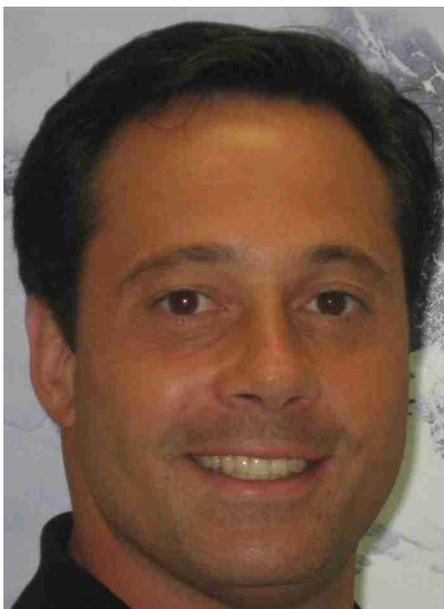


Bringing to Market their VESUVIUS™ that Facilitates Surgeons' Ability to Achieve Bone Fusion and their Rail 4D™ Technology that Utilizes Implants Allowing Surgeons to Correct and Straighten the Spine, K2M, Inc. is on the Cutting-Edge in Development of New Technologies



**Healthcare
 Spine Procedures
 (Private)**



**Eric Major
 President, CEO (Co-Founder)**

BIO:

Eric Major is the President, CEO and Co-Founder of K2M, Inc., a fast growing global medical device company focused on the research, development, and commercialization of simplified solutions for the treatment of complex spinal pathologies and minimally invasive procedures. Mr. Major was previously a founder and the President and CEO of American OsteoMedix, Inc., a minimally invasive spinal device company that was acquired by Interpore International in 2001. Mr. Major served as President of the Minimally Invasive Division of Interpore International until 2002.

Mr. Major has nearly 20 years of experience in the spine industry. Prior to founding American OsteoMedix he served in several sales/marketing, strategic and product development capacities with various spinal companies including Acromed Spine (now a Johnson & Johnson company) and Synthes Spine, Inc. Mr. Major holds a B.S. degree from James Madison University.

Company Profile:

Our Mission

To develop and deliver technological innovations which enable surgeons to more effectively treat the world's most complex spinal disorders. K2M strives to provide the highest quality products and services with the ultimate goal of improving the lives of surgical patients.

Our Company

K2M, Inc. is an innovative spinal device company committed to the re-

search, development, and commercialization of simplified solutions for the treatment of complex spinal pathologies and minimally invasive procedures. The company is recognized as a worldwide leader in providing unique technologies for the treatment of deformity, degenerative, trauma, and tumor spinal patients. K2M's product development pipeline includes: spinal stabilization systems, minimally invasive systems, biologics, and other advancing technologies such as motion preservation, annular repair, and nucleus replacement.

**Interview conducted by:
 Lynn Fosse, Senior Editor
 CEOCFO Magazine**

CEOCFO: Mr. Major, what is the grand vision for K2M?

Mr. Major: The grand vision for K2M is to be the leading provider of new and innovative technologies to support surgeons in the treatment of the most difficult spinal pathologies. We develop a full array of products and we develop products to treat the entire continuum from patients that are younger all the way up until later years with all different forms of spinal conditions and spinal pathologies. When we started, we focused on the area of scoliosis. Scoliosis is a deformity of the spine where your spine has a curve in it. Often times, scoliosis would initially be treated with non-surgical methods. If the curve continued to develop however, you would need spinal surgery. What we do is provide new breakthrough technologies to help surgeons treat those very difficult curves to help those patients' spines become straight again, which

has a significant influence on their quality of life.

CEOCFO: Are there particular pieces of the puzzle that the community has been actively in search of an answer? Are you improving on existing innovations and how do you make your decision on what to choose or develop?

Mr. Major: That is a fantastic question! When we look at what we are going to develop or how we are going to develop a new product, we look at first what the need is and the needs of the patient. In addition, we look at what the surgeon might need to help treat that patient and frankly, to some extent, the needs of the hospital as well. We look at the full continuum of the business cycle and how our products fit into that need. I would say that our products consist of both evolutionary development and revolutionary products. What I mean by that is we develop products that are stepped increases to what exists in the marketplace, and we also have our disruptive breakthrough products that we think are next-generation ways to treat these very complex spinal conditions and the patients that have spines that are difficult to correct. We try to give surgeons new and innovative tools to help them treat those patients.

CEOCFO: Would you give us an example of both something that is a brand-new concept and something that you are able to tweak?

Mr. Major: I can point to our two most recent products, the first which is VESUVIUS™. VESUVIUS is a product area that is a continuation in the marketplace, and it is in our opinion the best in quality with a very good partner at LifeNet Health®. It is a fantastic product to help facilitate surgeons' ability to treat patients and achieve bone fusion, and it is an evolutionary product that continues down the pathway. Some of the products are available in the marketplace but presented in a way for easy use by the surgeon. Another product example is our Rail 4D™ Technology, which we believe is a breakthrough disruptive technology. Rail utilizes implants, which allow surgeons to correct the

spine, which have more strength and therefore allow the surgeon to use enhanced techniques in correcting the spine to maintain these difficult curves.

The first one is very much evolutionary. It is broadening our portfolio of products intraoperatively. We have different types of osteobiologic materials that help surgeons facilitate treatment of their patients, because if a surgeon is treating any type of spinal pathology, not just the scoliosis, they will need different types of biologic materials to help the facilitation of the fusion of the bone. What we have launched in VESUVIUS is an array of products that are implantable and are a different type of what are called allograft products, which the surgeon uses to help the bone grow faster and grow better when they are trying to get a fusion in a patient.

K2M is a company that is at the cutting-edge of development of new technologies. Whether it is revolutionary or evolutionary products, we want to be differentiated. We want to bring new solutions to surgeons and be aware of the hospital environment and the pricing environment. - Eric Major

Other companies have different types of allograft products, but ours have very nice handling characteristics. When the surgeon is using them intraoperatively, those products will go where he or she wants them to go and stay where he or she puts them in the body.

In contrast to that is the Rail 4D Technology. Surgeons have been using different types of implants to correct curvatures or scoliosis of the spine for years, and we have been part of the development of those products since we started K2M eight years ago. We have developed different types of products specific to that area of scoliosis and it was really the core focus of the company when we launched. Since then, K2M has broadened our product portfolio to include minimally invasive surgeries, in other words, doing these procedures through smaller and smaller incisions. What we introduced to the market this summer is a product that we call Rail 4D. The human body is

amazingly strong, and when you correct these spinal curves on patients, even when you use different types of cobalt chrome, which is very strong material, or titanium or stainless steel rods to straighten out the curve, a patient's spine can sometimes actually bend that rod in-situ. After the patient has gone home, the spine starts to bend that rod because the spine itself is so strong. The other issue is you are working on a very small space. So what we have been able to develop in Rail 4D is a rigid technology, that allows the surgeon to straighten the spine, those tough curves we talked about, yet it is stronger than existing products and yet very small. What stronger and smaller means is that it can hold the curve and yet maintain the size that we need to be able to treat patients that might be small in stature. The combination of strength and size is unique to the Rail Technology because of the geometry of the implant. Surgeons are now able to actually utilize enhanced techniques to correct those difficult curves or rotate them to get closer to a straight and balanced spine.

CEOCFO: Do surgeons look for K2M products and are they aware that you make a difference or is it really product by product?

Mr. Major: K2M has been developing products for close to a decade and when we started, we wanted to focus on the area of the complex spine. So, within that area of deformity, that is scoliosis, I think we are very well recognized. A community of surgeons knows who we are. I just returned from a big international meeting put on by the Scoliosis Research Society (SRS) in Istanbul, Turkey, and the key opinion leaders from around the world I think know and actually look to K2M for leadership and innovation in the area of treating these most difficult curves, and treating scoliosis patients. We subsequently broadened out from that portfolio of scoliosis-based products or deformity-based products, into trauma, tumor, minimally invasive, and degenerative surgeries. Those were all very important areas to us and we recently launched what we

think are some disruptive technologies, some new ways to treat patients through a minimally invasive approach with smaller incisions. We broadened out the portfolio into the general degenerative spine as well, which is the standard adult patient that has a spinal condition that needs to be treated. We are among the top leaders in the scoliosis industry. In the other areas of products, we will continue to grow our recognition among those other sub segments of the spine community.

CEOCFO: What is the market worldwide for spinal products?

Mr. Major: You will see different numbers. It is a growing market and it is approximately an \$8 billion market globally for spine. In the U.S., it is about a \$4-\$4.5 billion market for spine, but the international market is growing rapidly with the flattening of the world and our ability to bring new technologies to each corner of the world. We are now operating in 23 countries and we are operating on most every continent. We work all over, from philanthropic work in the African continent to work in just about every continent except Antarctica - I do not think there is much spine work going on down there. We are growing very quickly, especially in Australia, New Zealand, Japan and throughout most of Europe. We are also growing in South America, so we are getting nice momentum of the organization.

CEOCFO: Do you work through distributors?

Mr. Major: We work both through direct offices, which we have in Germany and the UK, and then we work with close distributor partners in some other countries around the world.

CEOCFO: Are there areas where you would like to have more of a presence geographically?

Mr. Major: Absolutely! We are continuing to expand on a regular basis, and we are always exploring new markets and looking to enter new geographies. In some of the up and coming markets, we are already engaged in significant market analysis in places like India. We have key opinion leaders and surgeons from India that have shown significant interest in

our products, so that is an example of a country that we continue to explore. We do take our time and do a full market analysis before we enter each country. We want to understand the best way to enter the country, the best way to meet all the regulations and all the compliance issues, as well as make sure that the local community of surgeons and hospitals know we understand their needs before we enter those countries.

CEOCFO: Is price a consideration when the medical community is purchasing this type of product or is it functionality?

Mr. Major: In today's economy, price continues to be a driver of all technology, even brand new breakthrough technologies. We do not look, at least at K2M, to say that if we have a disruptive product, we are going to change the paradigm shift of the price movement. The price movement is clear and it is here today. Today's economy is such that we have to be aware that there are price concerns all over the world no matter if we are in Europe or the U.S. We believe we have leading technology and our pricing is such that we think it is competitive, yet we do provide in our opinion some of the highest quality products.

CEOCFO: How is business these days?

Mr. Major: Business is good. There has been a great deal of disruption around the world and it attacks everybody. In our opinion, patients will now choose to wait longer to have surgery. However, because of our growth strategy and position as one of the up and coming companies in this space, we have been able to show significant double-digit growth year over year, which is very different from some of our competitors who may be struggling with the changes in the global economy. We have been continuing to hire people and build out our infrastructure to grow very quickly. For example, last year we received FDA approval and launched 10 products into the U.S. market, many of which also launched into the European market, whereas many of our competitors introduced maybe one or two products in that same year.

CEOCFO: Are there any changes in thoughts or direction given the health-care situation that we have now?

Mr. Major: I think changes in health-care policies, especially here in the U.S., are a concern to all businesses. Innovation is difficult when we have continued pricing pressures and when we have new fees placed on the med-tech community, so these changes do have the potential to impact our ability to hire new people and invest in new products. As business leaders and optimists, we find ways to continue to provide the quality products that our surgeons and patients need, but the unknowns of the changing healthcare environment do impact the rate at which we are able to bring innovation to the community. However, even with the potential for more industry financial pressures, we believe K2M will continue to succeed as a leader in the space.

CEOCFO: Why should investors, potential partners and people who may need your product pay attention to K2M today?

Mr. Major: K2M is a company that is at the cutting-edge of development of new technologies. Whether it is revolutionary or evolutionary products, we want to be differentiated. We want to bring new solutions to surgeons and be aware of the hospital environment and the pricing environment. K2M is a company that is a sustainable long-term business and is diversifying itself globally in a way that protects our growth because we touch so many different countries and gain continued experience with the needs of the surgeons, patients and hospital systems around the world. Global diversification combined with our innovative product development rolls up to a company that is both sustainable and very competitive for the long term.

CEOCFO: What should people remember most about K2M?

Mr. Major: Core to the success of K2M has been a very entrepreneurial, optimistic approach. We have been in an environment where there are continued healthcare pressures in the U.S. We have seen challenges in the global geopolitical space and global economy, and yet we continue to grow at double-digit rates, bring out

new products, and ultimately serve the needs of patients. What differentiates us is our strategy of focusing on the most difficult spinal pathologies in the early years of the company and asking ourselves how we can bring

new and innovative products to these most difficult pathologies. That inspired our engineers and product managers to then develop additional products to treat those very difficult procedures through smaller incisions,

our minimally invasive portfolio, and finally develop a complete product line that today can compete with our largest competitors. That is how we are able to compete on a global scale now.



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