Cardo Medical, Inc.
Form PRER14C
May 05, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549
SCHEDULE 14C
(Rule 14c-101)
INFORMATION REQUIRED IN INFORMATION STATEMENT
SCHEDULE 14C INFORMATION
Information Statement Pursuant to Section 14(c)
of the Securities Exchange Act of 1934
(Amendment No. 3)

Check the appropriate box:
þ Preliminary Information Statement.
o Confidential, for Use of the Commission Only (as permitted by Rule 14c-5(d)(2)).
o Definitive Information Statement.

CARDO MEDICAL, INC.
(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

o No fee required.

þ Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11.
(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): The proposed maximum value of the transaction was based upon $14,660,000 in cash. The filing fee was determined by multiplying the proposed maximum value of the transaction by .0002.

(4) Proposed maximum aggregate value of transaction: $14,660,000

(5) Total fee paid: $2,932

þ Fee paid previously with preliminary materials.
o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

[ ], 2011

Dear Stockholder:

We are furnishing this Information Statement to the stockholders of Cardo Medical, Inc., a Delaware corporation (Cardo Medical), in connection with the sale of substantially all of the assets of Cardo Medical and its wholly owned subsidiary, Cardo Medical, LLC, consisting of all of the assets of Cardo Medical s joint arthroplasty division (which we refer to as our Reconstructive Division), to Arthrex, Inc. (Arthrex), pursuant to an asset purchase agreement dated as of January 24, 2011. Immediately following the closing of the transaction and pursuant to the terms of the asset purchase agreement, Cardo Medical will file an amendment to its Certificate of Incorporation to change its name to Tiger X Medical, Inc. A copy of the asset purchase agreement and the form of an amendment to the Certificate of Incorporation is included as Appendix A and B, respectively, to the enclosed Information Statement.

The asset purchase agreement, the transactions contemplated thereby, and the name change have been approved by Cardo Medical s Board of Directors. As permitted by Delaware law and our Certificate of Incorporation, Cardo Medical has received a written consent from the majority stockholders of Cardo Medical approving the asset purchase agreement, the transactions contemplated thereby, and the name change.

ACCORDINGLY, STOCKHOLDERS ARE NOT BEING ASKED FOR PROXIES TO VOTE THEIR SHARES WITH RESPECT TO THE ASSET PURCHASE AGREEMENT, THE TRANSACTIONS CONTEMPLATED THEREBY, OR THE NAME CHANGE. NO PROXY CARD HAS BEEN ENCLOSED WITH THIS INFORMATION STATEMENT AND NO MEETING OF STOCKHOLDERS WILL BE HELD TO CONSIDER THE ASSET PURCHASE AGREEMENT, THE TRANSACTIONS CONTEMPLATED THEREBY, OR THE NAME CHANGE.

The sale of assets described in the enclosed Information Statement will not become effective until at least 20 calendar days following the date of mailing of the enclosed Information Statement to our stockholders.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

The enclosed Information Statement is being provided to you pursuant to Rule 14c-2 under the Securities Exchange Act of 1934, as amended, and Delaware law. It contains a description of the asset purchase agreement, the transactions contemplated thereby, and the name change. We encourage you to read the Information Statement, including Appendix A, B, and C thoroughly. You may also obtain information about us from publicly available documents filed with the Securities and Exchange Commission.

Sincerely,

Andrew A. Brooks, M.D.

Chairman of the Board and Chief Executive Officer

CARDO MEDICAL, INC.
7625 Hayvenhurst Avenue, Suite 49, Van Nuys, California 91406

NOTICE OF ADOPTION AND APPROVAL OF ARTHREX ASSET PURCHASE AGREEMENT, AND AMENDMENT TO CERTIFICATE OF INCORPORATION BY WRITTEN CONSENT OF STOCKHOLDERS

[ ], 2011

To the Stockholders of Cardo Medical, Inc.:

NOTICE IS HEREBY GIVEN, pursuant to Section 228 of the General Corporation Law of the State of Delaware (Delaware Law) that, on January 24, 2011, the holders of a majority of the outstanding shares of Cardo Medical, Inc., a Delaware corporation (we, us or Cardo Medical), entitled to vote thereon, acting by written consent without a meeting of stockholders, took the following action:

(1) authorized, adopted and approved the execution, delivery and performance of an asset purchase agreement, dated January 24, 2011, by and among Cardo Medical, our wholly owned subsidiary, Cardo Medical, LLC, a Delaware limited liability company, and Arthrex, Inc., a Delaware corporation (Arthrex), and approved the transactions contemplated thereby, and

(2) approved the filing of an amendment to Cardo Medical s Certificate of Incorporation to change its name to Tiger X Medical, Inc. immediately after the closing of the asset sale.

Pursuant to the asset purchase agreement (which we refer to as the Arthrex Asset Purchase Agreement), we will sell substantially all of our assets, consisting of all of the assets of our joint arthroplasty division (which we refer to as our Reconstructive Division), to Arthrex in exchange for cash consideration of $9,960,000 plus the value of our inventory and property, plant and equipment relating to our Reconstructive Division calculated as of the closing date, the assumption by Arthrex of certain executory liabilities of the Company under contracts being assumed by Arthrex, and the payment of a royalty equal to 5% of net sales of our Reconstructive Division products acquired pursuant to the Arthrex Asset Purchase Agreement, to be paid in cash on a quarterly basis for a term up to and including the 20th anniversary of the closing date. We estimate the value of our inventory and property, plant and equipment relating to our Reconstructive Division as of the closing date will be approximately $4.7 million. Immediately after the closing of the transaction and pursuant to the terms of the Arthrex Asset Purchase Agreement, we will file an amendment to our Certificate of Incorporation to change our name to Tiger X Medical, Inc.

As permitted by Delaware Law, no meeting of stockholders of Cardo Medical is being held to vote on the approval of the Arthrex Asset Purchase Agreement, the transactions contemplated thereby, or the name change because such transactions have been approved by the requisite stockholders in an action by written consent of the stockholders of Cardo Medical. The terms and conditions of the Arthrex Asset Purchase Agreement, the transactions contemplated thereby, and the name change are described in detail in the enclosed Information Statement.

By Order of the Board of Directors,
Joshua B. Weingard
Chief Legal Officer and Corporate Secretary

CARDO MEDICAL, INC.
INFORMATION STATEMENT

Introduction

This Information Statement is being furnished to the stockholders of Cardo Medical, Inc., a Delaware corporation (Cardo Medical), in connection with the prior approval of our Board of Directors of, and receipt of approval by written consent of the majority stockholders of Cardo Medical for, (1) the sale of substantially all of Cardo Medical s assets, consisting of all of the assets of our joint arthroplasty division (which we refer to as our Reconstructive Division), to Arthrex, Inc. (Arthrex) (the Arthrex Asset Sale), and (2) immediately after the closing of the Arthrex Asset Sale, an amendment to Cardo Medical s Certificate of Incorporation to change its name to Tiger X Medical, Inc. (the Name Change). The Arthrex Asset Sale will be effective pursuant to the Asset Purchase Agreement, dated as of January 24, 2011, by and among Cardo Medical, our wholly owned subsidiary, Cardo Medical, LLC, a Delaware limited liability company (Cardo LLC), and Arthrex (the Arthrex Asset Purchase Agreement). A copy of the Arthrex Asset Purchase Agreement and a form of the amendment to the Certificate of Incorporation is included as Appendix A and B, respectively, to the enclosed Information Statement.

The Board of Directors believes that the approval and consummation of the Arthrex Asset Purchase Agreement, the transactions contemplated thereby, and the Name Change are in the best interest of Cardo Medical. Accordingly, on January 24, 2011, the Board of Directors approved the Arthrex Asset Purchase Agreement, the transactions contemplated thereby, and the Name Change and directed that these items be presented to the stockholders of Cardo Medical holding a majority of the issued and outstanding shares of Cardo Medical s common stock.

Under Delaware law and our Certificate of Incorporation, the affirmative vote of a majority of the issued and outstanding shares of Cardo Medical s Common Stock, par value $0.001 per share (Common Stock), as of the close of business on January 24, 2011, the record date, is required to approve the Arthrex Asset Purchase Agreement, the transactions contemplated thereby, and the Name Change. Under our Certificate of Incorporation, each share of Common Stock is entitled to one vote per share. As of January 24, 2011, there were issued and outstanding 230,293,141 shares of Common Stock. As permitted by the Delaware General Corporation Law, on January 24, 2011, Cardo Medical received a written consent in lieu of a meeting of stockholders from holders of 133,689,430 shares of Common Stock representing 58% of the total issued and outstanding shares of voting stock of Cardo Medical approving the Arthrex Asset Purchase Agreement, the transactions contemplated thereby, and the Name Change.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY. NO PROXY CARD HAS BEEN ENCLOSED AND NO MEETING OF STOCKHOLDERS WILL BE HELD TO CONSIDER THE ARTHREX ASSET PURCHASE AGREEMENT, THE TRANSACTIONS CONTEMPLATED THEREBY, OR THE NAME CHANGE.

The Arthrex Asset Sale will not become effective until at least 20 calendar days following the date of mailing of this Information Statement to our stockholders. The Name Change will not become effective until the closing of the Arthrex Asset Sale.

This Information Statement is furnished for the purposes of informing stockholders, in the manner required under the Securities Exchange Act of 1934, as amended, and under Delaware law, of the Arthrex Asset Sale and the Name Change before they are consummated and the taking of action by a majority of the stockholders of Cardo Medical by written consent. This Information Statement is first being mailed on or about [ ], 2011 to holders of record of Common Stock as of the close of business on January 24, 2011.

THE INFORMATION IN THIS INFORMATION STATEMENT REGARDING ARTHREX HAS BEEN SUPPLIED BY ARTHREX.

SUMMARY

This Information Statement is being furnished to the stockholders of Cardo Medical, Inc. (Cardo Medical), a Delaware corporation, in connection with the prior approval by our Board of Directors, and receipt of approval by written consent of our majority stockholders, for (1) the Arthrex Asset Sale, which is the sale of substantially all of our assets, consisting of all of the assets of our Reconstructive Division, to Arthrex, pursuant to the Arthrex Asset Purchase Agreement, and (2) immediately after the closing of the Arthrex Asset Sale, the Name Change, which is an amendment to our Certificate of Incorporation to change our name to Tiger X Medical, Inc. The terms we, our, Cardo, and the Company in this Information Statement refer collectively to Cardo Medical, Inc. and Cardo Medical, LLC, unless the context requires reference to Cardo Medical only. References to you are to the stockholders of Cardo Medical, Inc.

The summary that follows highlights selected information contained elsewhere in this Information Statement. It may not contain all of the information that is important to you. To fully understand the Arthrex Asset Sale and the Name Change, and for a more complete description of the Arthrex Asset Sale and the Name Change, and related matters, you should carefully read this Information Statement in its entirety, including the Arthrex Asset Purchase Agreement, the form of an amendment to the Certificate of Incorporation, and the fairness opinion included as Appendix A, B, and C, respectively.

Parties To The Arthrex Asset Sale

Cardo Medical, Inc. (see page 14)

7625 Hayvenhurst Avenue
Suite 49
Van Nuys, California 91406
(818) 780-6677
www.cardomedical.com (The information contained on the Company s website shall not be deemed part of this Information Statement.)

Cardo Medical, Inc., a Delaware corporation, is an orthopedic medical device company specializing in designing, developing and marketing high performance reconstructive joint devices and spinal surgical devices.

Cardo Medical, LLC (see page 14)

7625 Hayvenhurst Avenue
Suite 49
Van Nuys, California 91406
(818) 780-6677

Cardo Medical, LLC, a Delaware corporation, is a wholly owned subsidiary of the Company.

Arthrex, Inc. (see page 14)

1370 Creekside Boulevard
Naples, Florida 34108
(239) 643-5553
www.arthrex.com (The information contained on Arthrex s website shall not be deemed part of this Information Statement.)

Arthrex, Inc., a Delaware corporation, is a privately held corporation committed to providing the finest quality products and educational services to meet the special needs of orthopaedic surgeons and their patients.

The Arthrex Asset Sale (see page 13)

On January 24, 2011, our Board of Directors at a special meeting adopted and approved the Arthrex Asset Purchase Agreement and the transactions contemplated thereby. Pursuant to the Arthrex Asset Purchase Agreement, we intend to sell and Arthrex intends to purchase substantially all of the Company s assets, consisting of all of the assets of our Reconstructive Division. We will sell substantially all of our assets to Arthrex in exchange for cash consideration of $9,960,000 plus the value of our inventory and property, plant and equipment relating to our Reconstructive division calculated as of the closing date, the assumption by Arthrex of certain executory liabilities of the Company under contracts being assumed by Arthrex, and the payment of a royalty equal to 5% of net sales of our Reconstructive Division products being acquired pursuant to the Arthrex Asset Purchase Agreement, to be paid in cash on a quarterly basis for a term up to and including the 20th anniversary of the closing date. Following the execution of the Arthrex Asset Purchase Agreement, we received a $250,000 deposit from Arthrex to be credited against the cash consideration due at closing. From the cash consideration paid at closing, $900,000 will be deposited with an escrow agent for a period of twelve months from the closing date to be used for any adjustments to the value of our inventory and property, plant and equipment relating to our Reconstructive Division and for post closing indemnification claims which may be asserted by Arthrex with respect to losses, damages, costs, expenses, suits, actions or obligations related to unassumed liabilities and payment of certain taxes. We estimate that the value of our inventory and property, plant and equipment relating to our Reconstructive Division as of the closing date will be approximately $4.7 million. The assets excluded from the Arthrex Asset Sale include the assets of our spine division, which we refer to as our Spine Division, cash and cash equivalents, all receivables and accounts receivable, prepaid items and deposits, and real property leases and leasehold improvements.

If the proposed Arthrex Asset Sale is consummated:

The Company will continue to be a public company;

The Company intends to sell the Company s remaining assets in its Spine Division;

The Company s common stock will continue to trade on the OTC Bulletin Board; and

The Company will use the proceeds from the Arthrex Asset Sale to pay: (i) accrued salaries and payroll taxes, (ii) sums due to certain creditors, (iii) transaction expenses, and (iv) working capital purposes.

Reasons For The Arthrex Asset Sale (see page 17)

On October 7, 2010, the Company s management and Board of Directors decided to put substantially all of its assets up for sale. The Company decided to put up for sale the assets of its Reconstructive Division and Spine Division primarily because it did not have sufficient working capital, and was not able to procure such financial resources through equity or debt financing, in order to fully execute a profitable sales strategy. The Board of Directors and management of the Company considered that based on the Company s losses from operations, negative cash flows from operations, accumulated deficit and limited cash to fund future operations, as well as its recent reduction in workforce, and its review of strategic and liquidity alternatives, it would be in the Company s best interest to sell substantially all of the Company s assets at a fair price. Specifically, at the time of this determination by the Company s management and the Board of Directors to put substantially all of its assets up for sale, the Company had recorded net losses of approximately $5.1 million and $5.7 million, respectively for the years ended December 31, 2009 and 2008. For the nine months ended September 30, 2010 and 2009, the Company recorded losses of approximately $11.1 million and $3.8 million, respectively. For the years ended December 31, 2009 and 2008, the Company s accumulated deficit totaled approximately $11.2 million and $6.1 million, respectively. For the nine months ended September 30, 2010 and 2009, the Company accumulated deficit totaled approximately $22.2 million and $9.9 million, respectively. The Company had also received a going concern opinion from its independent auditors for the years ended December 31, 2009 and 2008. As a result, the Board of Directors and management decided that it was in the best interest of the Company to pursue a sale transaction for all of the assets of its Reconstructive Division to Arthrex.

Opinion Of Inverness Advisors Regarding the Arthrex Asset Sale (see page 27)

On January 24, 2011, Inverness Advisors, a division of KEMA Partners LLC, our financial advisor (Inverness), rendered its oral opinion to our Board of Directors and subsequently confirmed in writing, that, as of that date, and based upon and subject to the various considerations, assumptions and limitations set forth in its opinion, the Consideration (as defined therein) to be received by Cardo and its affiliate Cardo Medical, LLC in the Arthrex Asset Sale was fair, from a financial point of view, to Cardo. The Arthrex Asset Sale is also referred to as the Transaction in this Information Statement.

The analyses undertaken and matters considered by Inverness in rendering its opinion are summarized in the section of this Information Statement entitled Opinion of Our Financial Advisor, and the full text of the written opinion of Inverness is attached to this Information Statement as Annex C. We encourage you to read the opinion carefully in its entirety for a complete description of the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by Inverness in rendering its opinion. The opinion was directed to our Board of Directors and does not constitute a recommendation by Inverness to our Board of Directors or any other person as to any matter relating to the Arthrex Asset Purchase Agreement or the Transaction.

The Name Change (see page 13)

On January 24, 2011, our Board of Directors at a special meeting adopted and approved, subject to the closing of the Arthrex Asset Sale, an amendment to our Certificate of Incorporation to change our name to Tiger X Medical, Inc. Pursuant to the terms of the Arthrex Asset Purchase Agreement, immediately after the closing, we are required to change our name, logos, trade dress, trade names, trademarks, service marks and the like to new names that are reasonably satisfactory to Arthrex and do not use the words Cardo or any variation thereof. The Name Change will not become effective until the closing of the Arthrex Asset Sale.

Approval of the Board of Directors and Stockholders Relating to the Arthrex Asset Sale (see page 13)

The Board of Directors of Cardo Medical, after careful consideration, has adopted and approved the Arthrex Asset Purchase Agreement, the transactions contemplated thereby, and the Name Change and has recommended that Cardo Medical s stockholders vote for the adoption and approval of these items. Immediately following the execution of the Arthrex Asset Purchase Agreement on January 24, 2011, stockholders holding 58% of Cardo Medical s shares of common stock outstanding executed a written consent in lieu of a stockholders meeting approving the Arthrex Asset Purchase Agreement, the transactions contemplated thereby, and the Name Change.

Use of Proceeds from Arthrex Asset Sale (see page 19)

The Arthrex Asset Purchase Agreement provides that, at closing, we will receive a total cash consideration of $9,960,000 plus the value of our inventory and property, plant and equipment relating to our Reconstructive Division calculated as of the closing date. From the cash consideration paid at closing, $900,000 will be deposited with an escrow agent for a period of twelve months from the closing date to be used for any adjustments to the value of the our inventory and property, plant and equipment relating to our Reconstructive Division and for post closing indemnification claims which may be asserted by Arthrex with respect to losses, damages, costs, expenses, suits, actions or obligations related to unassumed liabilities and payment of certain taxes. The Company anticipates that approximately $2.5 million will be used to pay: (i) accrued salaries and payroll taxes, (ii) sums due to certain creditors, (iii) transaction expenses and (iv) working capital purposes. The payment of accrued salaries and payroll taxes will not involve the use of proceeds for payment of any accrued salaries, fees or payment of payroll taxes for the Company s officers and directors.

The Chief Executive Officer and President determined to forgo their annual base salaries of $250,000 and $220,000, respectively, in October 2010 as a cost reduction measure. The annual base salaries of the Company s

Chief Executive Officer and President were subsequently reinstated effective April 4, 2011. The Chief Executive Officer and President have not received any payments or promises of payments relating to the base salary they voluntarily relinquished from October 2010 through April 3, 2011 nor any other payments or promises of payments or distributions from the proceeds of the Arthrex Asset Sale. To the extent the Company is unable to fund the annual base salaries of the Company s Chief Executive Officer and President from cash generated from its remaining operations, a portion of the proceeds from the Arthrex Asset Sale may be used for this purpose.

Loans by Arthrex (see page 19)

On March 18, 2011, we executed a Secured Promissory Note in favor of Arthrex, which we refer to as the Arthrex Note. Under the terms of the Arthrex Note, the $250,000 deposit made by Arthex on January 24, 2011 pursuant to the terms of the Arthrex Asset Purchase Agreement constituted an initial loan. Under the terms of the Arthrex Note, Arthrex agreed to (a) make a second loan to us of such amount to repay the indebtedness owed to Jon Brooks, the brother of the Company s Chairman and Chief Executive Officer, in the principal amount of $300,000 plus all accrued and unpaid interest thereon, which we refer to as the Brooks Note, and the indebtedness owed to Earl Brien, M.D. in the principal amount of $200,000 plus all accrued and unpaid interest thereon, which we refer to as the Brien Note, and (b) make additional advances within two business days of our written request; provided that in no event shall the aggregate principal amount loaned under the Arthrex Note at any time exceed $1,250,000. Pursuant to the terms of the Arthrex Note, we received $972,000 of additional proceeds from Arthrex and used $522,000 of these proceeds to pay off the Brooks Note and the Brien Note, and utilized $450,000 to pay for vendors of inventory. Pursuant to the Arthrex Note, we granted, pledged and assigned to Arthrex a security interest in all of our assets, which security interest ranked senior to and had priority over those held by all other creditors. As of April 4, 2011 prior to the consummation of the Altus Asset Sale, we had $1,222,000 of outstanding borrowings due to Arthrex, consisting of the $250,000 deposit and the $972,000 borrowed under the Arthrex Note. Upon closing the Altus Asset Sale, $250,000 out of the total outstanding borrowings due to Arthrex reverted back to a deposit under the Arthrex Asset Purchase Agreement and we used proceeds of $972,000 from the Altus Asset Sale to pay off the borrowings due to Arthrex under the Arthrex Note. Upon such repayment, the liens on our assets in favor of Arthrex terminated.

Sale of Substantially All Assets in the Spine Division (see page 19)

On April 4, 2011, we entered into an Asset Purchase Agreement with Altus Partners, LLC, a Delaware limited liability company (Altus), pursuant to which we agreed to sell substantially all of the assets of our Spine Division consisting of assets used or held for use exclusively in connection with our spine surgical device business to Altus (the Altus Asset Sale) in exchange for cash consideration of $3,000,000 (the Altus Asset Purchase Agreement). We closed the Altus Asset Sale simultaneously with signing the Altus Asset Purchase Agreement on April 4, 2011. Pursuant to the terms of the Altus Asset Purchase Agreement, we received $2,700,000 of the purchase price at the closing and $300,000 was deposited into escrow with an escrow agent for a period of 90 days from the closing date (assuming there are no disputes) to be used for any adjustments to the closing value of our inventory. The assets excluded from the Altus Asset Sale include the assets of our Reconstructive Division, cash, accounts receivable, real estate, leasehold interests, certain assets used or related to our spinal motion preservation business and any and all of our assets not used exclusively in the operation of our spinal surgical device business.

Use of Proceeds from Altus Asset Sale (see page 19)

Pursuant to the Altus Asset Purchase Agreement, the total cash consideration was $3,000,000, of which we received $2,700,000 at closing. From the total cash consideration, $300,000 was deposited with an escrow agent for a period of 90 days from the closing date (assuming there are no disputes) to be used for any adjustments to the closing value of our inventory. Upon closing the Altus Asset Sale, $250,000 out of the total outstanding borrowings due to Arthrex reverted back to a deposit under the Arthrex Asset Purchase Agreement and we used proceeds of $972,000 from the Altus Asset Sale to pay off the borrowings due to Arthrex under the Arthrex Note. The Company anticipates that the remaining proceeds may, among other purposes, be used to pay: (i) accrued salaries and payroll taxes, (ii) sums due to certain creditors, (iii) transaction expenses and (iv) working capital

purposes. The payment of accrued salaries and payroll taxes will not involve the use of proceeds for payment of any accrued salaries, fees or payment of payroll taxes for the Company s officers and directors.

The Chief Executive Officer and President determined to forgo their annual base salaries of $250,000 and $220,000, respectively, in October 2010 as a cost reduction measure. The annual base salaries of the Company s Chief Executive Officer and President were subsequently reinstated effective April 4, 2011. The Chief Executive Officer and President have not received any payments or promises of payments relating to the base salary they voluntarily relinquished from October 2010 through April 3, 2011 nor any other payments or promises of payments or distributions from the proceeds of the Altus Asset Sale. To the extent the Company is unable to fund the annual base salaries of the Company s Chief Executive Officer and President from cash generated from its remaining operations, a portion of the proceeds from the Altus Asset Sale may be used for this purpose.

Approval of the Board of Directors Relating to the Altus Asset Sale (see page 13)

On January 24, 2011, the holders of a majority of our outstanding shares entitled to vote thereon, acting by written consent without a meeting of stockholders, authorized, as soon as practicable after the closing contemplated by the Arthrex Asset Purchase Agreement, that Cardo Medical sell all of the assets of its Spine Division on terms and conditions to be determined by our Board of Directors. Subsequent to the filing of our initial preliminary information statement on January 31, 2011, our Board of Directors determined it was in the best interests of the Company to enter into the Altus Asset Purchase Agreement and to consummate the Altus Asset Sale which we closed simultaneously on April 4, 2011. Our Board of Directors approved our entering into the Altus Asset Purchase Agreement and the consummation of the Altus Asset Sale. The Altus Asset Sale did not constitute a sale of substantially all of our assets under Delaware law and therefore we were not required to seek stockholder approval of the Altus Asset Sale and we did not obtain stockholder approval of the Altus Asset Sale. If we were to sell the remaining assets in our Spine Division in a future transaction and such sale constitutes a sale of substantially all of our assets under Delaware law, then at such time as the Board of Directors reviews and approves such transaction, we would seek the written consent of a majority of our stockholders and prepare and send a separate information statement to our stockholders providing the material information and terms of the specific sale of the remaining assets of our Spine Division at least 20 calendar days before its consummation.

Structure of the Company After the Arthrex Asset Sale (see page 20)

After completion of the Arthrex Asset Sale, the Company will hold:

- cash and cash equivalents in the approximate amount of $13.9 million, excluding $1.2 million held in escrow;
- accounts receivable in the approximate amount of $413,000; and
- the limited liability company interests of Cardo Medical, LLC.

After the Arthrex Asset Sale, our ongoing operations will consist of the remaining assets in our Spine Division, the collection of accounts receivable, the collection of royalty payments pursuant to the terms of the Arthrex Asset Purchase Agreement, and the payment of any liabilities.

We currently contemplate that the members of our Board of Directors will continue to serve as directors and that our named executive officers, Messrs. Brooks, Kvitnitsky and Romine, will continue to serve as our Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, respectively, following the sale of the Reconstructive Division. The Company, however, has the flexibility to make such changes to the composition of its Board of Directors and officers as it deems appropriate and necessary from a business perspective in accordance with the terms of its Certificate of Incorporation, Bylaws and the Nominating Committee Charter.

Consulting Agreements After The Arthrex Asset Sale (see page 20)

It is anticipated that Dr. Andrew Brooks, Michael Kvitnitsky, and Derrick Romine will each enter into a consulting agreement with Arthrex at or prior to the closing of the Arthrex Asset Sale. The consulting agreements for Messrs. Kvitnitsky and Romine have a term of three (3) months, which may be extended by mutual agreement of Arthrex and each of Messrs. Kvitnitsky and Romine, respectively. Mr. Kvitnitsky will receive monthly compensation of $18,333.33 for consulting fees and $1,783.33 for monthly benefits. Mr. Romine will receive monthly compensation of $15,000.00 for consulting fees and $1,550.00 for monthly benefits. Each consulting agreement provides that the consultant will not compete with Arthrex during the term of the agreement, will not disclose any confidential information of Arthrex and will assign any inventions to Arthrex that were created during the term of the consulting agreement and that relate to Arthrex s business or were created in connection with the consulting services or using Arthrex s property. The agreements permit the consultant to (i) continue as a consultant to, or director, officer or employee of, Cardo Medical and/or its subsidiaries in connection with the Spine Division Sale, provided that such involvement does not materially interfere with the performance of his duties under the consulting agreement, or (ii) own, directly or indirectly, any equity securities (including stock options) of Cardo Medical that he holds as of the date of the Arthrex Asset Purchase Agreement. The consulting agreement with Dr. Brooks will be on such terms as are mutually agreed upon by Dr. Brooks and Arthrex.

Dissenters Rights (see page 34)

The stockholders of the Company are not entitled to seek dissenters or appraisal rights under Delaware law in connection with the Arthrex Asset Sale or Name Change.

Certain Federal Income Tax Consequences (see page 34)

The Arthrex Asset Sale will be treated by the Company as a taxable transaction for federal income tax purposes. It is anticipated that any gain resulting from the Arthrex Asset Sale will be offset against the Company s net operating loss carryforwards. However, utilization of these carryforwards generates an alternative minimum tax for federal income tax purposes. At this time, we are unable to determine the alternative tax liability generated due to the utilization of these carryforwards.

Accounting Treatment (see page 34)

Upon completion of the Arthrex Asset Sale, we will remove from our consolidated balance sheet all of the assets of our Reconstructive Division sold to Arthrex and will reflect therein the effect of the receipt and the use of the proceeds of the Arthrex Asset Sale. We will record a gain on the sale of assets to Arthrex equal to the difference between the purchase price received and the book value of the assets sold in our consolidated statement of operations.

Government Approval (see page 34)

Except for compliance with the applicable regulations of the Securities and Exchange Commission in connection with this Information Statement and of the Delaware General Corporation Law in connection with the Arthrex Asset Sale and the Name Change, we are not required to comply with any federal or state regulatory requirements, and no federal or state regulatory approvals are required in connection with the Arthrex Asset Sale or the Name Change.

Interests of the Continuing Stockholders (see page 36)

Following the Arthrex Asset Sale and the Name Change, the current stockholders of the Company will continue to own 100% of the outstanding common stock of the Company.

A NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Information Statement contains certain forward-looking statements, including statements regarding our expectations, beliefs, goals, hopes, strategies, and the like. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that are subject to change at any time and from time to time and that could cause our actual results, performance or achievements to differ materially from our expectations of future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause actual results or developments to differ materially from those described in or contemplated or implied by such forward-looking statements include, without limitation, the risk that the assumptions upon which the forward-looking statements are based ultimately may prove to be incorrect or incomplete, the ability of the companies to satisfy the conditions to the closing of the Arthrex Asset Sale and to consummate the Arthrex Asset Sale transaction, and unanticipated events that could impact the value of our inventory, property, plant and equipment relating to the assets of our Reconstructive Division and/or the royalty payments and as a result impact the closing consideration, as well as other risks and uncertainties that are described in our filings with the Securities and Exchange Commission. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee future events or results. Except as may be required under federal law, we undertake no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur.

Summary Information In Question And Answer Format

The following information in question and answer format, summarizes many of the material terms of the Arthrex Asset Sale and the Name Change. For a complete description of the material terms of the Arthrex Asset Sale and the Name Change, you are advised to carefully read this entire Information Statement and the other documents referred to herein. The actual terms and conditions of the Arthrex Asset Sale are contained in the Arthrex Asset Purchase Agreement and the exhibits thereto. The Arthrex Asset Purchase Agreement is included as Appendix A to this Information Statement. The form of an amendment to our Certificate of Incorporation to effect the Name Change is included as Appendix B to this Information Statement. The fairness opinion is included as Appendix C to this Information Statement.

Q. Why Was There No Vote Required To Approve The Altus Asset Sale?

A. The Altus Asset Sale did not constitute a sale of substantially all of our assets under Delaware law and therefore we were not required to seek stockholder approval of the Altus Asset Sale and we did not obtain stockholder approval of the Altus Asset Sale. If we were to sell the remaining assets in our Spine Division in a future transaction and such sale constitutes a sale of substantially all of our assets under Delaware law, then at such time as the Board of Directors reviews and approves such transaction, we would seek the written consent of a majority of our stockholders and prepare and send a separate information statement to our stockholders providing the material information and terms of the specific sale of the remaining assets of our Spine Division at least 20 calendar days before its consummation.

Q. What Vote Is Required To Approve The Arthrex Asset Sale?

A. Approval of the Arthrex Asset Sale requires the affirmative vote of the holders of not less than a majority of Cardo Medical s issued and outstanding common stock entitled to vote thereon.

Q. What Vote Is Required To Approve The Name Change?

A. Approval of the Name Change requires the affirmative vote of the holders of not less than a majority of Cardo Medical s issued and outstanding common stock entitled to vote thereon.

Q. What Constitutes A Majority Of The Company s Outstanding Common Stock?

A. On January 24, 2011, the Company had 230,293,141 shares of Common Stock issued and outstanding and as a result 115,146,571 constitutes a majority of the shares of Common Stock issued and outstanding.

Q. Who Voted In Favor Of The Arthrex Asset Sale And The Name Change?

A. Dr. Andrew Brooks, Cardo Medical s Chairman of the Board and Chief Executive Officer, Mikhail (Michael) Kvitnitsky, Cardo Medical s President, Chief Operating Officer and a director of Cardo Medical, Derrick Romine, Cardo Medical s Chief Financial Officer, Thomas Morgan, a director of Cardo Medical, indirectly through a trust and a limited liability company, Ronald Richards, a director of Cardo Medical, Steven D. Rubin, a director of Cardo Medical, Dr. Subbarao Uppaluri, a director of Cardo Medical, and Frost Gamma Investments Trust, a greater than 10% holder of our common stock, voted an aggregate of 133,689,430 shares in favor of the adoption and approval of the Arthrex Asset Purchase Agreement, the transactions contemplated thereby, and the Name Change. Such shares represent 58% of the shares of common stock outstanding. Such individuals shall be referred to as the Majority Stockholders . See Voting Securities and Principal Holders Thereof at page 34.

Q. Will the Stockholders that Voted In Favor Of The Arthrex Asset Purchase Agreement and the Name Change Have Any Relationship With Arthrex Following The Closing Of The Arthrex Asset Sale?

A. Yes. It is anticipated that Dr. Andrew Brooks, Michael Kvitnitsky, and Derrick Romine will each enter into a consulting agreement with Arthrex following the closing of the Arthrex Asset Sale. The consulting agreements for Messrs. Kvitnitsky and Romine have a term of three (3) months, which may be extended by mutual agreement of Arthrex and the consultant thereunder. Mr. Kvitnitsky will receive monthly compensation of $18,333.33 for consulting fees and $1,783.33 for monthly benefits. Mr. Romine will receive monthly compensation of $15,000.00 for consulting fees and $1,550.00 for monthly benefits. Each consulting agreement provides that the consultant will not compete with Arthrex during the term of the agreement, will not disclose any confidential information of Arthrex and will assign any inventions to Arthrex that were created during the term of the consulting agreement and that relate to Arthrex s business or were created in connection with the consulting services or using Arthrex s property. The agreements permit the consultant to (i) continue as a consultant to, or director, officer or employee of, Cardo Medical and/or its subsidiaries in connection with the sale of assets of our Spine Division, provided that such involvement does not materially interfere with the performance of his duties under the consulting agreement, or (ii) own, directly or indirectly, any equity securities (including stock options) of Cardo Medical that he holds as of the date of the Arthrex Asset Purchase Agreement. The consulting agreement with Dr. Brooks will be on such terms as are mutually agreed upon by Dr. Brooks and Arthrex.

Q. Why Isn t The Company Holding A Stockholders Meeting To Vote On The Arthrex Asset Purchase Agreement, The Transactions Contemplated Thereby, And The Name Change?

A. In order to lawfully close on the proposed Arthrex Asset Sale and effect the Name Change, Delaware law requires that a majority of shares of Common Stock issued and outstanding vote in favor of the adoption and approval of the Arthrex Asset Purchase Agreement, the transactions contemplated thereby, and the Name Change. The stockholders voting in favor of the Arthrex Asset Purchase Agreement, the transactions contemplated thereby, and the Name Change represent 58% of the shares outstanding, or a majority of the outstanding shares. Therefore, management concluded that because approving a transaction by the written consent of stockholders can be accomplished quicker than distributing a notice of meeting and proxy statement, and conducting a stockholders meeting, management and the Board of Directors decided not to conduct a meeting of stockholders. Instead, promptly following the execution of the Arthrex Asset Purchase Agreement, stockholders owning approximately 58% of the shares signed a written consent approving the Arthrex Asset Purchase Agreement, the transactions contemplated thereby, and the Name Change.

Q. What Are The Terms Of The Arthrex Asset Purchase Agreement?

A. On January 24, 2011, our Board of Directors at a special meeting, adopted and approved the Arthrex Asset Purchase Agreement, a copy of which is included as Appendix A to this Information Statement, pursuant to which we intend to sell, and Arthrex intends to purchase, substantially all of our assets, consisting of all of the assets of our Reconstructive Division. Pursuant to the Arthrex Asset Purchase Agreement, we will sell substantially all of our assets to Arthrex in exchange for cash consideration of $9,960,000 plus the value of our inventory and property, plant and equipment relating to our Reconstructive Division calculated as of the closing date, the assumption by Arthrex of certain executory liabilities of the Company under contracts being assumed by Arthrex, and the payment of a royalty equal to 5% of net sales of our Reconstructive Division products acquired pursuant to the Arthrex Asset Purchase Agreement, to be paid in cash on a quarterly basis for a term up to and including the 20th anniversary of the closing date. Following the execution of the Arthrex Asset Purchase Agreement, we received a $250,000 deposit from Arthrex to be credited against the cash consideration due at closing. From the cash consideration paid at closing, $900,000 will be deposited with an escrow agent for a period of twelve months from the closing date to be used for any adjustments to the value of our inventory and property, plant and equipment relating to our

Reconstructive Division and for post closing indemnification claims which may be asserted by Arthrex with respect to losses, damages, costs, expenses, suits, actions or obligations related to unassumed liabilities and payment of certain taxes. We estimate the value of our inventory and property, plant and equipment relating to our Reconstructive Division as of the closing date will be approximately $4.7 million. The assets excluded from the Arthrex Asset Sale include the assets of our Spine Division, cash and cash equivalents, all receivables and accounts receivable, prepaid items and deposits, and real property leases and leasehold improvements.

Q. Why Is The Company Selling Its Assets?

A. On October 7, 2010, the Company s management and Board of Directors decided to put substantially all of its assets up for sale. The Company decided to put up for sale the assets of its Reconstructive Division and Spine Division primarily because it did not have sufficient working capital, and was not able to procure such financial resources through equity or debt financing, in order to fully execute a profitable sales strategy. The Board of Directors and management of the Company considered that based on the Company s losses from operations, negative cash flows from operations, accumulated deficit and limited cash to fund future operations, as well as its recent reduction in workforce, and its review of strategic and liquidity alternatives, it would be in the Company s best interest to sell substantially all of the Company s assets at a fair price. Specifically, at the time of this determination by the Company s management and the Board of Directors to put substantially all of its assets up for sale, the Company had recorded net losses of approximately $5.1 million and $5.7 million, respectively for the years ended December 31, 2009 and 2008. For the nine months ended September 30, 2010 and 2009, the Company recorded losses of approximately $11.1 million and $3.8 million, respectively. For the years ended December 31, 2009 and 2008, the Company s accumulated deficit totaled approximately $11.2 million and $6.1 million, respectively. For the nine months ended September 30, 2010 and 2009, the Company accumulated deficit totaled approximately $22.2 million and $9.9 million, respectively. The Company had also received a going concern opinion from its independent auditors for the years ended December 31, 2009 and 2008. As a result, the Board of Directors and management decided that it was in the best interest of the Company to pursue a sale transaction for all of the assets of its Reconstructive Division to Arthrex.

Q. Why Is The Company Changing Its Name?

A. Pursuant to the terms of the Arthrex Asset Purchase Agreement, immediately after the closing of the Arthrex Asset Sale, we are required to change our name, logos, trade dress, trade names, trademarks, service marks and the like to new names that are reasonably satisfactory to Arthrex and do not use the words Cardo or any variation thereof, except in connection with (i) satisfaction of certain obligations under the Arthrex Asset Purchase Agreement, (ii) collection of certain receivables, and (iii) the administration and sale of existing contracts and other existing rights related to assets not purchased by Arthrex for the period of time following closing until the sale of such assets. Immediately after the closing of the Arthrex Asset Sale, we will file an amendment to our Certificate of Incorporation to change our name to Tiger X Medical, Inc. A copy of the form of an amendment to our Certificate of Incorporation to effect the Name Change is included as Appendix B to this Information Statement. The Name Change will not become effective until the closing of the Arthrex Asset Sale.

Q. What Will Happen To The Company After The Arthrex Asset Sale?

A. Following the Arthrex Asset Sale,

The Company will continue to be a public company;

The Company intends to sell the Company s remaining assets in its Spine Division;

The Company s common stock will continue to trade on the OTC Bulletin Board; and

The Company will use the proceeds from the Arthrex Asset Sale to pay: (i) accrued salaries and payroll taxes, (ii) sums due to certain creditors, (iii) transaction expenses, and (iv) working capital purposes.

Q. What Steps Has The Board Of Directors Taken To Assure That The Price To Be Paid By Arthrex Is Fair To The Public Stockholders?

A. The Board of Directors engaged Inverness Advisors to review the Arthrex Asset Sale. On January 24, 2011, Inverness Advisors issued a fairness opinion to the effect that the consideration to be received by the Company in the Arthrex Asset Sale is fair to the Company from a financial point of view.

Q. What Factors Were Considered By Management And The Board Of Directors In Deciding To Sell Substantially All Of The Company s Assets?

Management and the Board of Directors considered a number of factors before deciding to execute the Arthrex Asset Purchase Agreement, including but not limited to, the following:

the Company s losses from operations, negative cash flows from operations, accumulated deficit and limited cash to fund future operations, as well as its recent reduction in workforce;

the terms and conditions of the proposed Arthrex Asset Sale;

the belief that the offered purchase price by Arthrex, is the highest price that the Company will obtain for all of the assets of its Reconstructive Division; and

the fact that Arthrex offered a 5% royalty on future sales of Reconstructive Division products, providing the Company with potential future upside.

Q. How Is The Purchase Price For The Arthrex Asset Sale Being Financed By Arthrex?

A. Arthrex has advised the Company that the total amount of funds required to be delivered to the Company at closing will be funded from Arthrex s cash on hand or cash from operations. See Information About Arthrex.

Q. What Rights Do Stockholders Have To Dissent From The Arthrex Asset Sale And The Name Change?

A. The stockholders of the Company do not have the right to seek the appraisal of their shares under Delaware law.

Q. What Are The Conditions Of The Arthrex Asset Sale?

A. The following list includes what the Board of Directors and Management believe are the material conditions to the Arthrex Asset Sale, all of which must be satisfied at the time of the closing. In view of the fact that interpretations of materiality can be subjective, the list is qualified by reference to the Arthrex Asset Purchase Agreement which is attached as Appendix A to this Information Statement. You are urged to carefully read this entire document including the Arthrex Asset Purchase Agreement.

at least 20 calendar days will have passed since an Information Statement pursuant to Rule 14c-2 under the Exchange Act has been filed with the SEC and transmitted to every stockholder of the Company from whom proxy authorization or consent is not solicited;

delivery of payoff and release letters from the holders of the Company s indebtedness to Arthrex;

delivery of evidence reasonably satisfactory to Arthrex of the satisfaction and release of all liens encumbering the purchased assets;
execution and delivery of consulting or employment agreements by each of Andrew Brooks, Brett Cassidy, Derrick Romine, Michael Kvitnitsky and John Kuczynski;
there are no legal restraints making the transactions contemplated by the Arthrex Asset Purchase Agreement illegal, or otherwise restraining, prohibiting or materially delaying consummation of the transactions;
certain material consents required for the consummation of the Asset Purchase shall have been obtained; and
the respective representations and warranties made in the Arthrex Asset Purchase Agreement by each of the parties to the Arthrex Asset Purchase Agreement shall be true and correct.

Q. What Are The Income Tax Consequences Of The Arthrex Asset Sale?

A. The Arthrex Asset Sale will be treated by the Company as a taxable transaction for federal income tax purposes. It is anticipated that any gain resulting from the Arthrex Asset Sale will be offset against the Company s net operating loss carryforwards. However, utilization of these carryforwards generates an alternative minimum tax for federal income tax purposes. At this time, we cannot determine the alternative tax liability. See Certain Federal Income Tax Consequences.

Q. How Will The Arthrex Asset Sale Be Accounted For?

A. Upon completion of the Arthrex Asset Sale, we will remove from our consolidated balance sheet all of the assets of our Reconstructive Division sold to Arthrex and will reflect therein the effect of the receipt and the use of the proceeds of the Arthrex Asset Sale. We will record a gain on the sale of assets to Arthrex equal to the difference between the purchase price received and the book value of the assets sold in our consolidated statement of operations.

Q. Are Any Governmental Approvals Required In Connection With The Arthrex Asset Sale And The Name Change?

A. Except for compliance with the applicable regulations of the Securities and Exchange Commission in connection with this Information Statement and of the Delaware General Corporation Law in connection with the Arthrex Asset Sale and the Name Change, we are not required to comply with any federal or state regulatory requirements, and no federal or state regulatory approvals are required in connection with Arthrex Asset Sale or the Name Change.

Approval of the Board of Directors and Stockholders

Our ability to sell substantially all of our assets without a meeting of our stockholders is authorized by Section 228 of the Delaware General Corporation Law. That section generally provides that a Delaware corporation may substitute for action on a matter by its stockholders at a meeting the written consent of the holders of outstanding shares of capital stock holding at least the minimum number of votes which would be necessary to authorize or take the action at a meeting at which all shares entitled to vote on the matter are present and voted. In accordance with this provision, we obtained the written consent in lieu of a meeting of stockholders representing a majority of the total issued and outstanding shares of voting stock of the Company approving the Arthrex Asset Purchase Agreement, the transactions contemplated thereby, and the Name Change. As a result of the action of the majority of the Company s stockholders, we are not soliciting proxies, and there will be no further stockholder action on the Arthrex Asset Purchase Agreement, the transactions contemplated thereby, or the Name Change.

Holders of record of the Company s Common Stock, are entitled to notice of the action taken by written consent approving the Arthrex Asset Purchase Agreement, the transactions contemplated thereby, and the Name Change.

Under Delaware law and our Certificate of Incorporation, the affirmative vote of a majority of the issued and outstanding shares of the Company s Common Stock as of the close of business on January 24, 2011 is required to approve the Arthrex Asset Purchase Agreement and the transactions contemplated thereby, and the Name Change. Under our Certificate of Incorporation, each share of Common Stock is entitled to one vote per share. As of January 24, 2011, there were outstanding 230,293,141 shares of Common Stock. As permitted by the Delaware General Corporation Law, on January 24, 2011, the Company received a written consent in lieu of a meeting of stockholders from holders of 133,689,430 shares of Common Stock representing 58% of the total issued and outstanding shares of voting stock of the Company approving the Arthrex Asset Purchase Agreement, the transactions contemplated thereby, and the Name Change.

The action by written consent approving the Arthrex Asset Purchase Agreement, the transactions contemplated thereby, and the Name Change was effective on January 24, 2011.

The Altus Asset Sale did not constitute a sale of substantially all of our assets under Delaware law and therefore we were not required to seek stockholder approval of the Altus Asset Sale and we did not obtain stockholder approval of the Altus Asset Sale. If we were to sell the remaining assets in our Spine Division in a future transaction and such sale constitutes a sale of substantially all of our assets under Delaware law, then at such time as the Board of Directors reviews and approves such transaction, we would seek the written consent of a majority of our stockholders and prepare and send a separate information statement to our stockholders providing the material information and terms of the specific sale of the remaining assets of our Spine Division at least 20 calendar days before its consummation.

The Arthrex Asset Sale

The terms and conditions of the Arthrex Asset Sale, which is the sale of substantially all of our assets, consisting of all of the assets of our Reconstructive Division, to Arthrex, are set forth in the Arthrex Asset Purchase Agreement, dated as of January 24, 2011. A copy of the Arthrex Asset Purchase Agreement, excluding the schedules thereto, is included as Appendix A to this Information Statement. The description in this Information Statement of the terms and conditions of the Arthrex Asset Sale and of the Arthrex Asset Purchase Agreement is a summary only and may not contain all of the information that is important to you. To fully understand the Arthrex Asset Sale and the terms of the Arthrex Asset Purchase Agreement, you should carefully read in its entirety the copy of the Arthrex Asset Purchase Agreement included as Appendix A.

The Name Change

Pursuant to the terms of the Arthrex Asset Purchase Agreement, immediately after the closing, we are required to change our name, logos, trade dress, trade names, trademarks, service marks and the like to new names

that are reasonably satisfactory to Arthrex and do not use the words Cardo or any variation thereof, except in connection with (i) satisfaction of certain obligations under the Arthrex Asset Purchase Agreement, (ii) collection of certain receivables, and (iii) the administration and sale of existing contracts and other existing rights related to assets not purchased by Arthrex for the period of time following closing until the sale of such assets. Immediately after the closing of the Arthrex Asset Sale, we will file an amendment to our Certificate of Incorporation to change our name to Tiger X Medical, Inc.

Parties To The Arthrex Asset Sale

Information About Cardo Medical, Inc.

Cardo Medical, Inc.
7625 Hayvenhurst Avenue
Suite 49
Van Nuys, California 91406
(818) 780-6677
www.cardomedical.com (The information contained on the Company s website shall not be deemed part of this Information Statement.)

We are an orthopedic medical device company specializing in designing, developing and marketing high performance reconstructive joint devices and spinal surgical devices. Reconstructive joint devices are used to replace knee, hip and other joints that have deteriorated through disease or injury. Spinal surgical devices involve products to stabilize the spine for fusion and reconstructive procedures. Within these areas, we are focused on developing surgical devices, instrumentation and techniques that will enable surgeons to move what are typically inpatient surgical procedures to the outpatient world. We commercialize our reconstructive joint devices through our Reconstructive Division and our spine devices through our Spine Division. We launched and commenced sales of our first product in December 2006, which was a high performance unicompartmental knee replacement. We commenced sales of our other reconstructive products in 2007 and our spine products in 2008.

We are headquartered in Van Nuys, California. Our common stock is quoted on the National Association of Securities Dealers, Inc., Over-the-Counter Bulletin Board, under the trading symbol CDOM.OB.

Information About Cardo Medical, LLC

Cardo Medical, LLC
7625 Hayvenhurst Avenue
Suite 49
Van Nuys, California 91406
(818) 780-6677

Cardo Medical, LLC, a Delaware corporation, is a wholly owned subsidiary of the Company. The business of Cardo Medical, LLC is the same as the business of Cardo Medical, Inc., as described above.

Information About Arthrex, Inc.

Arthrex, Inc.
1370 Creekside Boulevard
Naples, Florida 34108
(239) 643-5553
www.arthrex.com (The information contained on Arthrex s website shall not be deemed part of this Information Statement.)

Arthrex, headquartered in Naples, Florida, is a worldwide leader in sports medicine product development and educational services for orthopaedic surgeons. Incorporated since 1984, Arthrex is a privately held corporation

committed to providing the finest quality products and educational services to meet the special needs of orthopaedic surgeons and their patients. Arthrex has a focused dedication to creative product development and medical education with an experienced, devoted team of professionals who are truly committed to continuing this tradition. Over 5,000 products for arthroscopic and minimally invasive orthopaedic surgical procedures have been developed by Arthrex and are currently marketed worldwide. Arthrex s goal is to make technically demanding surgical procedures easier, safer and reproducible

Background Of The Arthrex Asset Sale

As discussed in our press release from October 7, 2010 announcing company-wide layoffs, we explored ways to raise additional capital during 2010 and were unsuccessful. As mentioned in the press release, we continued to seek alternative sources of capital, including the selling of some or all of our assets, as well as exploring strategic alliances.

As a result of our press release, representatives from Arthrex called Dr. Brooks to inquire about a potential sale of our assets. On October 15, 2010, Cardo Medical s management met with the management of Arthrex in Naples, Florida, for preliminary discussions, including an overview of our business and a product review.

During the week of October 18, 2010, we met with various investment banking firms, including Inverness Advisors, a division of KEMA Partners LLC (Inverness), to discuss the potential engagement of one of the firms as our financial advisor.

On October 19, 2010, our Board of Directors held a telephonic meeting during which the Board of Directors approved the engagement of Inverness on such terms as management deemed appropriate. On October 20, 2010, Inverness and members of our management initiated discussions regarding potential buyers, the sale process, transaction issues and market conditions.

On October 31, 2010, we engaged Inverness to provide investment banking services as we explored our strategic alternatives, including a sale of equity or assets.

Throughout October and November 2010, Inverness worked with potential parties interested in purchasing us, including both financial and strategic buyers. During this period, approximately 29 parties were contacted, either telephonically, by email or by both methods of communication. Of those contacted, ten parties expressed an interest in and executed mutual non-disclosure and confidentiality agreements (NDAs) and subsequently began the due diligence process.

On November 4, 2010, our Board of Directors held a telephonic meeting during which management and Inverness provided an update on the status of on-going discussions with Arthrex as well as the status of the various other on-going discussions.

On November 11, 2010, prospective purchasers were directed to submit preliminary proposals by November 29, 2010.

On December 3, 2010, our Board of Directors held a telephonic meeting during which management and Inverness provided a process update, summarized the three preliminary indications of interest that had been received by us, including a preliminary indication of interest received from Arthrex on November 29, 2010. Inverness was directed to allow the three parties, including Arthrex, to proceed with due diligence. On December 3, 2010, subsequent to the meeting of the Board of Directors, a fourth prospective purchaser submitted a preliminary indication of interest.

On December 11, 2010, the prospective purchasers were directed to submit specific proposals and their comments to the first draft of the asset purchase agreement that had been prepared by Cardo s counsel by December 22, 2010.

On December 14, 2010, our Board of Directors held a telephonic meeting during which management and Inverness provided a process update and summarized the four preliminary indications of interest that had been received by us prior to that date.

On December 22, 2010, Arthrex submitted its revised proposal and its first round of comments to the draft asset purchase agreement. The proposal contained substantially the same terms as the preliminary indication of interest, except that it increased the consideration to be paid by Arthrex by an amount equal to the non-cash impairment charges related to goodwill and intangible assets and the excess inventory reserve recorded by the Company during the quarter ended September 30, 2010.

On December 23, 2010, our Board of Directors held a telephonic meeting during which management and Inverness provided a process update, summarized the proposal from Arthrex, one preliminary indication of interest that was received by us on December 21, 2010 and the three other preliminary indications of interest received by us previously that had not been superceded by a specific proposal. Our Board of Directors decided to continue negotiations with Arthrex, primarily because the Arthrex proposal involved the acquisition of substantially all of our assets and its proposal resulted in a higher purchase price compared to the indications of interest received.

Throughout the remainder of 2010 and the beginning of 2011, we held due diligence meetings and follow up sessions with representatives of Arthrex. We continued to negotiate with Arthrex the terms and conditions of the transaction and the proposed asset purchase agreement. The negotiations with Arthrex focused primarily on the terms in the asset purchase agreement related to the deposit, royalty, escrow, representations and warranties as well as conditions to closing and on determining Arthrex s intention to retain the services of certain of the Company s employees and to assume certain leases. On December 27, 2010, we responded to Arthrex s first round of comments to the asset purchase agreement.

During late December 2010, Arthrex s management observed certain surgical procedures involving our products. Furthermore, during the first week of January 2011, Dr. Andrew Brooks performed a laboratory demonstration of our products with Arthex management in Naples, Florida.

On January 7, 2011, our Board of Directors held a telephonic meeting during which management and Inverness provided a process update with respect to the Arthrex negotiations and due diligence process.

On January 12, 2011, our Board of Directors held a telephonic meeting during which management and Inverness provided a process update with respect to the Arthrex negotiations and counsel to the Company updated the Board of Directors on the status of the open issues under the asset purchase agreement, including a discussion of open issues and timing of the transaction. Additionally, Inverness made a presentation to the Board of Directors with respect to its preliminary valuation analysis for the transaction as it was proposed at that time, including a selected public companies analysis, selected precedent transaction analysis, discounted cash flow analysis and other analysis. Our Board of Directors did not rely on the January 12, 2011 presentation in approving the sale of assets and the transactions contemplated thereby because that presentation analyzed a materially different transaction than was ultimately approved. The January 12, 2011 presentation analyzed the sale of assets of both the Reconstructive Division and the Spine Division by the Company on a combined basis, while the Board of Directors approved the sale of the assets of the Reconstructive Division only.

Senior management of Arthrex and the Company met in our New Jersey location during the week of January 17, 2011 to address business diligence and open issues regarding the transaction. Arthrex management reviewed all of the Company s Reconstructive Division and Spine Division research and development projects and discussed financial requirements to successfully launch individual projects. Arthrex management also evaluated the Company s New Jersey manufacturing facility and met the Company s New Jersey employees.

On January 21, 2011, as a result of the status of diligence and negotiations, our management and Arthrex s management discussed changing the transaction from a sale of substantially all of the Company s assets for both its Reconstructive Division and Spine Division to substantially all of the Company s assets for only its Reconstructive Division. The change in the transaction was largely driven by the assets in the Spine Division adding less value to

Arthrex, from Arthrex s perspective, as compared to other prospective purchasers and Arthrex s concern that purchasing substantially all of the assets of the Spine Division would require Arthrex to build a separate and dedicated sales force with respect to the assets of the Spine Division rather than relying on Arthrex s existing sales force.

Arthrex s proposal contemplated a purchase price consisting of cash consideration of $9,960,000 plus the value of the Company s inventory and property, plant and equipment relating to the Reconstructive Division calculated as of the closing date, the assumption by Arthrex of certain liabilities, and the payment of a royalty equal to 5% of net sales of the Company s joint arthroplasty products to be paid in cash on a quarterly basis for a term up to and including the 20th anniversary of the closing date. The purchase price was determined by arms-length negotiations between the Company and Arthrex and the bidding process that Inverness ran for the Company. The purchase price for the sale of substantially all of the assets of the Reconstructive Division to Arthrex resulted in a purchase price that was greater than the purchase price amounts submitted in the preliminary indications of interest by the other potential purchasers.

In connection with the transaction, Arthrex informed us that it was their intention to retain the services of the Company s named executive officers, Messrs. Andrew Books, Michael Kvitnitsky and Derrick Romine along with at least two of the Company s employees, Mr. John Kuczynsky and Ms. Dina Weissman, as consultants for Arthrex. Prior to the Company executing the asset purchase agreement with Arthrex, Arthrex presented a form of the consulting agreement to each of Messrs. Kvitnitsky and Romine on terms that are substantially similar and consistent with their current arrangements with Cardo. Specifically, the monthly consulting fee for Mr. Kvitnitsky will be equal to his monthly Cardo salary and the monthly consulting fee for Mr. Romine will be equal to his monthly Cardo salary. The consulting agreement with Dr. Brooks was not negotiated prior to the Company executing the agreement with Arthrex, and will be on such terms as are mutually agreed upon by Dr. Brooks and Arthrex.

On January 24, 2011, our Board of Directors held a telephonic meeting during which management updated the Board of Directors on the negotiations with Arthrex and presented management s recommendation that the Board of Directors approve Cardo entering into the agreement with Arthrex. Inverness made an updated presentation to the Board of Directors with respect to its valuation analysis for the proposed revised transaction, including a selected public companies analysis, selected precedent transaction analysis and discounted cash flow analysis. Inverness January 24 presentation differed from its January 12 presentation in that the January 24 presentation (i) analyzed the sale of the assets of the Reconstructive Division only rather than the sale of assets of the Reconstructive Division and Spine Division combined, (ii) omitted elements of a fairness determination not relevant to a partial sale of assets by the Company, including a premiums paid analysis and a projected liquidation analysis, and (iii) updated some facts that changed with the passage of time, such as movements in the stock prices of the selected public companies that were used as part of the financial analysis. At the meeting, representatives of Inverness also delivered Inverness s oral opinion, subsequently confirmed in writing, that as of January 24, 2011, and based upon and subject to the various considerations, assumptions and limitations set forth in its opinion, the Consideration (as defined therein) to be received by Cardo and its affiliate Cardo Medical in the transaction was fair, from a financial point of view, to Cardo. Thereafter, the Cardo Board of Directors, having taken into consideration the information presented and discussed, approved and adopted the asset purchase agreement and the transactions contemplated thereby, and approved the filing of the name change to Tiger X Medical, Inc. immediately after the closing of the Arthrex Asset Sale and voted to recommend that the majority stockholders of Cardo approve the foregoing.

Reasons For The Arthrex Asset Sale

On October 7, 2010, the Company s management and Board of Directors decided to put substantially all of its assets up for sale. The Company decided to put up for sale the assets of its Reconstructive Division and Spine Division primarily because it did not have sufficient working capital, and was not able to procure such financial resources through equity or debt financing, in order to fully execute a profitable sales strategy. The Board of Directors and management of the Company considered that based on the Company s losses from operations, negative cash flows from operations, accumulated deficit and limited cash to fund future operations, as well as its

recent reduction in workforce, and its review of strategic and liquidity alternatives, it would be in the Company s best interest to sell substantially all of the Company s assets at a fair price. Specifically, despite management s efforts to seek various sources of financing throughout 2010, the Company was only able to obtain $500,000 of net proceeds during the fourth quarter of 2010 by issuing two secured promissory notes to two individuals, one of whom is the brother of the Company s Chief Executive Officer. These efforts stand in contrast to the $9.0 million of net proceeds the Company obtained throughout 2009. As a result of the level of the Company s available funds and the projection that the amount of available funds would be insufficient to meet all of the Company s working capital needs for the next twelve months, the Company s management undertook the following additional measures during October and November 2010: (i) it terminated over half of the Company s employees; (ii) had the Company s Chief Executive Officer and President forgo their salaries (the Chief Executive Officer s annual salary of $250,000 and the President s annual salary of $220,000 were reinstated effective April 4, 2011 upon the closing of the Altus Asset Sale); (iii) reduced office space by not renewing the corporate headquarters facility lease; (iv) scaled back research and development activities; (v) deferred manufacturing of inventories required to build additional base-level implant banks; and (vi) engaged an investment adviser to assist it in seeking alternative sources of capital, including selling some or all of the Company s assets and other strategic alternatives.

Specifically, at the time of this determination by the Company s management and the Board of Directors to put substantially all of its assets up for sale, the Company had recorded net losses of approximately $5.1 million and $5.7 million, respectively for the years ended December 31, 2009 and 2008. For the nine months ended September 30, 2010 and 2009, the Company recorded losses of approximately $11.1 million and $3.8 million, respectively. For the years ended December 31, 2009 and 2008, the Company s accumulated deficit totaled approximately $11.2 million and $6.1 million, respectively. For the nine months ended September 30, 2010 and 2009, the Company accumulated deficit totaled approximately $22.2 million and $9.9 million, respectively. The Company had also received a going concern opinion from its independent auditors for the years ended December 31, 2009 and 2008. As a result, the Board of Directors and management decided that it was in the best interest of the Company to pursue a sale transaction for all of the assets of its Reconstructive Division to Arthrex.

Special Factors Regarding the Arthrex Asset Sale

There are many factors that our stockholders should consider in reviewing the information contained in this Information Statement. Such factors include, but are not limited to, those set forth below and elsewhere in this Information Statement.

We will continue to incur claims, liabilities and expenses, which will reduce the realizable value of our remaining assets.

We will continue to incur the expenses of complying with public company reporting requirements.

We have an obligation to continue to comply with the applicable reporting requirements of the Securities Exchange Act of 1934, as amended, even though compliance with such reporting requirements is economically burdensome.

Assets Subject To Sale

The assets to be sold to Arthrex consist of substantially all of our assets, consisting of all the assets of our Reconstructive Division, and include the following:

assets, properties and rights used primarily in connection with the reconstructive joint devices business;

all goodwill associated with the reconstructive joint devices business;

all customer data, vendor data, subscriber lists, manuals and business procedures related to the reconstructive joint devices business; and

intangible property and permits related to the reconstructive joint devices business.

Use of Proceeds from Arthrex Asset Sale

The Arthrex Asset Purchase Agreement provides that, at closing, we will receive a total cash consideration of $9,960,000 plus the value of our inventory and property, plant and equipment relating to the Reconstructive Division calculated as of the closing date. From the cash consideration paid at closing, $900,000 will be deposited with an escrow agent for a period of twelve months from the closing date to be used for any adjustments to the value of the our inventory and property, plant and equipment relating to our Reconstructive Division and for post closing indemnification claims which may be asserted by Arthrex with respect to losses, damages, costs, expenses, suits, actions or obligations related to unassumed liabilities and payment of certain taxes. The Company anticipates that approximately $2.5 million will be used to pay: (i) accrued salaries and payroll taxes, (ii) sums due to certain creditors and (iii) transaction expenses. The payment of accrued salaries and payroll taxes will not involve the use of proceeds for payment of any accrued salaries, fees or payment of payroll taxes for the Company s officers and directors.

The Chief Executive Officer and President determined to forgo their annual base salaries of $250,000 and $220,000, respectively, in October 2010 as a cost reduction measure. The annual base salaries of the Company s Chief Executive Officer and President were subsequently reinstated effective April 4, 2011. The Chief Executive Officer and President have not received any payments or promises of payments relating to the base salary they voluntarily relinquished from October 2010 through April 3, 2011 nor any other payments or promises of payments or distributions from the proceeds of the Arthrex Asset Sale. To the extent the Company is unable to fund the annual base salaries of the Company s Chief Executive Officer and President from cash generated from its remaining operations, a portion of the proceeds from the Arthrex Asset Sale may be used for this purpose.

Loans by Arthrex

On March 18, 2011, we executed a Secured Promissory Note in favor of Arthrex, which we refer to as the Arthrex Note. Under the terms of the Arthrex Note, the $250,000 deposit made by Arthex on January 24, 2011 pursuant to the terms of the Arthrex Asset Purchase Agreement constituted an initial loan. Under the terms of the Arthrex Note, Arthrex agreed to (a) make a second loan to us of such amount to repay the Brooks Note and the Brien Note, and (b) make additional advances within two business days of our written request; provided that in no event shall the aggregate principal amount loaned under the Arthrex Note at any time exceed $1,250,000. Pursuant to the terms of the Arthrex Note, we received $972,000 of additional proceeds from Arthrex and used $522,000 of these proceeds to pay off the Brooks Note and the Brien Note and utilized $450,000 to pay for vendors of inventory. Pursuant to the Arthrex Note, we granted, pledged and assigned to Arthrex a security interest in all of our assets, which security interest ranked senior to and had priority over those held by all other creditors. As of April 4, 2011 prior to the consummation of the Altus Asset Sale, we had $1,222,000 of outstanding borrowings due to Arthrex, consisting of the $250,000 deposit and the $972,000 borrowed under the Arthrex Note. Upon closing the Altus Asset Sale, $250,000 out of the total outstanding borrowings due to Arthrex reverted back to a deposit under the Arthrex Asset Purchase Agreement and we used proceeds of $972,000 from the Altus Asset Sale to pay off the borrowings due to Arthrex under the Arthrex Note. Upon such repayment, the liens on our assets in favor of Arthrex terminated.

Sale of Substantially All Assets in the Spine Division

On April 4, 2011, we entered into the Altus Asset Purchase Agreement with Altus, pursuant to which we agreed to sell substantially all of the assets of our Spine Division consisting of assets used or held for use exclusively in connection with our spine surgical device business to Altus in exchange for cash consideration of $3,000,000. We closed the Altus Asset Sale simultaneously with signing the Altus Asset Purchase Agreement on April 4, 2011. Pursuant to the terms of the Altus Asset Purchase Agreement, we received $2,700,000 of the purchase price at the closing and $300,000 was deposited into escrow with an escrow agent for a period of 90 days from the closing date (assuming there are no disputes) to be used for any adjustments to the closing value of our inventory. The assets excluded from the Altus Asset Sale include the assets of our Reconstructive Division, cash,

accounts receivable, real estate, leasehold interests, certain assets used or related to our spinal motion preservation business and any and all of our assets not used exclusively in the operation of our spinal surgical device business.

Use of Proceeds from Altus Asset Sale

Pursuant to the Altus Asset Purchase Agreement, the total cash consideration was $3,000,000, of which we received $2,700,000 at closing. From the total cash consideration, $300,000 was deposited with an escrow agent for a period of 90 days from the closing date (assuming there are no disputes) to be used for any adjustments to the closing value of our inventory. Upon closing the Altus Asset Sale, $250,000 out of the total outstanding borrowings due to Arthrex reverted back to a deposit under the Arthrex Asset Purchase Agreement and we used proceeds of $972,000 from the Altus Asset Sale to pay off the borrowings due to Arthrex under the Arthrex Note. The Company anticipates that the remaining proceeds may be used to pay: (i) accrued salaries and payroll taxes, (ii) sums due to certain creditors, (iii) transaction expenses and (iv) working capital purposes. The payment of accrued salaries and payroll taxes will not involve the use of proceeds for payment of any accrued salaries, fees or payment of payroll taxes for the Company s officers and directors.

The Chief Executive Officer and President determined to forgo their annual base salaries of $250,000 and $220,000, respectively, in October 2010 as a cost reduction measure. The annual base salaries of the Company s Chief Executive Officer and President were subsequently reinstated effective April 4, 2011. The Chief Executive Officer and President have not received any payments or promises of payments relating to the base salary they voluntarily relinquished from October 2010 through April 3, 2011 nor any other payments or promises of payments or distributions from the proceeds of the Altus Asset Sale. To the extent the Company is unable to fund the annual base salaries of the Company s Chief Executive Officer and President from cash generated from its remaining operations, a portion of the proceeds from the Altus Asset Sale may be used for this purpose.

Structure Of The Company After The Arthrex Asset Sale

After completion of the Arthrex Asset Sale, the Company will hold:

cash and cash equivalents in the approximate amount of $13.9 million, excluding $1.2 million held in escrow; and

accounts receivable in the approximate amount of $413,000.

After the Arthrex Asset Sale, our ongoing operations will consist of our remaining Spine Division assets, the collection of accounts receivable, the collection of royalty payments pursuant to the terms of the Arthrex Asset Purchase Agreement, and the payment of any liabilities.

We currently contemplate that the members of our Board of Directors will continue to serve as directors and that our named executive officers, Messrs. Brooks, Kvitnitsky and Romine, will continue to serve as our Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, respectively, following the sale of the Reconstructive Division. The Company, however, has the flexibility to make such changes to the composition of its Board of Directors and officers as it deems appropriate and necessary from a business perspective in accordance with the terms of its Certificate of Incorporation, Bylaws and the Nominating Committee Charter.

Consulting Agreements After The Arthrex Asset Sale

It is anticipated that Dr. Andrew Brooks, Michael Kvitnitsky, and Derrick Romine will each enter into a consulting agreement with Arthrex at or prior to the closing of the Arthrex Asset Sale. The consulting agreements for Messrs. Kvitnitsky and Romine have a term of three (3) months, which may be extended by mutual agreement of Arthrex and each of Messrs. Kvitnitsky and Romine, respectively. Mr. Kvitnitsky will receive monthly compensation of $18,333.33 for consulting fees and $1,783.33 for monthly benefits. Mr. Romine will receive monthly compensation of $15,000.00 for consulting fees and $1,550.00 for monthly benefits. Each consulting

agreement provides that the consultant will not compete with Arthrex during the term of the agreement, will not disclose any confidential information of Arthrex and will assign any inventions to Arthrex that were created during the term of the consulting agreement and that relate to Arthrex s business or were created in connection with the consulting services or using Arthrex s property. The agreements permit the consultant to (i) continue as a consultant to, or director, officer or employee of, Cardo Medical and/or its subsidiaries in connection with the sale of assets of our Spine Division, provided that such involvement does not materially interfere with the performance of his duties under the consulting agreement, or (ii) own, directly or indirectly, any equity securities (including stock options) of Cardo Medical that he holds as of the date of the Arthrex Asset Purchase Agreement. The consulting agreement with Dr. Brooks will be on such terms as are mutually agreed upon by Dr. Brooks and Arthrex.

Terms of the Arthrex Asset Purchase Agreement

The following is a summary of the significant provisions of the Arthrex Asset Purchase Agreement. To fully understand the transactions contemplated by the Arthrex Asset Purchase Agreement, you should carefully read in its entirety the copy of the Arthrex Asset Purchase Agreement that is included as Appendix A to this Information Statement and is incorporated herein by reference.

Purchase Price

The Arthrex Asset Purchase Agreement provides that at closing Arthrex will (i) pay to the Company $9,960,000 in cash plus the value of the Company s inventory and property, plant and equipment relating to the Reconstructive Division calculated as of the closing date, (ii) assume certain executory liabilities of the Company under contracts being assumed by Arthrex, and (iii) pay to the Company a royalty equal to 5% of the net sales of the Company s Reconstructive Division products acquired pursuant to the Arthrex Asset Purchase Agreement (as discussed below), in cash, on a quarterly basis, for a period up to and including the 20th anniversary of closing. The Company estimates the value of the inventory and property, plant and equipment relating to the Reconstructive Division to be $4.7 million. Following the execution of the Arthrex Asset Purchase Agreement, Arthrex delivered to the Company a $250,000 deposit, which amount will be credited against the cash consideration at closing.

Royalty

As partial consideration for the purchase of the assets of our Reconstructive Division pursuant to the Arthrex Asset Purchase Agreement, Arthrex shall pay Cardo Medical an amount equal to 5% of net sales of the products of our Reconstructive Division acquired pursuant to the Arthrex Asset Purchase Agreement, and any successor products or improvements, alterations or derivations thereof that utilize certain intellectual property acquired from the Company. The royalty shall be paid in cash on a quarterly basis, for a period up to and including the 20th anniversary of the closing under the Arthrex Asset Purchase Agreement. Net sales means the consolidated net sales of Arthrex and its subsidiaries (including any licensing fees and/or royalties) attributable to the sales of such products less commissions, returns, customer allowances and rebates, collection losses and customer discounts. In the event of a sale, transfer or other disposition, directly or indirectly (including by merger, asset sale, equity sale, consolidation, reorganization or otherwise) by Arthrex of the right to sell or manufacture any such products, Arthrex shall cause the purchaser to assume the obligations of Arthrex to pay the royalty with respect to such products.

Arthrex shall have a right to set-off against the payment of the Royalty due to Cardo Medical hereunder solely to the extent of any and all out-of-pocket costs and expenses (including amounts paid in settlement and reasonable attorneys fees and expenses) incurred in good faith after consultation with counsel and paid by Arthrex, arising out of claims by unaffiliated third parties alleging infringement of intellectual property rights to the extent based on intellectual property acquired pursuant to the Arthrex Asset Purchase Agreement. If it is ultimately determined that such amounts were not due to Arthrex, then any royalty to which Arthrex exercised its right of set-off shall be paid to Cardo Medical and shall bear interest at a rate equal to 8% per annum. Until such time as the royalty has achieved a net present value of $3,000,000, using a discount rate of 8% per annum, Arthrex agrees to

use commercially reasonable efforts to promote the sale of such products. Notwithstanding the foregoing, control of all business decisions concerning the business acquired and such products shall be the absolute right of Arthrex.

Purchase Price Adjustment

At least two (2) business days prior to the closing, the Company and Arthrex shall agree upon a good faith estimate of the value of the Company s inventory and property, plant and equipment relating to the Reconstructive Division calculated as of the closing date, and based on such estimate, the estimated cash consideration payable at closing. With respect to property, plant and equipment, the Company and Arthrex have agreed that such value will be the net book value of such assets as of the closing, prepared in accordance with GAAP. With respect to inventory, the Company and Arthrex have agreed that such value will be the gross cost value of the saleable and non-obsolete finished goods inventory, work in process and packaging material of the Reconstructive Division business as of the closing, without inclusion of a reserve for slow moving inventory.

Following the closing, the Company and Arthrex will prepare a final determination of such value. If the parties cannot agree, they will submit the dispute to an independent accounting firm for resolution pursuant to the terms of the Arthrex Asset Purchase Agreement. If such value, as finally determined, exceeds the estimated value at closing, then Arthrex will pay to the Sellers such excess. If such value as finally determined is less than the estimated value at closing, then an amount equal to such shortfall will be paid by the Sellers to Arthrex from the escrow account.

Escrow

At closing, Arthrex, the Company and JPMorgan Chase Bank, National Association, as escrow agent, shall enter into an Escrow Agreement, pursuant to which Arthrex will withhold $900,000 from the purchase price paid at closing and shall deposit the escrow amount with the escrow agent for a period of 12 months. This amount will be held to satisfy any purchase price adjustments as a result of any disputes regarding the value of the Company s inventory and property, plant and equipment relating to the Reconstructive Division and any claims for indemnification that Arthrex may have with respect to unassumed liabilities and taxes.

Representations And Warranties

The Arthrex Asset Purchase Agreement contains various representations and warranties made by the Company for the benefit of Arthrex relating to, among other things:

(a) its organization, good standing, qualification to do business, corporate power and authority;

(b) its corporate authorization in relation to the Arthrex Asset Purchase Agreement, the related transactions and related transaction documents to which it is a party;

(c) the enforceability of the Arthrex Asset Purchase Agreement and each of the transaction documents related to the Arthrex Asset Purchase Agreement;

(d) the absence of any subsidiaries other than Cardo Medical, LLC;

(e) the absence of conflict with its organizational documents, material contracts or material permits and applicable law as a result of the execution and delivery of, and performance under, the Arthrex Asset Purchase Agreement;

(f) the absence of any finders , brokers or agents fees or commissions or similar compensation in connection with the transactions contemplated by the Arthrex Asset Purchase Agreement (except for amounts payable by the Company and disclosed to Arthrex);

(g) the compliance of its financial statements and SEC filings with the requirements of the Securities Act or the Exchange Act;

(h) the absence of certain changes, events and conditions;

(i) the absence of undisclosed liabilities;

(j) the absence of litigation;

(k) real estate;

(l) good and valid title to and lack of encumbrances upon such purchased assets;

(m) compliance with laws and permits;

(n) employment matters;

(o) employee benefit plans;

(p) tax matters;

(q) material agreements;

(r) intangible property;

(s) environmental matters;

(t) warranty and product liability;

(u) insurance;

(v) customers and suppliers; and

(w) receipt of a fairness opinion from Inverness Advisors that the sale of the purchased assets as contemplated by the Arthrex Asset Purchase Agreement is fair to the Company from a financial perspective.

The Arthrex Asset Purchase Agreement also contains various representations and warranties made by Arthrex for the benefit of the Company relating to, among other things:

(a) its organization and good standing;

(b) its corporate authorization in relation to the Arthrex Asset Purchase Agreement, the related transactions and related transaction documents to which it is a party;

(c) the enforceability of the Arthrex Asset Purchase Agreement and each of the transaction documents related to the Arthrex Asset Purchase Agreement;

(d) the absence of any finders , brokers or agents fees or commissions or similar compensation in connection with the transactions contemplated by the Arthrex Asset Purchase Agreement;

(e)

the absence of any suit, action or other proceeding pending or threatened by any governmental authority seeking to restrain or prohibit the closing;

(e) the possession of sufficient funds to fund the purchase price at the closing of the transaction; and

(f) the absence of conflict with its organizational documents, material contracts or material permits and applicable law as a result of the execution and delivery of, and performance under, the Arthrex Asset Purchase Agreement.

Covenants and Agreements of the Company and Arthrex

The Company and Arthrex have set forth various covenants and agreements in the Arthrex Asset Purchase Agreement, including the following:

Further Assurances. Both the Company and Arthrex will take further actions as may be reasonably necessary to effectuate and comply with all of the terms of the Arthrex Asset Purchase Agreement and the transactions contemplated thereby.

Conduct of Business Pending Closing. Until the closing, except as otherwise provided in the Arthrex Asset Purchase Agreement or consented to in writing by Arthrex, the Company will operate in the ordinary course of business and use commercially reasonable efforts to maintain and preserve intact its current organization, business and franchise.

Certain Tax Returns and Indemnity. All transfer, documentary, sales, use, registrations and other taxes, all penalties, interest and additions to such tax, and all fees incurred in connection with the sale and transfer of the assets to be purchased by Arthrex pursuant to the Arthrex Asset Purchase Agreement will be paid 50% by Arthrex and 50% by the Company. The Company shall also be liable for all taxes applicable to the purchased assets and the Reconstructive Division for taxable periods on or before the closing date.

Publicity. No press release or other public announcement related to the Arthrex Asset Purchase Agreement or the transactions contemplated hereby will be issued by either Arthrex or the Company without the prior approval of the other party, which shall not be unreasonably withheld, except as may be required by law, any governmental authority, or the rules of any exchange or organization on which the Company s securities trade.

Employee Matters. Prior to closing, Arthrex will offer employment or consulting agreements to certain employees and/or consultants of the Company on such terms and conditions as agreed upon by Arthrex. In the case of Andrew Brooks, Michael Kvitnitsky, Derrick Romine, John Kuczynski and Dina Weissman, Arthrex agrees to allow such employees to consult, continue employment or otherwise be associated with the Company and/or its subsidiaries after the closing in connection with the sale of assets of our Spine Division, so long as such services to the Company are (i) in compliance with the respective confidentiality obligations pursuant to the consulting or employment agreement entered into between such person and Arthrex, and (ii) do not materially interfere with the performance of such person s duties under such agreements.

Use of Name. From and after closing, the Company shall not use the name Cardo Medical or any similar name or any logo, trade name, trademark, except in connection with (i) satisfaction of certain obligations under the Arthrex Asset Purchase Agreement, (ii) collection of certain receivables, and (iii) the administration and sale of existing contracts and other existing rights related to assets not purchased by Arthrex for the period of time following closing until the sale of such assets.

Information Statement. The Company agreed to file this Information Statement no later than January 31, 2011, and that this Information Statement would be in compliance with applicable SEC rules and regulations. The Company agreed to provide, and did provide, Arthrex and its counsel an opportunity to review and comment upon this Information Statement prior to its filing.

Transition. From the closing until the sale of assets of our Spine Division, but in no event longer than six months after the closing, Arthrex will permit the Company reasonable access to and use of computer hardware and software included in the purchased assets as needed to facilitate such sale.

Confidentiality. The Confidentiality Agreement previously entered into between the Company and Arthrex in connection with the negotiations of the Arthrex Asset Purchase Agreement remains in effect until closing (except as related to the Company s other businesses and the assets not purchased by Arthrex, which shall remain in effect after closing), and the Company will treat and hold as confidential information or data concerning the business of Arthrex, the purchased assets and assumed liabilities.

Governmental Approvals and Other Third-Party Consents. Both the Company and Arthrex will use commercially reasonably efforts to obtain all governmental consents, authorizations, orders and approvals required for the execution and delivery of, and performance of the obligations under, the Arthrex Asset Purchase Agreement.

Books and Records. For a period of 7 years after closing, Arthrex will retain all books and records of the Company relating to periods prior to closing, and afford the Company and its representatives reasonable access to such books and records.

Warranty Obligations. The Company is responsible for all warranties issued by the Company with respect to products and services sold by the Company s reconstructive joint device business prior to closing and shall timely perform such warranty services at their own cost.

Collection of Accounts Receivable. The Company has the right to collect all accounts receivable relating to the Company s Reconstructive Division prior to closing in accordance with its past practices, provided that we agreed that we would not file a collections action against any customer of the business without the prior written consent of Arthrex, not to be unreasonably withheld. All amounts received by Arthrex in respect of these accounts receivable shall be promptly remitted to the Company.

Exclusivity. Until the Arthrex Asset Purchase Agreement is terminated or the date of closing, whichever is earliest, the Company and its respective affiliates, employees, agents and representatives will not initiate or engage in any discussions or negotiations with any person with respect to the sale of all or any material part of the purchased assets or the Company s Reconstructive Division or enter into any agreement or commitment with respect to any of the foregoing transactions.

Material Vendors. Prior to or at closing, the Company will pay all amounts owed to its material vendors, as identified in the Arthrex Asset Purchase Agreement.

Conditions To Closing; Closing Date

The closing of the transactions was originally contemplated by the Arthrex Asset Purchase Agreement to take place thirty (30) days following the execution of the Arthrex Asset Purchase Agreement, or on February 23, 2010, unless the conditions of the obligations of Arthrex or the Company had not been satisfied or waived in accordance with the Arthrex Asset Purchase Agreement by such date, in which case the closing would take place two days after the satisfaction or waiver of such conditions, but not later than ninety (90) days following the execution of the Arthrex Asset Purchase Agreement unless the parties otherwise consented thereto.

On March 18, 2011, we entered into the First Amendment to the Arthrex Asset Purchase Agreement in order to modify the definition of End Date so that it means May 24, 2011; provided that in certain circumstances if the closing has not occurred by May 24, 2011, the End Date shall be June 24, 2011. Pursuant to the terms of the Arthrex Asset Purchase Agreement, Arthrex can terminate the Arthrex Asset Purchase Agreement if certain conditions have not been fulfilled or waived by the End Date.

The obligations of both Arthrex and the Company to complete the transactions contemplated by the Arthrex Asset Purchase Agreement are subject to the satisfaction or waiver of, among others, the following conditions:

(a) No governmental authority has enacted, issued or entered any order that makes the transactions contemplated by the Arthrex Asset Purchase Agreement illegal or otherwise restrains or prohibits the consummation of the transaction;

(b) The Company has received all required governmental consents, authorizations, orders and approvals, none of which has been revoked;

(c) At least 20 calendar days has passed since this Information Statement has been filed with the SEC and transmitted to every record holder of the Company s shares from whom proxy authorization or consent is not solicited; and

(d) No action, suit, litigation or other proceeding is pending to restrain, prevent, change or materially delay the closing.

Arthrex s obligation to complete the transactions contemplated by the Arthrex Asset Purchase Agreement are subject to the satisfaction or waiver of, among others, the following conditions:

(a) The Company s representations and warranties in the Arthrex Asset Purchase Agreement must be true and correct in all respects, except where failure of such representations and warranties to be true and correct would not have a material adverse effect;

(b) The Company has duly performed and complied in all material respects with all agreements, covenants and conditions required by the Arthrex Asset Purchase Agreement;

(c) The Company has delivered to Arthrex certain agreements, assignments, and consents as described in the Arthrex Asset Purchase Agreement; and

(d) Arthrex has received evidence of the Company s prepaid product liability insurance in the amount of at least $5 million in the aggregate for the three-year period following closing subject to the terms of the Arthrex Asset Purchase Agreement.

The Company s obligations to complete the transactions contemplated by the Arthrex Asset Purchase Agreement are subject to the satisfaction or waiver of, among others, the following conditions:

(a) Arthrex s representations and warranties in the Arthrex Asset Purchase Agreement are true and correct in all respects, except where failure of such representations and warranties to be true and correct would not have a material adverse effect;

(b) Arthrex has duly performed and complied in all material respects with all agreements, covenants and conditions required by the Arthrex Asset Purchase Agreement;

(c) Arthrex has delivered to the Company cash consideration minus the deposit and minus the escrow amount pursuant to the Arthrex Asset Purchase Agreement, and to the escrow agent the escrow amount pursuant to the Escrow Agreement; and

(d) Arthrex has delivered to the Company certain agreements, assignments, and consents as described in the Arthrex Asset Purchase Agreement.

This Information Statement is being sent to you on or about , 2011. We currently expect that the transactions contemplated by the Arthrex Asset Purchase Agreement will close on or after , 2011, which is 20 calendar days following the mailing date of this Information Statement.

Termination

The Arthrex Asset Purchase Agreement and the transactions contemplated thereby may be terminated at any time prior to closing:

The mutual written agreement of the Company and Arthrex;

by Arthrex, at its option, if there has been a material breach, inaccuracy in or failure to perform any of the representations, warranties, covenants, or agreements made by the Company that would give rise to the failure of any of the closing conditions specified in the Arthrex Asset Purchase Agreement and such breach, inaccuracy or failure is incapable of being cured by the Company by the End Date;

by Arthrex, at its option, if any of the closing conditions precedent to its obligations have not been fulfilled or waived by the End Date (unless such failure shall be due to the failure of Arthrex to perform or comply with its obligations);

by the Company, as its option, if there has been a material breach, inaccuracy in or failure to perform any of the representations, warranties, covenants, or agreements made by Arthrex that would give rise to the failure of any of the closing conditions specified in the Arthrex Asset Purchase Agreement and such breach, inaccuracy or failure is incapable of being cured by Arthrex by the End Date;

by the Company, at its option, if any of the closing conditions precedent to its obligations have not been fulfilled or waived by the End Date (unless such failure shall be due to the failure of the Company to comply with its obligations);

by Arthrex or the Company, if there shall be any law that makes consummation of the transactions contemplated by the Arthrex Asset Purchase Agreement illegal or prohibited, or any governmental authority shall have issued a final, nonappealable order restraining or enjoining such transactions.

In the event of the termination of the Arthrex Asset Purchase Agreement, there will be no liability on the part of Arthrex or the Company except (a) the availability of specific performance, under certain circumstances, and (b) liability for any breach of any provision thereof arising prior to such termination. In the event this Agreement is terminated other than as a result of a material breach by Arthrex, the deposit shall be refunded to Arthrex in full. In the event of a termination of this Agreement as a result of a material breach by Arthrex, the deposit shall be forfeited to and retained by the Company; provided that such forfeiture shall not limit the Company s remedies for damages. Notwithstanding the foregoing, neither Arthrex nor the Company shall be entitled to recover any monetary damages in respect of any breach of the Arthrex Asset Purchase Agreement prior to termination in excess of $750,000.

Indemnification

The Company has agreed to defend, indemnify and hold harmless Arthrex and its affiliates, successors and assigns from and against any and all losses, damages, costs, expenses, suits, actions, claims, deficiencies, liabilities or obligations related to, caused by or arising from any Excluded Liabilities or certain Taxes, as such terms are defined in the Arthrex Asset Purchase Agreement. The funds held in escrow pursuant to the Escrow Agreement may be used to indemnify Arthrex. The Arthrex Asset Purchase Agreement provides that there is no post-closing survival of representations and warranties of any party, and therefore there is no indemnification for breaches thereof.

Opinion of Inverness Advisors

On October 31, 2010, Cardo Medical, Inc. engaged Inverness Advisors, a division of KEMA Partners LLC (Inverness) to provide it with financial advisory services and a fairness opinion in connection with a possible merger, sale or other strategic business combination. On January 24, 2011, Inverness rendered its oral opinion to our Board of Directors and subsequently confirmed in writing, that, as of that date, and based upon and subject to the various considerations, assumptions and limitations set forth in its opinion, the Consideration (as defined below) to be received by Cardo and its affiliate Cardo Medical, LLC (collectively with Cardo, Sellers) in the Transaction was fair, from a financial point of view, to Cardo. As used in this Information Statement and in the opinion, the term Consideration means the assumption by Arthrex of the Assumed Liabilities (as defined in the Arthrex Asset Purchase Agreement), the payment of the Royalty (as defined in the Arthrex Asset Purchase Agreement) by Arthrex to Cardo and the payment of cash proceeds equal to the sum of U.S. $9,960,000 plus the Closing Asset

Value (as defined in the Arthrex Asset Purchase Agreement) by Arthrex to Sellers, subject to adjustment as provided for in the Arthrex Asset Purchase Agreement.

The full text of the written opinion of Inverness, dated as of January 24, 2011, is attached to this Information Statement as Annex C. The opinion sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by Inverness in rendering its opinion. We encourage you to read the entire opinion carefully. Inverness s opinion was directed to Cardo s Board of Directors and addressed only the fairness, from a financial point of view, of the Consideration pursuant to the Transaction to Cardo as of the date of the opinion. It did not address any other aspects of the Transaction and does not constitute a recommendation to the Board of Directors of Cardo or any other person as to any matter relating to the Arthrex Asset Purchase Agreement or the Transaction. The summary of the opinion of Inverness set forth in this Information Statement is qualified in its entirety by reference to the full text of the opinion. Inverness has consented to the inclusion in this Information Statement of its written opinion, dated January 24, 2011, delivered to Cardo s Board of Directors and the summary of its written opinion.

In connection with rendering its opinion, Inverness, among other things:

reviewed a draft of the asset purchase agreement dated January 21, 2011, including the financial terms and conditions set forth therein;

reviewed Cardo s audited financial results for the fiscal year ended December 31, 2009, Cardo s unaudited financial statements for the nine months ended September 30, 2010 and a preliminary draft of Cardo s unaudited statement of operations for the quarter ended December 31, 2010;

reviewed certain other business, operating and financial data of Cardo and the reconstructive division of Sellers (the Division), prepared and furnished to Inverness by Cardo s management, including certain financial forecasts, projections and analyses for the Division prepared and furnished to Inverness by Cardo s management for the fiscal years ending December 31, 2010 through 2013 (the Forecasts);

held discussions with the senior management team of Cardo concerning the business, past and current operations, financial condition and future prospects of the Division, the effects of the Transaction on the financial condition and future prospects of Cardo, and certain other matters Inverness believed necessary or appropriate to Inverness s inquiry;

compared the financial performance of the Division with that of certain other companies whose securities are traded in public markets that Inverness deemed relevant;

compared the financial terms of the Transaction with the financial terms, to the extent publicly available, of other transactions that Inverness deemed relevant;

reviewed Cardo s annual report on Form 10-K for the fiscal year ended December 31, 2009, and Cardo s quarterly report on Form 10-Q for the fiscal quarter ended September 30, 2010;

reviewed certain other publicly available business, operating and financial information of Cardo and the Division; and

made such other studies and inquiries, and reviewed such other data, and considered such other factors as Inverness deemed, in its sole judgment, to be necessary, appropriate or relevant.

In arriving at its opinion, Inverness assumed and relied upon the accuracy and completeness of all financial and other information supplied or otherwise made available to it by Cardo and all publicly-available financial and other information regarding Cardo and its affiliates reviewed by Inverness, and did not independently verify any

such information or assume any responsibility or liability therefor. With regard to all of the foregoing information, Inverness relied upon the assurances of the senior management team of Cardo that all such information was complete and accurate in all material respects and that they were unaware of any facts or circumstances that would make such information incomplete or misleading in any material respect. Except as set forth in the opinion, and without limiting any of the various considerations, assumptions and limitations set forth therein, Cardo imposed no other instructions or limitations on Inverness with respect to the investigations made or the procedures followed by it in rendering its opinion.

Inverness was not requested to conduct and did not conduct a physical inspection of the properties or facilities of Cardo, nor did Inverness conduct any valuation or appraisal of any of the Purchased Assets (as defined in the Arthrex Asset Purchase Agreement) or any other assets or liabilities of Sellers, nor were any such valuations or appraisals provided to Inverness. Inverness did not evaluate the solvency of either Seller under any state, federal or other laws relating to bankruptcy, insolvency or similar matters, and did not undertake independent analysis of any pending or threatened litigation, regulatory action, possible unasserted claims or other contingent liabilities, to which Sellers or any of their affiliates is a party or may be subject, and at the direction of Cardo and with its consent, Inverness s opinion made no assumption concerning, and therefore did not consider, the possible assertion of claims, outcomes or damages arising out of any such matters.

With respect to the Forecasts provided to Inverness by Cardo, Inverness, with Cardo s consent, assumed that such Forecasts were prepared in good faith on reasonable bases reflecting management s then-current best estimates and judgments of the Division s future financial performance. The Forecasts were based on the assumptions that the Company would: (i) raise approximately $7.9 million over the course of 2011-2013 to fund the cash needs of its projected business plan; (ii) rehire its employees that were terminated in October 2010; (iii) restart inventory and manufacturing efforts that were stopped during October and November 2010; and (iv) revert to the Company s normal operating activities required to support the business. Inverness also assumed, with Cardo s consent, that the financial results reflected in such Forecasts would be realized in the amounts and at the times projected, and Inverness expressed no view as to such Forecasts or the assumptions on which they were based. Further, without limiting the foregoing, Inverness, with Cardo s consent, assumed, without independent verification, that the historical and projected financial information provided by Cardo accurately reflected the historical and projected operations of Cardo and the Division, and that there had been no material change in the assets, financial condition, business or prospects of Cardo or the Division since the respective dates of the most recent financial statements made available to Inverness.

While Cardo provided Forecasts to Inverness which were prepared in good faith by Cardo s management, Cardo made no assurance regarding future events. Therefore, such Forecasts cannot be considered a reliable predictor of future operating results, and this information should not be relied on as such. These Forecasts were not prepared by Cardo with a view toward public disclosure, with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information or published guidelines of the SEC regarding forward-looking statements or Non-GAAP financial measures, and these Forecasts were not compiled, examined or reviewed by Cardo s independent auditors. In light of the foregoing, as well as the uncertainties inherent with any forecast or projection, stockholders are cautioned by Cardo to keep these facts in mind and to understand that the information contained in this Information Statement under the heading A Note About Forward-Looking Statements applies particularly to these Forecasts. These Forecasts are included solely to provide the reader of this Information Statement with background information relating to the opinion of Inverness.

The Forecasts furnished to Inverness reflected (i) revenues of approximately $5.9 million for 2011, $19.2 million for 2012 and $37.1 million for 2013, (ii) EBITDA (earnings before interest, taxes, depreciation and amortization) of approximately ($1.3) million for 2011, $2.2 million for 2012 and $5.9 million for 2013; and (iii) unlevered free cash flow (EBIT (earnings before interest and taxes), less taxes, capital expenditures and any increase in working capital, plus depreciation, amortization and any decrease in working capital) of approximately ($4.6) million for 2011, ($1.4) million for 2012 and ($1.9) million for 2013. Cardo management projected that no taxes would be paid by Cardo through 2013 due to its operating history. These Forecasts reflect a level of financial

performance by Cardo that is materially stronger than has been the case or is likely to be the case given the challenges that faced Cardo in 2010 and beyond in raising the necessary level of financing to fund its business and operations.

Inverness made no independent investigation of any legal matters involving Sellers or Arthrex, and has assumed the correctness of all statements with respect to legal matters made or otherwise provided to Cardo and Inverness by Cardo s counsel or by Arthrex s counsel.

The opinion did not constitute a recommendation to our Board of Directors or any other person with respect to the Transaction, and did not address the relative merits of the Transaction over any other alternative transactions which may have been available to Cardo. Inverness expressed no opinion as to the underlying business decision of Cardo to effect the Transaction, the structure, or accounting treatment or taxation consequences of the Transaction or the availability or the advisability of any alternatives to the Transaction. Inverness expressed no opinion with respect to any other reasons, legal, business, or otherwise, that may have supported the decision of the Board of Directors of Cardo to approve or cause Cardo to enter into the Arthrex Asset Purchase Agreement or consummate the Transaction. No opinion was expressed with respect to the fairness (financial or otherwise) of the amount, nature or any other aspect of any compensation payable to any of the officers, directors or employees of Cardo, or class of such persons, whether independently or relative to the Consideration, including whether such compensation is reasonable in the context of the Transaction, and Inverness also expressed no opinion as to the price at which the common stock of Cardo would trade upon announcement of the Transaction or at any future time. Inverness made no independent investigation of any legal, accounting or tax matters affecting Cardo, and assumed the correctness of all legal, accounting and tax advice given to Cardo and its Board of Directors. The opinion did not address the fairness of any specific portion of the Consideration or any other particular component of the Transaction, did not address the fairness of the allocation of the Consideration between Sellers, and did not address the fairness to the stockholders of Cardo of the portion of the Consideration that may ultimately become distributable to such stockholders following consummation of the Transaction.

Inverness s opinion was based on market, economic, financial and other circumstances and conditions as they existed as of January 24, 2011. Inverness s opinion can be evaluated only as of January 24, 2011, and any material change in such circumstances and conditions would require a reevaluation of its opinion, which Inverness is under no obligation to undertake. Inverness assumed no responsibility to update or revise its opinion based upon events or circumstances occurring after the date thereof.

The following is a brief summary of the material financial analyses performed by Inverness in connection with the preparation of its opinion. The various analyses summarized below were based on market data as it existed on or before January 21, 2011, and is not necessarily indicative of current market conditions. Inverness conducted three primary analyses, as described below, in connection with arriving at its opinion, including Selected Public Companies Analysis, Selected Precedent Transactions Analysis and Discounted Cash Flow Analysis. Although each financial analysis was provided to the Board of Directors of Cardo in connection with arriving at its opinion, Inverness considered all of its analyses as a whole and did not attribute any particular weight to any analysis described below. These summaries of financial analyses include information presented in tabular format. To fully understand the financial analyses used by Inverness, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses.

Principal Assumptions Related to Consideration to be Received by Cardo for the Division.

Cardo management provided to Inverness projected cash flows to be received from the Royalty to permit Inverness to value the Royalty for purposes of its opinion. While those projected cash flows were prepared in good faith by Cardo management, Cardo made no assurance regarding future events. Therefore, such projections cannot be considered a reliable predictor of future payments to be received, and this information should not be relied on as such. In light of the foregoing, as well as the uncertainties inherent with any forecast or projection, stockholders are cautioned by Cardo to keep these facts in mind and to understand that the information contained in this Information Statement under the heading A Note About Forward-Looking Statements and similar factors

affecting Arthrex apply to these projected cash flows and the resulting net present values of the Royalty described below. These projected cash flows are included solely to provide the reader of this Information Statement with background information relating to the Inverness opinion.

The projected cash flows to be received from the Royalty assumed the same product revenues for the first three years as were contained in the Forecasts provided to Inverness regarding Cardo as described above. Three cases were analyzed: A No Royalty Case, which assumed no revenue from the sale of products subject to the Royalty would be generated by Arthrex, a Management Case, which represented Cardo management s assessment of the estimated revenues to be generated by Arthrex from the sale of products subject to the Royalty, and an Adjusted Management Case, which represented a more conservative view of the estimated revenues to be generated by Arthrex from the sale of products subject to the Royalty. The Management Case reflected 20 years of revenues that were projected to increase 25% per year from the third year through the seventh year and with the growth rate of revenues projected to decrease by 5% per year from the eighth year through the 20th year. The Adjusted Management Case reflected 10 years of revenues that were projected to increase 10% per year from the third year through the tenth year. Revenue projections for periods after the first three years were prepared independent of the Forecasts and reflected Cardo management s estimates of revenues that would be generated by Arthrex from the sale of products subject to the Royalty taking into account the resources likely to be available to Arthrex to market and sell the products subject to the Royalty and Cardo management s assessment of revenue changes as the products progressed through the various stages of their product life cycles. The projected cash flows received from the Royalty were estimated by using the projected revenues described above, less 20% to account for estimated commissions, returns, customer allowances and rebates, collection losses and customer discounts to determine estimated Net Sales, as defined in section 2.2 of the Agreement, and then multiplying estimated Net Sales by the royalty rate of 5%. Inverness discounted the value of the projected cash flows received from the Royalty, less $250,000 in assumed annual administrative expenses, by a discount rate of 17.5% per annum, which discount rate was selected based upon a weighted average cost of capital analysis for Cardo and other selected public companies with similar operating profiles plus a small cap premium. The three cases are as follows:

- the No Royalty Case assumed that we would receive zero value from the Royalty;
- the Management Case assumed that the net present value of the Royalty was approximately $12.0 million; and
- the Adjusted Management Case assumed that the net present value of the Royalty was approximately $5.5 million.

In addition, Inverness assumed, with Cardo s consent, that the estimated Closing Asset Value, as defined in the Arthrex Asset Purchase Agreement, totaled approximately $4.7 million. With respect to each of such analyses, Inverness noted that the projected consideration to be received by Cardo in the Transaction is the sum of the cash proceeds of approximately $10.0 million, plus the estimated Closing Asset Value of approximately $4.7 million plus the projected net present value of the Royalty of $0, approximately $5.5 million and approximately $12.0 million in the No Royalty Case, Adjusted Management Case and Management Case, respectively.

With respect to each of such analyses, Inverness noted that the projected consideration to be received by Cardo in the Transaction was approximately $14.7 million, $20.2 million and $26.7 million in the No Royalty Case, Adjusted Management Case and Management Case, respectively, and compared such expected consideration to the implied enterprise values derived from each such analysis.

Selected Public Companies Analysis.

Inverness, using publicly available information, compared certain historical and projected financial and operating information of a group of selected orthopedic companies deemed to be relevant to analyzing the historical

and projected financial and operating information of Cardo s Division. The companies used in this comparison included the following companies:

Alphatec Holdings, Inc.
ArthroCare Corporation
Exactech Inc.
Integra LifeSciences Holdings Corporation
NuVasive, Inc.
Orthofix International NV
Symmetry Medical, Inc.
Wright Medical Group Inc.

For purposes of this analysis, Inverness analyzed the following statistics of each of these companies for comparison purposes:

the ratio of enterprise value, defined as market capitalization plus total debt less cash and cash equivalents, to last twelve months (LTM) revenue;

the ratio of enterprise value to estimated calendar year (CY) 2010 revenue; and

the ratio of enterprise value to estimated CY 2011 revenue.

Based on the analysis of the relevant metrics for each of the selected public companies, Inverness selected a representative range, comprised of the value calculated from the first quartile to the third quartile, of financial multiples of the selected public companies and applied this range of multiples to the relevant financial statistic of Cardo s Division. Estimated financial data of the selected publicly traded companies were based on consensus estimates reported by Capital IQ, a business of Standard & Poor s, calculated as the mean of independent research analyst estimates. Estimated financial data for Cardo s Division were based on management projections provided to Inverness. Using this information, Inverness estimated the implied enterprise value of the business being sold in the Transaction as follows:

All $ in thousands.

Enterprise Value to:	1st Quartile	Median	3rd Quartile	Cardo s Division Operating Statistic	Implied Enterprise Value (1st 3rd Quartile)	Implied Median Enterprise Value
LTM Revenues	1.2x	1.4x	2.3x	$ 2,213	$ 2,740 - $5,086	$ 3,035
Estimated CY 2010 Revenues	1.3x	1.3x	2.3x	$ 2,213	$ 2,825 - $5,078	$ 2,937
Estimated CY 2011 Revenues	1.2x	1.2x	2.2x	$ 5,860	$ 6,937 - $12,692	$ 7,134

Inverness noted that the earnings before interest, taxes, depreciation and amortization, or EBITDA, for Cardo s Division for LTM and estimated 2010 and 2011 were negative and, therefore, not meaningful in determining the implied enterprise value for Cardo s Division relative to the selected public companies. Such analyses were therefore not included. Inverness did not include every company that could be deemed to be a participant in the same industry as Cardo s Division, or in any specific sectors of this industry. No company used in this analysis is identical or directly comparable to Cardo s Division. Rather, this analysis involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the public trading or other values of the companies to which Cardo s Division was compared.

Selected Precedent Transactions Analysis.

Inverness also analyzed the Consideration to be payable in the Transaction as compared to the consideration payable in other publicly-announced transactions. In connection with this analysis, Inverness reviewed the following transactions involving target companies in the orthopedic industry that were announced since January 1, 2006 that it deemed relevant.

Announcement Date	Name of Acquiror	Name of Target
08/17/10	Medtronic, Inc.	Osteotech, Inc.
12/17/09	Alphatec Holdings, Inc.	Scient X Groupe
09/14/09	Integra LifeSciences Holdings Corporation	Innovative Spinal Technologies, Inc.
04/22/09	Zimmer, Inc.	Abbott Spine, Inc.
04/22/09	Integra LifeSciences Holdings Corporation	Theken Spine, LLC
04/22/09	NuVasive, Inc.	Cervitech, Inc.
07/27/07	Medtronic, Inc.	Kyphon Inc.
03/12/07	Smith & Nephew plc	Plus Orthopedics Holding AG
12/18/06	Investor Syndicate	Biomet, Inc.
12/04/06	Kyphon Inc.	St. Francis Medical Technologies, Inc.
08/07/06	Orthofix International N.V.	Blackstone Medical, Inc.
07/11/06	Smith & Nephew plc	OsteoBiologics, Inc.

The information analyzed by Inverness for the precedent transactions analysis included the ratios of enterprise value to LTM revenue, and enterprise to estimated next twelve months (NTM) revenue. Inverness selected a representative range of financial multiples of the precedent transactions, as shown in the following table, and applied this range of multiples to the relevant financial statistic:

All $ in thousands.

Enterprise Value to:	1st Quartile	Median	3rd Quartile	Cardo s Division Operating Statistic	Implied Enterprise Value (1st 3rd Quartile)	Implied Median Enterprise Value
LTM Revenues	3.0x	3.8x	5.1x	$ 2,213	$ 6,644 - $11,319	$ 8,307
NTM Revenues	1.5x	3.3x	5.3x	$ 5,860	$ 8,597 - $31,083	$ 19,136

Inverness noted that the projected EBITDA for Cardo s Division for LTM and NTM were negative and, therefore, not meaningful in determining the implied enterprise value for Cardo s Division relative to the selected precedent transactions. Such analyses were therefore not included.

Discounted Cash Flow Analysis.

Inverness used cash flow forecasts of Cardo s Division for fiscal years 2011 through 2013 provided by Cardo management to perform a discounted cash flow analysis. In conducting this analysis, Inverness assumed that the Division would perform in accordance with these forecasts. Inverness also assumed for purposes of this analysis, based on the guidance of Cardo management, that Cardo s ability to continue as a going concern and achieve the results reflected in the financial and operating forecasts was dependent on Cardo raising approximately $10 million in the near future, and that Cardo s ability to raise such capital within the necessary time frame was unlikely. Inverness first estimated the discounted value of the projected cash flows of the Division using discount rates ranging from 15.0% to 25.0% per annum, which range of discount rates was selected based upon a weighted average cost of capital analysis for Cardo and other selected public companies with similar operating profiles plus a small cap premium. Inverness then calculated a terminal value based on EBITDA exit multiples of 9.0x to 11.0x (based on the trading multiples of selected public companies). These terminal values were then discounted to present value using discount rates ranging from 15.0% to 25.0% per annum. This analysis indicated a range of enterprise values. Inverness also assumed that if Cardo was able to raise the necessary additional capital to achieve management projections, the existing shareholder base as of January 21, 2010 would be diluted by 21.9% in order to raise such capital at Cardo s stock price as of January 21, 2010. Inverness accounted for such dilution when calculating the implied enterprise value accruing to existing shareholders of $16.4 million to $28.1 million.

In connection with its opinion, Inverness performed a variety of financial and comparative analyses, of which the analyses deemed most pertinent by Inverness are summarized above. The foregoing is not a comprehensive description of all analyses undertaken by Inverness in connection with its opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to a partial analysis or summary description. In arriving at its opinion, Inverness considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor it considered, Inverness believes that selecting any portion of its analyses, without considering all analyses as a whole, would create an incomplete view of the process underlying its analyses and opinion. In addition, Inverness may have given various analyses and factors more or less weight than other analyses and factors, and may have deemed various assumptions more or less probable than other assumptions. As a result, the ranges of valuations resulting from any particular analysis described above should not be taken to be Inverness s view of the actual value of Cardo s Division. In performing its analyses, Cardo made numerous assumptions with respect to industry performance, general business and economic conditions and other matters. Many of these assumptions are beyond the control of Cardo. Any estimates contained in Inverness s analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by such estimates. Accordingly, the estimates used in, and the ranges of valuations resulting from, any particular analysis described above are inherently subject to substantial uncertainty and should not be taken to be Inverness s view of the actual value of the Division.

The Consideration was determined through arm s-length negotiations between Cardo and Arthrex and was approved by Cardo s Board of Directors. Inverness provided advice to Cardo during these negotiations. Inverness did not, however, recommend any specific Consideration to Cardo or that any Consideration constituted the only appropriate consideration for the Transaction.

Inverness s opinion and its presentation to Cardo s Board of Directors was one of many factors taken into consideration by Cardo s Board of Directors in deciding to adopt and declare advisable the Transaction and to determine that the Transaction was in the best interests of Cardo. Consequently, the analyses as described above should not be viewed as determinative of the opinion of Cardo s Board of Directors with respect to the Consideration or of whether Cardo s Board of Directors would have been willing to agree to a different Consideration.

Inverness, as part of its investment banking services, is regularly engaged in the valuation of businesses and securities in connection with mergers, acquisitions, private placements and valuations for corporate and other purposes. In selecting Inverness as Cardo s financial advisor in connection with the asset sale, Cardo considered Inverness qualifications, reputation and experience in the valuation of businesses, assets and securities in connection with mergers and acquisitions and strategic transactions generally. Inverness and its affiliates in the ordinary course of business provides and in the future may continue to provide investment banking or financial advisory services to Cardo and may receive fees for the rendering of such services. However, other than in connection with the Transaction, Inverness has not provided services to Cardo in the past and there is no agreement in place with respect to Inverness providing any services to Cardo in the future.

In addition, in the ordinary course of its businesses, Inverness and its affiliates may actively trade the debt and equity securities of Cardo or Arthrex for its own account or for the accounts of its customers and, accordingly, may at any time hold long or short positions in such securities.

Inverness has been engaged by Cardo as its financial advisor pursuant to the engagement and indemnity agreement dated October 31, 2010, by and between Inverness and Cardo (the Inverness Engagement Letter). In connection with the Transaction and the Altus Asset Sale, Inverness will receive a fee for the rendering of the opinion related to the Transaction and certain additional fees for its services in connection with the Transaction and the Altus Asset Sale. Those fees will total 2.5% of the aggregate consideration received in connection with the Transaction and the Altus Asset Sale combined and are currently estimated to be approximately $440,000. Inverness will also be entitled to receive additional payments of up to 5% of the Royalty payments received by us from Arthrex. In addition, Cardo has agreed to indemnify Inverness against and exculpate Inverness from certain liabilities that may arise out of Inverness s engagement, all as more fully described in the Inverness Engagement Letter.

Dissenters Rights

In accordance with the Delaware General Corporation Law, our stockholders do not have dissenters or appraisal rights in connection with the Arthrex Asset Sale or Name Change.

Certain Federal Income Tax Consequences

The Arthrex Asset Sale will be treated by the Company as a taxable transaction for federal income tax purposes. It is anticipated that any gain resulting from the Arthrex Asset Sale will be offset against the Company s net operating loss carryforwards. However, utilization of these carryforwards generates an alternative minimum tax for federal income tax purposes. At this time, we are unable to determine the alternative tax liability generated due to the utilization of these carryforwards.

Accounting Treatment

Upon completion of the Arthrex Asset Sale, we will remove from our consolidated balance sheet all of the assets of our Reconstructive Division sold to Arthrex and will reflect therein the effect of the receipt and the use of

the proceeds of the Arthrex Asset Sale. We will record a gain on the sale of assets to Arthrex equal to the difference between the purchase price received and the book value of the assets sold in our consolidated statement of operations.

Government Approval

Except for compliance with the applicable regulations of the Securities and Exchange Commission in connection with this Information Statement and of the Delaware General Corporation Law in connection with the Arthrex Asset Sale and the Name Change, we are not required to comply with any federal or state regulatory requirements, and no federal or state regulatory approvals are required in connection with the Arthrex Asset Sale or the Name Change.

Voting Securities and Principal Holders Thereof

As of April 27, 2011, there were outstanding 230,293,141 shares of Common Stock.

The following table sets forth as of April 27, 2011, certain information with respect to the beneficial ownership by (i) each director, (ii) each named executive officer, (iii) all directors and executive officers as a group, and (iv) each stockholder identified as beneficially owning greater than 5% of our Common Stock. Except as otherwise indicated below, each person named in the tables has sole voting and investment power with respect to all shares of common stock beneficially owned by that person, except to the extent that authority is shared by spouses under applicable law. To our knowledge, none of the shares reported below are pledged as security.

Directors and Officers	**Amount and Nature of Beneficial Ownership[1]**	**Percent of Class**
Andrew A. Brooks, M.D.	61,913,189	26.88%
Michael Kvitnitsky	28,996,654	12.59%
Stephen Liu, M.D.	2,800,000[2]	1.22%
Thomas H. Morgan	7,871,616	3.42%
Ronald N. Richards, Esq.	683,205	*
Derrick Romine	865,941	*
Steven D. Rubin	118,822	*
Subbarao Uppaluri, Ph.D.	412,592	*
All directors and executive officers as a group (8 persons)	103,662,019	44.01%

* Indicates ownership of less than 1%.

(1) Includes currently exercisable options to purchase shares of common stock held by the directors and executive officers as follows: Dr. Brooks 90,000; Mr. Kvitnitsky 80,000; Mr. Morgan 16,000; Mr. Richards 16,000; Mr. Romine 188,000; Mr. Rubin 16,000 and Mr. Uppaluri 16,000.

(2) Represents the following: (1) 200,000 shares held by Dr. Liu s spouse and mother-in-law as joint tenants, (2) 2,000,000 shares held by Portal Venture LLC and (3) 600,000 shares held by PacRim Capital Partners, LLC. Dr. Liu owns 35% of Portal Venture LLC and PacRim Capital Partners, LLC, and is a director of PacRim Capital Partners, LLC. Dr. Liu disclaims beneficial ownership of these securities, except to the extent of any pecuniary interest in such securities.

5% or More Stockholders[1]	**Number and Nature of Beneficial Ownership**	**Percent of Class**
Frost Gamma Investments Trust [2]	33,249,411	14.44%

(1) Based on information in separate Schedule 13Ds dated September 8, 2008, Andrew A. Brooks, M.D. and Michael Kvitnitsky also are 5% or more stockholders. The business address of Andrew A. Brooks and Michael Kvitnitsky is 7625 Hayvenhurst Avenue, Suite 49, Van Nuys, California 91406.

(2) Based on information in Amendment No. 2 to Schedule 13D dated December 8, 2009, Frost Gamma Investments Trust holds 33,250,911 shares of common stock. The business address of Frost Gamma Investments Trust is 4400

Biscayne Boulevard, Suite 1500, Miami, Florida 33137. Phillip Frost, M.D. is the trustee and Frost Gamma Limited Partnership is the sole and exclusive beneficiary of Frost Gamma Investments Trust.

Interests of the Continuing Stockholders

Following the Arthrex Asset Sale, the current stockholders of the Company will continue to own 100% of the outstanding common stock of the Company.

Certain Information Concerning Cardo Medical

Organization

Overview

The Company is an orthopedic medical device company specializing in designing, developing and marketing high performance reconstructive joint devices and spinal surgical devices. Reconstructive joint devices are used to replace knee, hip and other joints that have deteriorated through disease or injury. Spinal surgical devices involve products to stabilize the spine for fusion and reconstructive procedures. Within these areas, we are focused on developing surgical devices, instrumentation and techniques that will enable surgeons to move what are typically inpatient surgical procedures to the outpatient world. We commercialize our reconstructive joint devices through our reconstructive division and our spine devices through our spine division.

In December 2006, we initiated a limited release and began sales of the Align 360™ unicompartmental knee device, a partial knee resurfacing device for the medial or lateral part of the knee. Since then, we have received approval under Section 510(k) of the Federal Food, Drug and Cosmetic Act, which we refer to as Section 510(k), for the following:

Uniquely instrumented patellofemoral arthroplasty, a resurfacing device for the back of the kneecap and distal femur;

Total knee system which has both a posterior cruciate sacrificing as well as a posterior cruciate sparing component design;

Total hip replacement system along with its monopolar and bipolar hip systems; and

Spinal lumbar fusion system and its cervical plate and screw systems.

Nature of Business

As discussed above, we determined in October 2010, to put substantially all of our assets up for sale. We expect to close the sale of the Reconstructive Division assets contemplated by the Arthrex Asset Purchase Agreement during the second quarter of 2011. We sold substantially all of the assets of our Spine Division to Altus on April 4, 2011. Upon the sale of the Reconstructive Division assets, we will continue to be a public company and our common stock will continue to trade on the Over-the-Counter Bulletin Board. We intend to use the proceeds from these sales to pay: (i) accrued salaries and payroll taxes, (ii) transaction expenses, and (iii) for working capital purposes.

After the sale of our Reconstructive Division assets, our ongoing operations will consist of the remaining Spine Division assets, the collection of accounts receivable, the collection of royalty payments pursuant to the terms of the Arthrex Asset Purchase Agreement, and the payment of any liabilities. Following the sale of our Reconstructive Division assets, we may elect to acquire another entity or invest the net proceeds from the sale of the Reconstructive Division assets and/or the net proceeds received from Altus for substantially all of our Spine Division assets in such manner as is determined by our Board of Directors and management.

The following is a discussion of the nature of our business on a historical basis, including for the year ended December 31, 2010.

We develop and distribute high performance reconstructive orthopedic and spinal surgery products to various medical organizations. We are focused on moving surgical procedures which have been traditionally

performed in a hospital inpatient environment to an outpatient setting by providing better instrumentation, which encourages facile surgical techniques and less intimidation to surgeons. We work in small, focused development teams in conjunction with leading surgeons to rapidly develop products from conception to launch. We launched and commenced clinical usage on a limited basis of our first product, a high performance, unicompartmental knee replacement, in late 2006. Up until October 2010, we had engaged in an aggressive and focused research and development program to fill out our product portfolio since our uni-knee introduction. We have developed a complete line of FDA-approved and market ready knee reconstruction and total hip product lines which promote unique procedural innovations. Additionally, we now have an FDA approved, competitive portfolio of products for cervical and lumbar fusion surgery. Our Spine Division has a robust pipeline of novel products at various stages of development for future release. Counter to traditional innovation companies, we are focused on procedural innovations where often the technique is developed first with novel instrumentation and a simpler surgical approach, with the implant being developed secondarily.

See Note 9 to our consolidated financial statements included elsewhere in this Information Statement for information regarding our operating segments.

Products

The following is a listing of our product portfolio:

Knee Portfolio

Our knee portfolio has been designed to create a system which allows surgeons to view knee procedures as a remodeling of the joint. The surgeon can choose to remodel either the medial or lateral compartment, the patellofemoral joint, a combination thereof, or a full knee remodeling. Our full knee system is bone conserving and thin which creates an aesthetically pleasing x-ray.

Align 360™ Unicompartmental Knee System - A uniquely instrumented high performance partial knee replacement that allows resurfacing of either the medial or lateral compartments of the knee. This product promotes the consistent balancing of the flexion and extension gaps for unicompartmental knee surgery. The system reduces intimidation factor for new surgeons, is simple to utilize, creates an easy and reproducible outcome without any capital cost outlays by the hospital to allow surgeons to perform this procedure.

Align 360™ Patellofemoral System - A uniquely instrumented and novel patellofemoral system that allows resurfacing of the patellofemoral joint. This product is an anatomic system that addresses the disease of the patellofemoral joint. The instrumentation system for this is novel, simple, reproducible and reduces intimidation factor for surgeons. The patellofemoral system is designed to work in conjunction with our unicompartmental system which allows surgeons to address patients with bi-compartmental disease by preserving ligaments, both anterior and posterior cruciate ligaments.

Align 360™ Total Knee System - A uniquely instrumented high performance total knee system consisting of posterior-stabilized and cruciate retaining femoral components.

Hip Portfolio

Cardo Total Hip System - A taperloc type of hip system that allows replacement of the ball and socket of the hip joint. This product offers a dual taper hip design for total hip arthroplasty complemented by our Bipolar and Monopolar Hip Systems for hip fracture applications.

Cardo Bipolar Hip System - A bipolar hip that allows replacement of the ball of the hip from either fracture, tumors or reconstruction from some other type of pathology.

Cardo Monopolar Hip System - A monopolar hip that allows replacement of the ball of the hip from either fracture, tumors or reconstruction from some other type of pathology.

Spinal Product Line

Cardo Lumbar Pedicle Screw/Rod System - A pedicle screw and rod system for instrumentation of lumbar spine fusion incorporating an evolutionary locking mechanism allowing for high screw angulation.

Cardo Cervical Plate/Screw System - An innovative low-profile system for cervical spine fusion incorporating an integrated, floating tapered-ring locking mechanism to simplify surgical procedure.

Cardo Intervertebral System A PEEK system offering uniquely wide openings to allow for optimal bone graft delivery and fusion.

Our products listed above have received Section 510(k) approval. We have a number of earlier stage research and development projects, some of which have received Section 510(k) approval and others that may be submitted for regulatory approval in the future. Several of these projects involve alternative bearing surfaces for arthroplasty.

Orthopedic Industry

According to the 2008-2009 Orthopaedic Industry Annual Report published by Orthoworld, Inc., which we refer to herein as the Industry Annual Report, the worldwide market for orthopedic products in 2008 was estimated to be $35.7 billion, representing an 9.9% increase from the previous year. According to this report, more than 90 percent of joint replacements are performed on people over the age of 45. With a predicted growth of three percent for the elderly population (65+) and a similar growth rate among those aged 45-64, the report suggests that demographics alone will drive growth in the global orthopedic industry. We also believe that the orthopedic industry will continue to grow due to an increasingly older population and extended life spans in the United States and other developed countries worldwide.

According to the Industry Annual Report, the world s seven largest joint replacement companies (and the only ones with global joint replacement sales in excess of $200 million) Zimmer, Johnson & Johnson, Stryker, Smith & Nephew, Biomet, Wright Medical and Aesculap generated 91% of hip, knee, shoulder and other joint product sales in 2008. We believe that the size of these companies often leads them to concentrate their marketing and research and development efforts on products that they believe will have a relatively high minimum threshold level of sales. As a result, there is an opportunity for a smaller orthopedic company, such as ours, to focus on smaller, higher-growth sectors of the orthopedic market, while still offering a comprehensive product line to address the needs of its customers in a customized and interactive fashion.

Orthopedic devices are commonly divided into several primary sectors corresponding to the major subspecialties within the orthopedic field: reconstruction, trauma, arthroscopy, spine and biologics. Management s initial focus is on innovation related to reconstructive joint devices and spinal products, as discussed below.

Reconstructive Joint Device Market

Most reconstructive joint devices are used to replace or repair joints that have deteriorated as a result of disease or injury. Despite the availability of non-surgical treatment alternatives such as oral medications, injections and joint fluid supplementation, severe cases of disease or injury often require reconstructive joint surgery.

Reconstructive joint surgery involves modifying the bone area surrounding the affected joint and inserting one or more manufactured components, and also may involve using bone cement.

The reconstructive joint device market is generally divided into the areas of hips, knees and extremities. According to the Industry Annual Report, it is estimated that the worldwide reconstructive joint device market had sales of approximately $12.7 billion in 2008, an increase of nearly 10% over sales in 2007, with hip and knee reconstruction representing the largest sectors.

Knee Reconstruction. The knee joint involves the surfaces of three distinct bones: the lower end of the femur, or thigh bone, the upper end of the tibia, or shin bone, and the patella, or kneecap. Cartilage on any of these surfaces can be damaged due to disease or injury, leading to pain and inflammation requiring knee reconstruction. According to the Industry Annual Report, knee reconstruction was the largest sector of the reconstructive joint device market in 2008, with estimated sales of approximately $6.5 billion worldwide.

One of the major trends in knee reconstruction includes the use of minimally invasive techniques to accomplish reconstructive goals with less damage to surrounding soft tissues. Our uni-compartmental device has been designed to be inserted through small incision surgery with an innovative instrumentation approach. Our design approach was to develop an innovative instrumentation system to improve and simplify surgical technique for a clinically proven implant concept. We believe that our system allows the surgeon to simply and reproducibly balance both flexion and extension gaps. This is a general approach we plan to continue with our other products.

Hip Reconstruction. The hip joint is a ball-and-socket joint that enables the large range of motion that the hip performs in daily life. The hip joint is most commonly replaced due to degeneration of the cartilage between the head of the femur (the ball) and the acetabulum or hollow portion of the pelvis (the socket). This degeneration causes pain, stiffness and a reduction in hip mobility. According to the Industry Annual Report, it is estimated that the worldwide hip reconstruction market had sales of approximately $5.4 billion in 2008.

Similar to the knee reconstruction market, major trends in hip replacement procedures and implants are to extend implant life and to preserve bone stock for possible future procedures. New products have been developed that incorporate advances in bearing surfaces from the traditional polyethylene surface. These alternative bearing surfaces include metal-on-metal, cross-linked polyethylene and ceramic-on-ceramic combinations, which exhibit improved wear characteristics and lead to longer implant life. In addition to advances in bearing surfaces, implants that preserve more natural bone have been developed in order to minimize surgical trauma and recovery time for patients. These implants, known as bone-conserving implants, leave more of the hip bones intact, which may be beneficial given the likelihood of future revision replacement procedures as the average patient s lifetime increases. Bone-conserving procedures are intended to enable patients to delay their first total hip procedure and may significantly increase the time from the first procedure to the time when a revision replacement implant is required. Our hip product portfolio, currently consisting of three products, is focused on improving the surgical techniques for bone-conservative procedures. These products integrate implant designs that are based on predicate devices (i.e., a device with a similar design that has already received clearance) with successful long-term clinical histories. Up until October 2010, we had been actively engaged in several research and development efforts to develop better instrumentation for less traumatic surgeries, improved component designs and bearing surfaces to increase longevity of our devices.

Spine Market

Back and neck pain is one of the leading causes of healthcare expenditures in the United States, with a direct cost of approximately $86 billion annually for diagnosis, treatment and rehabilitation, according to an article published in The Journal of the American Medical Association (published February 13, 2008). According to the Industry Annual Report, sales of spine products in the U.S. market for 2008 totaled $4.6 billion and $6.5 billion worldwide, an increase of 13% in global revenues over 2007. This report continues to state that growth in the last two years has slowed dramatically from the 20+ percent increases experienced in the early 2000 s. The spine consists of vertebrae, which are 29 separate bones connecting the skull to the pelvis. The vertebrae are joined together by soft tissue structures that provide the core of the human skeleton. Within the spinal column, the spinal cord, which is the body s central nerve pathway, is protected by the bony parts of the vertebrae. Nerves contained in the spinal column exit through the foramen openings to the rest of the body. Vertebrae are joined to each other in pairs which are often referred to as motion segments. These motion segments move by means of three

joints: two facet joints and one spine disc. The facet joints provide stability and enable the spine to bend and twist while the discs absorb pressures and shocks to the vertebrae.

The four major categories of spine disorders are degenerative conditions, deformities, trauma and tumors. The largest market, and the focus of our spinal research and development business, is degenerative conditions of the facet joints and disc space. These conditions can result in instability and pressure on the nerve roots as they exit the spinal column, causing back pain or radiating pain in the arms or legs.

The recommended treatments for spine disorders depend on the severity and duration of the disorder. Initially, physicians will prescribe non-operative procedures, including bed rest, bracing, medication, lifestyle modification, exercise, physical therapy, chiropractic care and steroid injections. In most cases, non-surgical treatment options are effective; however, many patients do not respond to non-operative treatments and require spine surgery to alleviate their symptoms.

It is estimated that in excess of one million patients undergo spine surgery each year in the United States. The most common spine surgery procedures are: discectomy, which consists of the removal of all or part of a damaged disc; laminectomy, the removal of all or part of a lamina, or thin layer of bone, to relieve pinching of the nerve and narrowing of the spinal canal; and fusion, where two or more adjoining vertebrae are fused together to provide stability. All three of these procedures require access to the spine through either a traditional open approach or through smaller, less invasive methods using various types of retractors or other percutaneous techniques.

We believe that the implant market for spine surgery procedures will continue to grow because of the following market dynamics:

Demographics. The population most likely to experience back pain is likely to grow as a result of our aging baby boomer population. The first baby boomers turned 62 in 2008, and over the next two decades we will see a substantial increase in our aging population. We believe that this generation of older people is less willing to compromise on reducing activity levels and is more interested in treatments that will allow a more rapid return to activities with shorter periods of disability.

Increased Acceptance of Implants. The implementation of implants for use in spine surgery has become the standard of care over the past decade. In the last five years, there has been a substantial and significant increase in the percentage of spinal fusion surgeries using implants. According to Millennium Research Group, an estimated 85% or more of all spinal fusion procedures involve an implant. The current generation of modern trained spine surgeons has accepted usage of implants as the gold standard for achieving optimal results.

Increased Demand for Newer Technologies. Because of the ubiquitous nature of back pain, the market is interested in newer technologies, such as motion preservation, and novel minimally invasive techniques which would potentially allow earlier intervention in the degenerative process of the spine for many patients.

Acquisitions

Cardo Medical, LLC, which we refer to as Cardo LLC, was formed on April 6, 2007 as a California limited liability company for the purpose of acquiring an interest in the medical device business conducted by Accin Corporation directly and through Accin s interests in Cervical Xpand, LLC and Uni-Knee, LC. Following Cardo LLC s organization:

Cardo LLC and Accin formed a Delaware limited liability company on April 20, 2007 under the name Accelerated Innovation, LLC;

On May 21, 2007, Accin contributed substantially all of its business, properties and assets, including its majority interests in Cervical Xpand and Uni-Knee, to Accelerated Innovation in exchange for a 62.5% interest in Accelerated Innovation and the distribution referenced below in the amount of $3.75 million;

Concurrently with the above, on May 21, 2007, Cardo LLC contributed $3.75 million to Accelerated Innovation in exchange for a 37.5% interest in Accelerated Innovation; and

The amount of $3.75 million was distributed by Accelerated Innovation to Accin.

Under the terms of Accelerated Innovation s Limited Liability Company Agreement, Cardo LLC was granted an option to purchase the 62.5% interest in Accelerated Innovation held by Accin for a purchase price of $6.25 million. Following the exercise of that option in June 2008, Cardo LLC acquired all of the interests in Accelerated Innovation held by Accin, and Accelerated Innovation became a wholly-owned subsidiary of Cardo LLC.

Prior to that, in February 2008, Cardo LLC entered into Membership Interest Purchase Agreements with the holders of the minority membership interests in Cervical Xpand and Uni-Knee. Cervical Xpand and Uni-Knee were formed as New Jersey limited liability companies on July 12, 2005 and May 10, 2006, respectively, for the purpose of conducting research and development activities. Prior to the closing of the transactions contemplated by the Membership Interest Purchase Agreements, Accelerated Innovation, as the assignee of Accin s assets, owned 52.083% of the membership interests in Cervical Xpand and 51.21% of the membership interests in Uni-Knee, and the minority holders held the remaining outstanding interests. Upon the closing of the transactions contemplated by the Membership Interest Purchase Agreements, in June 2008, Cardo LLC acquired the outstanding membership interests from the minority holders for an aggregate purchase price of $1,437,510 for the Cervical Xpand interests and $2,049,180 for the Uni-Knee interests. As a result, Cardo LLC owned all of the interests in Cervical Xpand and Uni-Knee directly and indirectly through its ownership of Accelerated Innovation.

On June 18, 2008, Cardo LLC entered into a Merger Agreement and Plan of Reorganization with clickNsettle.com, Inc., which we refer to as CKST, and Cardo Acquisition, LLC, a California limited liability company and wholly-owned subsidiary of CKST. Upon the consummation of the transactions contemplated by the Merger Agreement, CKST acquired Cardo LLC through a merger of Cardo LLC with Cardo Acquisition, with Cardo LLC continuing as the surviving entity in the merger and a wholly-owned subsidiary of CKST. Pursuant to the Merger Agreement, all of the issued and outstanding units of Cardo LLC s membership interests were converted into the right to receive shares of the common stock of CKST.

On or about the signing of the Merger Agreement with CKST, Frost Gamma Investments Trust and other investors invested $12,975,000 in Cardo LLC in exchange for units of Cardo LLC s membership interests. Dr. Phillip Frost, Chairman and Chief Executive Officer of Opko Health, Inc. and non-executive Chairman of the Board of Directors of Teva Pharmaceutical Industries Limited, is the trustee and beneficiary of Frost Gamma Investments Trust. Cardo LLC used approximately $9.7 million of the proceeds from these investments to close on the acquisition of the outstanding equity interests of three partially owned subsidiaries of Cardo LLC (Accelerated Innovation, LLC, Cervical Xpand, LLC and Uni-Knee, LLC), to repay an existing member loan (in the amount of $1.2 million) and for transaction expenses, and used the remaining funds to accelerate its research and product development.

Under the terms of the Merger Agreement with CKST, at the closing of the merger, each Cardo LLC unit of membership interest issued and outstanding was converted into and exchanged for the right to receive 667,204.70995 shares of common stock of CKST. As a result of the merger with CKST, CKST s stockholders and optionholders owned approximately 5.5% of the combined company on a fully diluted basis (or 11,298,979 shares of common stock outstanding and underlying options), the members of Cardo LLC, excluding the new investors, owned approximately 64.8% of the combined company on a fully diluted basis (or 133,440,942 shares of common stock), the new investors owned approximately 28.5% of the combined company on a fully diluted basis (or 58,641,701 shares of common stock), and optionholders of Cardo LLC owned approximately 1.2% of the combined company on a fully diluted basis (or 2,398,400 shares of common stock underlying those options).

Following the closing of the merger with CKST, each of Cervical Xpand, Uni-Knee and Accelerated Innovation merged with and into Cardo LLC, which is now the sole subsidiary of the Company and Cardo LLC converted into a Delaware limited liability company.

We are headquartered in Van Nuys, California. In connection with the consummation of the merger with CKST, CKST approved through its stockholders an amendment to its Amended and Restated Certificate of Incorporation to change its name from clickNsettle.com, Inc. to Cardo Medical, Inc. CKST s trading symbol was CKST.OB, which ha changed to CDOM.OB in connection with the name change. Cardo Medical s common stock is quoted on the National Association of Securities Dealers, Inc. s, Over-the-Counter Bulletin Board, or the OTC Bulletin Board.

Government Regulation

United States

Health care, in general, is a highly regulated industry with various state and federal laws and regulations having particular application to the Company. Our products are principally regulated by the U.S. Food and Drug Administration, or the FDA, under the Federal Food, Drug, and Cosmetic Act, which we refer to as the Act. Some of our products are also regulated by state agencies under laws similar to their federal FDA counterparts. FDA regulations and the requirements of the Act affect the pre-clinical and clinical testing, design, manufacture, safety, efficacy, labeling, storage, recordkeeping, advertising and promotion of our medical device products. FDA regulations govern, among other things, the following activities that we or our partners perform and will continue to perform:

product design and development;

product testing;

product manufacturing;

product labeling;

product storage;

premarket clearance or approval;

advertising and promotion; and

product sales and distribution.

Generally, before we can market a new medical device, marketing clearance from the FDA must be obtained through either the pre-market notification process under Section 510(k) of the Act or through application for a pre-market approval, or PMA, under Section 515 of the Act. The FDA typically grants a Section 510(k) clearance if the applicant can establish that the device is substantially equivalent to a predicate device (i.e., a device with a similar design that has already received clearance). It generally takes approximately three months from the date of a Section 510(k) submission to obtain clearance, but it may take longer, particularly if a clinical trial is required. The FDA may find that a Section 510(k) clearance is not appropriate or that substantial equivalence has not been shown and, as a result, will require a PMA application.

PMA applications must be supported by valid scientific evidence to demonstrate the safety and effectiveness of the device, typically including the results of human clinical trials, bench tests and laboratory and animal studies. The PMA application also must contain a complete description of the device and its components, and a detailed description of the methods, facilities and controls used to manufacture the device. In addition, the submission must include the proposed labeling and any training materials. The PMA application process can be expensive and generally takes significantly longer than the Section 510(k) process. Additionally, the FDA may never approve the PMA application. As part of the PMA application review process, the FDA generally will inspect the manufacturer s facilities to ensure compliance with applicable quality system regulatory requirements, which include quality control testing, control documentation and other quality assurance procedures.

If human clinical trials of a medical device are required and the device presents a significant risk, the sponsor of the trial must file an investigational device exemption, or IDE, application prior to commencing human clinical trials. The IDE application must be supported by data, typically including the results of animal and/or laboratory testing. If the IDE application is approved by the FDA and one or more institutional review boards, human clinical trials may begin at a specific number of investigational sites with a specific number of patients, as approved by the FDA. If the device presents a non-significant risk to the patient, a sponsor may begin the clinical trial after obtaining approval for the trial by one or more institutional review boards without separate approval from the FDA. Submission of an IDE does not give assurance that the FDA will approve the IDE and, if it is approved, we cannot assure you that the FDA will determine that the data derived from the trials support the safety and effectiveness of the device or warrant the continuation of clinical trials. An IDE supplement must be submitted to and approved by the FDA before a sponsor or investigator may make a change to the investigational plan that may affect its scientific soundness, study indication or the rights, safety or welfare of human subjects. The trial also must comply with the FDA s IDE regulations and informed consent must be obtained from each subject.

If the FDA determines that we are not in compliance with the law, it can institute proceedings to detain or seize products, issue a market withdrawal, enjoin future violations and seek civil and criminal penalties against us and our officers and employees. If we fail to comply with these regulatory requirements, our business, financial condition and results of operations could be harmed.

Thus far, all of our approved products have been cleared by the FDA through the Section 510(k) pre-market notification process. We have not needed to conduct any clinical trials in order to support our regulatory approvals. Regulations regarding the manufacture and sale of our products are subject to change. We cannot predict the effect, if any, that these changes might have on our business, financial condition and results of operations. In addition to granting approvals for our products, the FDA has the authority to randomly inspect us for compliance with regulatory requirements that apply to our operations. These requirements include labeling regulations, manufacturing regulations, quality system regulations, regulations governing unapproved or off-label uses and medical device regulations. Medical device regulations require a manufacturer to report to the FDA serious adverse events or certain types of malfunctions involving its products. The FDA inspects device and drug manufacturing facilities in the United States in order to assure compliance with applicable quality system regulations. As discussed in the section below titled Manufacturing and Supply, we currently outsource the manufacture of our products to third-party vendors.

Further, we are subject to various federal and state laws concerning health care fraud and abuse, including false claims laws, anti-kickback laws and physician self-referral laws. Violations of these laws can result in criminal and/or civil punishment, including fines, imprisonment and, in the United States, exclusion from participation in government health care programs. The scope of these laws and related regulations is expanding and their interpretation is evolving and subject to change. Increased enforcement of these laws and regulations has resulted in greater scrutiny of marketing practices in our industry. If a governmental authority were to determine that we do not comply with these laws and regulations, then we and our officers and employees could be subject to criminal and civil sanctions, including exclusion from participation in federal health care reimbursement programs. This could also effect the manner in which our products are marketed and the manner in which we would conduct business.

Health Care Reform Laws

In 2010, Congress enacted significant health care reform legislation, specifically, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act, which legislation is now law. This legislation is considered by some to be the most dramatic change to the country s health care system in decades.

The principal aim of these laws is to expand health insurance coverage to approximately 32 million Americans who are currently uninsured. The law s most far-reaching changes do not take effect until 2014, including a requirement that most Americans carry health insurance. The consequences of these significant coverage expansions on the sales of the Company s products are unknown and speculative at this point.

These laws contain many provisions designed to generate the revenues necessary to fund the coverage expansions. The provisions which are most directly relevant to the Company are those that impose fees or taxes on certain health-related industries, including medical device manufacturers.

Beginning in 2013, each medical device manufacturer will have to pay an excise tax (or sales tax) in an amount equal to 2.3 percent of the price for which such manufacturer sells its medical devices. This tax applies to all medical devices, including the Company s products and product candidates. The effect, if any, of such tax on future sales is speculative.

Additionally, these laws also provide for increased enforcement of the fraud and abuse regulations previously mentioned, which may result in higher compliance-related costs.

The constitutionality of these laws is currently in dispute and several lawsuits have been filed in federal courts throughout the country. The rulings on enforceability of these laws have differed between the various courts and many are currently on appeal. The timing associated with the final resolution of those appeals is unknown at this time. Many legal scholars opine that the issue will ultimately have to be decided by the U.S. Supreme Court. In the interim, the laws currently remain in effect. Adverse rulings regarding these laws have been stayed pending appeal.

Research and Development

Our research and development engineering personnel have extensive experience in developing medical devices to treat joint and spine pathologies. Our engineers work closely with surgeons to design devices that are intended to improve patient care, simplify surgical techniques and reduce overall costs. In addition to constantly enhancing and improving our current product offerings, we historically focused our research and development efforts in novel approaches to total knee arthroplasty, spinal motion preservation devices and products that promote new fusion techniques and minimally invasive surgical techniques for reconstructive and spinal surgery.

We currently do not have any formal consulting arrangements with our surgeons. However, we work with surgeons informally to obtain their feedback to enhance our products and to identify product candidates that we would like to develop. We historically have worked closely with product opinion leaders to develop and enhance our product portfolio. During the years ended December 31, 2010 and 2009, we spent approximately $859,000 and $1,003,000, respectively, on research and development.

Due to the decision made in October 2010 to sell substantially all of the assets of the Company, we scaled back research and development activities and expect research and development expenses to be minimal in the future.

Manufacturing and Supply

We do not have a manufacturing facility, and we currently do not intend to build manufacturing facilities of our own in the foreseeable future. We utilize third-party vendors to manufacture all of our implants and instruments, including components of our products, while internally performing product design and quality assurance. We currently use a variety of manufacturers for our devices.

Our outsourced manufacturing process typically involves machining semi-completed raw materials for both our metal and polyethylene components that make up our joint replacement systems. After being machined, the parts are inspected and processed in preparation for final polishing and finishing as needed. Prior to being packaged, our parts are inspected again to ensure that they are within approved specifications. We also use components in our devices that we acquire from other companies. We distribute both sterile and non-sterile implants and instruments.

Our outsourcing strategy is targeted at companies that meet FDA Quality Standards and our internal policies and procedure standards. Supplier performance is maintained and managed through a corrective action

program intended to ensure that all product requirements are met or exceeded. We believe these manufacturing relationships minimize our capital investment, help control and reduce costs and allow us to compete with larger volume manufacturers and sellers of spine surgery and reconstructive surgical products.

We currently utilize a variety of manufacturers for our products and rely on a limited number of sources for our product components that are manufactured by third parties. In the future, we may consider manufacturing certain products or product components internally, if and when demand or quality requirements make it appropriate to do so.

Although we believe that alternative third-party manufacturers are available, we cannot assure you that we will be able to timely replace our third-party manufacturers immediately if one or more of them can no longer provide us with their manufacturing services. In addition, while we do not anticipate that we will encounter problems in obtaining adequate supplies of components, we cannot assure you that we will continue to be able to obtain components under acceptable terms and in a timely manner.

Sales and Marketing

Historically, we have primarily relied on third-party independent distributors to market and sell our products. Due to the lay-offs and scaled down efforts associated with the announced plan to sell substantially all assets of the Company, we expect sales and marketing activity to be minimal in the future.

Customers

During the year ended December 31, 2010, we had four hospital customers that comprised 17.4%, 15.8%, 12.3%, and 10.5% of our net sales. During the year ended December 31, 2009, we had three hospital customers that comprised 28.1%, 22.7% and 13.2% of our net sales. The loss of any major hospital customer may have a material adverse effect on our business, financial condition and results of operations.

Patents and Proprietary Technology; Trademarks

The patents and trademarks discussed below are part of the Reconstructive Division assets and Spine Division assets held for sale by us and they are not contemplated to be a part of our future business upon the successful sale of the Reconstructive Division assets and Spine Division assets.

Patents

We have applied for U.S. and foreign patents covering several of our implant components, and some of our surgical instrumentation. As of December 31, 2010, we had 25 issued patents and 12 pending domestic and foreign patent applications covering seven devices.

Patents and intellectual property will continue to be an important aspect of the orthopedic and spine industry. In this regard, we intend to vigorously defend our intellectual property rights. We believe that our patents and products do not and will not infringe patents or violate proprietary rights of others, although it is possible that our existing patent rights may not be valid or that infringement of existing or future patents or proprietary rights may occur. If some of our intellectual property and agreements relating to our products are deemed invalid, that action may have a material adverse effect on our financial condition and results of operations.

The medical device industry is characterized by patent and other intellectual property litigation, and we could become subject to litigation that could be costly, result in diverting management s time and efforts, require us to pay damages and/or prevent us from marketing our existing or future products. Patent litigation typically involves complex factual and legal questions. The outcome of such litigation is uncertain. Any claim relating to infringement of patents that is successfully asserted against us may require us to pay substantial damages. Even if successful, litigation to enforce our intellectual property rights or to defend our patents against challenge could be expensive and time-consuming and could divert our management s attention. Our success will depend in part on our

not infringing patents issued to others, including our competitors and potential competitors. If our products are found to infringe the patents of others, the development, manufacture and sale of our products or potential products could be severely restricted or prohibited. Also, our competitors may independently develop similar technologies that are not restricted by other companies patents, including ours. Due to the importance of our patents to our business, our market share can decline if we fail to protect our intellectual property rights.

A patent infringement suit brought against us or our partners may force us or our partners to halt the development, manufacture or sale of products or potential products that are claimed to be infringing, unless that party grants us or our partners rights to use its intellectual property. As a result, we may be required to obtain licenses to patents or proprietary rights of others in order to continue to commercialize our products, which we may not be able to do on acceptable terms, or at all. Even if we or any partner were able to obtain rights to the third party s intellectual property, these rights may be non-exclusive, thereby giving our competitors access to the same intellectual property. Ultimately, we may be unable to commercialize some of our products or potential products or may have to cease some of our business operations as a result of patent infringement claims, which could severely harm our business.

As more companies enter the orthopedic and spine market, the possibility of a patent infringement claim against us grows. While we try to ensure that our products do not infringe others patents and proprietary rights, our products, potential products and methods may be covered by patents held by our competitors.

Trademarks

At December 31, 2010, we had four registered trademarks with the U.S. Patent and Trademark Office, or USPTO, for the marks Accin , Align 360 , Vertebron and Cardo Medical ; and we have an application pending for the mark A La Carte.

Competition

The orthopedic and spinal device industry is highly competitive and dominated by a number of large companies with substantially greater financial and other resources than we have. Our largest competitors in the orthopedic and spinal surgical device market are DePuy Orthopaedics, Inc. and DePuy Spine, Inc. (divisions of Johnson & Johnson Company), Zimmer, Inc. (a subsidiary of Zimmer Holdings, Inc.), Stryker Howmedica Osteonics (a subsidiary of Stryker Corporation), Smith & Nephew plc, Biomet Orthopedics, Inc. (a subsidiary of Biomet, Inc.), Medtronic Sofamor Danek, and Synthes Inc.

Companies in the industry compete on the basis of product features and design, innovation, service, the ability to maintain new product flow, relationships with key orthopedic surgeons and hospitals, the strength of their distribution network and price. While price is a key factor in the orthopedic market, other significant factors could negatively impact our results of operations and financial condition, including: technological innovation, reimbursement rates, surgeon preference, ease of use, clinical results and service provided by us and our representatives.

Our products are, and any potential products we commercialize will be, subject to intense competition. Many of our current and potential competitors have substantially greater financial, technical and marketing resources than we do, and they may succeed in developing products that would render our products obsolete or noncompetitive. Many of these competitors also have significantly greater operating history and reputations than we do in our respective fields. We may not be able to compete successfully if we are unable to develop proprietary products that reach the market in a timely manner, receive adequate reimbursement and are safer, less invasive and less expensive than alternatives available for the same purpose. Because of the rapidly growing orthopedic market, we anticipate that companies will dedicate significant resources to developing competing products.

Regarding our spinal portfolio, we also face competition from a growing number of smaller companies with more limited product offerings and geographic reach than our larger competitors. These companies, who represent intense competition in specified markets, include, Orthofix International N.V. (parent of Blackstone

Medical, Inc.), Alphatec Spine Inc. (a subsidiary of Alphatec Holdings, Inc.), Wright Medical Group, Inc., and NuVasive, Inc.

Product Liability and Insurance

We are subject to potential product liability risks that are inherent in the design, marketing and sale of orthopedic implants and surgical instrumentation. We have implemented strict quality control measures and currently maintain product liability insurance in amounts that we believe are typical in the industry for companies with a comparable size to ours. Our insurance premiums are based on our sales. We evaluate our levels of product liability insurance annually, as well as the amount of retention carried compared to other comparable companies in the industry. Due to the volatility of the insurance marketplace, the value of the product liability insurance products delivered and the small number of providers of these products, there can be no guarantees as to whether we will be able to secure coverage in the future at a reasonable cost.

Third-Party Reimbursement

Sales of our products will depend on the availability of adequate reimbursement from third-party payors (such as governmental programs, for example, Medicare and Medicaid, private insurance plans and managed care programs), both in terms of the sales volumes and prices of our products. Healthcare providers, such as hospitals that purchase medical devices for treating their patients, generally rely on third-party payors to reimburse all or part of the costs and fees associated with the procedures performed with these devices. These third-party payors may deny reimbursement if they feel that a device is not the most cost-effective treatment available, or was used for an unapproved indication. As such, surgeons are unlikely to use our products if they do not receive reimbursement adequate to cover the cost of their involvement in the surgical procedures. We also believe that future reimbursement may be subject to increased restrictions both in the U.S. and internationally. If we sell our products internationally, market acceptance may depend, in part, upon the availability of reimbursement within the prevailing healthcare payment systems. Reimbursement and healthcare payment systems in international markets vary significantly by country, and include both government sponsored healthcare and private insurance.

Future legislation, regulation or reimbursement policies of third-party payors may adversely affect the demand for our existing products or our products currently under development and limit our ability to sell our products on a profitable basis.

Also, third-party payors are increasingly challenging the prices charged for medical products and services. Particularly in the United States, third-party payors carefully review, and increasingly challenge, the prices charged for procedures and medical products. Also, greater numbers of insured individuals are receiving (and will continue to receive over the next decade) their medical care through managed care programs, which monitor and often require pre-approval of the services that a member will receive. Many managed care programs are paying their providers on a capitated basis, which puts the providers at financial risk for the services provided to their patients by paying them a predetermined payment per member per month.

Legislative or administrative reforms to the U.S. or international reimbursement systems in a manner that significantly reduces reimbursement for procedures using our medical devices or denies coverage for those procedures could have a material adverse effect on our business, financial condition or results of operations. We believe that the overall escalating cost of medical products and services has led to, and will continue to lead to, increased pressures on the healthcare industry to reduce the costs of products and services. We cannot assure you that third-party reimbursement and coverage will be available or adequate, or that future legislation, regulation, or reimbursement policies of third-party payors will not adversely affect the demand for our products or our ability to sell these products on a profitable basis. We also cannot assure you that our products will be considered cost-effective by third-party payors, that reimbursement will be available or, if available, that the third-party payors reimbursement policies will not adversely affect our ability to sell our products profitably.

Healthcare Fraud and Abuse

Our relationship with surgeons, hospitals and the marketers of our products are subject to scrutiny under various state and federal anti-kickback, self-referral, false claims and similar laws, often referred to collectively as healthcare fraud and abuse laws. The federal anti-kickback laws prohibit unlawful inducements for the referral of business reimbursable under federally-funded health care programs, such as remuneration provided to physicians to induce them to use certain medical devices reimbursable by Medicare or Medicaid. Healthcare fraud and abuse laws are complex and subject to evolving interpretations, and even minor, inadvertent violations potentially can give rise to claims that the relevant law has been violated. Certain states in which we market our products have similar anti-kickback, anti-fee splitting and self-referral laws, imposing substantial penalties for violations. Any violations of these laws could result in a material adverse effect on the market price of our common stock, as well as our business, financial condition and results of operations. We cannot assure you that any of the healthcare fraud and abuse laws will not change or be interpreted in the future in a manner which restricts or adversely affects our business activities or relationships with surgeons, hospitals and marketers of our products. In addition, possible sanctions for violating these anti-kickback laws include monetary fines, civil and criminal penalties, exclusion from Medicare and Medicaid programs and forfeiture of amounts collected in violation of these prohibitions.

We must comply with a variety of other laws, such as laws prohibiting false claims for reimbursement under Medicare and Medicaid, which also can be triggered by violations of federal anti-kickback laws; Healthcare Insurance Portability and Accountability Act of 1996, which protects the privacy of individually identifiable healthcare information; and the Federal Trade Commission Act and similar laws regulating advertisement and consumer protections. In certain cases, federal and state authorities pursue actions for false claims on the basis that manufacturers and distributors are promoting unapproved or off-label uses of their products.

Employees

As of December 31, 2010, we employed 13 full-time employees.

Properties

As of December 31, 2010, we lease a warehouse facility in Van Nuys, California (near Los Angeles) under a month-to-month operating lease. We also lease office and warehouse facilities in Clifton, New Jersey (near New York City) under an operating lease that expires in August 2012. We believe our facilities are adequate for our needs.

Legal Proceedings

From time to time, we may be a party to legal proceedings incidental to our business. We do not believe that there are any proceedings threatened or pending against us, which, if determined adversely to us, would have a material effect on our financial position or results of operations and cash flows.

Management s Discussion and Analysis of Financial Condition and Results of Operations

The discussion and analysis of our financial condition and results of operations are based on our financial statements, which we have prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenues and expenses during the reporting periods. On an ongoing basis, we evaluate estimates and judgments, including those described in greater detail below. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and notes thereto included elsewhere in this Information Statement.

Overview

Cardo Medical, Inc. is an orthopedic medical device company specializing in designing, developing and marketing high performance reconstructive joint devices and spinal surgical devices. Reconstructive joint devices are used to replace knee, hip and other joints that have deteriorated through disease or injury. Spinal surgical devices involve products to stabilize the spine for fusion and reconstructive procedures. Within these areas, we are focused on developing surgical devices, instrumentation and techniques that will enable surgeons to move what are typically inpatient surgical procedures to the outpatient world. We commercialize our reconstructive joint devices through our Reconstructive Division and our spine devices through our Spine Division. We launched and commenced sales of our first product in late 2006, which was a high performance unicompartmental knee replacement. We commenced sales of our other reconstructive products in 2007 and our spine products in 2008.

As discussed throughout this Information Statement, in January 2011 we entered into the Arthrex Asset Purchase Agreement to sell substantially all of our assets in the Reconstructive Division to Arthrex. We expect to complete the sale of the Reconstructive Division assets during the second quarter of 2011. Additionally, we completed the sale of substantially all of the assets in the Spine Division to Altus on April 4, 2011. However, if the sale of the Reconstructive Division assets is not consummated, our cash position would require that we immediately raise working capital or cease operations.

Critical Accounting Policies and Estimates

Our significant accounting policies are more fully described in the notes to our consolidated financial statements included elsewhere in this Information Statement. Those material accounting estimates that we believe are the most critical to an investor s understanding of our financial results and condition are discussed immediately below and are particularly important to the portrayal of our financial position and results of operations and require the application of significant judgment by our management to determine the appropriate assumptions to be used in the determination of certain estimates.

Use of Estimates

Financial statements prepared in accordance with United States generally accepted accounting principles, which we refer to as U.S. GAAP, require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Among other things, management makes estimates relating to allowances for doubtful accounts, excess and obsolete inventory items, the estimated depreciable lives of property and equipment, the impairment of goodwill and other intangible assets, share-based payment, deferred income tax assets and the

allocation of the purchase price paid for the minority interests in Uni, Cervical and Accelerated Innovation. Given the short operating history of Cardo, actual results could differ from those estimates.

Discontinued Operations

On October 7, 2010, the Company s management and Board of Directors decided to put substantially all of its assets up for sale. The assets determined to be held for sale were inventories, intellectual property, and property and equipment of its Reconstructive Division and Spine Division. The Company decided to put up for sale the assets of its Reconstructive Division and Spine Division primarily because it did not have sufficient working capital, and was not able to procure such financial resources through equity or debt financing, in order to fully execute a profitable sales strategy. In January 2011, the Company entered into the Arthrex Asset Purchase Agreement with Arthrex to sell the inventory and equipment relating to the Reconstructive Division for cash consideration of approximately $9.9 million, plus the carrying value of the Reconstructive Division inventory and equipment, which is expected to approximately $4.7 million. The Arthrex Asset Purchase Agreement also provides for the Company to receive a royalty of 5% of future net sales of the Reconstructive products made by Arthrex for the next 20 years after the closing date. As a result, the Company expects to record a gain on the sale of these assets in 2011, and no loss has been reflected in 2010. The transactions contemplated by the Arthrex Asset Purchase Agreement are expected to close during the second quarter of 2011. The Company completed the sale of substantially all of the assets in the Spine Division to Altus on April 4, 2011.

As a result of the factors discussed above, the Company s two business segments have been discontinued. Pursuant to the Asset Purchase Agreement entered into in January 2011, the Company is to receive a royalty payment equal to 5% of future net sales made solely by Arthrex of the Reconstructive Division products for a term up to and including the 20th anniversary of the closing date (see Note 10). The Company is currently unable to accurately estimate the future royalty revenue due to the uncertain nature of future sales to be made by Arthrex. In addition, there will be no significant continuing involvement by the Company in the operations of the discontinued operations.

Total sales associated with the discontinued Reconstructive Division and Spine Division reported as discontinued operations for the years ended December 31, 2010 and 2009, were $3,312,000 and $1,869,000, respectively. The total pretax loss associated with the discontinued Reconstructive Division and Spine Division, including the discontinued corporate support for those activities, reported as discontinued operations for the years ended December 31, 2010 and 2009, were $10,953,000 and $4,552,000, respectively. The only continuing operations reflected are expenses associated with business insurance, legal and accounting fees which the Company will continue to incur. The Company will also be receiving future royalty payments resulting from the Arthrex Asset Purchase Agreement with Arthrex. As a result, the Company will have administrative costs associated with the receipt and maintenance of any future royalty revenue. The prior year financial statements for 2009 have been reclassified to present the operations of the Reconstructive Division and Spine Division as discontinued operations.

The assets of the discontinued operations are presented separately under the caption Assets held for Sale in the accompanying consolidated balance sheet at December 31, 2010 and 2009 and consisted of the following.

(In thousands)	**2010**	**2009**
		3,
Inventories	$ 2,990	$ 256
Property and equipment	1,775	1,228
Intangible assets		4,353
	$ 4,765	$ 8,837

There was no gain or loss associated with the recording of the assets held for sale, which are recorded at the lower of their carrying amounts or fair values less cost to sell.

Revenue Recognition

We recognize revenue when it s realizable and earned. Management considers revenue to be realizable and earned when the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the seller s price to the buyer is fixed or determinable, and collectability is reasonably assured.

Persuasive evidence of the arrangements occurs when we receive a signed contract from the hospital in which the surgery will be performed. Within that contract is the price at which the hospital will buy the device. Delivery occurs on the day of surgery when the device is implanted by the surgeon. Collectability is reasonably assured as we have continuing relationships with the hospitals and can pursue collections if necessary. As we do not accept returns and do not have any post-sale obligations, the date of revenue recognition is on the date of surgery.

Goodwill and Other Intangible Assets

Goodwill represents the excess of purchase price over fair value of tangible net assets of acquired businesses after amounts allocated to other intangible assets. Other intangible assets include a royalty agreement, developed technology and customer relationships which are amortized on a straight-line basis over 2 to 10 years.

Goodwill and Long-Lived Assets Impairment

Goodwill and long-lived assets are assessed for impairment annually or more frequently if events or circumstances occur that indicate that the carrying amount of the assets may not be recoverable. Cardo conducts its annual evaluations for impairment at the end of the fourth quarter of each year. The Company concluded that there were no such events or changes in circumstances during 2009; however, during the quarter ended September 30, 2010, the changes in Cardo s financial condition and continued inability to raise sufficient funds in order to fully execute a profitable sales strategy indicated the carrying values of its goodwill and other intangible assets may not be recoverable. Goodwill impairment testing is based on a two step process, where the first step compares the fair value of the reporting unit to the carrying value of the unit. If the first step test indicates impairment, the second step test compares the fair value of a reporting unit with its carrying value using discounted cash flow projections. Long-lived asset impairment testing compares the projected undiscounted future cash flows associated with the related assets over their estimated useful lives against their respective carrying amount. Impairment, if any, is based on the excess of the carrying amount over the fair value, based on market value when available, or discounted expected cash flows, of those assets and is recorded in the period in which the determination is made. These evaluations require us to make certain assumptions and estimate future revenues and profitability.

During the quarter ended September 30, 2010, the Company s management performed an assessment of its goodwill and other intangible assets for impairment. The Company s management determined that the fair value of the knee and hip reporting units were not in excess of the corresponding assets carrying value as of September 30, 2010 and recorded a non-cash impairment charge of $4,050,000 relating to other intangible assets during the quarter then ended. In addition, management recorded a non-cash impairment charge of $1,233,000 against the goodwill associated with the knee and hip reporting units. The total impairment charge for the year ended December 31, 2010 amounted to $5,283,000. The remaining value of goodwill and other intangible assets as of December 31, 2010 was $0.

Based on the assessments performed for the year ended December 31, 2009, the Company determined that the fair value of the knee and hip reporting units were in excess of the corresponding assets carrying value as of December 31, 2009. Accordingly, no impairment charges were recorded for the year ended December 31, 2009.

Property and Equipment

Property and equipment are recorded at historical cost and depreciated on a straight-line basis over their estimated useful lives, which range from three to five years. When items are retired or disposed of, income is charged or credited for the difference between the net book value of the asset and the proceeds realized thereon.

Ordinary maintenance and repairs are charged to expense as incurred, and replacements and betterments are capitalized.

As a result of the Company announcing it was placing substantially all of its assets up for sale in October 2010, all depreciation on property and equipment stopped as of the announcement date. In addition, as of December 31, 2010, the carrying value of all property and equipment has been classified as assets held for sale in the accompanying consolidated balance sheets.

Share Based Payment

In order to determine compensation on options issued to consultants, and employees options, the fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model. Management estimates the requisite service period used in the Black-Scholes calculation based on an analysis of vesting and exercisability conditions, explicit, implicit, and/or derived service periods, and the probability of the satisfaction of any performance or service conditions. Management also considers whether the requisite service has been rendered when recognizing compensation costs. Expected volatilities are based on the historical volatility of the components of the small cap sector of the Dow Jones medical equipment index for a period equal to the expected life of our options. We also measure the volatility of other public companies with similar size and industry characteristics to us for the same period. These measurements are averaged and the result is used as expected volatility. As there is no history of option lives at our company, the expected term of options granted is the midpoint between the vesting periods and the contractual life of the options. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The forfeiture rate is based on an analysis of the nature of the recipients jobs and relationships to us.

Income Taxes

Deferred income tax assets and liabilities are recognized to reflect the estimated future tax effects, calculated at currently effective tax rates, of future deductible or taxable amounts attributable to events that have been recognized on a cumulative basis in the financial statements. A valuation allowance related to a deferred income tax asset is recorded when it is more likely than not that some portion of the deferred income tax asset will not be realized. Deferred income tax assets and liabilities are adjusted for the effects of the changes in tax laws and rates on the date of enactment.

The Company recognizes all material tax positions, including all significant uncertain tax positions, in which it is more likely than not that the position will be sustained based on its technical merits and if challenged by the relevant taxing authorities. At each balance sheet date, unresolved uncertain tax positions are reassessed to determine whether subsequent developments require a change in the amount of recognized tax benefit.

Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis; and the inventory is comprised of work in process and finished goods. Work in process consists of fabrication costs paid relating to items currently in production. Finished goods are completed knee, spine and hip replacement products ready for sales to customers.

At each balance sheet date, the Company evaluates its ending inventories for excess quantities and obsolescence. This evaluation includes an analysis of sales levels by product type. Among other factors, the Company considers current product configurations, historical and forecasted demand, market conditions and product life cycles when determining the net realizable value of the inventory. Provisions are made to reduce excess or obsolete inventories to their estimated net realizable values. Once established, write-downs are considered permanent adjustments to the cost basis of the excess or obsolete inventory. Management recorded an excess inventory reserve of $1,620,000 during the year ended December 31, 2010. Of this amount, $567,000 was allocable to the Reconstructive Division and $1,053,000 was allocable to the Spine Division. The inventory reserve

is recorded as a component of cost of goods sold in the accompanying consolidated statements of operations for the year ended December 31, 2010. Cardo did not have any inventory considered by management to be excess or obsolete as of December 31, 2009.

As a result of the Company announcing it was placing substantially all of its assets up for sale in October 2010, the carrying value of all property and equipment has been classified as assets held for sale in the accompanying consolidated balance sheet as of December 31, 2010.

Recent Accounting Pronouncements

In 2010 the Company adopted the provisions of the *Improvement to Financial Reporting by Enterprises Involved with Variable Interest Entities Topic* of the FASB Codification. The topic requires a qualitative approach to identifying a controlling financial interest in a variable interest entity (VIE) and requires ongoing assessment of whether an entity is a VIE and whether an interest in a VIE makes the holder the primary beneficiary of the VIE. The adoption of this guidance did not have a material impact on the Company s results of operations, financial position or cash flows.

In 2010 the Company adopted the provisions of the *Fair Value Measurements and Disclosures Topic Improving Disclosures About Fair Value Measurements* of the FASB Codification. This topic requires companies to make new disclosures about recurring and nonrecurring fair value measurements, including significant transfers into and out of Level 1 and Level 2 fair value measurements, and information on purchases, sales, issuances, and settlements on a gross basis in the reconciliation of Level 3 fair value measurements. The adoption of this guidance did not have a material impact on the Company s results of operations, financial position or cash flows.

In 2009 the FASB amended the provisions of the *Revenue Recognition for Multiple-Deliverable Revenue Arrangements Topic* of the FASB Codification. This topic amends prior guidance and requires an entity to apply the relative selling price allocation method in order to estimate the selling price for all units of accounting, including delivered items, when vendor-specific objective evidence or acceptable third-party evidence does not exist. These provisions are effective for revenue arrangements entered into or which contain material modifications in fiscal years beginning on or after June 15, 2010, applied prospectively. This topic is effective for the Company beginning on January 1, 2011. The Company does not expect the adoption of the topic to have a material impact on its consolidated financial statements.

Results of Operations and Financial Condition for the Year Ended December 31, 2010 as Compared to the Year Ended December 31, 2009

The following are the consolidated results of our operations for the year ended December 31, 2010 compared to the year ended December 31, 2009. As discussed above, our Reconstructive Division and Spine Division were discontinued during 2010.

(In thousands)	Years Ended December 31, 2010	2009	$ Change	% Change
Net sales	$			0.0%
Cost of sales				0.0%
Gross profit				0.0%
General and administrative expenses	583	550	33	6.0%
Loss from operations	(583)	(550)	(33)	6.0%
Interest income, net	27	24	3	12.5%
Loss from continuing operations before income tax provision	(556)	(526)	(30)	5.7%
Provision for income taxes				0.0%
Loss from continuing operations	(556)	(526)	(30)	5.7%
Discontinued operations (Note 1), net of income taxes				
Loss from operations of discontinued Reconstructive and Spine Divisions	(10,953)	(4,552)	(6,401)	140.6%
Net loss	(11,509)	(5,078)	(6,431)	126.6%

General and Administrative Expenses

General and administrative expenses for the year ended December 31, 2010 increased by $33,000, or 6.0%, as compared to 2009. General and administrative expenses represent our continuing operating expenses associated with remaining a public company, including business insurance expense and professional fees such as legal, accounting and audit services. The general and administrative expenses for 2010 remained consistent with 2009 as the nature of the continuing professional service fees were similar in each year.

Interest Income (Expense)

Net interest and other income for the year ended December 31, 2010 increased by $3,000, or 12.5%, as compared to 2009. Interest income during 2010 amounted to approximately $11,000, along with other income of $30,000 relating to the sale of certain instruments. These amounts were offset by interest expense of approximately $14,000 relating to short-term borrowings. Interest income in 2009 amounted to $24,000, and was higher than 2010 due to excess cash on-hand being higher during 2009. We had no interest expense during 2009.

Liquidity and Capital Resources

Net cash used in operating activities was approximately $4.3 million for the year ended December 31, 2010 as compared to approximately $4.8 million for the year ended December 31, 2009. The most significant uses of cash during 2010 related to the build-up of inventory levels, which increased by $1,354,000, as well as the payment of salaries, professional services and research and development costs.

Net cash used in investing activities was approximately $1.1 million for the year ended December 31, 2010 as compared to approximately $2.4 million for the year ended December 31, 2009. During 2010, we spent $1.1 million on the acquisition of property and equipment. In 2009, we purchased substantially all of the assets of Vertebron, Inc., primarily their spine inventories, for $1.3 million and added over $1 million of instrumentation and other property and equipment.

Our net cash provided by financing activities was $500,000 during the year ended December 31, 2010, as compared to approximately $9 million for the year ended December 31, 2009. During 2010, we had proceeds from

short-term promissory notes payable for $500,000. During 2009, we completed a private placement in June that provided nearly $3.1 million, net of direct costs, and another private placement in November for approximately $5.9 million, net of direct costs. Subsequent to December 31, 2010, we entered into the Arthrex Note and as of

March 22, 2011, we have borrowed a total of $972,000 under the Arthrex Note. Of the amount borrowed, $522,000 was used to pay off the Brooks Note and Brien Note (see Note 3 in the accompanying consolidated financial statements) and $450,000 was utilized to pay for vendors of inventory. Subsequent to December 31, 2010, we used a portion of the proceeds we received from the Altus Asset Sale on April 4, 2011 to repay outstanding borrowings due to Arthrex. Specifically, we used proceeds of $972,000 to pay off the borrowings due to Arthrex under the Arthrex Note and $250,000 out of the total outstanding borrowings due to Arthrex reverted back to a deposit under the Arthrex Asset Purchase Agreement.

Our available funds are not projected to meet all of our working capital needs for the next twelve months. On January 24, 2011, we entered into the Arthrex Asset Purchase Agreement to sell all of the assets related to the Reconstructive Division for total cash consideration of approximately $14.6 million (see Note 10 in the accompanying consolidated financial statements). The sale is expected to close during the second quarter of 2011. The Company completed the sale of substantially all of the assets in the Spine Division to Altus on April 4, 2011. However, there is no guarantee that we will successfully close the sale of our Reconstructive Division assets as planned. If the sale of the Reconstructive Division assets is not consummated, our cash position would require that we immediately raise working capital or cease operations.

Off-Balance Sheet Arrangements

We have no off-balance sheet financing arrangements.

Contractual Obligations

We have contractual operating lease obligations on our warehouse and office facilities in Clifton, New Jersey whose aggregate minimum annual payments are as follows for the years ending December 31.

(In thousands)	
2011	$ 98
2012	66
	$ 164

Pro Forma Unaudited Consolidated Financial Information

The following unaudited pro forma consolidated financial statements have been prepared from the historical financial statements of the Company, as adjusted, to give effect to the sale of substantially all of the assets of the Spine Division, which we refer to as the Spine Asset Sale below, and the sale of the Reconstructive Division, which we refer to as the Reconstructive Asset Sale below. We collectively refer to these events as the Transactions. The Spine Asset Sale was consummated on April 4, 2011 pursuant to the Asset Purchase Agreement, dated as of April 4, 2011, entered into by the Company and Altus pursuant to which the Company agreed to sell substantially all of the assets of the Spine Division to Altus in exchange for cash consideration of $3,000,000. The Reconstructive Asset Sale is pending pursuant to the Asset Purchase Agreement, dated as of January 24, 2011, entered into by the Company and Arthrex pursuant to which the Company has agreed to sell all of the assets of the Reconstructive Division to Arthrex in exchange for cash consideration of $9,960,000 plus the value of the Company s inventory and property, plant and equipment relating to the Reconstructive Division calculated as of the closing date, the assumption by Arthrex of certain liabilities, and the payment of a royalty equal to 5% of net sales of the Company s Reconstructive Division products to be paid in cash on a quarterly basis for a term up to and including the 20th anniversary of the closing date.

The unaudited pro forma consolidated balance sheet as of December 31, 2010 reflects adjustments as if the Transactions had occurred on December 31, 2010. The unaudited pro forma consolidated statement of operations for the year ended December 31, 2010 reflect adjustments as if the Transactions had occurred on January 1, 2010.

The unaudited pro forma consolidated financial statements do not purport to present the financial position or results of operations of the Company had the transactions and events assumed therein occurred on the dates specified, nor are they necessarily indicative of the results of operations that may be achieved in the future. The unaudited pro forma consolidated financial statements do not give effect to a liquidation of the Company subsequent to the Reconstructive Asset Sale.

These unaudited pro forma consolidated financial statements should be read in conjunction with our historical consolidated financial statements and accompanying notes included herein beginning on page F-1.

(in 000s)	December 31, 2010	Pro Forma Adjustments Effect of Reconstructive Asset Sale (unaudited) [A]	Effect of Spine Asset Sale (unaudited) [B]	Pro Forma Combined (unaudited)
Assets				
Current assets				
Cash	$ 127	$ 13,679	$ 2,700	$ 16,506
Restricted cash		900	300	1,200
Accounts receivable, net	413			413
Prepaid expenses and other current assets	99			99
Total current assets	639	14,579	3,000	18,218
Assets held for sale	4,765	(4,052)	(713)	
Deposits	31			31
Total assets	$ 5,435	$ 10,527	$ 2,287	$ 18,249
Liabilities and Stockholders Equity				
Current liabilities				
Accounts payable and accrued expenses	$ 1,656	$	$	$ 1,656
Note payable Arthrex				
Note payable related party	300			300
Note payable	200			200
Total liabilities	2,156			2,156
Stockholders equity				
Common stock	230			230
Additional paid-in capital	25,773			25,773
Note receivable from stockholder	(50)			(50)
Accumulated deficit	(22,674)	10,527	2,287	(9,860)
Total stockholders equity	3,279	10,527	2,287	16,093
Total liabilities and stockholders equity	$ 5,435	$ 10,527	$ 2,287	$ 18,249

[A] The adjustment reflects the sale of the inventory and property and equipment of the Reconstructive Division. Per the Arthrex Asset Purchase Agreement, the total cash consideration includes $9,960,000 plus the book value of the inventory and property and equipment as of the purchase date. As of December 31, 2010, we estimate that the value of the Company s inventory and property and equipment relating to the Company s Reconstructive Division

is $4,619,000 for an estimated total consideration of $14,579,000. Per the Asset Purchase Agreement, the Company will also receive a 5% royalty on future net sales made solely by Arthrex. No amounts relating to these royalties have been included above, as the Company is unable to reasonably estimate the future sales to be made by Arthrex. Of the total consideration, $900,000 will be deposited with an escrow agent for a period of twelve months from the closing date to be used for any adjustments to the value of our inventory and property and equipment relating to our Reconstructive Division and for post closing indemnification claims which may be asserted by Arthrex with respect to losses, damages, costs, expenses, suits, actions or obligations related to unassumed liabilities and payment of certain taxes. The amount placed in escrow has been reflected as restricted cash.

[B] The adjustment reflects the sale of the inventory and property and equipment of the Spine Division. Per the Asset Purchase Agreement with Altus Partners, LLC, the total cash consideration amounts to $3,000,000. Of this amount, $300,000 will be deposited with an escrow agent for a period of 90 days from the closing date (assuming there are no disputes) to be used for any adjustments to the closing value of the Company s inventory and property and equipment. The amount placed in escrow has been reflected as restricted cash.

(in 000s)	Year Ended December 31, 2010	Pro Forma Adjustment Adjustments (unaudited) [A]	Pro Forma Combined (unaudited)
Net sales	$	$	$
Cost of sales			
Gross profit			
Research and development expenses			
Selling, general and administrative expenses	583		583
Loss from operations	(583)		(583)
Interest income (expense), net	27		27
Loss from continuing operations before income tax provision	(556)		(556)
Provision for income taxes			
Loss from continuing operations	$ (556)		$ (556)
Basic and diluted (loss) income per share from continuing operations	$ (0.00)		$ (0.00)
Weighted average shares outstanding:			
Basic and diluted	230,293,141	230,293,141	230,293,141

[A] There were no Pro Forma adjustments associated with continuing operations.

Householding Of Materials

We are sending only one copy of the enclosed Information Statement to those households in which multiple stockholders share the same address, unless we have received instructions otherwise. If you are a stockholder of ours, who shares the same address as other stockholders of ours, and would like to receive a separate copy of the Information Statement, please send a written request to the attention of the Secretary of Cardo Medical, Inc., 7625 Hayvenhurst Avenue, Suite 49, Van Nuys, California 91406, or contact Michael Kvitnitsky at (973) 777-8832 extension 302, and we will promptly deliver a separate copy of the Information Statement. If you share the same address as multiple stockholders and would like us to send only one copy of future proxy statements, information statements and annual reports, please contact us at the address or telephone number listed above.

Where You Can Find Additional Information

We file annual, quarterly and current reports, proxy and information statements and other information with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. You may read and copy this information at the Public Reference Section at the Securities and Exchange Commission at 450 Fifth Street, NW, Judiciary Plaza, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-732-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information about issuers that file electronically with the SEC. The address of that site is http://www.sec.gov. Our public filings are also available to the public from commercial document retrieval services.

Cardo Medical, Inc.
Financial Statements
For the Years Ended December 31, 2010 and 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Audit Committee of the
Board of Directors and Shareholders
of Cardo Medical, Inc.

We have audited the accompanying consolidated balance sheet of Cardo Medical, Inc. (the Company) as of December 31, 2010, and the related consolidated statements of operations, changes in stockholder s equity and cash flows for the year then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cardo Medical, Inc. as of December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has continuing losses from operations, negative cash flows and limited cash to fund future operations. These matters, among others, raise substantial doubt about the Company s ability to continue as a going concern. Management s plans concerning these matters are also described in Note 1. These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or amounts and classification of liabilities that might be necessary from the outcome of this uncertainty.

We also have audited the adjustments to the 2009 financial statements to retrospectively apply the financial statement presentation of the discontinued operations, as described in Note 1. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2009 financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2009 financial statements taken as a whole.

/s/ Marcum LLP
Los Angeles, CA
March 31, 2011

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Audit Committee of the
Board of Directors and Shareholders
of Cardo Medical, Inc.

We have audited, before the effects of the adjustments to retrospectively apply the financial statement presentation of the discontinued operations as described in Note 1, the accompanying consolidated balance sheet of Cardo Medical, Inc. (the Company) as of December 31, 2009, and the related consolidated statement of operations, changes in stockholder s equity and cash flows for the year then ended (the 2009 financial statements before the effects of the adjustments discussed in Note 1 are not presented herein). These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, before the effects of the adjustments to retrospectively apply the financial statement presentation of the discontinued operations as described in Note 1, present fairly, in all material respects, the financial position of Cardo Medical, Inc. as of December 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We were not engaged to audit, review, or apply any procedures to the adjustments to retrospectively apply the change in accounting described in Note 1 and, accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by Marcum LLP.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the 2009 consolidated financial statements (not included herein), the Company has losses from operations, negative cash flows from operations, an accumulated stockholders deficit and limited cash to fund future operations. These matters, among others, raise a substantial doubt about the Company s ability to continue as a going concern. Management s plans concerning these matters were also described in Note 1. These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

/s/ Stonefield Josephson, Inc.
Los Angeles
March 31, 2010

CARDO MEDICAL, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	December 31, 2010	December 31, 2009
Assets		
Current assets		
Cash	$ 127	$ 4,973
Accounts receivable, net of allowance for doubtful accounts of $51 and $0, respectively	413	307
Prepaid expenses and other current assets	99	65
Total current assets	639	5,345
Assets held for sale	4,765	8,837
Goodwill		1,233
Deposits	31	173
Total assets	$ 5,435	$ 15,588
Liabilities and Stockholders Equity		
Current liabilities		
Accounts payable and accrued expenses	$ 1,656	$ 851
Note payable - related party	300	
Note payable	200	
Total liabilities	2,156	851
Stockholders equity		
Common stock, $0.001 par value, 750,000,000 shares authorized, 230,293,141 issued and outstanding as of December 31, 2010 and 2009	230	230
Additional paid-in capital	25,773	25,722
Note receivable from stockholder	(50)	(50)
Accumulated deficit	(22,674)	(11,165)
Total stockholders equity	3,279	14,737
Total liabilities and stockholders equity	$ 5,435	$ 15,588

The accompanying notes are an integral part of these consolidated financial statements.

CARDO MEDICAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share amounts)

	Years Ended December 31,	
	2010	**2009**
Net sales	$	$
Cost of sales		
Gross profit		
General and administrative expenses	583	550
Loss from operations	(583)	(550)
Interest income, net	27	24
Loss from continuing operations before income tax provision	(556)	(526)
Provision for income taxes		
Loss from continuing operations	(556)	(526)
Discontinued operations (Note 1)		
Loss from operations of discontinued Reconstructive and Spine Divisions, net of income taxes	(10,953)	(4,552)
Net loss	$ (11,509)	$ (5,078)
Net loss per share:		
Basic and diluted		
Continuing operations	$	$
Discontinued operations	$ (0.05)	$ (0.02)
Total	$ (0.05)	$ (0.02)
Weighted average shares outstanding:		
Basic and diluted	230,293,141	207,455,258

The accompanying notes are an integral part of these consolidated financial statements.

CARDO MEDICAL, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
(in thousands, except share amounts)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Note Receivable from Stockholder	Accumulated Deficit	Total
Balance, December 31, 2008	203,360,271	$ 203	$ 16,631	$ (50)	$ (6,087)	$ 10,697
Issuance of common stock for private placements	26,932,870	27	8,984			9,011
Fair value of vested stock option grants			107			107
Net loss					(5,078)	(5,078)
Balance, December 31, 2009	230,293,141	230	25,722	(50)	(11,165)	14,737
Fair value of vested stock option grants			51			51
Net loss					(11,509)	(11,509)
Balance, December 31, 2010	230,293,141	$ 230	$ 25,773	$ (50)	$ (22,674)	$ 3,279

The accompanying notes are an integral part of these consolidated financial statements.

CARDO MEDICAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended December 31,	
	2010	**2009**
Cash flows from operating activities		
Net loss	$ (11,509)	$ (5,078)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	967	1,207
Stock option compensation	51	107
Impairment charges	5,283	
Inventory reserve	1,620	
Provision for allowance for doubtful accounts	51	
Changes in operating assets and liabilities:		
Accounts receivable	(157)	(121)
Inventories	(1,354)	(1,013)
Prepaid expenses and other current assets	(34)	42
Accounts payable and accrued expenses	805	73
Net cash used in operating activities	(4,277)	(4,783)
Cash flows from investing activities		
Purchases of property and equipment	(1,069)	(1,018)
Acquisition of Vertebron, Inc. assets		(1,300)
Increase in deposits and other assets		(32)
Net cash used in investing activities	(1,069)	(2,350)
Cash flows from financing activities		
Proceeds from private placements, net of issuance costs		9,011
Proceeds from notes payable	500	
Net cash provided by financing activities	500	9,011
Net change in cash	(4,846)	1,878
Cash, beginning of year	4,973	3,095
Cash, end of year	**$** 127	**$** 4,973
Supplemental disclosure of cash flow information:		
Interest paid	$ 4	$
Income taxes paid	$	$

Supplemental disclosure of non-cash investing and financing activities:		
Asset acquisition (See Note 4):		
Assets acquired	$	$ 1,300
Cash consideration for assets acquired	$	$ 1,300

The accompanying notes are an integral part of these consolidated financial statements.

CARDO MEDICAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cardo Medical, Inc. (Cardo or the Company) is an orthopedic medical device company specializing in designing, developing and marketing high performance reconstructive joint devices and spinal surgical devices. Reconstructive joint devices are used to replace knee, hip and other joints that have deteriorated through disease or injury. Spinal surgical devices involve products to stabilize the spine for fusion and reconstructive procedures. Within these areas, we are focused on developing surgical devices, instrumentation and techniques that will enable surgeons to move what are typically inpatient surgical procedures to the outpatient world. We commercialize our reconstructive joint devices through our reconstructive division and our spine devices through our spine division.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (U.S. GAAP).

Principles of Consolidation

The consolidated financial statements include the accounts of Cardo, Accelerated Innovation, Inc. (Accelerated), Uni-Knee LLC (Uni) and Cervical Xpand LLC (Cervical). All significant intercompany transactions have been eliminated in consolidation.

Discontinued Operations

On October 7, 2010, the Company s management and Board of Directors decided to put substantially all of its assets up for sale. The assets determined to be held for sale were inventories, intellectual properties, and property and equipment of its reconstructive products (the Reconstructive Division) and spine products (the Spine Division). The Company decided to put up for sale the assets of its Reconstructive and Spine Divisions primarily because it did not have sufficient working capital, and was not able to procure such financial resources through equity or debt financing, in order to fully execute a profitable sales strategy. We expect the sale of the Reconstructive Division will occur during the second quarter of 2011; however, the Company remains in negotiations to sell substantially all of the assets of its Spine Division. Management anticipates that the sale of substantially all the assets of its Spine Division will be completed during the second quarter of 2011.

As a result of the factors discussed above, the Company s two business segments have been discontinued. Pursuant to the Asset Purchase Agreement entered into in January 2011, the Company is to receive a royalty payment equal to 5% of future net sales made solely by Arthrex of the Reconstructive Division products for a term up to and including the 20th anniversary of the closing date (see Note 10). The Company is currently unable to accurately estimate the future royalty revenue due to the uncertain nature of future sales to be made by Arthrex. In addition, there will be no significant continuing involvement by the Company in the operations of the discontinued operations.

Total sales associated with the discontinued Reconstructive and Spine Divisions reported as discontinued operations for the years ended December 31, 2010 and 2009, were $3,312,000 and $1,869,000, respectively. The total pretax loss associated with the discontinued Reconstructive and Spine Divisions, including the discontinued corporate support for those activities, reported as discontinued operations for the years ended December 31, 2010 and 2009, were $10,953,000 and $4,552,000, respectively. The only continuing operations reflected are expenses associated with business insurance, legal and accounting fees which the Company will continue to incur. The prior year financial statements for 2009 have been reclassified to present the operations of the Reconstructive and Spine Divisions as discontinued operations.

The assets of the discontinued operations are presented separately under the caption "Assets held for Sale in the accompanying consolidated balance sheet at December 31, 2010 and 2009 and consisted of the following.

(In thousands)	**2010**	**2009**
Inventories	$ 2,990	$ 3,256
Property and equipment	1,775	1,228
Intangible assets		4,353
	$ 4,765	$ 8,837

There was no gain or loss associated with the recording of the assets held for sale, which are recorded at the lower of their carrying amounts or fair values less cost to sell.

Management s Plan

As reflected in the accompanying financial statements, during the year ended December 31, 2010, the Company had a net loss of $11,509,000 and negative cash flows from operations of $4,277,000. The Company also had an accumulated deficit of $22,674,000 and had limited cash to fund its future operations. As discussed above, the Company was unable to obtain financing through debt or equity instruments in order to fund its future operations. As a result, on October 7, 2010, the Company s management and Board of Directors announced the decision to put substantially all of its assets up for sale. These factors raise substantial doubt about the Company s ability to continue as a going concern.

Accordingly, management took the following measures during the fourth quarter of 2010:

terminated over half of the Company s employees;

had the Company s Chief Executive Officer and President forgo their salaries;

reduced office space by not renewing the corporate headquarters facility lease;

scaled back research and development activities;

deferred manufacturing of inventories required to build additional base-level implant banks; and

engaged an investment adviser to assist it in seeking alternative sources of capital; including selling of some or all of the Company s assets and other strategic alternatives.

On January 24, 2011, after conducting a sale process with the help of an investment banking firm, the Company entered into the Asset Purchase Agreement to sell all of the assets related to the Reconstructive Division for total cash consideration of approximately $14.6 million, along with royalty payments equal to 5% of future net sales of the Company s products for a term up to and including the 20th anniversary of the closing date (see Note 10). The Company expects the sale of the Reconstructive Division will occur during the second quarter of 2011. The investment banking firm is also assisting the Company in connection with its intent to sell the assets of the Spine Division. The Company has begun negotiations with an unaffiliated third party for the sale of substantially all of the assets of the Spine Division. Management anticipates that the sale of substantially all of the assets of its Spine Division will be completed during the second quarter of 2011.

In view of the matters described above, recoverability of the recorded asset amounts shown in the accompanying consolidated balance sheets are dependent upon the successful closing of the Asset Purchase Agreement