

MiMedx's Channel-Stuffing: Hard Evidence

Viceroy has previously published on MiMedx detailing its dubious hiring practices, connections to related party employee owned distributors, improper government filings and undisclosed SEC investigation.

Following publication of our first report, MiMedx held an investor conference call on September 21st where management knowingly made false statements to their investors and the general public. MiMedx published a rebuttal to Viceroy's second report, which is posted to **the front page of the MiMedx website, linked to a Box account, and not on company letterhead.**

We believe this represents a misaligned focus between the organization's strategy in crisis control and Pete Petit's systematic attempts to clear his name and slander Viceroy's investigations.

Many former MiMedx employees that are not in legal conflict with MiMedx have reached out to Viceroy to provide information and corroboration of our investigations. All whistleblowers are extremely fearful of **physical and legal** retribution from MiMedx. They have provided us with images, statements and further information about the company's channel stuffing practices, executive impropriety and lack of disclosure.

We have steered these former employees towards the SEC (and in instances, to protective law enforcement) with their evidence, which we will present on their behalf in this report where it does not compromise their identity.

As MiMedx management seems incapable of coming clean, Viceroy will continue to publish its findings and the information provided to us by former employees in a series of shorter articles.

Viceroy have come into possession of photographic evidence of MiMedx's channel stuffing practices, which we will detail in this piece.

Viceroy's previous reports detailing fundamental issues within MiMedx (NASDAQ: MDXG) can be read here:

Part 1: <https://viceroyresearch.org/2017/09/20/mimedxs-nasdaqmdxg-employment-of-kickback-bribery-scheme-inducers-makes-it-uninvestable/>

Part 2: <https://viceroyresearch.org/2017/09/26/the-same-old-story-mimedxs-response-is-typical-of-companies-trying-to-cover-their-tracks-and-is-unacceptable/>

More to come.

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Evidence of Channel Stuffing

Viceroy has obtained from a former employees images of EpiFix grafts that have been stuffed into a VA Hospital. A sample image is found in Figure 1 below.

EXIF data from the images confirm they were taken at VA facilities and the date of their creation is just before the end of a financial quarter.

The original version of these images, along with additional statements by the former employees, have been passed onto the SEC.



Figure 1 Sample photo of MiMedx products used channel stuffed at VA facility¹

The total cost of these products is calculated below:

Name	Item Number	Number	Unit price	Total
EpiFix 7 x 7	GS-5770	22	\$ 6,685	\$ 147,070
Unknown	Unknown	X	\$ X	~\$35,000
			\$	182,070

Figure 2 Viceroy calculations of channel stuffed products value on Figure 1 (above)

Viceroy made enquiries with the VA facility who confirmed that at any one time they would only typically expect to have (or expect to have) **only \$20,000 worth of MiMedx products on hand. The value of the products in Figure 2 above is almost 10 times that amount.**

¹ Note: We have blurred serial numbers, barcodes, and expiry dates to avoid identification of former employees by MiMedx.

Why is this VA freezer 917~900% overstocked just days from the end of a financial quarter?

According to our source these EpiFix products would later be **funneled back to the company after the end of the reporting quarter**. Notice as well that for this photo to be taken, a MiMedx staff member would have to have had access to the VA inventory storage as well as the ability to place large amounts of product.

NEW Whistleblower allegations

Numerous former employees have bravely come forward detailing the structure and individuals behind the channel stuffing practices at MiMedx. One source referred us to the case of the Anthrocare and Discocare² fiasco whereby **channel stuffing was facilitated through an ex-employee owned business**. In the former employee's own words:

"That's exactly what MiMedx does. Exactly. It's exactly [the] MiMedx business model."
– Former MiMedx Employee

Not only are those within the organization aware of what is going on, they're also clearly aware of the consequences of such practices.

As we have detailed above, MiMedx has cut out the middle man by using not only former employees but also current employees to form what are ostensibly related party distributorships. Petit's statement that there exists only one such company is obviously false.

Viceroy have been informed by former MiMedx employees that:

- **Lou Roselli**, MiMedx Associate Vice President, is the **organizer of channel stuffing at a corporate level**. This was corroborated by multiple former employees. This brings into concern his previous role as Director of Sales Operations & National Director of Federal Sales and his current role in light of the evidence in this report.



Figure 3 & 4 Extract from Lou Roselli's LinkedIn profile³

² <https://www.justice.gov/opa/pr/former-ceo-arthrocare-corporation-convicted-orchestrating-750-million-securities-fraud-scheme>

³ <https://www.linkedin.com/in/louroselli/>

- Channel stuffing occurs across the entire organization at both corporate, clinic and VA, sales systems.
- Frank H Braly, MiMedx Regional Sales Director, **sets up POD (Physician Owned Distributorship) and healthcare MSO (Management Services Operation) operations**, sells EpiFix injections to doctors and directs them to conduct office injections of EpiFix.



Figure 5 Extract from Frank H Braly's LinkedIn profile⁴

Conclusion

The SEC has been provided with photographic evidence of MiMedx's channel stuffing to the tune of more than 9 times what a customer would ordinarily hold. Viceroy is certain that such a push will occur again in December considering the rapidly dropping value of MiMedx management's equity. We advise investors to ask, and MiMedx to answer, for the independent review Parker "Pete" Petit claims is public but was classed as confidential in an SEC correspondence⁵. The public availability of this report was categorically proven to be a lie.

We will continue to publish information on MiMedx and the fundamental flaws in its business, stay tuned.

⁴ <https://www.linkedin.com/in/frank-braly-a5992333/>

⁵ <https://www.sec.gov/Archives/edgar/data/1376339/000137633917000066/filename1.htm>