

CRDENTIA CORP
Form 424B3
April 21, 2006

PROSPECTUS SUPPLEMENT NO. 1

Filed Pursuant to Rule 424(b)(3)

Registration File No. 333-131603

CRDENTIA CORP.

PROSPECTUS SUPPLEMENT NO. 1 DATED April 21, 2005

TO THE PROSPECTUS DATED April 10, 2006

This Prospectus Supplement No. 1 supplements our Prospectus dated April 10, 2006 with the following attached document:

A. Form 8-K Current Report dated April 18, 2006

The attached information modifies and supersedes, in part, the information in the prospectus. Any information that is modified or superseded in the prospectus shall not be deemed to constitute a part of the Prospectus except as modified or superseded by this Prospectus Supplement.

This Prospectus Supplement No. 1 should be read in conjunction with the Prospectus, which is required to be delivered with this Prospectus Supplement.

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INVESTING IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK.
SEE RISK FACTORS BEGINNING ON PAGE 3 OF THE PROSPECTUS, AS
SUPPLEMENTED BY THIS PROSPECTUS SUPPLEMENT.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE
SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE
SECURITIES OR DETERMINED IF THIS PROSPECTUS SUPPLEMENT IS
TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A
CRIMINAL OFFENSE.

The date of this prospectus supplement is April 21, 2006

INDEX TO FILINGS

Annex

Form 8-K Current Report of the registrant filed with the SEC on April 21, 2006

A

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **April 18, 2006**

CRDENTIA CORP.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation)

000-31152
(Commission File
Number)

76-0585701
(I.R.S. Employer
Identification Number)

**5001 LBJ Freeway, Suite 850
Dallas, Texas 75244**

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(Address of Principal Executive Offices) (Zip Code)

(972) 850-0780

(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

On April 18, 2006 Crdentia Corp. and its subsidiaries issued a promissory note to Staff Search Ltd. in the principal amount of \$1,410,000. Crdentia issued the note in connection with its purchase of certain assets from Staff Search. Interest accrues under the note at a rate equal to 8.00% per annum. The principal amount of the note, plus all accrued interest, is payable upon demand of the holder. The note includes events of default (with grace periods, as applicable) and provides that, upon the occurrence of certain events of default, payment of all amounts payable under the note may be accelerated. In addition, upon the occurrence of certain insolvency or bankruptcy related events of default, all amounts payable under the note shall automatically become immediately due and payable. The note is filed with this report on Form 8-K as Exhibit 10.72.

The description of the transaction set forth above is qualified in its entirety by reference to the promissory note filed as Exhibit 10.72 to this report on Form 8-K.

Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits.*

| Exhibit No. | Description |
|--------------------|---|
| 10.72 | Promissory Note issued by Crdentia Corp. to Staff Search Ltd. |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CRDENTIA CORP.

April 21, 2006

By:

/s/ James D. Durham
James D. Durham
Chief Executive Officer

THIS PROMISSORY NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED UNDER ANY STATE SECURITIES LAWS. THIS PROMISSORY NOTE HAS BEEN ACQUIRED FOR INVESTMENT PURPOSES ONLY, AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISTRIBUTION MAY BE EFFECTED UNLESS PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO, OR AN EXEMPTION FROM SUCH REGISTRATION STATEMENT REQUIREMENTS.

PROMISSORY NOTE

Principal Amount: \$1,410,000.00
Interest Rate: 8.00% per annum

Dallas, Texas
April 18, 2006

FOR VALUE RECEIVED, the undersigned, Crdentia Corp., a Delaware corporation (Crdentia), Baker Anderson Christie, Inc., a California corporation, Nurses Network, Inc., a California corporation, New Age Staffing, Inc., a Delaware corporation, PSR Nurses, Ltd., a Texas limited partnership, PSR Nurse Recruiting, Inc., a Texas corporation, PSR Nurses Holdings Corp., a Texas corporation, CRDE Corp., a Delaware corporation, Arizona Home Health Care/Private Duty, Inc., an Arizona corporation, Care Pros Staffing, Inc, a Texas corporation, HIP Holding, Inc., a Delaware corporation, Health Industry Professionals, L.L.C., a Michigan limited liability company, Travmed USA, Inc., a North Carolina corporation, Prime Staff, LP, a Texas limited partnership, Mint Medical Staffing Odessa, LP, a Texas limited partnership, GHS Acquisition Corporation, a Delaware corporation and Staff Search Acquisition Corp., a Texas corporation (each individually and referred to collectively as Issuer), jointly and severally promise to pay to Staff Search, Ltd., a Texas limited partnership, or any assignees of the Note (Holder), by wire transfer to such account as Holder may from time to time designate in writing, the principal amount of One Million Four Hundred Ten Thousand Dollars (\$1,410,000.00) (the Principal Amount) payable at such times as specified in paragraph 1 below. Issuer also promises to pay interest on the unpaid principal amount from the date of this Note until this Note is paid in full, at the rate of eight percent (8.00%) per annum, at such times as specified in this Agreement.

1. Principal Payment. The Principal Amount shall be payable to Holder two business days (as defined below) following the date of Crdentia s receipt of written demand by Holder requesting such payment (the Maturity Date). All payments shall be made in immediately available funds in lawful currency of the United States of America, without offset, deduction or counterclaim of any kind. A business day shall mean any day except Saturday, Sunday or any day that is a legal holiday in the State of Texas. Holder may make written demand by facsimile, email or other usual means of communication between Holder and Crdentia.

2. Interest. Prior to the Maturity Date or the occurrence of an Event of Default (as defined in paragraph 3 below), the unpaid Principal Amount periodically outstanding under

this Note shall bear simple interest at the rate of eight percent (8.00%) per annum, calculated on the basis of a 365-day year, based on the actual number of days elapsed (including the first day, but excluding the last day). All accrued and unpaid interest on this Note shall be due and payable on the Maturity Date. After the Maturity Date or upon the occurrence and during the continuation of any Event of Default, any unpaid Principal Amount or accrued interest shall bear interest at the rate of ten percent (10%) per annum until paid in full.

3. Events of Default. The occurrence of any of the following events shall constitute an event of default under this Note: (a) Issuer's failure to pay the Principal Amount when due and payable; (b) any Issuer making an assignment for the benefit of its creditors; (c) any Issuer filing (or consenting to the filing of) any petition or complaint pursuant to federal or state bankruptcy or insolvency laws, seeking the appointment of a receiver or trustee for any of its assets, seeking the adjudication of such Issuer as bankrupt or insolvent, seeking an order for relief under such statutes, or seeking a reorganization of or a plan of arrangement for Issuer; or (d) any default or breach by any Issuer of or under any agreement for borrowed money, including loan agreements, or breach under any capital equipment lease agreement, by which such Issuer is bound or obligated following the expiration of any applicable grace period. Upon the occurrence of an Event of Default, the entire Principal Amount then outstanding, together with accrued and unpaid interest, shall become immediately due and payable.

4. Subordination. A. The indebtedness evidenced by this Note is expressly junior and subordinate in right of payment to the prior payment in full of all of Issuer's indebtedness under (i) that certain Second Amended and Restated Loan and Security Agreement - Revolving Loans, dated as of May 16, 2005, by and among Crdentia and its subsidiaries, on the one hand, and Bridge Healthcare Finance, LLC, on the other hand (as the same may be amended or modified from time to time, the Revolving Loan Agreement), and (ii) that certain Amended and Restated Loan and Security Agreement - Term Loan, dated as of May 16, 2005, by and among Crdentia and its subsidiaries, on the one hand, and Bridge Opportunity Finance, LLC, on the other hand (as the same may be amended or modified from time to time, the Term Loan Agreement) and, together with the Revolving Loan Agreement, the Loan Agreement). Notwithstanding anything herein to the contrary, no payment of principal or interest shall be made on this Note if there exists any default, or the existence of any event which, with the giving of notice, would constitute a default, in the payment of any indebtedness under the Loan Agreement, as determined by the terms of the Loan Agreement. Holder agrees to execute all subordination documents reasonably required by Bridge Healthcare Finance, LLC and/or Bridge Opportunity Finance, LLC.

B. The indebtedness represented by this Note is expressly subordinated in right of payment of principal and interest to the prior payment in full (by cash or conversion) of the indebtedness represented by (i) the 8% Convertible Debenture in the principal amount of \$525,000 issued by the Issuer to Alpha Capital AG on January 6, 2006; (ii) the 8% Convertible Debenture in the principal amount of \$100,000 issued by the Issuer to Vestal Venture Capital on January 6, 2006; (iii) the 8% Convertible Debenture in the principal amount of \$125,000 issued by the Issuer to Nite Capital LP on January 6, 2006; (iv) the 8% Convertible Debenture in the principal amount of \$500,000 issued by the Issuer to Chestnut Ridge Partners LP on January 6, 2006; and (v) the 8% Convertible Debenture in the principal amount of \$750,000 issued by the Issuer to Whalehaven Capital Fund Limited on January 6, 2006.

5. Prepayment. This Note may be prepaid, at the option of Issuer, in whole or in part, at any time or from time to time, without penalty or premium; *provided, however*, that any prepayment shall be applied first to the Principal Amount then outstanding until paid in full and then to accrued and unpaid interest as of the date of such prepayment. In the event that Issuer sells any of the Collateral (as defined in the Security Agreement), the net proceeds from such sale shall be applied as set forth in the Security Agreement and, to the extent any proceeds are required to be applied to the payment of the Principal Amount and interest hereunder, in accordance with the preceding sentence.

6. Maximum Rate of Interest. In no event shall any interest rate provided for hereunder exceed the maximum rate legally chargeable by Holder under applicable law. If at any time such laws would render usurious any amount due under this Note, then it is the express intention of Holder and Issuer that Issuer not be required to pay interest on this Note at a rate in excess of the maximum lawful rate, that the provisions of this paragraph 6 shall control over all other provisions of this Note which may be in apparent conflict, that such excess amount shall be immediately credited to the principal balance owing under this Note (or, if this Note has been fully repaid, refunded by Holder to Issuer), and the provisions hereof shall be immediately reformed and the amounts thereafter decreased, so as to comply with the then applicable usury law, but so as to permit the recovery of the fullest amount otherwise due under this Note. Any credit or refund shall not cure or waive any default by Issuer under this Note. For the purposes of this paragraph 6, the term applicable law means the laws of the State of Texas, as such laws now exist or may be changed or amended or come into effect in the future.

7. Holder Representations.

(a) This Note is being acquired for Holder's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part hereof in violation of the Securities Act of 1933, as amended (the 1933 Act), and Holder has no present intention of selling, granting any participation in, or otherwise distributing this Note in violation of the 1933 Act.

(b) Holder acknowledges that it can bear the economic risk of complete loss of its investment in this Note and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of the investment in this Note. Holder acknowledges that there are substantial risks incident to the ownership of this Note, and such investment is speculative and involves a high degree of risk of loss by Holder of Holder's entire investment in the Issuer.

(c) Holder has had an opportunity to receive all information related to Issuer requested and to ask questions of and receive answers from Issuer regarding Issuer and its business. Holder has reviewed the reports and other documents filed by Issuer with the Securities and Exchange Commission.

(d) Holder acknowledges and understands that this Note is a restricted security under the 1933 Act.

(e) Holder is an accredited investor as defined by Rule 501 or Regulation D promulgated under the 1933 Act.

8. No Waiver. No extension of time for payment of any amount owing hereunder shall affect the liability of Issuer or any person or entity, now or at any time hereafter, liable for payment of the indebtedness evidenced hereby. No delay by Holder in exercising any power or right hereunder shall operate as a waiver of any power or right hereunder.

9. Attorneys Fees. If any action or proceeding is brought by Holder to enforce payment of this Note, then the prevailing party shall be entitled to recover its reasonable costs and expenses (including without limitation attorneys fees, experts fees, etc.) associated therewith.

10. Waiver of Presentment, etc. Each Issuer, for itself and its respective successors and assigns, hereby expressly waive presentment, demand, protest, notice of protest, dishonor, notice of dishonor and any other notice of any type or nature. No waiver or modification of the terms of this Note shall be valid unless in writing and signed by the holder hereof.

11. Severability. If any provision of this Note is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Note shall remain in full force and effect. Any provision of this Note held invalid or unenforceable only in part or degree shall remain in full force and effect to the extent not held invalid or unenforceable.

12. Time of Essence. Time is of the essence with regard to all dates set forth in this Note.

13. Assignment and Transfer. No Issuer may assign or otherwise transfer its rights or obligations under this Note without the prior written consent of Holder. Any purported assignment or transfer in contravention of this paragraph 13 shall be null and void. Subject to the foregoing, this Note shall be binding upon the successors and assigns of Issuer, and shall inure to the benefit of and be enforceable by the successors and assigns of Holder. Holder agrees that it shall not transfer this Note (a) in violation of the 1933 Act or any state securities laws and (b) unless pursuant to an effective registration statement or an exemption from such registration statement requirements.

14. Governing Law. This Note shall be construed in accordance with and governed by the laws of the State of Texas, without regard to conflict of laws principles.

[signature pages follow]

IN WITNESS WHEREOF, the undersigned have executed this Note as of the date first written above.

CRDENTIA CORP.

By: /s/ James D. Durham

Name:

Title:

BAKER ANDERSON CHRISTIE, INC.

By: /S/ JAMES D. DURHAM

Name:

Title:

NURSES NETWORK, INC.

By: /s/ James D. Durham

Name:

Title:

NEW AGE STAFFING, INC.

By: /s/ James D. Durham

Name:

Title:

PSR NURSES, LTD.

By: PSR Nurses Holdings Corp.

Its: General Partner

By: /s/ James D. Durham

Name:

Title:

PSR NURSE RECRUITING, INC.

By: /s/ James D. Durham

Name:

Title:

PSR NURSES HOLDINGS CORP.

By: /s/ James D. Durham

Name:

Title:

CRDE CORP.

By: /s/ James D. Durham

Name:

Title:

**ARIZONA HOME HEALTH
CARE/PRIVATE DUTY, INC.**

By: /s/ James D. Durham

Name:

Title:

CARE PROS STAFFING, INC.

By: /s/ James D. Durham

Name:

Title:

HIP HOLDING, INC.

By: /s/ James D. Durham

Name:

Title:

**HEALTH INDUSTRY
PROFESSIONALS, L.L.C.**

By: /s/ James D. Durham

Its: Managing Member

By:

Name:

Title:

TRAVMED USA, INC.

By: /s/ James D. Durham

Name:

Title:

PRIME STAFF, LP

By: CRDE Corp.

Its: General Partner

By: /s/ James D. Durham

Name:

Title:

**MINT MEDICAL STAFFING
ODESSA, LP**

By: CRDE Corp.

Its: General Partner

By: /s/ James D. Durham

Name:

Title:

GHS ACQUISITION CORPORATION

By: /s/ James D. Durham

Name:

Title:

STAFF SEARCH ACQUISITION CORP.

By: /s/ James D. Durham

Name:

Title:
