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Interviews & News!

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With A Sleep Lab Subsidiary Combined With A Retail Pharmacy Business, Graymark Healthcare Has A Unique Growth Opportunity



Healthcare
Diversified Medical Holdings
(GRMK-OTC: BB)

Graymark Healthcare, Inc.

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Stanton Nelson
Chief Executive Officer

BIO:

Stanton Nelson was named CEO of Graymark Healthcare, Inc. on Jan 2nd, 2008. He served as one of our directors since August 18, 2003. In addition to his position with Graymark, Mr. Nelson serves as Executive Vice President of R.T. Oliver Investment Company, a pri-

vately-held company engaged in oil and gas exploration, retail and commercial real estate and banking. R.T. Oliver Investments is controlled by Roy T. Oliver, one of our greater than 5% shareholders. Mr. Nelson also serves on the board of Valliance Bank as its Vice Chairman.

Previously Mr. Nelson was CEO of Monroe-Stephens Broadcasting, a privately held company that owned and operated radio stations in Southwest Oklahoma and Dallas, Texas.

Mr. Nelson began his professional career as a staff member for United States Senator David Boren. Mr. Nelson has a

“The sleep industry is a \$2 billion industry today and we estimate that the growth is estimated to be somewhere around 20% annually. It is highly fragmented at this point and if you are looking for a national industry leader there is none. Therefore, we feel like there is a consolidation opportunity and hopefully it is through our public company.” - Stanton Nelson

B.B.A. in business management from the University of Oklahoma.

Company Profile:

Graymark Healthcare Inc. is a diversified medical holding company that owns and operates: Independent Pharmacies that serve the needs of local markets, Diagnostic Sleep Centers that treat a wide range of sleep disorders, and a Medical Equipment Company that provides both disposable and durable medical equipment. Graymark plans to continue its growth both internally and through stra-

tegic acquisitions within the medical industry.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Nelson, what is your vision for Graymark?

Mr. Nelson: “Graymark is a diversified healthcare company that operates diagnostic sleep centers and retail pharmacies. Another component of our business is our medical equipment sales that sell CPAPs to our patients diagnosed with sleep apnea. We want to consolidate the sleep labs, and to my knowledge, this is the only public vehicle where you have a true mix of retail pharmacies and sleep labs put together in a public company. We have sleep labs in Oklahoma and Texas and to date we have done this through de novo type projects, we haven’t done any acquisitions so we start from scratch, recruit the doctors and partner with the doctors and then form a lab at that point. Currently we have nine in operation in Oklahoma and Texas primarily in the Dallas/Fort Worth market.”

CEOCFO: Where are your various entities located?

Mr. Nelson: Our Sleep labs are in the Dallas/Ft. Worth, TX market as well as in Oklahoma City and Tulsa, OK. Our pharmacies are spread out in the mid-west from Minnesota as far south as Oklahoma. We have twelve pharmacies to date and plan to continue to acquire in 2008.”

CEOCFO: With so many major chain pharmacies. why do you want to be in the pharmacy business?

Mr. Nelson: “Our niche is that we are not in first tier markets but in second and third tier markets. What we are buying is retail pharmacies from independent owners. Our typical pharmacy will have annual revenues between 5 and \$12 million and have positive year over year sales growth. We are in areas that might not be as the size of lets say a Dallas or Houston, but we are in high growth areas like Norman, Oklahoma, which is a university town. Customer service is where we feel like we separate ourselves from other retail chains.”

CEOCFO: Do you retain the management of the pharmacies or do you bring in your own people?

Mr. Nelson: “Typically the seller is looking for an exit, because he or she is approaching retirement age. The owner wants to make sure they take care of the people they worked so closely with. In the twelve pharmacies we own today we retained most of the staff.”

CEOCFO: Is there a big market for a pharmacy that pays attention to the people?

Mr. Nelson: “No question and not only on the employee side, but also the consumer. At other retail pharmacies, you are treated as a number. We make a point in our situation to take care of the customer first. It is personal to the customer and we want to provide the best customer service possible.”

CEOCFO: Are you able to buy Pharmacies in bulk?

Mr. Nelson: “To date, we have not bought in bulk, which is why we are able to achieve the price targets that meets our model. We are not out buying twenty and thirty at a time, but around six to eight a year.”

CEOCFO: What about the medical equipment area?

Mr. Nelson: “The medical equipment side is associated with our sleep lab and it primarily sells CPAPs to individuals that come in for a sleep test. If they are diagnosed positively for sleep apnea, we have the ability and the consumer has the option to purchase a CPAP. We pride ourselves so that when you come into a sleep test it is a one-stop-shop. You are able to sleep, see a tech, and pick up your equipment, if needed. That is important because a lot of companies will drop your CPAP at your house. We feel it is important to explain to each customer how to use the equipment.”

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CEOCFO: What is the potential market on the sleep center side?

Mr. Nelson: “The sleep industry is a \$2 billion industry today and we estimate that the growth is estimated to be somewhere around 20% annually. It is highly fragmented at this point and if you are looking for a national industry leader there is none. Therefore, we feel like there is a consolidation opportunity and hopefully it is through our public company.”

CEOCFO: What would set one of your sleep centers apart from the competition?

Mr. Nelson: “It is the opportunity to come to one location and get those type of services that we offer that at one location. You are able to see a physician or have your test read, but also if there is a need

for CPAP or some sort of advice, you are able to do that at the location as well.”

CEOCFO: Would you tell us how Graymark became a public company and why now?

Mr. Nelson: “Graymark Productions was actually a publicly traded company prior to us doing a reverse merger and changing the name to Graymark Healthcare. I actually sat on the board of Graymark Productions. It was a movie company that made movies and invested in movies out in LA. It is tough business and the chairman and CEO came to me and knew that

we had these private companies and we were looking for the opportunity to go public with these two companies. It just so happened to be a perfect fit for Graymark Productions and now Graymark Healthcare.”

CEOCFO: Growing a business is expensive; what is the financial picture for Graymark?

Mr. Nelson: “Fortunately, we have the capital to grow the business. The interesting thing about the sleep company is the revenue is not substantial

enough to stand on its own, but when you combine revenue from the pharmacy side, you have revenue that can support a public company.”

CEOCFO: In closing, why should potential investors be interested?

Mr. Nelson: “From my knowledge, there are not many companies like ours out there. From an investor standpoint, we are just beginning to build our company. Hopefully, we can remain focused on buying good seasoned pharmacies and acquire sleep labs that will have a positive effect on our long term objectives for Graymark Healthcare.”

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