Bankruptcy & DOJ/FBI indictments of Physician Owned Medical Center inconvenienced MiMedx CPM channel stuffing program. MiMedx supplying individuals indicted for kickbacks & fraud!

This report focuses on commercial relationships with currently indicted individuals for fraud with direct trading links with MiMedx and a Physician Owned Distributors in Texas with more to come.

In this report, we detail exactly what MiMedx management withheld about its relationship with CPM Medical & unquestionably evidence physician owned distributors that have sold & are selling MiMedx products, with full references & FDA evidence.

MiMedx’s channel stuffing distributor, CPM Medical, defaulted on its credit terms due to a DOJ/FBI crackdown on a key client, Forest Park Medical Center – a convicted $40M fraudulent kickback scheme.

Viceroy also present indisputable FDA evidence that MiMedx was specifically trading with physician’s spouses – via physician owned/related distributors registered to store MiMedx products ONLY. The Office of the Inspector General for the U.S. Department of Health and Human Services had this to say in a Special Fraud Guidance Alert:

Figure 1 Special Fraud Alert Guidance

Viceroy agree and we previously published how the scheme works and operates at a ground level. Please refer to the diagram below as we continue to expose PODS and related party MiMedx distributors in various states.

Figure 2 Physician Owned Distributor structure as described by former MiMedx employees not currently in lawsuits with MiMedx.

Viceroy will continue to release names of PODs in our next report, including a detailed spreadsheet for ease of reference, where former employees have named specific LLC’s.

1 https://oig.hhs.gov/fraud/docs/alertsandbulletins/2013/pod_special_fraud_alert.pdf
Important Disclaimer – Please read before continuing

This report has been prepared for educational purposes only and expresses our opinions. This report and any statements made in connection with it are the authors’ opinions, which have been based upon publicly available facts, field research, information, and analysis through our due diligence process, and are not statements of fact. All expressions of opinion are subject to change without notice, and we do not undertake to update or supplement any reports or any of the information, analysis and opinion contained in them. We believe that the publication of our opinions about public companies that we research is in the public interest. We are entitled to our opinions and to the right to express such opinions in a public forum. You can access any information or evidence cited in this report or that we relied on to write this report from information in the public domain.

To the best of our ability and belief, all information contained herein is accurate and reliable, and has been obtained from public sources we believe to be accurate and reliable, and who are not insiders or connected persons of the stock covered herein or who may otherwise owe any fiduciary duty or duty of confidentiality to the issuer. We have a good-faith belief in everything we write; however, all such information is presented “as is,” without warranty of any kind – whether express or implied. In no event will we be liable for any direct or indirect trading losses caused by any information available on this report. Think critically about our opinions and do your own research and analysis before making any investment decisions. We are not registered as an investment advisor in any jurisdiction. By downloading, reading or otherwise using this report, you agree to do your own research and due diligence before making any investment decision with respect to securities discussed herein, and by doing so, you represent to us that you have sufficient investment sophistication to critically assess the information, analysis and opinions in this report. You should seek the advice of a security professional regarding your stock transactions.

This document or any information herein should not be interpreted as an offer, a solicitation of an offer, invitation, marketing of services or products, advertisement, inducement, or representation of any kind, nor as investment advice or a recommendation to buy or sell any investment products or to make any type of investment, or as an opinion on the merits or otherwise of any particular investment or investment strategy.

Any examples or interpretations of investments and investment strategies or trade ideas are intended for illustrative and educational purposes only and are not indicative of the historical or future performance or the chances of success of any particular investment and/or strategy.

As of the publication date of this report, you should assume that the authors have a direct or indirect interest/position in all stocks (and/or options, swaps, and other derivative securities related to the stock) and bonds covered herein, and therefore stand to realize monetary gains in the event that the price of either declines.

The authors may continue transacting directly and/or indirectly in the securities of issuers covered on this report for an indefinite period and may be long, short, or neutral at any time hereafter regardless of their initial recommendation.
Bankruptcy & Fraud inconveniently disrupts MiMedx channel stuffing program—
MiMedx & its distributor relationships with Forest Park Medical Practice.

MiMedx have conveniently avoided commentary on its relationship with CPM Medical; distancing itself from the company by going through SLR Medical Consulting: a company owned by a former MiMedx employee. Viceroy will now expose the reason MiMedx shifted “more of its channel stuffing efforts to AvKare and to SLR Medical Consulting”

In court filings, former employees state:

“...significant product discounts as well as exclusive territory rights within Texas, in exchange for CPM Medical placing large orders for MiMedx products at the end of quarters CPM”

So what ruined the CPM Channel Stuffing arrangement? That would be the discovery of serious fraud by the DOJ/FBI at Forest Park Medical Center (FPMC): a physician-owned hospital based in Dallas, where its creators and facilitators (21 of them) have recently been indicted for making $40m of bribes and kickback payments to physicians.

All of the founders at FPMC, including Toussaint and co-defendants Beauchamp, Burt, Barker, and the other founders knew that FPMC would pay surgeons marketing checks in exchange for bringing surgeries, especially lucrative out-of-network surgeries, to FPMC as opposed to other facilities. Beauchamp discussed the details of the payments with each doctor, and he kept tabs on how many surgeries they brought to FPMC. Beauchamp used a metric to calculate the payments based on the surgeons anticipated case volumes at FPMC. The payments quickly grew from $300,000 a month to $1.2 million a month. Beauchamp would update Toussaint and Barker on the bribe payments. Toussaint would often be copied on emails where Barker would ask Beauchamp how much certain doctors were being paid.

To induce patients with both in-network and out-of-network benefits to come to FPMC, and to facilitate the bribe and kickback payments, FPMC systematically waived co-insurance or reduced it to in-network levels. According to Toussaint, this practice was concealed or misrepresented to insurance carriers so they would not refuse to reimburse the hospital. Everyone associated with FPMC, including Beauchamp, Burt, Toussaint, Barker, and the surgeons receiving bribe and kickback payments, knew that FPMC guaranteed patients prior to surgery that they would not pay or would pay only the equivalent of in-network patient-responsibility payments.

It was no surprise to find that MiMedx distributor, CPM Medical LLC were one of FPMC’s largest creditors ($519,254.94) in bankruptcy proceedings resulting from the discovery of major fraud by the US State Attorney General

Figure 3 Extract from US State Attorney’s Office – March 17, 2017

<table>
<thead>
<tr>
<th>Creditor</th>
<th>Location</th>
<th>Type</th>
<th>Amount Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sabra Texas Holdings, LP</td>
<td>Dallas, TX</td>
<td>Landlord</td>
<td>$8,517,302.16</td>
</tr>
<tr>
<td>Vibrant Management</td>
<td>Dallas, TX</td>
<td>Vendor</td>
<td>$866,235.00</td>
</tr>
<tr>
<td>Intuitive Surgical</td>
<td>San Francisco, CA</td>
<td>Vendor</td>
<td>$599,964.68</td>
</tr>
<tr>
<td>CPM Medical LLC</td>
<td>Richardson, TX</td>
<td>Vendor</td>
<td>$519,254.94</td>
</tr>
</tbody>
</table>

Figure 4 FPMC’s four largest creditors

---

2 See report by Aurelius Value for more information in this regard: MiMedx: Flying Too Close to the Sun
4 http://trace.tennessee.edu/cgi/viewcontent.cgi?article=10400&context=utk_studlawbankruptcy
Other FPMC creditors listed by the FDA as storing MiMedx Products. Viceroy have already detailed the links between SLR Medical Consulting and former MiMedx employee Jerry Morrison in our previous reports.

![Figure 5 Extract from FPMC's creditor list](image)

Readers should take note of **Alpha Med Distributors LLC**, as Viceroy will unquestionably prove it is owned by a physician’s wife and registered at the FDA as storing MiMedx product later in this report.

**CPM Medical’s default – the fraudulent scheme at Forest Park Medical Center.**

MiMedx have conveniently avoided commentary on its relationship with CPM Medical and why it had to “shift more of its channel stuffing efforts to AvKare and to SLR Medical Consulting” - as stated in court filings by former employees

> “…significant product discounts as well as exclusive territory rights within Texas, in exchange for CPM Medical placing large orders for MiMedx products at the end of quarters CPM”

CPM Medical was a MiMedx distributor and implicated in court filings as a channel stuffing agent for MiMedx products. They are still considered active in storing MiMedx product by the FDA Database for 2017.

![Figures 6 Human Cell & Tissue Establishment - Public Query](image)

What MiMedx hope investors won’t investigate is the reason for CPM’s default, as identified in the below extract from former MiMedx employee Jess Kruchoski:

> 71. Upon information and belief, CPM Medical defaulted on its line of credit thereafter, causing MiMedix to shift more of its channel stuffing efforts to AvKARE and to SLR Medical Consulting.

---

5 http://bankrupt.com/misc/ForestParkMedical_124_SAL.pdf 6 https://dr201.s3.amazonaws.com/fps/16-40273-rfn-11/dk000079-0000.pdf?AWSAccessKeyId=AKIAJJA7FW4EUJ3WZG4DQ&Expires=1507887298&Signature=3QsAjRoT415D%2BgtWdWOLQb7XYC%3D

6 Palm Beach County Case No: 50-2016-CA-013806-XXXX-MB

7 [www.accessdata.fda.gov](http://www.accessdata.fda.gov)

8 Case No: 50-2016-CA-031806
Investors have been left in the dark as to reasons for CPM’s default: in fact we believe MiMedx would prefer to avoid the issue.

CPM was a major supplier to Forest Park Medical Center, whose default supports Kruchoski’s statement regarding why MiMedx switched to conducting its channel stuffing through SLR and Avkare.

The half a million dollars defaulted by Forest Park Medical effectively ruined the channel stuffing initiatives that MiMedx bestowed upon CPM.

The US State Attorney General’s indictment of Forest Park Medical’s staff was swift, and the business was immediately unsalvageable.

Forest Park Medical doctors, professionals, personnel and associates were indicted for a fraudulent scheme involving kickbacks. As a result, it entered bankruptcy proceedings. CPM’s line through which it could conduct illegal activities was now cut and consequently worthless. As a reminder CPM is or was a Mark Brooks Company and associated with Fuse Medical: another registered supplier of MiMedx.

MiMedx has had a longstanding relationship with Mark Brooks

MiMedx and Mark Brooks’ relationship goes back at least 5 years according to FDA filings. This is separate to his personal relationship with Mike Carlton (Senior VP Global Sales at MiMedx). Mark Brooks, director of MiMedx’s Channel Stuffing accessory CPM Medical, has controlled a number of other entities which are registered as having stock or stocked MiMedx products:

<table>
<thead>
<tr>
<th>Entity Name</th>
<th>FDA Listed Address</th>
<th>Status, last registration year</th>
<th>FDA Human Cell &amp; Tissue Establishment – Product listing</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPM Medical</td>
<td>1565 N. Central, Ste 150, 75080</td>
<td>Active, 2017</td>
<td>AmBioChoice, AmBioChoice Plus, AmnioFix, Epi XL, Allogen, Allogen-LI, Cygnus, Bio Dry Flex and Via Form</td>
</tr>
</tbody>
</table>

Readers, please note that these entities were only registered with the FDA Human Cell & Tissue Establishment to stock MiMedx.
MiMedx cannot deny the veracity of the FDA records: MiMedx had been supplying Mark Brook’s entities for years. Further investigation shows that numerous other entities controlled by physicians or their spouses supply MiMedx products, according to the FDA’s AccessData Website.

This is conclusive, unquestionable evidence that MiMedx distributors have knowingly engaged in substantial fraud two are least are indicted already!

Given the material amount of sales to these distributors, MiMedx management appear to be either complacent with the channel stuffing & kickback programs, by sweeping the issue under the rug.

Mark Brooks and directly MiMedx have other business relationships with indicted Forest Park individuals.

As a reminder to our readers:

> "Medical providers who enrich themselves through bribes and kickbacks are not only perveting our critical health care system, but they are committing a serious crime," said U.S. Attorney John Parker. "Massive, multi-faceted schemes such as this one, built on illegal financial relationships, drive up the cost of healthcare for everyone and must be stopped."

_Figure 8 Extract of US Attorneys Statement_

MiMedx’s associations with Mark Brooks and **indicted** Forest Park individuals doesn’t stop at its creditors. As per SEC filings, Mark Brooks, as disclosed in Fuse Medical SEC Filings filing December 2016, was the sole beneficiary of the Medtech Trust, whose trustee was Medtech of America.

Texas State filings show that Medtech of Americas LLC is **doing business as Medtech Asc Division LLC**

_Figure 9 Extract of State filing page for Medtech of the Americas_

---

10 https://www.sec.gov/Archives/edgar/data/319016/000089924316036392/xslF345X01/doc4.xml
11 https://www.sec.gov/Archives/edgar/data/319016/000119312516807348/d318025dsc13d.htm
12 https://mycpa.cpa.state.tx.us/coa/coaSearch8tn
Medtech of Americas LLC is registered with the FDA, for - you guessed it - the sale of the MiMedx product AmnioFix:

MiMedx are supplying people indicted in the Forest Park Medical Center Fraud. A quick check with the National Provider Identifier (NPI) records, that allocates a unique identifier to healthcare providers, shows that Medtech ASC Division’s [an FDA MiMedx provider/distributor] authorized official is Iris Kathleen Forrest: indicted in the Forest Park Medical Center.

The authorized contact of Medtech of Americas is the indicted Iris Kathleen Forrest. See below:

13 [www.accessdata.fda.gov](http://www.accessdata.fda.gov)
Iris Kathleen Forrest and Israel Ortiz were specifically indicted parties in the US State Attorney’s case against Forest Park Medical Center.

Due to the continued overlap of wrong-doing between MiMedx, its suppliers and employees, we believe the U.S. Attorney John Parker & the FBI will be interested in the significant overlap with Forest Park and MiMedx including CPM medical. To quote Attorney John Parker:

“The FBI will continue to work with our law enforcement partners to identify those who manipulate and defraud our healthcare system and to seek their prosecution.”

The overlap between the companies is no surprise, and directly links registered FDA suppliers with MiMedx including various PODS. Viceroy will be publishing further on this topic in a later report.

The issues for MiMedx and Mark Brooks of FUSE Medical/MiMedx Distributor do not end there. Mark Brooks has partnered with another Indicted individual Israel Ortiz from the Forest Park Medical Fraud.

Israel Ortiz is known to Mimedx as MiMedx have sold product directly to him and is still registered as member manager with the NPI Registry for IO ORTHOPEDIC SYSTEMS LLC. The location is also registered with the FDA for storing products including MiMedx’s Amniofix. We will publish more on Israel Ortiz connections later.

16 Ibid DOJ Statement Ref 11
Viceroy’s list of Texas based PODs (just the start)...hell of a lot more to come

Disc Spine Institute - Alpha Med Distributors LLC

The doctors of the Disc Spine Institute in Texas established Alpha Med Distributors: an FDA Registered MiMedx Distributor and also a registered creditor of Forest Park Medical. A significant individual in Alpha Med Distributors is Jolynn Cavalier under her maiden name.

![Figures 17 Human Cell & Tissue Establishment - Public Query](https://www.accessdata.fda.gov)

**Figure 18 Alpha Med Ownership Structure**

Jolynn Cavalier, a shareholder of Alpha Med Distributors, is married to Disc Spine Institute’s Medical Director, Mark Valente:

![Figures 19 & 20 Wedding registry extract](https://registry.theknot.com)

To recap: MiMedx distributor CPM Medical’s major distributor was selling to what is ostensibly a physician owned Medical Centre, a company indicted for kickbacks and fraud. This network collapsed when FBI & DOJ closed in on the fraud. Consequently MiMedx had to use SLR Medical and AvKare.

---

This is unquestionable evidence that MiMedx is supplying product to PODs/Wives. Mark Valente is an orthopedic surgeon, with specialty in areas utilizing MiMedx products.

---

18 [www.discspine.com](http://www.discspine.com)
19 [www.accessdata.fda.gov](http://www.accessdata.fda.gov)
4311 Verde Lane – MiMedx in the house (literally)

Residential property 4311 Verde Lane is a hub for MiMedx distributors registered by Natalie Burt (née Sachse).

<table>
<thead>
<tr>
<th>Establishment Name and Location</th>
<th>Establishment Name and Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Status: Inactive</td>
<td>Current Status: Registered</td>
</tr>
<tr>
<td>Last Annual Registration Year: 2016</td>
<td>Last Annual Registration Year: 2015</td>
</tr>
<tr>
<td>FDA Establishment Identifier (FEI): 3011582310</td>
<td>FDA Establishment Identifier (FEI): 301052608</td>
</tr>
<tr>
<td>Establishment Name: THREE60 Ortho, LLC</td>
<td>Establishment Name: Alpha Med Distributors, LLC</td>
</tr>
<tr>
<td>Address: 4311 Verde Ln</td>
<td>Address: 4311 Verde Ln</td>
</tr>
<tr>
<td>City: Fresno</td>
<td>City: Fresno</td>
</tr>
</tbody>
</table>

Figure 21 FDA Registration of MiMedx Product

SmartSurg Medical Supply and the aforementioned Alpha Med Distributors are all listed on the FDA’s Human Cell & Tissue database as being active and holding MiMedx stock, and THREE60 Ortho was deregistered only last year23. This corroborates Aurelius Value’s claims that MiMedx products are being stored in residential homes, contrary to MiMedx assertions.

However of interest is Spi-Nu Beginnings Dallas, where Natalie Burt (née Sachse) is registered along with two doctors: Vishal Patel and Venkat Sethuraman.

Figure 22 Natalie Burt corporate tree24

Former employees have informed Viceroy that these two doctors operate MiMedx POD’s: Spi-Nu Beginnings Dallas LLC and Natalie Burt (née Sachse) connections certainly raise questions, as she was involved in Alpha Med distributor as well – but as below. Viceroy will be coming back to this item in another report.

Spi-Nu Beginnings Dallas appears to be a joint venture between Natalie Burt and two orthopedic surgeons; Dr Venkat Sethuraman25 employed/consulting at Spine Physicians Institute & Dr Vishal Patel26 employed at the DFW Spine Center. The same: We shall come back to the DFW Spine Center in another report.

Natalie Burt is in business with not one but two orthopedic surgeons AND Mark Brooks selling MiMedx products from a home and associated with Alpha Med Distributors owned by the wife of a physician (Dr Mark Valente) and previously registered as a MiMedx FDA registered store.

---

23 [www.accessdata.fda.gov](http://www.accessdata.fda.gov)
24 [https://www.corporationwiki.com/p/2gl7oi/spi-nu-beginnings-dallas-llc](https://www.corporationwiki.com/p/2gl7oi/spi-nu-beginnings-dallas-llc)
26 [http://profiles.utsouthwestern.edu/profile/67937/vishal-patel.html](http://profiles.utsouthwestern.edu/profile/67937/vishal-patel.html)
A Lone Star Pharmacy – Another POD?
Inverness Lone Star Pharmacy is available here - http://invernesslonestar.com/ and supplies amongst other things wound care products, although not specifically listing the products. Checks with the FDA on the Pharmacy Zipcode reveal ‘No records found’ for the pharmacy post code: available here: 75094

![Figure 23 FDA data Base](image)

However, company searches show the pharmacy individuals involved with Sands Interests LLC27

![Figure 24 Sands Interest LLC association with Inverness Lone Star Pharmacy LLC](image)

**FDA Records show MiMedx selling to Sands Interest LCC and not Inverness Lone Star Pharmacy?**

FDA’s Human Cell & Tissue data base records show MiMedx products but not at the pharmacy address!

![Figure 25 FDA Record showing storage of MiMedx product](image)

Note that while Sands Interests LLC is still active but not registered on the FDA website as storing MiMedx products now, they were up to 2014.

---


28 [https://mycpa.cpa.state.tx.us/coa/search.do?userType=public](https://mycpa.cpa.state.tx.us/coa/search.do?userType=public)
Summary
Firstly, we would like to address that the physician owned and related party distributor LLC’s are not established in ignorance.

A number of physicians appear to consciously cover their tracks by creating new entities every few months or years, however a reconciliation by registered address and name of agent shows they are indeed the same operations.

MiMedx product were distributed on a large scale in the state of Texas by companies owned by or associated with Mark Brooks including indicted individuals Iris Forrest and Israel Ortiz. These individuals were undeniably involved with an indicted $40m kickback scheme: Forest Park Medical Center. Likewise, the default on CPM Medical for 1/2 Million dollars should not be ignored.

We have subsequently filed our evidence including an excel document of LLC’s former employees have identified as PODS, which we shall be publishing shortly.

Some of these entities are still active and operational including CPM Medical and heavily involved with MiMedx sales and operations.

Viceroy question the quality of sales to such entities whose purpose is ostensibly to provide kickbacks and facilitate channel stuffing. Viceroy believes that MiMedx’s management is actively aware and complicit in these arrangements and encourage investors to question the company on this line of inquiry.

The staunch denial of our evidence by MiMedx management indicate that they are uninterested in investigating these allegations. As such, we believe channel stuffing and kickback schemes are being conducted in FULL KNOWLEDGE of management.
A friendly reminder from Viceroy & the HHS OIG

Viceroy remind readers that the sale of medical products for profit is not a civil matter – it’s criminal.

The most significant federal violation MiMedx committed (as far as the SEC & DOJ would be concerned) is its disregard for laws against channel stuffing and physician enticements.

MiMedx is simply uninvestable, analysts and investors would be wise to consider the following:

1. New correspondence from MiMedx employees in the public domain are consistent with and support the previous channel stuffing allegations brought by former employees. Including additional concerns about failing to make end of quarters if channel stuffing does not happen.
2. Despite the company admitting in its own words they did not think the SEC subpoena was material, but now do think its material enough to disclose it, MiMedx have failed to file its 8-K.
3. The company refuses to make public the channel stuffing report it was allegedly exonerated in - if MiMedx make public the report, we will release correspondence showing this investigation was wholly flawed.
4. The company plays down its relationships with distributors, that former employees and Viceroy have specifically identified as placing large orders conveniently at the end of quarters for the benefit of MiMedx accounts.

We have filed the information with regulators including evidence we are restricted in publishing to avoid exposing the identity of former employees.

Specifically in our last piece, we highlighted how the scheme works after interviewing former Employees. MiMedx have resorted to throwing employees under the bus and are desperately quoting items from a confidentially marked report where current employees conveniently admit to lying.