

Delivering High-Quality Orthopedic Implants to Surgeons at a Lower Price Point than the Competition Gives Internal Fixation Systems, Inc. an Edge in the Marketplace

Healthcare Medical Appliances & Equipment (IFIX-OTCBB)



Stephen J. Dresnick, MD, FACEP
Chairman, President and CEO

BIO:

Stephen J. Dresnick, MD is currently the President of Internal Fixation Systems (IFIX:OTC) a company that designs and manufactures orthopedic implants. Prior to 2010, he was the Managing Member of Dresnick Healthcare Advisors, a firm he founded to serve operational, transactional and compliance needs for healthcare entities ranging from physician offices, Ambulatory Surgery Centers to Urgent Care Centers and hospitals. From 2006-2008 Dr. Dresnick served as the President of Surgem Holdings of Florida, a developer and manager of ambulatory surgery centers. Prior to Surgem, Dr. Dresnick was founder and CEO of Solis Healthcare, which acquired and managed two general medical hospitals,

totaling 300 beds and revenues in excess of \$110 million annually, in Philadelphia, Pennsylvania. From 2004-2005 he was CEO of Sterling Healthcare, a clinical outsourcing company (previously PhyAmerica) he bought out of bankruptcy; which contracted with 215 hospitals in 32 states and which had revenues of \$350 million in 2005. From 1999 through 2004, he was president of Sterling Health Solutions, which was a medical billing company focused on hospital based specialties. From 1987 through 1998, Dr. Dresnick served as Founder, President and Chief Executive Officer of Sterling Healthcare Group, Inc. (nasdaq:STER) from its founding through its sale to FPA in 1996 in a transaction valued at \$220 million.

Sterling was highlighted over the years in a variety of forums, being named number six on the Inc. 500 list in 1992, ranking 53 in the Miami Herald's top Florida companies, and ranking 101 in Florida Trend's top 250 public companies. In 1996 Sterling was listed number 31 by Business Week Magazine of "hot growth companies."

Sterling Healthcare Group, Inc. was acquired by FPA Medical Management, Inc. (nasdaq:FPAMM) of San Diego, California in October of 1996. From 1996 to 1998 Dr. Dresnick continued to serve as President of Sterling and also served as Vice Chairman of the Board of Directors of FPA. In March 1998, Dr. Dresnick became the President and Chief Executive Officer of FPA, and led its successful restructuring including its ultimate sale to Coastal Physicians' Group and Humana Health Plan. At the time of the sale, FPA had operations in 42

states and had revenues in excess of \$3 Billion. At one point, FPA was the largest owner of physician practices and IPA networks in the United States. Dr. Dresnick re-acquired Sterling in 2004 along with the assets of Coastal and renamed the company Sterling Healthcare.

Twice a finalist for the Greater of Miami Chamber of Commerce "Cutting Edge Award," Dr. Dresnick was recognized in 1996 by Ernst and Young, USA Today and NASDAQ as Florida's Healthcare Entrepreneur of the Year. In addition, Dr. Dresnick was chosen for the "Physician Business Leadership" award by Medical Business of South Florida during 1996.

Dr. Dresnick graduated from the University of North Carolina at Chapel Hill after 32 months of study and was elected to Phi Beta Kappa. He completed medical school at the University of Miami in 1975 and was elected into Iron Arrow, the highest honor at the university. Dr. Dresnick completed his residency in Emergency Medicine at UCLA. Prior to founding Sterling, Dr. Dresnick was the academic chairman and founding director of the Emergency Medicine Residency Program at Orlando Regional Medical Center. He later went on to serve the same institution for 3 years as Vice President of Medical Education, where he had administrative responsibility for 16 departments and a budget of over \$100 million annually. He was responsible for Orlando Regional Medical Center being designated as one of Florida's 6 teaching hospitals and oversaw site surveys for all of the hospital's residency programs during his tenure. In his position, he was asked to testify before Congress as well as the Florida legis-

lature on numerous occasions. He was a participant in E&Y's landmark study on the actual cost of graduate medical education, a study which led to the current Medicare reimbursement levels for direct and indirect medical education costs. Dr. Dresnick also worked directly with the staff of the Subcommittee on Health of the House ways and Means Committee to develop the original language of the EMTALA law to prevent patient dumping.

Dr. Dresnick is a Professor of Emergency Medicine at the University of North Carolina at Chapel Hill. He also served on the Board of Directors of the Florida International University Foundation. He served as Chairman of fundraising for the South Florida Annenberg Challenge raising \$55 million which was matched by the Annenberg Foundation. He was Chairman of the U of Miami School of Nursing Building Campaign and Chairman, Development Committee for the Emergency Medicine Learning and Resource Center in Orlando, Florida. For the past 6 years, he has served as the Chairman of the YPO-WPO Healthcare Forum, a group comprised only of healthcare CEO's in a variety of health related industries.

Company Profile:

IFS designs, manufactures, and distributes orthopedic implants which surgeons use every day in surgery. We focus on commonly used, market proven products which typically are not patent protected. Our product line is specifically designed to address the most common fractures and orthopedic surgical conditions. Surgeons, hospitals and surgery centers choose IFS because we understand and address their two most important needs:

Highest Quality Products: IFS starts with the industry's gold standard designs and makes them even better. We work closely with surgeons to incorporate features and characteristics not found in competitive products. Our National Advisory Panels in Podiatry, Orthopedics, Hand and Spine are comprised of leading surgeons recognized in their fields.

Cost Effective Pricing: IFS embraces the business principles of some of the world's most successful companies to create more efficient set designs, flexible distribution pathways and responsible inventory management. On average, our prices are 40-60% less than the industry leaders. This benefits the healthcare system.

Interview conducted by: Lynn Fosse, Senior Editor CEOCFO Magazine

CEOCFO: Dr. Dresnick, what is the focus at Internal Fixation Systems?

Dr. Dresnick: We manufacture orthopedic implants and sell them at value prices, which are typically 40% to 50% less than the competition.

CEOCFO: How are you able to sell for so much less?

Dr. Dresnick: We create value from a number of ways. First, we have very innovative set designs in the surgical sets that the implants are provided in.

Facilities get excited with our business plan of delivering a high-quality product at much lower cost. - Dr. Stephan J. Dresnick M.D.

The sets themselves are modular and can be used across a variety of product lines using the same components and instruments. Only the lids and the screw caddies have to be swapped out in order to use the set for a different product. The purpose of all these things is so that we can reduce the amount of inventory that has to go out in a particular set. Our sets give the doctors more flexibility. The last piece is that we have very flexible distribution pathways. We have reps that will be present at cases if the hospital desires, but we also have a number of facilities on the "go-direct" program, where they take care of managing the consigned sets, so that we do not have to have that cost burden.

CEOCFO: What about the industry, in general, as well as the depth and breadth of your offering?

Dr. Dresnick: It is a very large industry. It is estimated to be somewhere around \$30 billion a year in the United States. It is dominated by three or four very large companies, the largest of which is called Synthese, which is

in the process of being sold to J&J for \$21 billion or about twice revenue. They have a premium pricing structure, as do most of the majors, while we are able to sell 40% to 50% percent below their price. This is because the high cost structures have been built into their products. We currently are approved for 24 products and anticipate adding to our offerings this coming year.

CEOCFO: Do potential customers believe that you are able to provide products at a much lower cost or are they skeptical?

Dr. Dresnick: Clearly, you could sell at a lower price because you have cut costs, but honestly, we do not cut cost we are more efficient in every step of the process. We are able to maintain very good margins without having to cut any corners on either manufacturing or bringing products in from overseas. All of our products are made in the US. We use nothing but United States steel. The last part of your question is, are people skeptical? Yes, I think they are, until they use our products. Once they see that our quality is as good, if not better

than the competition, they quickly are disavowed of the quality issue. Facilities get excited with our business plan of delivering a high-quality product at much lower cost.

CEOCFO: Would you address the question of potential changes in the healthcare industry and the effect on IFS?

Dr. Dresnick: The thing that really affects IFS the most has been the fact that several years ago Medicare changed the way they reimburse for implants. Prior to that point in time, Medicare would reimburse a facility their cost of implants plus a 10% handling fee. If an implant cost \$400, the facility could bill an implant code and then add on 10% for handling and they would be reimbursed \$440. Of course, it is not surprising to look back and see that the price of implants was going up by 8-10% a year. Finally, two years ago they said no, we are not going to do that anymore. We are going to come up with a price and now it is up to the facility to figure out how to buy their implants at a reason-

able price. Of course, that has helped our market dramatically, because now when facilities are being squeezed from all sorts of directions, we are actually able to help them save money on their implants while at the same time, make their physicians very happy, because the physicians want a quality product. That is the biggest change that has come down the pike, and we are in the right position at the right time.

CEO CFO: Does your market or potential customers know about IFS or is it still an education process?

Dr. Dresnick: It is still an education process. There are 5,000 hospitals and 5,000 surgery centers in the United States. We are really just getting started.

CEO CFO: What is the best way to reach potential customers?

Dr. Dresnick: We try to identify select markets where we think we are going to be most successful. Initially, we are focused on the major markets and what I call secondary major markets. It might not be New York City, but it might be Great Neck or somewhere there is a significant size hospital with significant volumes. Then, we try to build around those facilities. The thing that limits us right now is capital for growth. If I could build a thousand more sets, I would have them out in places tomorrow.

CEO CFO: How are you reaching out to the community in general?

Dr. Dresnick: Market by market. It is really a market by market phenomenon. We try to open up new markets every month, either through our own people or through distributors. Obviously, we are very conscious that we do not want to over commit and under-deliver. We want to be able to make a commitment to a market and then be able to deliver all the product, so it is going to require more capital as we grow and we will continue to open up more markets.

CEO CFO: How do you reach out to potential investors as far as getting capital? Have you done much investor outreach so far?

Dr. Dresnick: We go to conferences and we try to make presentations in different markets. This past month we were the cover story on the Micro Cap Review. I think our story is a very compelling story and we think that when the story is told people will find out about us. We get unsolicited calls every day, so many people are finding out about us; it is a growth story.

CEO CFO: IFS launched a new website; what are you looking to achieve?

Dr. Dresnick: Part of it is the outreach. We live in an internet world and we need to be upfront and in front of the competition. Therefore, we need a website that is very functional, very attractive, and tells the story in a very concise and meaningful way. In addition to existing customers being able order over the internet, it is the place that people go to find out about the company.

CEO CFO: Why should investors pick Internal Fixation Systems out of the crowd?

Dr. Dresnick: We have a very compelling story for investors. I will start by saying that the implant industry is continuing to grow. We think that we are in a very good spot in that we focus on products, which are used regularly, and that our pricing is such that it is very attractive. We have very good traction in the markets that we have gone into and when we get into a place we get very good conversion over to our products. In addition, being a public company creates an opportunity for investors that existing public companies do not offer. This is because they are big, so their stocks are pretty well valued, but their growth rates are going to be very small. Our stock is undervalued as we are at the beginning of our growth, so if I add a million dollars in sales I dramatically increased our earnings per share. Therefore, it is an opportunity for investors to get in who may have missed some of the other companies that have come and been successful. It is an opportunity for them to invest in a relatively early-stage company that has proved the model and will continue to grow. For physician investors, it is a way for them to invest in products that they use themselves without having to worry about any of the regulatory issues that they might face if they invested in a privately-held company.

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