

MEDCAP MANAGEMENT & RESEARCH LLC
Form SC 13D/A
November 03, 2006

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

SCHEDULE 13D
Under the Securities Exchange Act of 1934
(Amendment No. 8)*

Crdentia Corp.

(Name of Issuer)

Common Stock, \$0.0001 par value

(Title of Class of Securities)

225235209

(CUSIP Number)

Ann E. Carey, Business Legal Assistant
Howard Rice Nemerovski Canady Falk & Rabkin,
A Professional Corporation
Three Embarcadero Center, Suite 700
San Francisco, CA 94111-4024
(415) 434-1600

(Name, Address and Telephone Number of Person Authorized to
Receive Notices and Communications)

September 30, 2006

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of sections 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box. []

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See section 240.13d-7 for other parties to whom copies are to be sent.

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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1. Names of Reporting Persons.	MedCap Management & Research LLC	
I.R.S. Identification Nos. of above persons (entities only).		94-3411543
2. Check the Appropriate Box if a Member of a Group (See Instructions)	(a) <input type="checkbox"/>	[]
	(b) <input type="checkbox"/>	[]
3. SEC Use Only		
4. Source of Funds (See Instructions)		00
5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)	[]	[]
6. Citizenship or Place of Organization		Delaware
Number of Shares Beneficially Owned by Each Reporting Person With	7. Sole Voting Power	11,176,769
	8. Shared Voting Power	0
	9. Sole Dispositive Power	11,176,769
	10. Shared Dispositive Power	0
11. Aggregate Amount Beneficially Owned by Each Reporting Person		11,176,769
12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)	[]	[]
13. Percent of Class Represented by Amount in Row (11)		78%
14. Type of Reporting Person (See Instructions)		IA

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1. Names of Reporting Persons.	MedCap Partners L.P.	
I.R.S. Identification Nos. of above persons (entities only).		94-3412423
2. Check the Appropriate Box if a Member of a Group (See Instructions)	(a) <input type="checkbox"/>	[]
	(b) <input type="checkbox"/>	[]
3. SEC Use Only		
4. Source of Funds (See Instructions)		00
5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)	[]	[]
6. Citizenship or Place of Organization		Delaware
Number of Shares	7. Sole Voting Power	10,999,519

Item 1. Security and Issuer

This Schedule 13D ("Schedule") relates to shares of common stock, with par value \$0.0001 (the "Common Stock"), of Crdentia Corp. (the "Issuer"). The principal executive office of the Issuer is 5001 LBJ Freeway, Suite 850, Dallas, TX 75244.

Item 2. Identity and Background

This Schedule is filed on behalf of MedCap Partners L.P. ("MedCap"), MedCap Management & Research LLC ("MMR") and C. Fred Toney ("Toney"), each of whose principal business office address is 500 Third Street, Suite 535, San Francisco, CA 94107.

MedCap is an investment limited partnership, whose general partner is MMR. MMR is an investment adviser registered under the laws of the State of California. Toney is MMR's sole managing member. MMR is also the general partner and investment manager of MedCap Master Fund, L.P., an investment limited partnership ("MedCap Master"). MedCap Master is a "master fund" and contains substantially all of the assets of a "feeder fund," MedCap Partners Offshore, Ltd. ("MedCap Offshore")."

None of MedCap, MMR nor Toney has, during the past five years, been convicted in any criminal proceeding (excluding traffic violations or similar misdemeanors).

None of MedCap, MMR nor Toney has, during the past five years, been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction, as a result of which any of them became or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

MedCap is a Delaware limited partnership, MMR is a Delaware limited liability company and Toney is a United States citizen.

Item 3. Source and Amount of Funds or Other Consideration

The source of funds to make the purchases described in Item 5(c) was working capital of MedCap Master Fund, L.P. in the amount of approximately \$364,052.30.

Item 4. Purpose of Transaction

The acquisitions of Common Stock described in Item 5(c) were made for investment purposes.

The agreement of limited partnership of MedCap provides MMR with discretion to cause MedCap to make payments upon a withdrawal by a limited partner in cash or in securities, or a combination of cash and securities, or to segregate a portion of MedCap's assets equal to the amount payable to the withdrawing limited partner and sell those assets for the account of the withdrawn limited partner. Limited partners of

MedCap have the right, upon written request, to receive a distribution of

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the segregated assets. Effective September 30, 2006, MedCap segregated some of the Issuer's Common Stock beneficially owned by MedCap into a separate account for the benefit of some of MedCap's former limited partners who have withdrawn from MedCap. MMR, as MedCap's general partner, and Toney, as MMR's sole managing member, will continue to have voting and dispositive control over the segregated shares of Common Stock. Some of the withdrawn limited partners have requested distribution to them of 255,893 shares of the segregated Common Stock leaving, after distribution, 440,153 shares of Common Stock in the segregated account. It is possible others may in the future request additional distributions. MMR intends to cause MedCap to sell the remaining segregated Common Stock in an orderly fashion and distribute the proceeds to the withdrawn limited partners, subject to those limited partners' right to request a distribution of the segregated Common Stock. MMR and MedCap are not aware when MedCap will sell what portion of the Common Stock or to what extent limited partners may in the future request distribution to them of the Common Stock.

As previously disclosed on the Issuer's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 26, 2006, the Issuer, iVOW Acquisition Corp., a Delaware corporation and wholly-owned subsidiary of the Issuer ("Merger Sub") and iVOW, Inc., a Delaware corporation ("iVOW"), have entered into an Agreement and Plan of Merger, dated as of September 20, 2006 (the "Merger Agreement"), pursuant to which Merger Sub will merge with and into iVOW, with iVOW surviving as a wholly-owned subsidiary of the Issuer (the "Merger"). At the effective time of the Merger, all shares of iVOW common stock issued and outstanding immediately prior to the effective time will be converted automatically into the right to receive, in the aggregate, approximately \$3.5 million in shares of the Issuer's Common Stock (based on the average of the closing sale prices for Issuer's Common Stock for each of the 20 consecutive trading days ending the second complete trading day prior to the effective time of the Merger, as reported on the OTC Bulletin Board), subject to reduction based on the iVOW bank and financing debt assumed by the Issuer, the value of any uncollected accounts receivable at the effective time and the value of any iVOW warrants assumed by the Issuer.

Toney and MMR have beneficial ownership (through MedCap and MedCap Master) of approximately 19.7% of iVOW's outstanding common stock (which ownership has been separately reported on a Schedule 13D filed with the Commission). Toney was also a member of the iVOW's Board of Directors when the Merger Agreement was approved by the iVOW Board, but Toney has voluntarily resigned from that position. Toney remains a member of the Issuer's Board of Directors.

In connection with the execution of the Merger Agreement, each of the Issuer and iVOW have entered into separate voting agreements (the "Voting Agreements") with MedCap and MedCap Master, each dated September 20, 2006, pursuant to which MedCap and MedCap Master have agreed, among other things, to vote all of the shares of the Issuer's Common Stock and the

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common stock of iVOW held by them in favor of the adoption of the Merger Agreement. MedCap and MedCap Master have also agreed under the Voting Agreements not to dispose of shares of the Issuer's Common Stock or the common stock of iVOW, except as permitted thereunder.

Depending on market conditions and other factors, the reporting

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persons may, at any time or from time to time, acquire additional securities of the Issuer, or alternatively, may (if and to the extent permitted under the Voting Agreements) dispose of some or all of the securities of the Issuer beneficially owned by them (including but not limited to the aforementioned segregated shares of Common Stock).

Except as described herein, the reporting persons do not currently have any plans or proposals that relate to or would result in any of the following:

(a) The acquisition by any person of additional securities of the Issuer, or the disposition of securities of the Issuer;

(b) An extraordinary corporate transaction, such as a merger, reorganization, or liquidation, involving the Issuer or any of its subsidiaries;

(c) A sale or transfer of a material amount of assets of the Issuer or any of its subsidiaries;

(d) Any change in the present board of directors or management of the Issuer, including any plans or proposals to change the number or term of directors or to fill any existing vacancies on the board;

(e) Any material change in the present capitalization or dividend policy of the Issuer;

(f) Any other material change in the Issuer's business or corporate structure;

(g) Changes in the Issuer's charter, bylaws or instruments corresponding thereto or other actions which may impede the acquisition of control of the Issuer by any person;

(h) Causing a class of securities of the Issuer to be delisted from a national securities exchange or to cease to be authorized to be quoted in an inter-dealer quotation system of a registered national securities association;

(i) A class of equity securities of the issuer becoming eligible for termination of registration pursuant to Section 12(g)(4) of the Act; or

(j) Any action similar to those enumerated above.

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Item 5. Interest in Securities of the Issuer

(a) As noted above, MedCap beneficially owns 10,999,519 shares of the Issuer's Common Stock. The percentage of common stock beneficially owned by MedCap for the purposes of this Schedule is 76.8%.

In addition to the securities beneficially owned through MedCap, MMR and Toney beneficially own 177,250 shares of the Issuer's Common Stock through MedCap Master. MedCap Master is a "master fund" and contains substantially all of the assets of a "feeder fund," MedCap Partners Offshore, Ltd. ("MedCap Offshore")

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On October 24, 2006 all outstanding options held by Mr. Toney terminated.

MMR, as general partner and investment manager of MedCap and MedCap Master, and Toney, as the sole managing member of MMR, may be deemed to beneficially own the shares owned by MedCap and MedCap Master in that they may be deemed to have the power to direct the voting or disposition of the shares. Neither the filing of this Schedule nor any of its contents shall be deemed to constitute an admission that either MMR or Toney is, for any other purpose, the beneficial owner of any such securities to which this Schedule relates, and MMR and Toney disclaim beneficial ownership as to the Common Stock except to the extent of their respective pecuniary interests therein. The percentage of Common Stock beneficially owned by MMR and Toney for the purposes of this Schedule is 78.0%.

The calculation of percentage of beneficial ownership in Item 11 of pages 2, 3 and 4 was derived from the Agreement and Plan of Merger, dated September 20, 2006 among the Issuer, iVOW Acquisition Corp. and iVOW, Inc., included as Exhibit 2.1 to the Issuer's Report on Form 8-K filed with the Securities and Exchange Commission on September 26, 2006, in which the Issuer stated that the number of shares of its Common Stock outstanding as of September 20, 2006 was 14,329,966 shares.

The foregoing amounts do not include shares of the Issuer's Common Stock issuable in respect of shares of the common stock of iVOW outstanding at the effective time of the Merger (including shares of iVOW common stock held by the reporting persons).

- (b) Reference is made hereby to Items 7 to 10 of pages 2, 3 and 4 of this Schedule, which Items are incorporated herein by reference.

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- (c) The following transactions were effected during the 60 days prior to the filing of this Schedule by persons named in response to Item 4(a) above:

Purchaser	Date of Transaction	Number of Shares	Price per Share	Where and How Effected
MedCap Master and MedCap Offshore	9/26/06	8,000	\$1.0557	Open Market
MedCap Master and MedCap Offshore	9/27/06	21,000	\$1.5487	Open Market
MedCap Master and MedCap Offshore	9/28/06	55,000	\$1.9055	Open Market
MedCap Master and MedCap Offshore	9/29/06	67,500	\$2.8634	Open Market
MedCap Master and MedCap Offshore	10/03/06	4,500	\$3.21	Open Market

See also the description of the segregation of shares of Common Stock by MedCap and the Merger described in Item 4 above.

- (d) Not applicable.

- (e) Not applicable.

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Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer

MedCap is a party to an Amended and Restated Registration Rights Agreement entitling it to registration rights with respect to Common Stock issuable upon conversion of its shares of Series A Preferred Stock, Series B-1 Preferred Stock and Series C Preferred Stock, including any Series B-1 Preferred or Series C Preferred issued upon exercise of the Warrants.

MedCap and the Issuer are also parties to the Letter Agreement, as amended by the Letter Agreement Amendment, which amends in part the Amended and Restated Registration Rights Agreement. Under the Letter Agreement, the Issuer agrees to register for resale (i) all of the shares of Common Stock and the Common Stock that can be acquired upon the conversion of the Series C Preferred Stock that are held by MedCap and (ii) shares of Common Stock underlying all of the warrants that MedCap holds to acquire the Issuer's preferred stock; provided that, the Issuer is not required to register for resale Common Stock underlying the warrants unless such shares can be registered at the time that the shares of Common Stock listed in item (i) are registered for resale.

MedCap was a party to two Secured Promissory Notes issued by the Issuer, Baker Anderson Christie, Inc., Nurses Network, Inc., New Age Staffing, Inc., PSR Nurses, Ltd., PSR Nurse Recruiting, Inc., PSR Nurses Holdings Corp., CRDE Corp., Arizona Home Health Care/Private Duty, Inc., Care Pros Staffing, Inc., HIP Holding, Inc., Health Industry Professionals, L.L.C., Travmed USA, Inc., Prime Staff, LP, Mint Medical Staffing Odessa LP, and GHS Acquisition Corporation (collectively, the "Issuer's subsidiaries") to MedCap (the "Secured Promissory Notes"). The Issuer obtained a \$500,000 loan from MedCap on November 15, 2005 and a

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\$1,500,000 loan from MedCap on November 18, 2005 to fund working capital needs. No equity securities and no securities exercisable, convertible or exchangeable for equity securities were issued in connection with the loans which were evidenced by the Secured Promissory Notes. In connection with the loans, MedCap, the Issuer and the Issuer's subsidiaries were parties to an Amended and Restated Security Agreement pursuant to which MedCap was granted a subordinate security interest in all of the assets and property of the Issuer and the Issuer's subsidiaries. The Amended and Restated Security Agreement imposes various restrictions on the activities of the Issuer and the Issuer's subsidiaries and includes events of default (with grace periods, as applicable).

MedCap and the Issuer were parties to a Securities Purchase Agreement dated as December 30, 2005 pursuant to which the Issuer issued 335,370 shares of its common stock to MedCap in consideration for the cancellation of the principal and all accrued interest under the Secured Promissory Notes. The shares were sold in a private transaction at a price of \$6.00 per share. In connection with the Securities Purchase Agreement, the Issuer and MedCap entered into a Registration Rights Agreement pursuant to which the Issuer agreed to register for resale on a registration statement the shares acquired by MedCap under the Securities Purchase Agreement.

MedCap and the Issuer are parties to a Subscription Agreement dated

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March 3, 2006, pursuant to which the Issuer sold 25,000 shares of its Common Stock to MedCap at a price of \$8.00 per share in a private transaction.

MedCap and the Issuer are parties to a Subscription Agreement dated March 13, 2006, pursuant to which the Issuer sold 13,750 shares of its Common Stock to MedCap at a price of \$8.00 per share in a private transaction.

MedCap Master and the Issuer are parties to a Subscription Agreement dated March 13, 2006, pursuant to which the Issuer sold 11,250 shares of its Common Stock to MedCap Master at a price of \$8.00 per share in a private transaction.

MedCap and the Issuer are parties to Subscription Agreement dated April 3, 2006, pursuant to which the Issuer sold 58,333 shares of its Common Stock to MedCap at a price of \$6.00 per share in a private transaction.

See the discussion of the Merger Agreement and the Voting Agreements under Item 4 above.

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Item 7. Material to Be Filed as Exhibits

No. Exhibit

1. Agreement Regarding Joint Filing of Statement on Schedule 13D or 13G.
2. Amended and Restated Registration Rights Agreement between the Issuer and MedCap dated August 30, 2004, as amended by the Letter Agreement listed as Exhibit 3 below (included as Exhibit 2 to MedCap's, MMR's and Toney's Schedule 13D/A No. 1 filed with the Commission on September 3, 2004 and incorporated herein by reference).
3. Letter Agreement dated March 29, 2005, between the Issuer and MedCap (the "Letter Agreement") (included as Exhibit 3 to MedCap's, MMR's and Toney's Schedule 13D/A No. 5 filed with the Commission on April 11, 2005 and incorporated herein by reference).
4. Amendment to Letter Agreement, dated May 2, 2005, between the Issuer and MedCap (included as Exhibit 4 to MedCap's, MMR's and Toney's Schedule 13D/A No. 6 filed with the Commission on May 10, 2005 and incorporated herein by reference).
5. Secured Promissory Note, dated November 15, 2005, issued by the Issuer, Baker Anderson Christie, Inc., Nurses Network, Inc., New Age Staffing, Inc., PSR Nurses, Ltd., PSR Nurse Recruiting, Inc., PSR Nurses Holdings Corp., CRDE Corp., Arizona Home Health Care/Private Duty, Inc., Care Pros Staffing, Inc., HIP Holding, Inc., Health Industry Professionals, L.L.C., Travmed USA, Inc., Prime Staff, LP, Mint Medical Staffing Odessa LP, and GHS Acquisition Corporation to MedCap (included as Exhibit 10.1 to the Issuer's Form 8-K filed with the Commission on November 21, 2005,

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and incorporated herein by reference).

6. Secured Promissory Note, dated November 18, 2005, issued by the Issuer, Baker Anderson Christie, Inc., Nurses Network, Inc., New Age Staffing, Inc., PSR Nurses, Ltd., PSR Nurse Recruiting, Inc., PSR Nurses Holdings Corp.,

CRDE Corp., Arizona Home Health Care/Private Duty, Inc., Care Pros Staffing, Inc., HIP Holding, Inc., Health Industry Professionals, L.L.C., Traved USA, Inc., Prime Staff, LP, Mint Medical Staffing Odessa LP, and GHS Acquisition Corporation to MedCap (included as Exhibit 10.2 to the Issuer's Form 8-K filed with the Commission on November 21, 2005, and incorporated herein by reference).

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7. Amended and Restated Security Agreement, dated November 18, 2005, by and among the Issuer, Baker Anderson Christie, Inc., Nurses Network, Inc., New Age Staffing, Inc., PSR Nurses, Ltd., PSR Nurse Recruiting, Inc., PSR Nurses Holdings Corp., CRDE Corp., Arizona Home Health Care/Private Duty, Inc., Care Pros Staffing, Inc., HIP Holding, Inc., Health Industry Professionals, L.L.C., Traved USA, Inc., Prime Staff, LP, Mint Medical Staffing Odessa LP, GHS Acquisition Corporation and MedCap (included as Exhibit 10.3 to the Issuer's Form 8-K filed with the Commission on November 21, 2005, and incorporated herein by reference).
8. Securities Purchase Agreement dated as of December 30, 2005 by and between the Issuer and MedCap (included as Exhibit 10.1 to the Issuer's Form 8-K filed with the Commission on January 6, 2006 and incorporated herein by reference).
9. Registration Rights Agreement dated as of January 6, 2006 by and between the Issuer and certain investors listed on the signature pages thereto (included as Exhibit 10.5 to the Issuer's Form 8-K filed with the Commission on January 10, 2006 and incorporated herein by reference).
10. Subscription Agreement dated March 3, 2006 by and between the Issuer and MedCap (included as Exhibit 10.1 to the Issuer's Form 8-K filed with the Commission on March 7, 2006 and incorporated herein by reference).
11. Subscription Agreement dated March 13, 2006 by and between the Issuer and MedCap (included as Exhibit 11 to MedCap's, MMR's and Toney's Schedule 13D/A No. 7 filed with the Commission on April 13, 2006 and incorporated herein by reference).
12. Subscription Agreement dated March 13, 2006 by and between the Issuer and MedCap Master (included as Exhibit 12 to MedCap's, MMR's and Toney's Schedule 13D/A No. 7 filed with the Commission on April 13, 2006 and incorporated herein by reference).
13. Letter dated March 13, 2006, from the Board of Directors of the Issuer to Holders of Series C and Warrants to Purchase Series B-1 and Series C Preferred Stock of the Issuer, in connection with the Offer to Exchange Series C Preferred Stock and Warrants to

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Purchase Series B-1 and Series C Preferred Stock in which the Issuer has agreed to register the shares of Common Stock issued pursuant to the Exchange on a suitable form and substantially in compliance with the existing registration rights agreement covering the Series C Stock and Series C Warrants within 60 days of the completion of the Exchange Offer and to reimburse MedCap for certain legal expenses incurred in connection with the Exchange Offer (included as Exhibit 13 to MedCap's, MMR's and Toney's Schedule 13D/A No. 7 filed with the Commission on April 13, 2006 and incorporated herein by reference).

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- 14. Subscription Agreement dated April 3, 2006 by and between the Issuer and MedCap (included as Exhibit 14 to MedCap's, MMR's and Toney's Schedule 13D/A No. 7 filed with the Commission on April 13, 2006 and incorporated herein by reference).
- 15. Agreement and Plan of Merger, dated September 20, 2006 among the Issuer, iVOW Acquisition Corp. and iVOW, Inc. (included as Exhibit 2.1 to the Issuer's Current Report on Form 8-K filed with the Commission on September 26, 2006 and incorporated herein by reference).
- 16. Crdentia Merger Voting Agreement, dated September 20, 2006 among the Issuer, MedCap Partners L.P. and MedCap Master Fund L.P. (included as Exhibit 10.2 to the Issuer's Current Report on Form 8-K filed with the Commission on September 26, 2006 and incorporated herein by reference).

Signature

After reasonable inquiry and to the best of each of the undersigned's respective knowledge and belief, each of the undersigned certifies that the information set forth in this statement is true, complete and correct.

Date November 3, 2006

/s/ C. Fred Toney

Signature

Print Name C. FRED TONEY

MEDCAP PARTNERS L.P.
By its general partner
MedCap Management & Research LLC

MEDCAP MANAGEMENT & RESEARCH LLC

By: /s/ C. Fred Toney

Print Name C. Fred Toney
Title Managing Member

By: /s/ C. Fred Toney

Print C. Fred Toney
Title Managing Member

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EXHIBITS LIST

Exhibit 1 Agreement Regarding Joint Filing of Statement on Schedule 13D or 13G.

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EXHIBIT 1

AGREEMENT REGARDING JOINT FILING OF STATEMENT ON SCHEDULE 13D OR 13G

The undersigned agree to file jointly with the Securities and Exchange Commission (the "SEC") any and all statements on Schedule 13D or Schedule 13G (and any amendments or supplements thereto) required under section 13(d) of the Securities Exchange Act of 1934, as amended, as to the common stock of Crdentia Corp. For that purpose, the undersigned hereby constitute and appoint C. Fred Toney as their true and lawful agent and attorney-in-fact, with full power and authority for and on behalf of the undersigned to prepare or cause to be prepared, sign, file with the SEC and furnish to any other person all certificates, instruments, agreements and documents necessary to comply with section 13(d) and section 16(a) of the Securities Exchange Act of 1934, as amended, and to do and perform every act necessary and proper to be done incident to the exercise of the foregoing power, as fully as the undersigned might or could do if personally present.

Date November 3, 2006

/s/ C. Fred Toney

Signature

Print Name C. FRED TONEY

MEDCAP PARTNERS L.P.
By its general partner
MedCap Management & Research LLC

MEDCAP MANAGEMENT & RESEARCH LLC

By: /s/ C. Fred Toney

Print Name C. Fred Toney
Title Managing Member

By: /s/ C. Fred Toney

Print C. Fred Toney
Title Managing Member