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Questioning Market Leaders For Long Term Investors

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COMPANY INTERVIEW

FREDERIC S. GOLDSTEIN

U.S. Care Management

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U.S. Care Management



FREDERIC S. GOLDSTEIN, MS President & CEO U.S. Care Management has spent his career in the health care industry. After earning a Master of Science degree in Health Care Administration from Trinity University in San Antonio, TX in 1984, Mr. Goldstein worked as a hospital administrator in both general medical and psychiatric facilities. In 1994 he joined HealthCare USA as Vice President and General Manager where

he contributed to the company's rapid growth from a small start-up to an institution with over 28,000 members in Northeast Florida. HealthCare USA received the highest quality rating from the Florida Agency for Health Care Administration in its review of Florida Medicaid HMOs and was eventually purchased by Coventry Health Care. Mr. Goldstein left HealthCare USA in 1996 to form Specialty Disease Management Services (SDM) with the mission of applying the same principles of quality care and personalized service he delivered to Medicaid populations through HealthCare USA, to various client populations across the country. Mr. Goldstein is an expert in the field of disease management, and is often called upon by professional organizations, academic institutions and government officials to speak on the topic. Through his leadership, the company is effectively directing the government and private businesses toward a more compassionate and cost effective way of addressing health care issues. The company's innovative primary nurse model and 360° care approach has resulted in marked improvements in compliance, utilization, patient and provider satisfaction, and health outcomes among government and employer groups. SDM was acquired by U.S. Preventive Medicine in 2007 and renamed U.S. Care Management to reflect its expanded focus on the entire continuum of preventive care from prevention and early detection to personalized care and disease management.

SECTOR - SPECIALIZED HEALTH SERVICES

(AHN608) TWST: We would like to begin with a description of the recent events that have taken place in the company. Then would you explain what U.S. Care Management is and what it does?

Mr. Goldstein: U.S. Preventive Medicine, which is a company building a national brand in the preventive medicine area, recently acquired

what was originally Specialty Disease Management Services, a company that I founded about 10 years ago to provide chronic care management services to private and government payers. We are now U.S. Care Management, a wholly owned subsidiary of U.S. Preventive Medicine.

TWST: What did Specialty Disease Management Services do in the past? What will be the change in focus?

U.S. Preventive Medicine, Inc.

Corporate Headquarters

216 North Tennessee Street
McKinney, TX 75069

Phone: (214) 288-7544

Fax: (214) 592-9276

Web:

USPreventiveMedicine.com
PreventionChannel.com

Investor Relations Contact

ctfey@USPreventiveMedicine.com

Corporate Officers

Christopher T. Fey
Chairman and CEO

Brian Baum
President & COO

Rick Scuzillo
EVP & CFO

Mark Calem
EVP & CTO

Boyd Lyles, M.D.
EVP & CMO

Fred Goldstein
President & CEO,
U.S. Care Management

Dan Tillotson
President & CEO,
USPM Health Plans

Business Description

U.S. Preventive Medicine® was formed to organize and commercialize the market for proactive, preventive health services delivered through Centers for Preventive Medicine, a new health care benefit, The Prevention Plan™, and a managed care plan and chronic disease management business, U.S. Care Management™. The Company's customers include health systems, academic medical centers, physician groups, federal, state and local governments (including Medicaid) and employers. U.S. Preventive Medicine - Mission Statement: Our mission is to improve the quality of health and longevity of the individual. We will achieve this by partnering with physicians, health systems and employers to organize and advance a culture of prevention resulting in More Good Years® for all.

The business will execute along a four component integrated approach:

Create local points of presence - The Center for Preventive Medicine®.

In partnership with hospitals and physician groups, USPM is developing a national system of preventive care centers, The Center for Preventive Medicine (CPM). This branded, physician-integrated, pre-symptomatic, preventive medicine and "early diagnosis" paradigm leverages the use of hospitals' and physicians' existing excess capacities of sophisticated diagnostic technologies and proven preventive and interventional therapies. More than 300 health systems and physician groups have expressed interest. In addition to the Company's Center in Iowa, new locations are scheduled to open in Connecticut, Texas and Florida.

The Company's system provides hospitals and their physicians, without capital expenditure, increased profitability by generating incremental, multiple revenue streams at a time when the entire medical community is facing ever-increasing pressures in pricing, physician support, outcomes and brand loyalty. This turn key system capitalizes on the current and future growth in demand for preventive medicine, specifically as it relates to prevention, wellness and healthy aging. For consumers and employers, The Center for Preventive Medicine provides a comprehensive preventive medicine program that can help individuals enjoy "more good years."

Launch National Preventive Health Benefit: The Prevention Plan.

As second component of the USPM business plan executes, the primary focus will be reaching into the business community with the launch of The Prevention Plan. This product will target businesses, community groups and state and local government agencies with an array of services ranging

from population based risk stratification services, e.g., health risk assessments, health management, behavior modification and disease management services. This product will build on evolving concept of "prevention", moving beyond the prevention of primary disease in the individual to the identification and prevention of disease in high risk individuals within organized populations, and prevention of secondary conditions in individuals with existing chronic conditions. The Company has more than 200 companies, health benefits brokers and insurance companies that have expressed interest in The Prevention Plan. The launch of The Prevention Plan is scheduled for 2008.

U.S. Care Management & Integrated Health Plans.

U.S. Care Management (USCM) is a comprehensive disease management (DM) firm that provides disease management and consulting services to public-sector, i.e. Medicaid, and private-sector health plans, self-insured organizations, Third Party Administration organizations, integrated delivery organizations and physician practices. USCM currently provides a full complement of disease and care management and consulting services for chronic, complex diseases using best practice, including, but not limited to asthma, diabetes, coronary artery disease, chronic obstructive pulmonary disease, HIV/AIDS, hypertension, heart failure, obesity, depression, and schizophrenia. This business unit will also provide the back-end coaching and DM services for The Prevention Plan.

USCM seeks to ensure the most appropriate care for its patients at every point in the health care continuum. USCM's disease management programs can be fully implemented by USCM and its staff or licensed to payer or provider organizations.

The Company plans to enter the health plan business in select markets under the direction of an experienced group of health plan executives in the Company's current management team. This unit will also provide the back-end services for launching health plans in select markets. These health plans may target Medicaid, Medicare and Commercial business.

Link Businesses into a Uniform National and International Network.

This next component will enable USPM to offer a national, and eventually an international, solution to employers - regardless of where their employees reside. This process will effectively organize an industry that has predominately been encumbered by chaos and fragmentation due to the local nature of delivering health care services. This final organizational step will create a powerful national and international network that will accommodate continued expansion of services and solutions as market need and medical/technologic innovation dictates by operating under one national brand. Each member of the USPM network will continue to enjoy the benefits of operating under their unique "local/regional" brand, but also benefit by being associated with a much larger organized national brand.

Conclusion

U.S. Preventive Medicine is creating a new and powerful health care brand in one of the largest industries in the world, health care. U.S. health care expenditures alone are approaching \$3,000,000,000,000 (three trillion dollars) and expected to double in the next ten years. While the majority of these expenditures are devoted to the treatment of chronic conditions (U.S. Care Management opportunity), employers, consumers and the government are demanding more focus on prevention and preventive medicine (The Center for Preventive Medicine and The Prevention Plan opportunities). The Company and its management team are focused on creating the next global power brand, U.S. Preventive Medicine.

Mr. Goldstein: In the past, we have typically contracted with state Medicaid programs as well as some commercial programs to manage individuals with chronic illnesses. These are the people who consume the vast majority of health care expenditures within any health plan. Whether it is a government payer or private payer, it is the 20% who consume 70% or 80% of the medical resources and dollars. We manage those individuals through a very intensive program we developed that includes a primary nurse model. Through the acquisition, we are now in a position to expand the breadth of our services because really it's about prevention along the entire continuum of care. We have been focusing on those who already had an identified illness or disease, seeking to prevent them from progressing further. Under U.S. Preventive Medicine, we will expand our offerings to include prevention for those who are either earlier in the condition, unidentified or at risk for developing a condition if their behavior does not change or their lifestyle issues do not change.

"The main premise of our company is that diseases respond to medicine, while people respond to care."

TWST: What was the rationale for this?

Mr. Goldstein: The rationale is that, as I said earlier, if you look at health care and recognize 20% consume 80% of the cost, you can understand why the health care system in the United States is struggling with this ongoing increase in cost. Everybody is looking for solutions, but, if we implemented a model that includes prevention as well as managing those with chronic illnesses as the Milken Institute study showed, by 2023 we would be saving a

trillion dollars a year in health care costs. We see this as an expanding market. Obviously, health care is the single largest area of expenditure in the United States. We see it as a great opportunity to cover that entire spectrum of prevention.

TWST: What will U.S. Care Management be doing and how is it different from other companies?

Mr. Goldstein: The main premise of our company is that diseases respond to medicine, while people respond to care. We have always focused on a very high touch personal approach, working individually with each client. We mobilize registered nurses who work with our clients throughout all of the areas they need to manage to improve their health status, helping them better understand their disease and navigate their way through this complicated health care system. Our nurses work with clients, providing education around their disease, making sure they follow through with appointments and receive medication, and helping them overcome lifestyle barriers that may hinder a client's ability to manage their disease. We use a primary nurse model, which means that the nurses work with individual clients and establish a relationship with them. We believe it is that one-on-one relationship that allows the individual to become focused and begin to change their behavior. We know that change in behavior is very difficult, so it requires a more intensive approach than has typically been seen within the industry in the past.

TWST: Where will the company be going over the next few years?

Mr. Goldstein: We see a growing opportunity within the chronic care management area where we focus on various disease states, but we also see that as a continuum. With the resources of U.S. Preventive Medicine and their focus on

prevention for everyone, we will apply our proven method of one-on-one personalized care and health coaching to help people make positive behavior and lifestyle changes that will help prevent the development or delay the onset of disease. We will work the entire continuum from helping people who are at risk for obesity become fit and prevent diabetes or hypertension, to helping clients with advanced disease manage their illness to prevent secondary conditions and improve their quality of life. We will also provide the clinical support services for U.S. Preventive Medicine's various prevention products. We'll work with employers and government payers to help them achieve better results from their health care expenditures, from a cost perspective, but, more important, from a quality perspective. When individuals are accessing our fragmented health care system today, they are not necessarily receiving the appropriate care or receiving the right services at the right time. We want to ensure that not only are the costs appropriate but also that the care is delivered correctly and efficiently.

"We've shown through our model that outcomes can be improved and inappropriate utilization can be reduced."

TWST: What is the relationship now between U.S. Care Management to U.S. Preventive Medicine?

Mr. Goldstein: U.S. Care Management is a wholly owned subsidiary of U.S. Preventive Medicine. We will provide clinical support, health coaching, care management services and outcomes measurement for the various products offered by U.S. Preventive Medicine, from The Centers for Preventive Medicine to The Prevention Plan all the

way to health plans that incorporate prevention on the front-end, as health plans were initially supposed to do.

TWST: Would you tell us more about the value of the proposition for consumers, employers, providers and payers?

Mr. Goldstein: What we hope to do and what we believe this model does is provide the consumers with better health and a better quality of life. In other words, it ties back to more good years. Everybody wants to live out their life as healthfully and productively as possible, so the value proposition to the consumers is more good years. In terms of employers, obviously they are looking at their health care expenditures and saying, "We see this ever increasing cost and we want to maximize those dollars." Employers see prevention and chronic care management as a way to bend the trend, so they don't see their medical costs increase at a rate greater than the national inflation rate.

For providers, we work very closely with physicians and are an adjunct to providers in the community. We help providers more efficiently and effectively manage their patients' care by serving as patient advocates, providing assistance, support and coaching during the times those individuals are not in the providers' offices.

For employers, they want to have healthy workers. We help employees better manage their health so they not only show up (prevent absenteeism), but when they show up they are healthier, more effective and more productive during the day (decrease presenteeism).

TWST: What challenges could lie ahead for the company? What problems might you worry about?

Mr. Goldstein: Obviously, in any industry you have the question of competition.

We look at that and seek to determine where the industry is going and how we can more effectively position ourselves and provide services to meet the needs of employers and other payers. There are issues around health care reform, but the majority of the current reform initiatives admit that we need more prevention, more care management and more disease management, so those may actually create greater opportunities. Our biggest challenge is making sure payers and providers understand that U.S. Care Management is truly different. We don't mail a quarterly newsletter about diabetes control and call that disease management. We are interacting with clients every day on the telephone and in their homes, helping them change behavior, comply with their treatment plan and improve their health. We don't just claim to improve outcomes; we have objective data that substantiates our model.

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TWST: What about opportunities for consolidation?

Mr. Goldstein: Obviously, U.S. Preventive Medicine believes this is a fragmented industry and that there is room for consolidation and bringing these various pieces together. That is one of the things we will explore as we begin to integrate within the company: "Are there opportunities to acquire or bring in other pieces of business that will allow us to further the mission?"

TWST: What would you reasonably expect the company to look like in about three years?

Mr. Goldstein: In three years, we'll have a much larger national presence in both the commercial and government sectors, providing services from wellness all the way through chronic care management. Employers and payers throughout the country will be able to select which pieces of that product line they believe will most impact their employees or their Medicaid or Medicare recipients. We expect to see rather rapid expansion of our business.

TWST: Is there anything more you can tell us about the company's strategies as you look out over the next few years?

Mr. Goldstein: The healthcare industry in the United States is in a difficult position because the industry itself has not been able to demonstrate that the increasing costs are producing any better outcomes. We've shown through our model that outcomes can be improved and inappropriate utilization can be reduced. Strategically, that's our focus and we're going to move that type of approach through the entire continuum of care from prevention all the way to chronic care management.

TWST: Would you tell us about the backgrounds and the expertise of yourself and a couple of your colleagues?

Mr. Goldstein: I received a Master's degree in Health Care Administration from Trinity University. I spent almost 10 years as a hospital administrator in both general medical facilities and psychiatric facilities. I was on the for-profit side of that industry. Then I managed a Medicaid HMO in northeast Florida that was originally founded by Chris Fey, called Healthcare USA. That Medicaid HMO received a commercial license, had the highest quality rating of any Medicaid plan operating in

Florida, was awarded a Medicare demonstration project, became NCQA accredited very early on and ultimately was sold to Coventry Health Care. When I left that company in 1996, I founded Specialty Disease Management in early 1997 and have been doing that ever since.

Charles Smithers is a CPA by training and has extensive background in physician practice management, health care finance and operations, international consulting work around health and development and health care management. He has been with us since 2002.

Judy White is a registered nurse who has extensive experience in managed care, having worked with some of the major health plans in the State of Florida in health services management, provider relations and program development. She really brings a wealth of expertise in patient management from a high level all the way down to the detail of how we work with an individual patient to help him or her better manage their care.

TWST: As CEO, what occupies your own attention most on a day-by-day basis?

Mr. Goldstein: At this point, there are a couple of things. One is obviously the continuing effort to grow the business, determine what the market is looking for and provide appropriate solutions that clearly differentiate us from the other players. The other is adapting and integrating our care management model into U.S. Preventive Medicine so that we are able to deliver effective care across the entire continuum from prevention to chronic care management, while we scale it nationally.

TWST: Would you tell us about the company's relations with its investors? Would investors buy USPM or U.S. Care Management?

Mr. Goldstein: USPM is a privately held company; they would buy shares in USPM.

TWST: How many employees does U.S. Care Management have?

Mr. Smithers: As we sit here today, 40.

TWST: Is there anything that you would like to add, especially regarding the company's strategies and long-term objectives?

Mr. Goldstein: The long-term objective is to be the brand player in a fragmented health care market. USPM has been diligently working to establish that position both nationally and internationally. We plan to serve as the engine to provide the clinical and client care services to meet that objective.

TWST: You have 40 employees. I understand that you expect to increase that number by quite a bit.

Mr. Goldstein: Right, we are anticipating substantial growth. As a matter of fact, we are already working on new space. Given what we know is already in the pipeline, we are anticipating very rapid growth with a majority of the operational focus coming out of Jacksonville, Florida.

TWST: How will you recruit and train your employees?

Mr. Goldstein: We've been very fortunate with the senior management team here as well as at USPM, because we have known each other for years. As we have grown, we've been able to identify good candidates to meet our growth needs. We are able to recruit quality nurses across the country because they appreciate our model where they are able to focus on the care of the client. Our training programs are very substantial. Judy Welch, a Registered Nurse, is our Director of Education and oversees all training programs for our staff. Since we employ nurses and other staff out in the communities we serve, they actually work from their homes. So, we have developed a very comprehensive initial orientation that all staff goes through

along with extensive Web-based resources. Typically, when we open a new area, we do onsite training for two to three weeks. Then we use Web-based technology to provide ongoing education, training and support to all staff.

TWST: Thank you. (MC)

FREDERIC S. GOLDSTEIN

President & CEO

CHARLES SMITHERS

SVP of Operations and Finance

U.S. Care Management

(904) 281-0006

www.uscaremanagement.com
