

Exhibit C

Michael Nosanchuk

From: Jim Carruthers [JCarruthers@thirdpoint.com]
Sent: Tuesday, March 11, 2008 7:26 PM
To: 'Melissa Davis'
Subject: DOCUMENT_1_1.pdf
Attachments: DOCUMENT_1_1.pdf

motion to subpoena testimony of Mike Baker, CEO, and David Applegate, VP of Spine Division, in a "routine" personal injury case in Florida (issued in Texas) The insurance company is using this case as a basis for collecting all the documents, testimony, and other records related to Arthrocare's involvement in Discocare and the Discocare model (which has been ripping off auto/casualty insurers with inflated invoices for purported spine injuries resulting from auto accidents).

See www.citronresearch.com. At the heart of Discocare is a doctor named Jonathan Cutler, a podiatrist in West Palm Beach. He and a doctor Jeff Kugler control Discocare along with their business partners at Palm Beach Lakes Surgical Center (PBLSC). The business managers at PBLSC are Gary Carroll, an original partner of PBLSC and convicted felon (insurance fraud). The other associate of Carroll's and the boys behind the Discocare model along with Arthrocare was Mark Izydore, also a convicted felon.

On Monday, Izydore failed to show up for his deposition in this case and filed some type of "protective order". These are the guys behind Discocare and that's why this Bear Stearns 'issue' is such a big deal. This guy did no comprehensive due diligence and came out with a buy rating; then further defended the company with a Bear Stearns sponsored conference call; and now is in possession of a letter from one of the doctors connected with Arthrocare's spine studies who says this whole model is a "scam" and a "fraud".

Call Steven Woods to get the facts about Izydore's failure to testify

Jim

Michael Nosanchuk

From: Jim Carruthers [JCarruthers@thirdpoint.com]
Sent: Thursday, March 13, 2008 3:03 PM
To: 'Melissa Davis'
Subject: ARTCSteingers
Attachments: ARTCSteingers.doc

at the risk of overloading you this pertains to the lawyers principally involved in putting together what is now known as the Discocare model, which Arthrocare now owns

The personal injury attorney/crooked doctor network that was initially established in West Palm Beach, FL and referred to in Arthrocare's internal job descriptions as the "Discocare model" (see Citronresearch.com) was established by Drs. Cutler (who owned Discocare on paper) & his spine surgeon partner Dr. Kugler and their operations team. This "team" included Gary Carroll, who was formerly charged with felony Insurancer fraud AND Mark Izydore, who was sent to prison for a major white collar fraud. They, in turn, help get patient referrals to and from a prominent personal injury lawfirm in WPB called Steinger, Iscoe & Greene

We discovered that partner Iscoe's nephew Matthew worked for Discocare. That was covered in the NY Post story. What has not been disclosed is that PI-lawfirm partner Michael S. Steinger is the son of Joel Steinger (aka Joel Steiner), one of the principals behind the Mutual Benefits insurance fraud. Several people have already been charged and sentenced in that fraud. One we are told is now in witness protection.

Michael S. Steinger shows up as the registered agent for one of the companies involved in that investigation, Community Healthcare of Broward. One of the officers of Community Healthcare of Broward, Dr. Mitchell, was sentenced to jail over his involvement.

And these are the lawyers who are at the center of the Discocare model which then spread through the US on the spine side.

Jim

Melissa Davis

From: [REDACTED]
Sent: Wednesday, March 19, 2008 2:32 PM
To: 'Melissa Davis'
Subject: Arthrocare

Issues that are important:

1 Arthrocare is now inextricably tied to Discocare by acquiring them they are also on record in several job postings on their internal network, prior to the acquisition, describing the duties of a Regional Business Development Manager as "selling and implementing PDD and the "Discocare Model" within an assigned territory" And what was Discocare? A company established by a doctor (Cutler) at Palm Beach Lakes Surgery Center where two of the the senior administrators were indicted and sentenced with felony convictions (Mark Izydore & Gary Carroll), the latter being a former partner in PBLSC.

2 One shortseller points out that the company, specifically CEO Mike Baker, specifically misled investors by suggesting that this tremendous growth in their spine division, which in turn fueled a significant part of the overall 20% yoy growth claims of the company, was based on a broad base of improved reimbursement from the healthcare insurers. In the second quarter conference call, responding to the very first question about their 72% yoy growth in spine division sales from Needham analyst Ed Shenkan: "Mike, you continue to impress us with the spine business growth question is did you get more insurers reimbursing in the second quarter or was this just selling more effectively, and the guys are already onboard using it more?". Baker: "Well, at this point I think we can say that we are receiving reimbursement from basically every major insurance company in the United States.". Baker knew at the time that the vast majority of the most highly profitably part of that was domestic sales coming primarily from this new personal injury based "Discocare" model where the ASP went from \$1,200 to \$7,500 virtually overnight. Yet, this was never any disclosure about Discocare or the fact that most of the ultimate insurance coverage was NOT private US healthcare insurers like BC/BS or Aetna, but rather auto-casualty companies like State Farm, Progressive and Allstate

3 The only "algorithm" discocare employed was a totally transparent audit trail of cooperative attorneys and doctors who were attempting to bill at 10 to 20 times the normal reimbursement coverage for spine surgery, including a "device" charge which was at 6x the normal pricing Discocare was establish simply for the reason of attempting to pass off a grossly inflated device charge in such a way it couldn't be compared to the pre-existing Arthrocare ASP's or price list The auto-casualty companies have quickly figured all this out and are no longer paying these at face value

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Michael Nosanchuk

From: Jim Carrythers [JCarruthers@thirdpoint.com]
Sent: Tuesday, April 08, 2008 7:18 AM
To: 'Melissa Davis'
Subject: Defendants Objection 04022008 (2).pdf
Attachments: Defendants Objection 04022008 (2).pdf

Is "Discocare" and the "Discocare model" are so legit as CEO Mike Baker has suggested, why are all these people ducking service?

Keep in mind:

1. Discocare was ostensibly established by Jonathan Cutler, Dr. Kugler's friend and medical practice partner.
2. That practice and it's parent corporation, was put together and managed by Gary Carroll. Carroll has a felony insurance fraud record in Florida.
3. That practice (see attached) also hired Mark Izydore. Mr. Izydore was charged, sentenced, and served prison time for a fraud.
4. The law firm involved in this "Discocare model", Steinger, Iscoe has Michael Steinger as a managing partner. Mr. Steinger's father was the manager of Mutual Benefits, a viatical insurance company now the subject of several indictments for a massive insurance fraud. Michael Steinger and his father had at least one common business involved in the Mutual Benefits fraud. One of the other partners in the company, a doctor, has already been charged with felony fraud counts.
5. Mr. Iscoe's brother (see attached) was a regional manager for Discocare.
6. Mr. Izydore's counter-party at Steinger, Iscoe involved with soliciting and processing these patient-clients involved in this Discocare "network", Francis DiCamilla, was also a convicted felon.

This is the extended "Discocare" business that Arthrocare suddenly purchased on December 31st, 2007. I wonder how many potential acquirers will be interested in purchasing a company with this baggage??

Jim

Michael Nosanchuk

From: Melissa Davis [tscmdavis@cox.net]
Sent: Tuesday, April 08, 2008 4:26 PM
To: Jim Carruthers
Subject: RE: Defendants Objection 04022008 (2) pdf

Hi, Jim. I just wanted to let you know that I finished my other project so I can start on this now I can't wait to read this!

Thanks,

Melissa

From: Jim Carruthers [mailto:JCarruthers@thirdpoint.com]
Sent: Tuesday, April 08, 2008 6:18 AM
To: Melissa Davis
Subject: Defendants Objection 04022008 (2).pdf

Is "Discocare" and the "Discocare model" are so legit as CEO Mike Baker has suggested, why are all these people ducking service?

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Jim

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Michael Nosanchuk

From: Jim Carruthers [JCarruthers@thirdpoint.com]
Sent: Tuesday, April 08, 2008 8:24 PM
To: Melissa Davis
Subject: ARTCSteingerSchluff
Attachments: ARTCSteingerSchluff doc

The Discocare "model" was created by the boyz at Palm Beach Lakes Surgical (including convicted felons Gary Carroll and Mark Izydore) along with the boyz at Steinger, Iscoe (including two felons of their own) and a family history of fraud. This is the "network" of people that you'd be buying if you purchased Arthrocare and its new "Discocare" subsidiary.

.Jim

Michael Nosanchuk

From: Jim Carruthers [JCarruthers@thirdpoint.com]
Sent: Thursday, April 10, 2008 2:49 PM
To: 'Melissa Davis'
Subject: compsteinger
Attachments: compsteinger.doc

This is a report my PI gets that tracks people and their addresses and all public records. It has all the information for Michael S. Steinger. It shows his business associates (Gary Iscoe), etc. Note that it also shows his relationship to Rhonda Rovinsky, aka Rhonda Schneider. Unfortunately, it never shows her as Rhonda Steinger, but we're looking for that. Note that it also shows his common address with Frank V DiCamillo. Frank, works with Michael Steinger at Steinger, Iscoe as a 'solicitor'. We were told he worked directly with Mark Izydore at Palm Beach Lakes Surgical (home of Dr Culler, home of Discocare). DiCamillo and Izydore both have criminal records with felony convictions. Izydore works with the former partner of Palm Beach Lakes Surgical, Gary Carroll, who also has a felony record for insurance fraud.

These are people who put together "Discocare" (Steinger, Iscoe PI lawyers and Palm Beach Lakes Surgical) and the "Discocare model" which Arthrocare adopted as their business model AND bought the company (they were forced to to cover up the accounting).

This is now permanently anchored to Arthrocare. Anybody want to buy this boat?? Steinger (his family background), Carroll, Izydore, DiCamillo. These are the guys who drove the initial case load to PBLSC with big purchases of Arthrocare spine wands, and then moved the 'model' to the rest of the country.

Michael Nosanchuk

From: Jim Carruthers [JCarruthers@thirdpoint.com]
Sent: Sunday, April 13, 2008 12:06 PM
To: Mellssa Davis
Subject: FW: Carroll, Gary
Attachments: CompCarroll doc; ChartCarroll doc

Comprehensive report on Gary Carroll. Show's his pain mgmt businesses and his convictions for insurance fraud, etc

Don't forget to include Mark Izydore He's the guy who kicked in the door of the car who works at PBLSC (home of Discocare)

And Frank V. DiCamillo Also a convicted felon who was Izydore's counterpart at Steinger, Iscoe

Also, Gary Carroll's Cingular cell phone is on that comp report if you want to call him

Jim

From: Eric [<mailto:Ewcamil@comcast.net>]
Sent: Friday, April 11, 2008 2:04 PM
To: Jim Carruthers
Subject: Carroll, Gary

Michael Nosanchuk

From: Jim Carruthers [JCarruthers@thirdpoint.com]
Sent: Monday, April 14, 2008 4:37 PM
To: 'Melissa Davis'
Subject: Important Information

Gary Carroll is no longer a director or 'manager' of Palm Beach Lakes Surgical Center (PBLSC) or it's parent "2047 Palm Beach Lakes LLC"

However, they continue to run the business operations of PBLSC via an entity called "Palm Beach Practice Management" And by "they" I mean Carroll and Mark Izydore. Obviously, we know from the subpoena serving incident that Izydore works AT Palm Beach Lakes Surgical Center, but he according to a source who knows how the money flows works FOR Gary Carroll and Palm Beach Practice Management

Obviously, an important thing to distinguish for readers. The fact that Izydore works for Palm Beach Practice Mgt (which you should be able to confirm) and that was in the officers of PBLSC shows that Carroll (and Izydore, both convicted felons) still have their hands in the organization that established the "Discocare" model along with Steinger & iscoe.

Jim

Michael Nosanchuk

From: Jim Carruthers [JCarruthers@thirdpoint.com]
Sent: Monday, April 14, 2008 7:14 PM
To: 'Melissa Davis'
Subject: Mark Izydore Stuff

We believe Mark's cell phone is: 561.339.2344

His probation officer is Judith Guthrie. 561.804.6894 (I wonder whether he should even be talking to, let alone working for, another convicted felon like Gary Carroll?).

Michael Nosanchuk

From: Jim Carruthers [JCarruthers@thirdpoint.com]
Sent: Monday, April 21, 2008 12:31 AM
To: Melissa Davis
Subject: Questions for Management

Here are some questions that still linger regarding the Discocare model and acquisition:

- 1 You stated on at least one occasion that the new \$7,500 "list price" for the PercD spine wand "tray" (a kit that includes the wand, needles, power cord, foot pedal), established shortly after Discocare was established, but that you never charged that much. But the documentation obtained from several cases filed in Florida show a figure nearly identical to that (\$7454) being billed by Arthrocare to Discocare. Do you stand by that original statement?
2. Since it's been established that Arthrocare was charging anywhere from \$900 – 1,200 for the same exact "tray", how is it possible to justify a 600-700% increase in the price for these personal injury cases?
3. Several of these Florida litigations have cited Florida law which requires any medical devices billed to insurance to be charged at "fair and reasonable, market based pricing"? Why do you think it is reasonable to expect Discocare to get reimbursed the \$7,500 they charged, and Arthrocare the \$7,454 you had charged them for the same product given the prior list market pricing and approximate \$350 COGS?
4. If Discocare's sole purpose in this billing process appears to allow a "third party" to bill an inflated price to the personal injury cases, what "algorithm" and "expertise" was worth the \$25million price tag you paid?
- 5 Given Discocare's creation at Palm Beach Lakes Surgery Center, a medical group who's prior partner and business operations staff included two convicted felons, and ties to a law firm who hired at least one convicted felon, and whose principal partner (Steinger) has ties to company (Community Healthcare of Broward) and family members (Joel and Leslie Steinger) who have been convicted of securities fraud and tied to a massive viactical insurance fraud, why would you expect suitor to have an interest in your company while this matter is still very much potential regulatory intervention?
- 6 Did your due diligence process discover the existence of the relationships which were mentioned above? How could you justify paying a price which appears to be unjustified by any common financial metric with so much potential fraudulent baggage if you knew these information above (Carroll, Izydore, Joel Steinger/Community Healthcare of Broward, Frank DiCamillo)??