—MedeFile International, Inc. announced that it granted exclusive rights to government contracting firm ADAR, Inc. and its principals, Debbie and Keith Rieger, to market the Company's advanced iPHR solution to U.S. federal departments and agencies, including the U.S. Department of Veterans Affairs, the Department of Defense, the Department of Health and Human Services, and the Department of Homeland Security. The Riegers have also been awarded non-exclusive rights to market the MedeFile system to companies, major medical institutions, and other entities outside of the traditional government contracting space.

05/13/2011—Announced that the Company's chairman, president, and chief executive officer (CEO), Mr. Kevin Hauser (biography on page 12), was scheduled to be featured on CBS 12 News (WPEC NEWS 12), at 11:00 p.m. Eastern Time. WPEC is a CBS network affiliate serving the West Palm Beach and Fort Pierce, Florida, television markets.

05/11/2011—MedeFile and MedSave USA, Inc., a provider of healthcare cost containment and medical record retrieval services, announced that the companies are partnering to actively market MedeFile's patient-centric Internet-enabled Personal Health Record (iPHR) system as a value-added service for MedSave USA's global client base. MedeFile is initially focusing on implementing new MedeFile subscriptions for those insured by one of MedSave USA's largest clients, a global insurance carrier currently serving eight million individuals worldwide.

05/09/2011—Announced that it engaged HealthPro BioVentures, LLC, a life sciences investment bank and strategic advisory firm, to drive adoption of the MedeFile platform through strategic partnerships with global healthcare and biotechnology companies. HealthPro BioVentures' network of contacts includes healthcare venture capital firms, senior-level executives at public and private biotechnology companies, and major research institutions.

04/29/2011—Announced that Mr. Hauser was interviewed by Lisa Davis, MPH, on "The Medical Hour: It's Your Health" radio program, which aired on 1220 AM All Talk Radio (KLPW AM) at 11:08 a.m. Central Time (12:08 PM Eastern Time).

04/28/2011—Announced that it recently enrolled several new physician practice groups into its Quality of Care Program, with a collective patient base of 55,000. This initiative is further detailed on page 8.

04/20/2011—Announced that all members of the National Association of Local Advertisers (NALA™) received a customized MedeFile membership as part of NALA's special benefits program offered to its growing national membership of local business owners. Upon enrolling in the customized MedeFile program, NALA members have web access to a personal Digital Health Profile (DHP), where they can securely store their vital health and medical information.

04/19/2011—Announced an agreement with Carlisle and Associates to collaborate on opportunities that may accelerate adoption of MedeFile's iPHR system by health plans, health systems, large physician practice groups, and other healthcare-related service groups.

04/12/2011—Reported that Mr. Hauser increased his equity ownership stake in MedeFile's Common Stock from 1.1% to 9.8%, as described on page 40.

04/01/2011—Announced financial results for the year ended December 31, 2010. Revenues increased 839% to $133,869 for the full year ended December 31, 2010, up from $14,264 reported for the prior year, ended December 31, 2009. When comparing subsequent quarter-over-quarter results, revenues for the three months ended December 31, 2010, were $83,365, up 90% from revenues of $43,903 posted for the third quarter ended September 30, 2010. Resulting from the implementation of cost-cutting initiatives commencing in mid-2010, total operating expenses declined 38% to $1,334,770 from $2,159,356 on a comparable year-over-year basis. After factoring $1,229,799 in non-cash interest expenses relating to Notes payable, the net loss for 2010 was $2,492,310, or ($0.00) per basic and diluted share, versus a net loss in 2009 of $2,164,639, or ($0.00) per basic and diluted share. As of December 31, 2010, cash was $499,652; there was zero long-term debt; and stockholders' equity was $272,562.

03/16/2011—Announced that in response to the magnitude 8.9 earthquake and massive tsunami tragedy that recently struck Japan, the Company is donating 15% of all online sales of MedeFile memberships—processed through its website (www.medefile.com) from March 16, 2011, through April 15, 2011—to the American Red Cross for the Japan Earthquake and Pacific Tsunami Fund.

02/28/2011—Commented on the shift in the Company's stock quotation coverage, which recently transitioned from the OTCBB to the OTCQB under the symbol "MDFI." The shift to the OTCQB was caused by an unexpected migration of market makers away from the OTCBB and does not affect, nor is it a reflection upon, MedeFile's business, operations, or growth prospects. The OTCQB is one of three tiers established by OTC Markets Group, Inc., which operates one of the world's largest electronic interdealer quotation systems for broker-dealers to trade securities not listed on a national exchange. The OTCQB designation is meant to identify companies that are reporting with the SEC or a U.S. banking regulator.

02/23/2011—Announced that MedeFile was invited to present at the National Investment Banking Association's (NIBA) "Land of Opportunity Conference," held the first week of March 2011 in Fort Lauderdale, Florida. NIBA is the only national not-for-profit trade association of regional and independent brokerages, investment banking firms, institutional investors, and related capital market service providers.

02/17/2011—Announced that Medefile engaged Elite Financial Communications Group, LLC, an investor and public relations firm, to manage investor relations and corporate communications.

02/01/2011—Announced that it partnered with PrescriptionDrugs.com to offer consumers the MedeFile solution.

01/24/2011—Announced that its website was available in Russian, with translations in French and German in development. Through the translation of its website into multiple languages, MedeFile intends to launch a global marketing strategy, extending its reach to prospective new subscribers.

Glossary

128-Bit Key Encryption—A form of encryption security that is stronger than previous 40-bit encryption. 128-bit encryption offers 88 additional bits of key length, which translates to 2^{88} additional combinations required for a brute-force crack.

Advanced Directives—Pertain to treatment preferences and the designation of a surrogate decision-maker in the event that a person should become unable to make medical decisions on their own behalf. Advance directives generally fall into three categories: living will, power of attorney, and healthcare proxy.

Android™—Google's free, open-source operating system.

Class 3 Digital IDs—A digital ID is an electronic document that confirms the identity of a computer user or server. Digital IDs come in various classes. Class 3 digital IDs are used for servers and software signing, and facilitate independent verification of the identity and authority of the users.

Direct-Response—A form of marketing designed to solicit a direct response that is specific and quantifiable. With direct-response marketing, the customer responds to the marketer, which is in contrast to direct marketing where the marketer contacts the potential customer. In direct marketing (such as telemarketing), there is no intermediary broadcast media involved. In direct-response marketing, marketers use broadcast media to get customers to contact them directly.

Electronic Health Records (EHR)s—A longitudinal electronic record of patient health information generated by one or more encounters in any care delivery setting. Included in this information are patient demographics, progress notes, problems, medications, vital signs, past medical history, immunizations, laboratory data, and radiology reports. The EHR automates and streamlines the clinician's workflow. The EHR has the ability to generate a complete record of a clinical patient encounter, as well as supporting other care-related activities directly or indirectly via interface, including evidence-based decision support, quality management, and outcomes reporting.

Electronic Medical Records (EMRs)—A digital version of the traditional paper-based medical record for an individual. The EMR represents a medical record within a single facility, such as a physician's office or a clinic.

Gen X—The generation following the baby boom (especially Americans and Canadians born in the 1960s and 1970s).

Gen Y—Members of the generation of people born since the early 1980s who are seen as being discerning consumers with a high disposable income.

Geo-positioning—Also referred to as geolocation, it refers to the detection of the physical location of a remote wireless device, such a mobile phone.

HITECH Act—Enacted as part of the American Recovery and Reinvestment Act of 2009, the Health Information Technology for Economic and Clinical Health (HITECH) Act is designed to promote adoption of technologies that facilitate the electronic exchange of health information.

Information Technology (IT)—The branch of engineering that deals with the use of computers and telecommunications to retrieve, store, and transmit information.

IRS Publication 502—(Medical and Dental Expenses) A document published by the Internal Revenue Service detailing the deductions permitted for medical expenses. Medical and dental expenses are itemized deductions, and IRS Publication 502 indicates what type of expenses can and cannot be included, how to take into account money received from a personal injury, how to account for medical devices that are sold, and how to report any medical deductions on the tax return itself.

Personal Health Records (PHRs)—An electronic record of personal identifiable health information on an individual that can be drawn from multiple sources and that is managed, shared, and controlled by or primarily for the individual.

Secure Sockets Layer (SSL)—A commonly used protocol for managing the security of a message transmission on the Internet.

Smartphone—A mobile phone offering advanced capabilities, often with PC-like functionality (PC-mobile handset convergence).

Universal Serial Bus (USB) Drive—A flash memory storage device that plugs into a computer's USB port. A USB drive, which emulates a hard disk drive, allows data to be easily distributed or transferred from one machine to another and is small enough to fit on a keychain. Widely used for backup and transport, USB drives range in capacity from megabytes to gigabytes, offering more storage than writable CDs and DVDs.

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