

MiMedx 2016 Ortho Sales Reports: Read 'em & weep...

Viceroy releases MiMedx sales records that directly contradict company statements.

MiMedx, which department will Viceroy expose next?

This report is primarily concerned with a 2016 MiMedx document showing sales targets and figures. This document can be found at the end of this report and is labelled Appendix 1.

MiMedx has increasingly come under pressure from both analysts and short sellers over the past month. The market is waking up to find MiMedx's closet of skeletons quickly spilling open. Dubious hiring practices, physician owned distributors, employee owned distributors and poor corporate governance are all coming into focus. The spectre of action by the United States Department of Justice, Office of the Inspector General of Veteran's Affairs and the Securities and Exchanges Commission now hangs over the company.

Viceroy has obtained documents from former MiMedx employees detailing sales targets and historical figures broken down by distributor. The information directly contradicts statements made by MiMedx. Viceroy believes that MiMedx has systematically and deliberately misled investors and stakeholders and has forwarded this information to the relevant authorities.

Here are only some of the statements from MiMedx that Viceroy will prove to be blatant lies today.

Viceroy Claim:

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

MiMedx:

Viceroy again makes a FALSE statement. **FDA tissue establishment records do not show proof of selling product.** These registrations list products, but do **NOT** show from whom the business entity procured the product. Again, Viceroy is trying to create something out of nothing.

Aurelius Claim:

"Evidence also points to related party dealings involving a distributor named Spinelogix. **MiMedx's current Texas Regional Sales Director is listed in corporate records as being a partner with SpineLogix in a different LLC named StreamLogix, indicating that a financial relationship exists.**"

MiMedx:

This is a false statement. Spine Logix is **not**, presently or previously, a distributor for MiMedx. **We have not sold product to them.** They are a Sales Agent for MiMedx, meaning they represent us in certain accounts, and then **MiMedx sells directly to those accounts** and pays Spine Logix a commission.

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

Viceroy's previous reports can be found at: www.viceroyresearch.org

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Ortho Distributors: The Smoke

MiMedx has issued a veritable slew of responses to researchers who date point out the company's flaws: Viceroy Research, Aurelius Value, Marc Cohodes, Citron Research, the Capitol Forum and a respectable analyst. Files obtained by Viceroy Research show that within these responses MiMedx has presented blatant falsehoods to the market.

The sales records and forecasts by distributors (found in **Annexure 1**) were not dated, however due to the presence of Q1 sales from Spine Logix LLC which was formed on 23 September 2015 and MiMedx's financial year following the calendar we can safely assume the year in question is 2016.

SLR Medical: the Lions Share – by current employees Mr Frank Braly, Todd Marshall & 'Jerry Morrison'

As we have detailed previously: SLR Medical Consultants LLC is operated by former MiMedx employee Jerry Morrison, who we consider employed because of the association. Viceroy has presented evidence in prior reports which strongly suggests SLR was in operation selling MiMedx products while Morrison was still an employee of MiMedx. What we were not expecting is the **sheer volume of product that moves through SLR Medical: SLR Medical is the largest account by far!**

	Q1 ORTHO	Q2 ORTHO	Q2/Q1 GROWTH	Q3 ORTHO	Q3/Q2 GROWTH	Q4 QTD ACTUAL	Q4/Q3 GROWTH
ORTHO TOTAL	\$ 1,173,642	\$ 2,581,291	120%	\$ 3,105,279	20%	\$ 4,320,577	39%
TODD MARSHALL	\$ 207,791	\$ 216,257	4%	\$ 250,221	16%	\$ 396,168	58%
SLR DISTRIBUTOR						\$ 17,125	
FRANK BRALY	\$ 136,757	\$ 1,470,258	975%	\$ 1,754,145	19%	\$ 2,235,103	27%
SLR DISTRIBUTOR		\$ 685,958		\$ 822,963	20%	\$ 988,390	20%
SLR MEDICAL CONSULTING, LLC		\$ 119,314		\$ 140,143	17%	\$ 181,669	30%

Figure 1 Extract from MiMedx sales document figures

Further Todd Marshall's only sales to SLR Distributor occur in the 4th quarter, **but Braly is a different story!**

Viceroy question the distinction made between "SLR Distributor" and "SLR Medical Consulting" both of which generated considerable sales. **By MiMedx's own admission:**

One of the principles of SLR is a former MiMedx employee. After the CPM contract ended, he left the company to join his fiancé (now wife) who previously managed the distributorship. SLR then became the MiMedx distributor in the Texas territory and replaced CPM. There was no contract or sales between SLR and MiMedx while the principle of SLR was an employee.

Figure 2 Extract MiMedx response dated 29 September 2017

What is the distinction between SLR Distributor and SLR Medical Consulting LLC?

Why are sales representatives in Ohio and Arizona making Q4 sales to a Texas distributor?

SpineLogix LLC – MiMedx: “We have not sold product to them”

*StreamLogix LLC own and control SpineLogix LLC: we will refer to the two interchangeably.

Viceroy has previously detailed the activities of SpineLogix LLC. As a reminder Streamlogix/Spinelogix are operated by Frank Braly: the current Regional Sales Director is working at MiMedx whilst Spinelogix is selling only MiMedx products. In their response MiMedx claimed:

8. Aurelius Claim:
 “Evidence also points to related party dealings involving a distributor named Spinelogix. MiMedx’s current Texas Regional Sales Director is listed in corporate records as being a partner with SpineLogix in a different LLC named StreamLogix, indicating that a financial relationship exists.”

MiMedx:

This is a false statement. Spine Logix is not, presently or previously, a distributor for MiMedx. We have not sold product to them. They are a Sales Agent for MiMedx, meaning they represent us in certain accounts, and then MiMedx sells directly to those accounts and pays Spine Logix a commission.

Figure 3 Extract MiMedx response dated 29 September 2017

We wonder how well that statement holds up in the face of the following.

	Q1 ORTHO	Q2 ORTHO	Q2/Q1 GROWTH	Q3 ORTHO	Q3/Q2 GROWTH	Q4 QTD ACTUAL	Q4/Q3 GROWTH
FRANK BRALY	\$ 136,757	\$ 1,470,258	975%	\$ 1,754,145	19%	\$ 2,235,103	27%
SLR DISTRIBUTOR		\$ 685,958		\$ 822,963	20%	\$ 988,390	20%
SLR MEDICAL CONSULTING, LLC		\$ 119,314		\$ 140,143	17%	\$ 181,669	30%
SPINE AGENTS		\$ 231,740		\$ 208,540	-10%	\$ 230,835	11%
DEAN HULETT LLC	\$ 1,095	\$ 3,785	246%	\$ 10,900	188%	\$ 1,195	-89%
DESHOTELS & ASSOC	\$ 2,800	\$ 9,040	223%	\$ 10,280	14%	\$ 12,960	26%
FRANK BRALY	\$ -	\$ 8,350		\$ -	-100%	\$ 4,510	
INMOTION MEDICAL RESRCES LLC	\$ 55,584	\$ 94,923	71%	\$ 154,554	63%	\$ 227,502	47%
K&K CONSULTING	\$ 52,141	\$ 143,995	176%	\$ 110,665	-23%	\$ 65,201	-41%
MAX SPINE, LLC	\$ -	\$ -		\$ 180,825		\$ 261,225	44%
REDMED, INC	\$ 1,496	\$ 15,140	912%	\$ 13,460	-11%	\$ 24,145	79%
SPINE LOGIX LLC	\$ 23,641	\$ 158,015	568%	\$ 80,490	-49%	\$ 64,272	-20%
VACANT	\$ -	\$ -		\$ 19,527		\$ 6,809	-65%
AMNIOGENIC SOLUTIONS, LLC	\$ -	\$ -		\$ 1,800		\$ 158,144	8686%
R&B MEDICAL	\$ -	\$ -		\$ -		\$ 747	
STINGRAY MEDICAL LLC	\$ -	\$ -		\$ -		\$ 7,500	

Figure 4 Extract from MiMedx sales document figures

SpineLogix is consistently a significant customer in Frank Braly’s distributorship channel.

Clearly MiMedx are being disingenuous when they claim that they “have not sold product to them”. Viceroy does not believe that the sums above represent commissions: we believe they are payment for sales to an employee owned business.

Viceroy reiterate our evidence-backed belief that SpineLogix were one of numerous entities involved in channel stuffing & facilitating improper revenue recognition by MiMedx. In light of the denials of any association or sales, management must seriously reconsider its disingenuous responses to short seller reports.

Why is SpineLogix being listed as a sales account when MiMedx claims to only “[pay] Spine Logix a commission”?

Why do MiMedx’s sales figures disagree with statements made by the company regarding its relationship with employee-owned distributors?

Sands Interests LLC – MiMedx: Viceroy ‘Do not show proof’

Viceroy have previously detailed a relationship between MiMedx and the Inverness Lone Star Pharmacy which is controlled by Sands Interest LLC. MiMedx’s response was extremely defensive, without explicitly saying that they did no business with them.

8. Viceroy Claim:
“FDA Records show **MiMedx selling to Sands Interest LCC** and not Inverness Lone Star Pharmacy?”

MiMedx:
Viceroy again makes a FALSE statement. **FDA tissue establishment records do not show proof of selling product.** These registrations list products, but do **NOT** show from whom the business entity procured the product. Again, Viceroy is trying to create something out of nothing.

Figure 5 Extract MiMedx response dated 29 September 2017

ROBYN SCOTT	\$	132,118	\$	206,382	56%	\$	221,414	7%	\$	492,532	122%
SLR MEDICAL CONSULTING, LLC	\$	36,311	\$	119,314	229%	\$	140,143	17%	\$	181,669	30%
J2 MEDICAL SERVICES MGMNT	\$	4,014	\$	9,438	135%	\$	12,314	30%	\$	9,844	-20%
SANDS SURGICAL LLC	\$	85,807	\$	73,639	-14%	\$	57,675	-22%	\$	119,730	108%

Figure 6 Extract from leaked MiMedx sales figures

We tip our hats to MiMedx’s here for preventing an outright rejection of the notion that MiMedx sells to Sands Interest LLC. Sands Surgical LLC is **clearly** an alternate trading name for Sands Interests LLC. Don’t take our word for it:

Company Profile	
Industry:	Nonclassifiable Establishments
Doing business as:	Sands Interests, LLC Sands Surgical, LLC Sands Ventures, LLC
Registration:	Apr 15, 2008
State ID:	0800964977
Business type:	Domestic Limited Liability Company (LLC)
Members (2):	Michael Sands (MEMBER, Member), 7614 Currin Drive, Dallas, TX 75230 > (/ng/org-address/150761191-2818152_7614+Currin+Drive-5cbc7) Steve Sands (MEMBER, Member), 7614 Currin Drive, Dallas, TX 75230 > (/ng/org-address/150761191-2818152_7614+Currin+Drive-5cbc7)

Figure 7 Sands interests LLC trading name list.¹

MiMedx go to great lengths to suggest that we were “*trying to create something out of nothing*”, **when in fact they do a significant amount of business with the company!** The net is tightening.

Viceroy believe it’s time for plea deals before jail time is handed out! (Hat tip Andrew Left: Citron Research).

¹ <https://bizstanding.com/p/sands+interests+llc-150761191>

Summary

Viceroy sincerely believe that MiMedx will run out of time before we run out of evidence. If it's so simple for Viceroy to work out the trail of evidence, the regulators are having a proverbial field day! Once again, we immediately call for the dismissal or resignation of Pete Petit for either misleading the board or being instrumental in the cover up and making false and misleading investments to investors.

We believe the level of denial displayed by MiMedx management has made it clear that honest and proper disclosure will not be forthcoming. This is reminiscent of the events at Anthrocare whose CEO was recently convicted of securities fraud.

Evidence at trial demonstrated that Baker, along with his co-conspirators, masterminded and executed a scheme to artificially inflate sales and revenue through a series of end-of-quarter transactions involving several of ArthroCare's distributors beginning in 2005 and continuing until 2009. Co-

Figure 8 Extract from Department of Justice Release "Former CEO of Arthrocare Corporation Convicted for Orchestrating \$750 Million Securities Fraud Scheme"²

We believe MiMedx management will be facing jail time in light of recent events especially given the company's misleading statements to shareholders.

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

Appendix 1: MiMedx Sales Document

Ortho Forecast Template							
	Q1 ORTHO	Q2 ORTHO	Q2/Q1 GROWTH	Q3 ORTHO	Q3/Q2 GROWTH	Q4 QTD ACTUAL	Q4/Q3 GROWTH
ORTHO TOTAL	\$ 1,173,642	\$ 2,581,291	120%	\$ 3,105,279	20%	\$ 4,320,577	39%
AMY POWERS	\$ 143,850	\$ 187,745	31%	\$ 187,837	0%	\$ 273,820	46%
SLR DISTRIBUTOR						\$ 8,050	
SPINE AGENTS						\$ 17,180	
AMY POWERS	\$ -	\$ -		\$ 4,500		\$ -	-100%
KC BIOMEDICAL	\$ -	\$ 9,879		\$ 9,903	0%	\$ 20,383	106%
MAC MEDICAL, INC	\$ -	\$ 12,924		\$ 10,212	-21%	\$ 28,246	177%
MEYER MEDICAL	\$ 134,290	\$ 148,036	10%	\$ 149,522	1%	\$ 155,844	4%
SOUTHWEST FLOMED	\$ -	\$ 3,293		\$ 5,980	82%	\$ -	-100%
TOTAL ORTHO OF UTAH	\$ -	\$ 11,294		\$ 950	-92%	\$ 18,402	1837%
OMO INC	\$ -	\$ -		\$ 4,520		\$ 17,714	292%
DELONEY CONSULTING GROUP	\$ 9,560	\$ -	-100%	\$ 2,250		\$ 8,002	256%
VACANT	\$ -	\$ 2,321		\$ -	-100%	\$ -	
CHRIS CORWIN	\$ 200,857	\$ 276,318	38%	\$ 340,810	23%	\$ 403,758	18%
ABSOLUTE MEDICAL	\$ 150,426	\$ 234,746	56%	\$ 257,890	10%	\$ 291,491	13%
ATTERO SURGICAL	\$ 31,355	\$ 13,991	-55%	\$ 15,075	8%	\$ 32,717	117%
BAMEDICAL LLC	\$ 7,021	\$ -	-100%	\$ -		\$ -	
BIOMED INNOVATIVE CONSULTANT	\$ 12,055	\$ 13,594	13%	\$ 43,172	218%	\$ -	-100%
CHRIS CORWIN	\$ -	\$ (5,495)		\$ 335	-106%	\$ 1,900	467%
DANICO HEALTHCARE	\$ -	\$ 14,432		\$ 22,804	58%	\$ 38,576	69%
VACANT	\$ -	\$ 5,050		\$ 1,200	-76%	\$ -	-100%
PARAGON ASSOCIATES	\$ -	\$ -		\$ 335		\$ 39,074	11564%
FRANK BRALY	\$ 136,757	\$ 1,470,258	975%	\$ 1,754,145	19%	\$ 2,235,103	27%
SLR DISTRIBUTOR		\$ 685,958		\$ 822,963	20%	\$ 988,390	20%
SLR MEDICAL CONSUTLING, LLC		\$ 119,314		\$ 140,143	17%	\$ 181,669	30%

SPINE AGENTS		\$ 231,740		\$ 208,540	-10%	\$ 230,835	11%
DEAN HULETT LLC	\$ 1,095	\$ 3,785	246%	\$ 10,900	188%	\$ 1,195	-89%
DESHOTELS & ASSOC	\$ 2,800	\$ 9,040	223%	\$ 10,280	14%	\$ 12,960	26%
FRANK BRALY	\$ -	\$ 8,350		\$ -	-100%	\$ 4,510	
INMOTION MEDICAL RESRCES LLC	\$ 55,584	\$ 94,923	71%	\$ 154,554	63%	\$ 227,502	47%
K&K CONSULTING	\$ 52,141	\$ 143,995	176%	\$ 110,665	-23%	\$ 65,201	-41%
MAX SPINE, LLC	\$ -	\$ -		\$ 180,825		\$ 261,225	44%
REDMED, INC	\$ 1,496	\$ 15,140	912%	\$ 13,460	-11%	\$ 24,145	79%
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VACANT	\$ -	\$ -		\$ 19,527		\$ 6,809	-65%
AMNIOGENIC SOLUTIONS, LLC	\$ -	\$ -		\$ 1,800		\$ 158,144	8686%
R&B MEDICAL	\$ -	\$ -		\$ -		\$ 747	
STINGRAY MEDICAL LLC	\$ -	\$ -		\$ -		\$ 7,500	
do not use - GREGG KNAPLUND	\$ 43,181	\$ 80,230	86%	\$ 90,652	13%	\$ 156,600	73%
ALASKA ADVANCED DME	\$ -	\$ 830		\$ 5,060	510%	\$ 36,325	618%
KUIIU MEDICAL	\$ -	\$ 1,075		\$ 32,469	2920%	\$ 25,845	-20%
NW SURGICAL SYSTEMS LLC	\$ -	\$ -		\$ 8,110		\$ -	-100%
SAURA MEDICAL	\$ 18,160	\$ 15,275	-16%	\$ 18,055	18%	\$ 26,949	49%
TL MEDICAL GROUP, LLC	\$ -	\$ 1,000		\$ 11,800	1080%	\$ 7,035	-40%
VACANT	\$ 25,021	\$ 57,425	130%	\$ 14,608	-75%	\$ 60,446	314%
PERFORMANCE MASTERY CONSULT	\$ -	\$ -		\$ 550		\$ -	-100%
MEDAXIS SOLUTIONS LLC	\$ -	\$ 4,625		\$ -	-100%	\$ -	
MIKE HARKINS	\$ 293,154	\$ 973,640	232%	\$ 829,763	-15%	\$ 749,330	-10%
SPINE AGENTS		\$ 653,085		\$ 459,067	-30%	\$ 282,104	-39%
ARTHOMED	\$ 282,460	\$ 306,030	8%	\$ 351,191	15%	\$ 427,964	22%
ARTHOMED - DIST	\$ 9,345	\$ -	-100%	\$ -		\$ 1,200	
MIKE HARKINS	\$ -	\$ 14,525		\$ 1,400	-90%	\$ 20,271	1348%
VACANT	\$ 1,350	\$ -	-100%	\$ 1,350		\$ -	-100%
VANDELAY V2, LLC	\$ -	\$ -		\$ 16,755		\$ 17,792	6%
ROBYN SCOTT	\$ 132,118	\$ 206,382	56%	\$ 221,414	7%	\$ 492,532	122%
SLR MEDICAL CONSUTLING, LLC	\$ 36,311	\$ 119,314	229%	\$ 140,143	17%	\$ 181,669	30%
J2 MEDICAL SERVICES MGMNT	\$ 4,014	\$ 9,438	135%	\$ 12,314	30%	\$ 9,844	-20%
SANDS SURGICAL LLC	\$ 85,807	\$ 73,639	-14%	\$ 57,675	-22%	\$ 119,730	108%
TRAVIS WILLIAMS	\$ -	\$ -		\$ 2,617		\$ -	-100%

ROBYN SCOTT	\$ 5,987	\$ 3,991	-33%	\$ 3,046	-24%	\$ 81,526	2577%
BACKBONE HOLDING LLC	\$ -	\$ -		\$ 5,620		\$ 23,605	320%
VERITEX SPINE, LLC	\$ -	\$ -		\$ -		\$ 2,800	
EMI, LLC	\$ -	\$ -		\$ -		\$ 59,995	
PACWEST MEDICAL, LLC	\$ -	\$ -		\$ -		\$ 11,250	
BIG G MEDCO LLC	\$ -	\$ -		\$ -		\$ 2,115	
SEAN CRONIN	\$ 15,936	\$ 55,286	247%	\$ 98,045	77%	\$ 143,386	46%
CLOVER MEDICAL LLC	\$ -	\$ 2,590		\$ 12,429	380%	\$ 590	-95%
INNOVA - SG CORP	\$ 8,771	\$ 23,440	167%	\$ 51,661	120%	\$ 43,974	-15%
PURE MEDICAL, LLC	\$ 1,175	\$ 22,076	1779%	\$ 22,251	1%	\$ 20,240	-9%
SEAN CRONIN	\$ 900	\$ 225	-75%	\$ -	-100%	\$ 750	
STREZ, INC	\$ 1,890	\$ 2,010	6%	\$ 2,990	49%	\$ 26,684	792%
SURGICAL SOLUTIONS	\$ -	\$ 725		\$ 7,090	878%	\$ 1,988	-72%
VOELPEL BUSINESS CONSULTING	\$ 3,200	\$ 4,220	32%	\$ 900	-79%	\$ -	-100%
DJD MEDICAL INC	\$ -	\$ -		\$ 725		\$ 45,205	6135%
VRSALGXx LLC	\$ -	\$ -		\$ -		\$ 3,955	
TODD MARSHALL	\$ 207,791	\$ 216,257	4%	\$ 250,221	16%	\$ 396,168	58%
SLR DISTRIBUTOR						\$ 17,125	
AMERICAN MEDICAL MGMNT	\$ 109,265	\$ 101,038	-8%	\$ 95,953	-5%	\$ 134,603	40%
MATI MEDICAL	\$ -	\$ -		\$ 31,582		\$ 26,882	-15%
ORTHOSPORT SOLUTIONS LLC	\$ -	\$ 4,512		\$ 12,408	175%	\$ 10,152	-18%
PATRIOT MEDICAL, LLC	\$ (4,460)	\$ 9,000	-302%	\$ -	-100%	\$ -	
VERSA MED, LLC	\$ 102,986	\$ 101,708	-1%	\$ 106,718	5%	\$ 192,652	81%
TODD MARSHALL	\$ -	\$ -		\$ -		\$ -	
VERSA MEDICAL PRODUCTS, LLC	\$ -	\$ -		\$ -		\$ 5,474	
ME MEDICAL, LLC	\$ -	\$ -		\$ 3,560		\$ 9,280	161%