

“The same thing happened at Matria”

Pete Petit would like us to examine his track record of running public companies. We find that Pete and his close-knit board & management has a tendency to run them into the ground.

Cohodes is not calling some of our current employees trying to bolster his incredible sources. You all know that I've been Chairman, CEO for public companies now for 36 years and no one respect very much laws and regulations of this country. I'm a person of honesty and integrity as our other executives in this company. We always strive doing the right thing, which is sometimes not the easiest thing. If we were dishonest that trade would [indiscernible] service years and years ago. Your executives reported branches are not fearful of the regulatory view that is currently taken place by the Securities and Exchange Commission. We look forward to completing this investigation by the Commission and clearing on all these matters. Now again I remind you of the qui tam lawsuit was filed against MiMedix and resulted in Department of Justice investigation of the company, 3 years ago.

Figure 1 Extract from Conference Call Transcript (S&P) - Oct 27, 2017

While we prepare a report which will expose numerous MiMedx PODs, we will share a quick history of MiMedx's track record:

This report concerns MiMedx directors Parker “Pete” H Petit, Debbie Dean and Joseph “Joe” G Bleser and their previous positions at other Petit companies; Healthdyne Inc., Healthdyne Information Enterprises (HIE), Healthdyne Maternity Management (HMM) and Matria Healthcare.

The events detailed in this report resulted in a catastrophic collapse of Matria's share price due to earnings downgrades and revision of future performance.

MiMedx will surely be quick to point out that the suit was defeated however this did not prevent shareholders in Matria Healthcare from losing millions to Petit & Friends' self-serving actions.

A shareholder lawsuit was filed against Petit and others alleging that:

1. Information regarding Matria's IT system's shortcomings was withheld from shareholders
2. Petit controlled the company during a time in which he was in no position to do so: failing to disclose these facts to shareholders.
3. Petit ignored counsel from senior staff in favour of purchasing an inappropriate IT solution from a company in which he had an interest.
4. The above was done after consultation from another Petit-controlled entity
5. Petit and others conspired to artificially support and inflate Matria's stock price in order to secure performance incentives including forgiveness of loans.

The events above are pertinent as they not only involve Petit but also MiMedx board member Joseph G Bleser and Debbie Dean. Viceroy finds it nigh-impossible for these two individuals to be unaware of the nature of the events that transpired at Matria under Petit's stewardship.

After being the target of a short report from Off Wall Street, Matria was eventually sold at well-below its peak price in 2008. The acquirer sold the business in 2014 for a 50% haircut.

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.

Matria's history and legal woes

Matria healthcare was home to many of MiMedx's current board of directors and executive management including CEO Parker "Pete" Petit, J. Terry Dewberry, Deborah "Debbie" Dean, Thornton Kuntz, Donald E Fetterolf and Joseph G Bleser.

For some historical background: Matria Healthcare Inc.'s precursor Healthdyne, Inc. was founded in 1970 and eventually split into Healthdyne Information Enterprises & Healthdyne Maternity Management (HMM). HMM later merged with Tokos Medical forming **Matria Healthcare**. Healthdyne Information Enterprises later became HIE, then **Healthcare.com**.

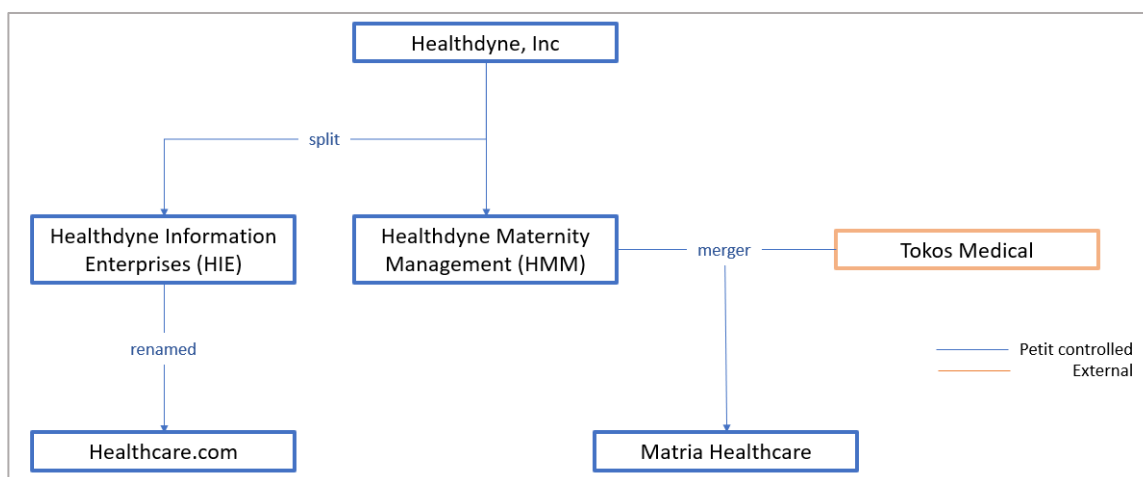


Figure 2 Graph of events from 1994 - 1996

Matria was not without its share of legal woes, as we have previously delved into, namely a shareholder class action, two whistleblower lawsuits and a short report which, among other things, claimed Matria sold supplies to dead people.

This report concerns the events leading up to Matria Healthcare's share price collapse in 2002, the result of actions by Petit.

The Class Action

The legal woes which led to Matria's shareholder class action accusations include allegations that Petit and management had concealed fundamental issues in Matria's IT operations and purchased an unsuitable IT solution – the **Confer** system – against the company's best interests.

This is significant as a major part of Matria's business operated in the IT health management field. The allegations levelled at Petit and Matria management were:

1. Petit assumed control of the company's operations around January 2000, 9 months before he was meant to have officially returned to the company in October, 2000
2. Petit and management concealed severe problems in Matria's IT infrastructure from shareholders. The problems began to impact earnings and resulted in downward guidance. Matria's share price tumbled.
3. Petit leveraged these problems to "purchase technology and services from companies in which he had financial interests", often against recommendations of senior Matria staff.
4. Petit failed to disclose or misleadingly presented his interest in related party companies.
5. Petit and management conspired to pump Matria's share price as personal loans would be forgiven if the share price reached \$24 before January 1, 2002.
6. Management (including Petit) failed to make provisions for a loan to a former officer of the company.

All the above is publicly available knowledge, easily found through searching court documents. When viewed within the light of the recent events at MiMedx, other facts begin to stand out, notably the involvement of MiMedx director Joseph G Bleser and Executive VP Debbie Dean.

Self-Interested Dealings

According to statements from company employees, the **Confer** system was recommended to Matria by an **“outside consultant” from Healthcare.com**. Note that this decision was not supported by Matria personnel familiar with the problems it was supposed to fix.

72. CW-4 also explained that a person from Healthcare.com, a company in which Petit was a major shareholder, was regularly at Matria in early 2000 and Petit regularly discussed with that person how to make Confer work. CW-4 stated that the person from Healthcare.com was involved in the decision of Matria to purchase the Confer software as the basis for the sought after enterprise solution. This decision, as CW-5 explains below, ultimately became known as the “Confer Fiasco.”

Figure 3 Extract from *Barr et al vs Matria Healthcare*¹

Confer, together with Healthcare.com were subsequently acquired by X-care.net for and Pete Petit became a substantial investor of X-care.net in early 2001:

245. On May 14, 2001, an entity named XCare.net issued press releases announcing that it signed agreements to acquire both Confer and Healthcare.com. As disclosed in XCare.net’s August 8, 2001 Form S-1, Petit owned 856,011 shares of Healthcare.com, or approximately 3% of that company. After the merger, Petit was a substantial shareholder of XCare.net.

Figure 4 Extract from *Barr et al vs Matria Healthcare*²

These issues came to a head in early-2002 when Matria was forced to issue an earnings warning for Q4 of 2001: as a result the share price declined 28%. Later, in June 2002 Matria announced a disappointing outlook for 2002 and 2003 citing IT system obsolescence, difficulty implementing IT systems. The stock price dropped from \$12 to ~\$4.

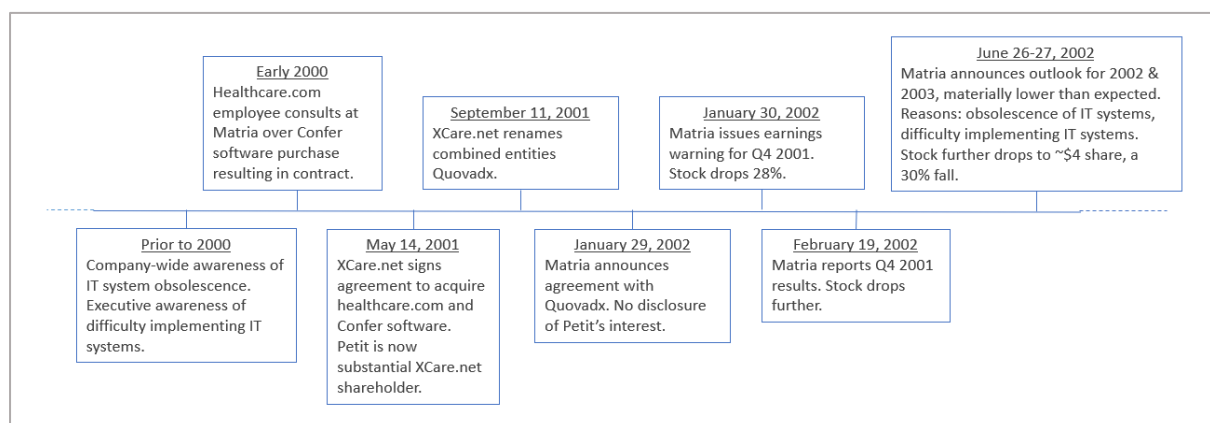


Figure 5 Timeline of events at Matria Healthcare

¹ http://securities.stanford.edu/filings-documents/1028/NM03-01/2003717_f01c_0302007.pdf

² http://securities.stanford.edu/filings-documents/1028/NM03-01/2003717_f01c_0302007.pdf



Matria also acquired two other software solutions from HIE; CloverLeaf and Emerge. At least one of these solutions was not installed more than a year and a half after its purchase (if ever) due to problems in Cloverleaf.

87. As Matria announced in its March 30, 2000 press release, the Emerge and Cloverleaf products obtained from Healthcare.com were intended to work with Confer to “support the Enterprise-wide platform for Matria’s Women’s Health, Diabetes and Cardiology divisions and as comprehensive disease management programs spanning the Matria divisions.” As CW-5 explained, the goal was to enable Matria’s employees to pull up all available information on a given patient from their desktop, and across the multiple disease states that Matria managed. Due to problems with the Confer-based system, however, the Emerge enterprise solution was never realized and was not installed, at least not by the end of 2001.

Figure 7 Extract from Barr et al vs Matria Healthcare³

Viewed independently this seems to be a Matria-only problem however two members of Petit’s inner circle involved with these events are now at MiMedx in senior roles; director Joseph G Bleser and Executive VP Debbie Dean.

³ See above

Joseph G Bleser

Joseph G Bleser is a long standing MiMedx director.

Further investigation has revealed that while these events were transpiring at Matria, Bleser held several senior positions at Healthdyne, Healthcare.com and Quovadx⁴. Bleser's roles in these companies behind Matria's IT debacle alternated throughout the years:

- **Healthdyne Information Enterprises, later Healthcare.com**
 - CFO from 20/3/1995 (Healthdyne)
 - CFO from 3/1995 to 5/1998 (Healthcare.com)
 - Director and executive vice president from 10/1997 – 7/1998
 - Independent financial consultant from 7/1998 – 6/2004
- **Quovadx**, formed by merger of X-care.net and Healthcare.com
 - Director from 10/2001 – 2004

246. On September 11, 2001, XCare.net announced in a press release, that it would rename the combined entities **Quovadx, Inc.**, "following the recently closed acquisitions of **Healthcare.com** Corporation, a leading provider of enterprise application integration (EAI) tools and **Confer Software, Inc.**, developer of award-winning eBusiness process management and workflow applications."

Figure 8 Extract from *Barr et al vs Matria Healthcare*⁵

Note that as CFO of Healthdyne, Bleser would have been working with Petit during the period of the class action events. The shareholder suit seems to omit the complicity of those in contact with Petit at Healthcare.com during the class period however Viceroy believes senior Healthcare.com personnel would have been aware of Petit playing both camps at the time.

On September 11, 2001 X-care.net renamed the combined entities Quovadx, Inc.

246. On September 11, 2001, XCare.net announced in a press release, that it would rename the combined entities **Quovadx, Inc.**, "following the recently closed acquisitions of **Healthcare.com** Corporation, a leading provider of enterprise application integration (EAI) tools and **Confer Software, Inc.**, developer of award-winning eBusiness process management and workflow applications."

Figure 9 Extract from *Barr et al vs Matria Healthcare*⁶

In 2007 Quovadx was issued a cease-and-desist letter from the SEC for its **conduct in 2002 and 2003 in which it improperly recognized \$12m of revenue from 4 customers**⁷. Bleser was a director and consultant at the time of incidence.

2. TERM. Unless sooner terminated pursuant to Section 7 hereof or by six months notice given by either party, the term of this Agreement shall commence on July 1, 2001 and shall continue until June 30, 2004 (the "Term").

Figure 10 *Healthcare.com Consulting Agreement with Joseph G Bleser*⁸

⁴ <https://www.sec.gov/Archives/edgar/data/1094561/000095013402004394/d96382ddef14a.txt>

⁵ CIVIL ACTION FILE NO.1 :03-CV-2007

⁶ CIVIL ACTION FILE NO.1 :03-CV-2007

⁷ <https://www.sec.gov/litigation/admin/2007/33-8825.pdf>

⁸ <https://www.sec.gov/Archives/edgar/data/1094561/000103570403000191/d04143exv10w12.txt>

In 2007 Quovadx was issued a cease-and-desist letter from the SEC for its conduct in 2002 and 2003 in which it improperly recognized \$12m of revenue from 4 customers⁹.

Bleser's directorship at Matria began on October 19, 2004 some 4 months after his term at Quovadx expired.

Joseph G. Bleser, age 61, has served as a director of the Company since October 19, 2004. Mr. Bleser became a financial consultant serving public and private companies in the healthcare and technology industries in 1998, most

Figure 11 Extract from Matria Healthcare Inc Proxy Statement April 30, 2007¹⁰

Joseph G Bleser currently sits on the board of directors at MiMedx however note that Bleser's profile does not mention Matria, Healthdyne, Healthcare.com or Quovadx.

Joseph G. Bleser

Mr. Bleser is a retired financial consultant and financial executive with significant board-level experience. He was the Managing Member of J. Bleser, LLC, a financial consulting firm, from July 1998 to mid-2015. Prior to July 1998, Mr. Bleser had over 15 years' experience as a Chief Financial Officer and in other financial executive positions in various publicly traded companies, including HBO & Company, Allegiant Physician Services, Inc., Transcend Services, Inc. and Healthcare.com Corporation. Mr. Bleser is formerly a Certified Public Accountant with ten years of experience in public accounting with Arthur Andersen LLC, an international public accounting firm. Mr. Bleser has over 20 years of experience in serving as a member of the board of directors and the audit and other board committees of several publicly traded and private companies in the healthcare and technology industries. Most recently, Mr. Bleser was a member of the Board of Directors and the Corporate Governance Committee and Chairman of the Audit Committee of Transcend Services, Inc. (Nasdaq: TRCR) until it was acquired by Nuance Communications, Inc. in April 2012.

Figure 12 Extract from Joseph G Bleser's profile on MiMedx's Directors page¹¹

Did Bleser play a role in Quovadx leading up to the SEC cease-and-desist?

Did Bleser play a role in the Confer Fiasco at Matria Healthcare?

Why does Bleser's MiMedx website Director profile omit his significant roles at Healthdyne, Healthcare.com, Quovadx and Matria?

Deborah Dean

Deborah Dean is a current Executive VP at MiMedx and serves as its Chief Compliance Officer.

A HIE press release dated **September 27, 1999** features statements from Dean and lists **her position as senior VP of HIE research and development**. Concerningly the release is about the Cloverleaf message broker engine, one of the software solutions (along with Emerge) **purchased by Matria to work with Confer**. The Emerge IT solution was not installed at the time the shareholder class action came to court, more than a year after the announcement of the purchase.

"Role-based authorization is necessary for a flexible and manageable security function that permits employees access to a system based on specific job functions," explained Deborah Dean, senior vice president of HIE research and development. "The role-based authorization extends the capabilities of the secure socket layer

Figure 13 Extract from HIE Releases New Version of Flagship EAI Solution¹²

⁹ <https://www.sec.gov/litigation/admin/2007/33-8825.pdf>

¹⁰ http://b4utrade.brand.edgaronline.com/efxapi/EFX_dtl/EDGARpro.dll?FetchFilingCONVPDF1?SessionID=aIAIqLqKkIMZXjV&ID=5135330

¹¹ http://mimedx.com/about-us?qt-management_tabs=2#qt-management_tabs

¹² <https://www.thefreelibrary.com/HIE+Releases+New+Version+of+Flagship+EAI+Solution.-a055862978>

This is made even more damning as Emerge IT solution was developed - or at least marketed - by HIE while Petit and Bleser were both on the board of directors at HIE.

The integration software tools and integration services offered by the Company are listed and explained below:		
INTEGRATION SOFTWARE TOOLS		INTEGRATION SERVICES
Cloverleaf(R)		Education
EMerge(TM)		Consulting
Criterion(TM)		Project Management
ExpresSuite(TM)		Information Integration
		Technology-driven Re-design
		Software Maintenance
		Implementation
		Expert-Sourcing
<TABLE>		
<CAPTION>		
SIGNATURE	TITLE	DATE

<S>	<C>	<C>
/s/ Parker H. Petit	Chairman of the Board of Directors	March 18, 1998

Parker H. Petit		
/s/ Robert I. Murrie	Director, President and Chief Executive	March 18, 1998
-----		Officer (Principal Executive Officer)
Robert I. Murrie		
/s/ Joseph G. Bleser	Director, Executive Vice President, Chief	March 18, 1998
-----		Financial Officer, Treasurer and
Joseph G. Bleser	Secretary (Principal Financial Officer)	

Figures 14 Extract from HIE 10-K 1998

The above shows that Dean would have been at least aware of the dealings between Healthcare.com/HIE, Quovadx and Matria Healthcare. In addition to this, Petit and Bleser must both have known to some extent the capabilities & drawbacks of the Emerge system or easily been able to gauge them.

Are MiMedx shareholders aware of the events that transpired at Matria, Healthcare.com/HIE and Quovadx under the watch of at least 3 senior MiMedx management?

Summary

MiMedx is scrambling to assure investors that their interests are being well looked after by management and the board of directors.

The rhetoric being put forward by the company insists on viewing recent research into MiMedx as “malicious innuendo” instead of fact. Management claim that all is well and Parker Petit insists on mentioning, at every opportunity, his upstanding conduct at Matria as a qualifier. For reference, Matria was sold at well-below its peak price after Off-Wall Street investigated the business and found – amongst other things – Matria was selling product to dead people.

Given what we have detailed above investors should think twice before accepting these credentials.

Matria shareholders lost their money due to Petit & Friends self-serving behavior: that is a fact.

Parker Petit (CEO), Joseph G Bleser (Director) and Debbie Dean (Executive VP) were all involved in the events that transpired at Matria: that is a fact.

Viceroy will soon release details of numerous PODs.