UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the
Quarterly Period Ended
September 30, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____to_____

Commission File Number 001-35887

MIMEDX GROUP, INC.

(Exact name of registrant as specified in its charter)

Florida	**26-2792552**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1775 West Oak Commons Ct NE **Marietta, GA**	**30062**
(Address of principal executive offices)	(Zip Code)

(770) 651-9100
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock, par value $0.001 per share	MDXG	The Nasdaq Stock Market

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes x No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer x	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No x

There were 111,045,418 shares of the registrant's common stock, par value $0.001 per share, outstanding as of October 26, 2020.

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As used herein, the terms "***MiMedx***," "***the Company***," "***we***," "***our***" and "***us***" refer to MiMedx Group, Inc., a Florida corporation, and its consolidated subsidiaries as a combined entity, except where it is clear that the terms mean only MiMedx Group, Inc.

Important Cautionary Statement

This Form 10-Q contains forward-looking statements. All statements relating to events or results that may occur in the future are forward-looking statements, including, without limitation, statements regarding the following:

- the regulatory pathway for our products, including our existing and planned investigative new drug application and pre-market approval requirements, the design and success of our clinical trials and pursuit of biologic license applications ("***BLAs***") for certain products;
- our expectations regarding our ability to manufacture certain of our products in compliance with current Good Manufacturing Practices ("***CGMP***");
- our expectations regarding costs relating to compliance with regulatory standards, including those arising from our clinical trials, pursuit of BLAs, and CGMP compliance;
- our ability to continue marketing our micronized products and certain other products during and following the end of the period of enforcement discretion announced by the United States Food and Drug Administration ("***FDA***");
- expectations regarding future revenue growth and future research and development expenses;
- expectations regarding changes in accounting judgments;
- the outcome of pending litigation and investigations;
- ongoing and future effects arising from the COVID-19 pandemic and the Company's plans to adhere to governmental recommendations with respect thereto;
- demographic and market trends;
- our plans to remediate the identified material weaknesses in our internal control environment and to strengthen our internal control environment;
- our ability to access capital sufficient to implement our strategic priorities;
- our expectations regarding our ability to fund our ongoing and future operating costs; and
- our expectations regarding future income tax liability.

Forward-looking statements generally can be identified by words such as "expect," "will," "change," "intend," "seek," "target," "future," "plan," "continue," "potential," "possible," "could," "estimate," "may," "anticipate," "to be" and similar expressions. These statements are based on numerous assumptions and involve known and unknown risks, uncertainties and other factors that could significantly affect the Company's operations and may cause the Company's actual actions, results, financial condition, performance or achievements to differ materially from any future actions, results, financial condition, performance or achievements expressed or implied by any such forward-looking statements.

Among the factors that could cause actual results to differ are: variances from our expectations or assumptions; changes in reimbursement policy from public and private insurers and health systems; the loss of a GPO or Integrated Delivery Network ("***IDN***"); changes in purchasing behavior by government accounts; the loss of independent sales agents or distributors; the removal of any of our products from the market as a result of regulatory actions; the success of our marketing efforts; the fact that obtaining and maintaining the necessary regulatory approvals for certain of our products will be expensive and time consuming and may impede our ability to fully exploit our technologies; rapid technological change could cause our products to become obsolete and, if we do not enhance our product offerings through our research and development efforts, we may be unable to compete effectively; our ability to transition our manufacturing facilities into compliance with current CGMPs, advance our Investigational New Drug ("***IND***") applications, complete our clinical trials and pursue BLAs for certain of our micronized products; the fact that our business is subject to continuing regulatory compliance by the FDA and other authorities, which is costly, and our failure to comply could result in adverse effects on our business, results of operations and financial condition; the fact that litigation and other matters involving the Company's former management relating to allegations regarding certain sales and distribution practices at the Company and certain other matters may result in additional expense; and the fact that our variable rate indebtedness under the Hayfin Term Loan (as defined below) subjects us to interest rate risk, which could result in higher expense in the event of increases in interest rates and adversely affect our business, financial condition, and results of operations.

Additional factors that may cause such a difference include, without limitation, those discussed under the heading "*Risk Factors*" in this Form 10-Q and in our previously-filed Annual Report on Form 10-K for the year ended December 31, 2019 (our "***2019 Form 10-K***"), filed with the Securities and Exchange Commission ("***SEC***") on July 6, 2020. and in Part II, Item 1A of our Form 10-Q for the period ended June 30, 2020 (our "***Second Quarter 10-Q")***, filed with the SEC on August 4, 2020.

Unless required by law, the Company does not intend, and undertakes no obligation, to update or publicly release any revision to any forward-looking statements, whether as a result of the receipt of new information, the occurrence of subsequent events, a change in circumstances or otherwise. Each forward-looking statement contained in this Form 10-Q is specifically qualified in its entirety by the aforementioned factors. Readers are advised to carefully read this Form 10-Q in conjunction with the important disclaimers set forth above prior to reaching any conclusions or making any investment decisions and not to place undue reliance on forward-looking statements, which apply only as of the date of the filing of this Form 10-Q with the SEC.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MIMEDX GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)
(unaudited)

	September 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 109,595	$ 69,069
Accounts receivable, net	33,042	32,327
Inventory, net	11,023	9,104
Prepaid expenses	1,492	6,669
Income tax receivable	10,853	18
Other current assets	5,469	6,058
Total current assets	171,474	123,245
Property and equipment, net	10,255	12,328
Right of use asset	4,031	3,397
Goodwill	19,976	19,976
Intangible assets, net	7,168	7,777
Other assets	420	443
Total assets	$ 213,324	$ 167,166
LIABILITIES, CONVERTIBLE PREFERRED STOCK, AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 9,049	$ 8,710
Accrued compensation	18,528	21,302
Accrued expenses	28,363	32,161
Current portion of long term debt	—	3,750
Other current liabilities	1,357	1,399
Total current liabilities	57,297	67,322
Long term debt, net	47,627	61,906
Other liabilities	4,422	3,540
Total liabilities	$ 109,346	$ 132,768
Commitments and contingencies (Note 13)		
Convertible preferred stock Series B; $.001 par value; 100,000 shares authorized, issued and outstanding at September 30, 2020 and 0 authorized, issued and outstanding at December 31, 2019	$ 91,108	$ —
Stockholders' equity		
Preferred stock Series A; $.001 par value; 5,000,000 shares authorized; 0 issued and 0 outstanding at September 30, 2020 and 0 issued and 0 outstanding at December 31, 2019	$ —	$ —
Common stock; $.001 par value; 150,000,000 shares authorized; 112,703,926 issued and 110,591,734 outstanding at September 30, 2020 and 112,703,926 issued and 110,818,649 outstanding at December 31, 2019	113	113
Additional paid-in capital	158,318	147,231
Treasury stock at cost; 2,112,192 shares at September 30, 2020 and 1,885,277 shares at December 31, 2019	(10,717)	(10,806)
Accumulated deficit	(134,844)	(102,140)
Total stockholders' equity	12,870	34,398
Total liabilities, convertible preferred stock, and stockholders' equity	$ 213,324	$ 167,166

See notes to unaudited condensed consolidated financial statements

MIMEDX GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net sales	$ 64,303	$ 88,863	$ 179,686	$ 222,855
Cost of sales	10,289	13,205	28,513	30,372
Gross profit	54,014	75,658	151,173	192,483
Operating expenses:				
Selling, general and administrative	48,046	51,258	132,316	152,761
Investigation, restatement and related	12,027	7,242	39,065	46,374
Research and development	3,372	2,691	8,281	8,421
Amortization of intangible assets	276	269	818	769
Impairment of intangible assets	—	—	—	446
Operating (loss) income	(9,707)	14,198	(29,307)	(16,288)
Other (expense) income, net				
Loss on extinguishment of debt	(8,201)	—	(8,201)	—
Interest expense, net	(1,472)	(2,255)	(6,433)	(2,313)
Other income (expense), net	1	127	(2)	272
(Loss) income before income tax provision	(19,379)	12,070	(43,943)	(18,329)
Income tax provision (expense) benefit	(38)	309	11,239	225
Net (loss) income	$ (19,417)	$ 12,379	$ (32,704)	$ (18,104)
Net (loss) income available to common stockholders (Note 9)	$ (51,982)	$ 12,379	$ (65,269)	$ (18,104)
Net loss per common share - basic	$ (0.48)	$ 0.12	$ (0.60)	$ (0.17)
Net loss per common share - diluted	$ (0.48)	$ 0.11	$ (0.60)	$ (0.17)
Weighted average shares outstanding - basic	108,493,208	107,157,561	108,222,419	106,929,643
Weighted average shares outstanding - diluted	108,493,208	109,590,008	108,222,419	106,929,643

See notes to unaudited condensed consolidated financial statements

MIMEDX GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share data)
(unaudited)

	Common Stock Issued		Additional Paid-in	Treasury Stock		Accumulated	
	Shares	Amount	Capital	Shares	Amount	Deficit	Total
Balance at June 30, 2020	112,703,926	$ 113	$ 151,625	2,412,522	$ (13,451)	$ (115,427)	$ 22,860
Issuance of Series B Convertible Preferred Stock	—	—	32,954	—	—	—	32,954
Deemed dividends	—	—	(31,568)	—	—	—	(31,568)
Share-based compensation expense	—	—	8,048	—	—	—	8,048
Exercise of stock options	—	—	(328)	(45,000)	400	—	72
Issuance of restricted stock	—	—	(2,939)	(328,894)	2,939	—	—
Restricted stock cancellation/forfeited	—	—	526	59,441	(526)	—	—
Shares repurchased for tax withholding	—	—	—	14,123	(79)	—	(79)
Net loss	—	—	—	—	—	(19,417)	(19,417)
Balance at September 30, 2020	112,703,926	$ 113	$ 158,318	2,112,192	$ (10,717)	$ (134,844)	$ 12,870

	Common Stock Issued		Additional Paid-in	Treasury Stock		Accumulated	
	Shares	Amount	Capital	Shares	Amount	Deficit	Total
Balance at June 30, 2019	112,703,926	$ 113	$ 136,298	1,155,034	$ (4,684)	$ (107,043)	$ 24,684
Share-based compensation expense	—	—	2,685	—	—	—	2,685
Restricted stock shares canceled/forfeited	—	—	4,664	530,274	(4,664)	—	—
Shares repurchased for tax withholding	—	—	—	33,087	(173)	—	(173)
Net income	—	—	—	—	—	12,379	12,379
Balance at September 30, 2019	112,703,926	$ 113	$ 143,647	1,718,395	$ (9,521)	$ (94,664)	$ 39,575

See notes to unaudited condensed consolidated financial statements

MIMEDX GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (CONTINUED)
(in thousands, except share data)
(unaudited)

	Common Stock Issued		Additional Paid-in	Treasury Stock		Accumulated	
	Shares	Amount	Capital	Shares	Amount	Deficit	Total
Balance at December 31, 2019	112,703,926	$ 113	$ 147,231	1,885,277	$ (10,806)	$ (102,140)	$ 34,398
Issuance of Series B Convertible Preferred Stock	—	—	32,954	—	—	—	32,954
Deemed dividends	—	—	(31,568)	—	—	—	(31,568)
Share-based compensation expense	—	—	11,829	—	—	—	11,829
Exercise of stock options	—	—	(1,986)	(265,300)	2,356	—	370
Issuance of restricted stock	—	—	(2,939)	(328,894)	2,939	—	—
Restricted stock shares canceled/forfeited	—	—	2,650	345,052	(2,650)	—	—
Shares repurchased for tax withholding	—	—	147	476,057	(2,556)	—	(2,409)
Net loss	—	—	—	—	—	(32,704)	(32,704)
Balance at September 30, 2020	112,703,926	$ 113	$ 158,318	2,112,192	$ (10,717)	$ (134,844)	$ 12,870

	Common Stock Issued		Additional Paid-in	Treasury Stock		Accumulated	
	Shares	Amount	Capital	Shares	Amount	Deficit	Total
Balance at December 31, 2018	112,703,926	$ 113	$ 164,744	3,605,263	$ (38,642)	$ (76,560)	$ 49,655
Share-based compensation expense	—	—	9,198	—	—	—	9,198
Exercise of stock options	—	—	(1,343)	(150,000)	1,451	—	108
Issuance of restricted stock	—	—	(35,740)	(2,853,235)	35,740	—	—
Restricted stock shares canceled/forfeited	—	—	6,788	722,227	(6,788)	—	—
Shares repurchased for tax withholding	—	—	—	394,140	(1,282)	—	(1,282)
Net loss	—	—	—	—	—	(18,104)	(18,104)
Balance at September 30, 2019	112,703,926	$ 113	$ 143,647	1,718,395	$ (9,521)	$ (94,664)	$ 39,575

See notes to unaudited condensed consolidated financial statements

MIMEDX GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2020	2019
Cash flows from operating activities:		
Net loss	$ (32,704)	$ (18,104)
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Effect of change in revenue recognition	—	(17,382)
Share-based compensation	11,452	9,199
Loss on extinguishment of debt	8,201	—
Depreciation	4,494	4,981
Amortization of intangible assets	818	769
Amortization of deferred financing costs	1,811	752
Bad debt expense	616	—
Non-cash lease expenses	702	714
Reserve for inventory obsolescence	(171)	413
Loss on fixed asset disposal	—	318
Impairment of intangible assets	—	1,258
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	(1,331)	—
Inventory	(1,748)	3,539
Prepaid expenses	5,177	4,778
Income taxes	(10,835)	(389)
Other assets	1,633	(3,515)
Accounts payable	339	(5,444)
Accrued compensation	(2,775)	(1,948)
Accrued expenses	(4,835)	5,596
Other liabilities	(840)	(1,825)
Net cash flows used in operating activities	(19,996)	(16,290)
Cash flows from investing activities:		
Purchases of equipment	(2,073)	(1,055)
Principal payments from note receivable	—	2,722
Patent application costs	(209)	(370)
Net cash flows (used in) provided by investing activities	(2,282)	1,297
Cash flows from financing activities:		
Proceeds from exercise of stock options	370	108
Stock repurchased for tax withholdings on vesting of restricted stock	(2,409)	(1,283)
Deferred financing cost	(2,782)	(6,640)
Proceeds from term loans	59,500	72,750
Repayment of term loans	(83,872)	(938)
Prepayment premium on early repayment of term loan	(1,439)	—
Proceeds from sale of Series B convertible preferred stock	100,000	—
Stock issuance costs	(6,564)	—
Net cash flows provided by financing activities	62,804	63,997
Net change in cash	40,526	49,004
Cash and cash equivalents, beginning of period	69,069	45,118
Cash and cash equivalents, end of period	$ 109,595	$ 94,122

See notes to unaudited condensed consolidated financial statements

1. Nature of Business

MiMedx Group, Inc. (together with its subsidiaries, except where the context otherwise requires, "***MiMedx***," or the "***Company***") is an advanced wound care and emerging therapeutic biologics company, developing and distributing human placental tissue allografts with patent-protected processes for multiple sectors of healthcare. The Company derives its products from human placental tissues processed using proprietary processing methodologies. The Company's mission is to offer products and tissues to help the body heal itself. All of the Company's products are regulated by the United States Food and Drug Administration ("***FDA***").

MiMedx is the leading supplier of human placental allografts, which are human tissues that are transplanted from one person (a donor) to another person (a recipient). The Company operates in one business segment, Regenerative Biomaterials, which includes the design, manufacture, and marketing of products and tissue processing services for the wound care, burn, surgical, orthopedic, spine, sports medicine, ophthalmic and dental sectors of healthcare. Its biomaterial platform technologies include AmnioFix®, EpiFix®, EpiCord®, AmnioCord® and AmnioFill® brands. AmnioFix and EpiFix are tissue allografts derived from amnion and chorion layers of human placental membrane; EpiCord and AmnioCord are tissue allografts derived from umbilical cord tissue. AmnioFill is a placental connective tissue matrix, derived from the placental disc and other placental tissue.

The Company's business model is focused primarily on the United States of America but the Company is exploring potential future international expansion opportunities.

Effect of COVID-19 Pandemic

On March 11, 2020, the World Health Organization designated the outbreak of a novel strain of coronavirus ("***COVID-19***") as a global pandemic (the "***Pandemic***" or "***COVID-19 Pandemic***").The COVID-19 Pandemic and associated governmental and societal responses have affected the Company's business, results of operations and financial condition. The continuation or additional waves of the outbreak of COVID-19 or the outbreak of other health epidemics could harm the Company's operations and increase the Company's costs and expenses in numerous ways. The ultimate impact of the Pandemic is highly uncertain and subject to change. The Company does not yet know the full extent of delays or impacts on the business, clinical trials, healthcare systems or the global economy as a whole, or how long such effects will endure. The effects of the Pandemic or other health epidemics could continue to have an adverse impact on the Company's business, results of operations and financial condition in the future.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (the "***CARES Act***") was signed into law. The CARES Act includes provisions relating to refundable payroll tax credits, deferment of employer portion of certain payroll taxes, loans, and grants to certain businesses, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. As a result of the CARES Act, the Company expects a federal tax refund of approximately $11.3 million and has recognized as an income tax benefit of the same amount. The income tax benefit was recognized due to the release of a previously-recorded valuation allowance.

2. Significant Accounting Policies

Please see Note 3 to the Company's Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 and filed with the Securities and Exchange Commission ("***SEC***") on July 6, 2020 (the "***2019 Form 10-K***") for a description of all significant accounting policies.

Basis of Presentation

The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("***GAAP***") from interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results of operations for the periods presented have been included. The operating results for the three and nine months ended September 30, 2020 and 2019 are not necessarily indicative of the results that may be expected for the fiscal year. The balance sheet as of December 31, 2019, was derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements.

These unaudited condensed consolidated financial statements should be read in conjunction with the historical consolidated financial statements of the Company included in the 2019 Form 10-K.

Use of Estimates

The unaudited condensed consolidated financial statements have been prepared in accordance with GAAP. Conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements and the reported unaudited condensed consolidated statements of operations during the reporting period. Actual results could differ from those estimates. Significant estimates include estimated useful lives and potential impairment of property and equipment and intangible assets, estimates for contingent liabilities, the measurement of right-of-use assets and lease liabilities, management's assessment of the Company's ability to continue as a going concern, estimates of fair value of share-based payments, and valuation of deferred tax assets.

In addition to the above, the Company has considered the potential effects of the COVID-19 Pandemic with respect to determinations surrounding impairments, increases in allowances for credit losses, other expenses, and changes in accounting judgments that have or are reasonably likely to have a material impact on the unaudited condensed consolidated financial statements.

Principles of Consolidation

The unaudited condensed consolidated financial statements include the accounts of MiMedx Group, Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation.

Cash and Cash Equivalents

Cash and cash equivalents include cash and Federal Deposit Insurance Corporation ("***FDIC***") insured certificates of deposit held at various banks with an original maturity of three months or less.

Accounts Receivable

Accounts receivable represent amounts due from customers for which revenue has been recognized. Generally, the Company does not require collateral or any other security to support its receivables.

The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing receivables. The Company determines the allowance based on factors such as historical collection experience, customers' current creditworthiness, customer concentrations, age of accounts receivable and general economic conditions that may affect customers' ability to pay.

The Company's allowance for doubtful accounts was $0.6 million and $0 as of September 30, 2020 and December 31, 2019, respectively.

Notes Receivable

Notes receivable represent formal payment agreements with customers which generally arise in situations where amounts shipped and billed have aged significantly as well as the promissory note issued by Stability Biologics, LLC ("***Stability***") as part of the divestiture of Stability in 2017. The promissory note from Stability was paid in full in the three months ended September 30, 2019. The Company's notes receivable are included in other current and long-term assets in the unaudited condensed consolidated balance sheets and were valued taking into consideration cost of the market participant inputs, market conditions, liquidity, operating results and other qualitative factors.

Inventories

Inventories are valued at the lower of cost or net realizable value and are derecognized through cost of sales using the first-in, first-out ("***FIFO***") method. Inventory is tracked through raw material, work-in-process, and finished good stages as the product progresses through various production steps and stocking locations. Labor and overhead costs are absorbed through the various production processes until the work order closes. Historical yields and normal capacities are utilized in the calculation of production overhead rates. Reserves for inventory obsolescence are utilized to account for slow-moving inventory as well as inventory no longer needed due to diminished market demand.

Goodwill

Goodwill represents the excess of purchase price over the fair value of net assets of acquired businesses. The Company assesses the recoverability of its goodwill at least annually on September 30 and whenever events or substantive changes in circumstances indicate that the asset may be impaired. The Company may first choose to assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the Company determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then the Company performs a quantitative analysis. The Company may also choose to bypass the qualitative assessment and proceed directly to the quantitative analysis.

As of September 30, 2020, the Company concluded it operates as one reporting unit.

Under the quantitative test, if the carrying value of the reporting unit exceeds its fair value, goodwill impairment is recognized for the amount which the carrying value exceeds fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The Company determines fair value using income and market approaches. Under the income approach, the fair value of the Company is the present value of its future economic benefits. These benefits can include revenue, cost savings, tax deductions, and proceeds from its disposition. Value indications are developed by discounting expected cash flows to their present value at a rate of return that incorporates the risk-free rate for the use of funds, industry trends, and entity-specific risks as of the goodwill impairment testing date. Under the market approach, the Company uses observed fair values of a set of companies with comparable business models to the reporting unit under evaluation for purposes of determining the fair value of the reporting unit. These amounts are reconciled to the Company's market capitalization as of the test date for reasonableness.

For the goodwill impairment test performed on September 30, 2020, the Company performed a quantitative test for its reporting unit, concluding that the fair value exceeded the carrying value. Therefore, no goodwill impairment was recognized for the three or nine months ended September 30, 2020.

Revenue Recognition

The Company sells its products primarily to individual customers and independent distributors (collectively referred to as "***customers***"). During the nine months ended September 30, 2019, the Company's control environment was such that it created uncertainty surrounding all of its customer arrangements, which required consideration related to the proper revenue recognition under the applicable literature. The control environment allowed for the existence of extra-contractual or undocumented terms or arrangements initiated by or agreed to by the Company and former members of Company management at the outset of the transactions (side agreements). Concessions were also agreed to subsequent to the initial sale (e.g. sales above established customer credit limits extended and unusually long payment terms, return or exchange rights, and contingent payment obligations) that called into question the ability to recognize revenue at the time that product was shipped to a customer.

As a result, the Company's application of the applicable revenue recognition guidance varies for the three and nine months ended September 30, 2020 as compared to the three and nine months ended September 30, 2019. Additionally, the Company changed its pattern of revenue recognition effective October 1, 2019. The application of the relevant revenue recognition guidance and the pattern of revenue recognition are further discussed below for each period presented.

Three and Nine Months Ended September 30, 2019

The Company follows Accounting Standards Codification ("***ASC***") Topic 606, *Revenue from Contracts with Customers ("**ASC 606")*** which establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

The Company's inability to fulfill these criteria (the "***Step 1 Criteria***") was due to uncertainties of contractual adjustments with customers created by a combination of an inappropriate tone at the top and extra-contractual arrangements. Consequently, the Company concluded that it did not meet the Step 1 Criteria upon shipment of the product. Subsequent to the shipment of product, uncertainties surrounding contractual adjustment were not resolved until either: (1) the customer returned the product prior to payment; or (2) the Company received payment from the customer. At that point, the Company determined that an accounting contract existed and the performance obligations of the Company to deliver product and the customer to pay for the product were satisfied. The Company determined the transaction price of its contracts to equal the amount of consideration received from customers less the amount expected to be refunded or credited to customers, which is recognized as a refund liability that is updated at the end of each reporting period for changes in circumstances. The refund liability is included within accrued expenses in the unaudited condensed consolidated balance sheet.

Transition and the Three and Nine Months Ended September 30, 2020

Beginning October 1, 2019, for all new customer arrangements, the Company determined adequate measures were in place to understand the terms of its contracts with customers. As such, beginning October 1, 2019, the Company concluded that the criteria under ASC 606 would be met prior to shipment of product to the customer or implantation of the products on consignment. For all customer transactions concluded to meet the Step 1 Criteria, the Company then assessed the remaining criteria of ASC 606 to determine the proper timing of revenue recognition.

For the remaining customer arrangements at September 30, 2019 (the "***Remaining Contracts***"), the Company concluded that due to the uncertainty that extracontractual arrangement may continue the Step 1 Criteria would not be satisfied until the Company receives payment from the customer. At that point, the Company determined that an accounting contract would exist and the performance obligations of the company to deliver product and the customer to pay for the product would be satisfied.

As of September 30, 2020, upon reassessment, the Company concluded that the Step 1 Criteria continued not to be met with respect to the Remaining Contracts due to the same circumstances described above. The amount of sales related to these Remaining Contracts which have not been recognized as of September 30, 2020 and December 31, 2019 was $1.8 million and $9.0 million, respectively. These amounts are not recognized on the unaudited condensed consolidated balance sheet as of September 30, 2020 or December 31, 2019.

In addition, the Company continued to defer the cost of sales for the Remaining Contracts for which revenue recognition criteria have not been met. These amounts were recorded within other current assets on the unaudited condensed consolidated balance sheet in the amounts of $0.2 million and $1.3 million as of September 30, 2020 and December 31, 2019, respectively.

A rollforward of this activity from September 30, 2019 to September 30, 2020, along with the deferred cost of sales associated with such unrecognized sales, is presented in the following table (amounts in thousands):

	Amounts Invoiced and Not Collected	Deferred Cost of Sales
Amounts as of September 30, 2019	$ 48,883	$ 6,415
Revenue recognized related to amounts invoiced and not collected at September 30, 2019:		
Transition Adjustment during the three months ended September 30, 2019	(21,385)	(2,565)
Cash collected during the three months ended December 31, 2019 related to the Remaining Contracts	(8,219)	(1,151)
Write-off of customer contracts where collection is no longer reasonably assured as of September 30, 2019	(10,273)	(1,438)
Amounts as of December 31, 2019	9,006	1,261
Revenue recognized related to amounts invoiced and not collected at September 30, 2019:		
Cash collected during the nine months ended September 30, 2020 related to the Remaining Contracts	(7,240)	(1,014)
Amounts as of September 30, 2020	$ 1,766	$ 247

Under ASC 606, the Company recognizes revenue following the five-step model: (i) identify the contracts with a customer (the Step 1 Criteria); (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. As noted above, during the third quarter of 2019, the Company determined that they had met the Step 1 Criteria. The Company also determined that the performance obligation was met upon delivery of the product to the customer, or at the time the product is implanted for products on consignment, at which point the Company determined it would collect the consideration it is entitled to in exchange for the product transferred to the customer. As a result, the Company recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied, generally upon shipment of the product to the customer. The nature of the Company's contracts gives rise to certain types of variable consideration, including rebates and other discounts. The Company includes estimated amounts of variable consideration in the transaction price to the extent that it is probable there will not be a significant reversal of revenue. Estimates are based on historical or anticipated performance. The Company does have consignment agreements with several customers and distributors which allow the Company to better market its products by moving them closer to the end user. In these cases, the Company determined that it has fulfilled its performance obligation once control of the product has been delivered to the customer, which occurs simultaneously with the product being implanted.

The Company acts as the principal in all of its customer arrangements and, therefore, records revenue on a gross basis. Shipping is considered immaterial in the context of the overall customer arrangement and damages or loss of goods in transit are rare. Therefore, shipping is not deemed a separately recognized performance obligation. The Company maintains a returns policy that allows its customers to return product that is consigned, damaged, non-conforming, ordered in error, or due to a recall. The estimate of the provision for returns is based upon historical experience with actual returns. The Company's payment terms for customers are typically 30 to 60 days from receipt of title of the goods.

GPO Fees

The Company sells to Group Purchasing Organization ("***GPO***") members who transact directly with the Company at GPO-agreed pricing. GPOs are funded by administrative fees that are paid by the Company. These fees are set as a percentage of the purchase volume, which is typically 3% of sales made to the GPO members. The Company presents the administrative fees paid to GPOs as a reduction of revenues because the benefit received by the Company in exchange for the GPO fees is not sufficiently separable from the GPO member's purchase of the Company's products.

Cost of Sales

Cost of sales includes all costs directly related to bringing the Company's products to their final selling destination. Amounts include direct and indirect costs to manufacture products including raw materials, personnel costs, and direct overhead expenses necessary to convert collected tissues into finished goods, product testing costs, quality assurance costs, facility costs associated with the Company's manufacturing and warehouse facilities, depreciation, freight charges, costs to operate equipment and other shipping and handling costs for products shipped to customers.

Leases

The Company determines if an arrangement is, or contains, a lease at inception. Right-of-use assets and the related liabilities result from operating leases which were included in Right of use asset, Other current liabilities and Other liabilities, respectively.

Operating lease assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. The lease term used in the calculation includes options to extend or terminate the lease when the exercise of such options are reasonably certain. The determination of whether the Company is reasonably certain to exercise a renewal or termination option is reassessed as new information arises and is accounted for prospectively as of the point in time the determination is made regarding the modification of the lease term. The Company uses its incremental borrowing rate in determining the present value of lease payments.

Variable components of the lease payments such as fair market value adjustments, utilities, and maintenance costs are expensed as incurred and not included in determining the present value of lease liabilities. As an accounting policy election, the Company excludes short-term leases having initial terms of 12 months or fewer. Lease expense is recognized on a straight-line basis over the lease term.

See Note 5, "*Leases*" for further information regarding lease obligations.

Patent Costs

The Company incurs certain legal and related costs in connection with patent applications for tissue-based products and processes. The Company capitalizes such costs to be amortized over the expected life of the patent to the extent that an economic benefit is anticipated from the resulting patent or alternative future use is available to the Company and are included in Intangible Assets in the Condensed Consolidated Balance Sheets. The Company capitalized approximately $0.2 million and $0.4 million of patent costs during the nine months ended September 30, 2020 and 2019, respectively**.**

Treasury Stock

The Company accounts for the purchase of treasury stock under the cost method. Treasury stock which is reissued for the exercise of option grants and the issuance of restricted stock grants is accounted for on a FIFO basis.

Recently Issued and Adopted Accounting Standards

In June 2016, the FASB issued Accounting Standards Updated ("***ASU***") 2016-13, "*Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*," that introduces a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses. This includes accounts receivable, trade receivables,

loans, held-to-maturity debt securities, net investments in leases and certain off-balance sheet credit exposures. The guidance also modifies the impairment model for available-for-sale debt securities. The ASU is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2019. The Company adopted this ASU on January 1, 2020 using a modified retrospective transition method which requires a cumulative-effect adjustment to the opening balance of retained earnings to be recognized on the date of adoption with no change to financial results reported in prior periods. The cumulative effect adjustment recorded on January 1, 2020 is not material. The adoption of this ASU did not have a significant impact on the Company's condensed consolidated financial statements and related disclosures.

In August 2020, the FASB issued ASU 2020-06, *"Accounting for Convertible Instruments and Contracts in an Entity's Own Equity,"* which simplifies and clarifies certain calculation and presentation matters related to convertible equity and debt instruments. Specifically, ASU simplifies the accounting for such instruments by removing requirements to separately account for conversion features as a derivative under ASC Topic 815 and removing the requirement to account for beneficial conversion features on such instruments. Accounting Standards Update 2020-05 also provides clearer guidance surrounding disclosure of such instruments and provides specific guidance for how such instruments are to be incorporated in the calculation of Diluted EPS. The guidance under ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. The Company does not expect a material impact on its condensed consolidated financial statements upon adoption.

All other ASUs issued and not yet effective for the nine months ended September 30, 2020, and through the date of this report, were assessed and determined to be either not applicable or are expected to have minimal impact on the Company's financial position or results of operations.

3. Inventory

Inventory consisted of the following (in thousands):

	September 30, 2020	December 31, 2019
Raw materials	$ 426	$ 318
Work in process	5,241	4,299
Finished goods	5,904	5,206
Inventory, gross	11,571	9,823
Reserve for obsolescence	(548)	(719)
Inventory, net	$ 11,023	$ 9,104

Consignment inventory, included as a component of finished goods in the table above, was $3.4 million as of both September 30, 2020 and December 31, 2019.

4. Property and Equipment

Property and equipment consisted of the following (in thousands):

	September 30, 2020	December 31, 2019
Leasehold improvements	$ 5,976	$ 5,321
Laboratory and clean room equipment	15,516	14,894
Furniture and equipment	15,307	15,118
Construction in progress	1,347	972
Asset retirement cost	348	—
Property and equipment, gross	38,494	36,305
Less accumulated depreciation	(28,239)	(23,977)
Property and equipment, net	$ 10,255	$ 12,328

Depreciation expense for each of the three and nine months ended September 30, 2020 and 2019 are summarized in the table below (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Depreciation expense	$ 1,566	$ 1,641	$ 4,494	$ 4,981

These expenses are allocated amongst cost of sales, research and development, and selling, general, and administrative expense on the condensed consolidated statements of operations.

5. Leases

The Company has operating leases primarily for corporate offices, vehicles, and certain equipment. Such leases do not require any contingent rental payments, impose any financial restrictions, or contain any residual value guarantees. The Company determines if an arrangement is or contains a lease at inception.

The Company does not have any leases classified as financing leases.

Operating lease cost for both the three and nine months ended September 30, 2020 and 2019 was $0.4 million and $1.1 million, respectively, and was recorded in Selling, general, and administrative expenses on the unaudited condensed consolidated statements of operations for those periods. Cash paid for amounts included in the measurement of operating lease liabilities for the three and nine months ended September 30, 2020 and 2019 was $0.4 million and $1.2 million, and $0.4 million and $1.3 million, respectively. The amortization of leased assets for both the three and nine months ended September 30, 2020 and 2019 was $0.2 million and $0.7 million, respectively.

Supplemental balance sheet information related to operating leases is as follows (amounts in thousands, except lease term and discount rate):

	September 30, 2020	December 31, 2019
Assets		
Right of use asset	$ 4,031	$ 3,397
Liabilities		
Short term lease liability	$ 1,139	$ 1,168
Long term lease liability	3,452	2,919
Weighted-average remaining lease term (years)	4.6	3.1
Weighted-average discount rate	10.0%	11.5%

Maturities of operating leases liabilities are as follows (amounts in thousands):

Year ending December 31,	Maturities
2020 (excluding the nine months ended September 30, 2020)	$ 426
2021	1,544
2022	1,568
2023	577
2024	377
Thereafter	1,200
Total lease payments	5,692
Less: imputed interest	(1,101)
Total lease liability	$ 4,591

6. Intangible Assets

Intangible assets are summarized as follows (in thousands):

	September 30, 2020			December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets						
Licenses	$ 1,414	$ (1,301)	$ 113	$ 1,414	$ (1,200)	$ 214
Patents and know how	9,368	(5,563)	3,805	9,099	(5,070)	4,029
Customer and supplier relationships	3,761	(2,619)	1,142	3,761	(2,417)	1,344
Non-compete agreements	120	(90)	30	120	(68)	52
Total amortized intangible assets	$ 14,663	$ (9,573)	$ 5,090	$ 14,394	$ (8,755)	$ 5,639
Unamortized intangible assets						
Trade names and trademarks	$ 1,008		$ 1,008	$ 1,008		$ 1,008
Patents in process	1,070		1,070	1,130		1,130
Total intangible assets	$ 16,741		$ 7,168	$ 16,532		$ 7,777

Amortization expense for the three and nine months ended September 30, 2020 and 2019 is summarized in the table below (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Amortization expense	$ 276	$ 269	$ 818	$ 769

Patents and patents in process related write-downs due to abandonment for the three and nine months ended September 30, 2019 was $0.0 million and $0.8 million, respectively. These write-down were recorded as a component of Selling, general and administrative expense. The Company incurred impairment losses related to customer relationships which were determined to be unrecoverable of $0.0 million and $0.5 million for the three and nine months ended September 30, 2019, respectively. There were no impairments or write-downs due to abandonments during the three or nine months ended September 30, 2020.

Expected future amortization of intangible assets as of September 30, 2020, is as follows (in thousands):

Year ending December 31,	Estimated Amortization Expense
2020 (excluding the nine months ended September 30, 2020)	$ 274
2021	1,034
2022	933
2023	933
2024	933
Thereafter	983
	$ 5,090

7. Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	September 30, 2020	December 31, 2019
Legal costs	$ 15,094	$ 12,202
Contingent loss accruals	7,575	5,931
Pricing adjustment settlement with Veterans Affairs	—	6,894
Estimated returns	827	2,581
External commissions	1,625	1,722
Accrued clinical trials	952	1,076
Accrued rebates	1,295	142
Other	995	1,613
Total	$ 28,363	$ 32,161

8. Long Term Debt

Hayfin Term Loan Agreement

On June 30, 2020, the Company entered into a Loan Agreement with, among others, Hayfin Services, LLP, ("***Hayfin***") an affiliate of Hayfin Capital Management LLP (the "***Hayfin Loan Agreement***"), which was funded (the "***Hayfin Loan Transaction***") on July 2, 2020 (the "***Closing Date***") and provided the Company with a senior secured term loan in an aggregate amount of $50 million (the "***Term Loan***") and an additional delayed draw term loan (the "***DD TL***", collectively, the "***Credit Facilities***") in the form of a committed but undrawn facility. The Term Loan and the DD TL mature on July 2, 2025 (the "***Maturity Date***"). Interest is payable on the Term Loan and the DD TL for the balances outstanding quarterly through the Maturity Date. No principal payments on either the Term Loan or the DD TL are due and payable until the Maturity Date.

The Term Loan and DD TL, which are senior secured obligations, were entered into together with the sale of the Company's Series B Convertible Preferred Stock (as defined and described in Note 10, "*Equity*") in an aggregate amount of up to $100 million (collectively, the "***Financing Transactions***") in order to:

(1) refinance, in whole, the outstanding indebtedness (the "***Refinancing***") under the Loan Agreement, dated as of June 10, 2019 (as amended and restated, the "***BT Term Loan Agreement***"), among the Company, the lenders and Blue Torch Finance LLC as administrative agent and collateral agent for such lenders,

(2) pay fees and expenses incurred with certain financing transactions, and

(3) finance the working capital, capital expenditures, and other general corporate purposes of the Company.

The interest rate applicable to any borrowings under the Term Loan accrues at a rate equal to LIBOR (subject to a floor of 1.5%) plus a margin of 6.75% per annum. After December 31, 2020, the margin on the interest rate is eligible for a reduction; as follows:

- 6.5% per annum if the Total Net Leverage Ratio (as defined in the Hayfin Loan Agreement) is less than 2.0x but greater than or equal to 1.0x, or
- 6.0% per annum if the Total Net Leverage Ratio is less than 1.0x.

An additional 3.0% margin is applied to the interest rate in the event of default as defined by the Hayfin Loan Agreement. At issuance and as of September 30, 2020, the Term Loan carried an interest rate of 8.3%.

The Credit Facilities contain financial covenants requiring the Company, on a consolidated basis, to maintain the following:

- Maximum Total Net Leverage Ratio of 5.0x through December 31, 2020, reduced to 4.5x through June 30, 2021, further reduced to 4.0x thereafter for the life of the loans, required to be calculated on a quarterly basis,
- Delayed Draw Term Loan Incurrence Covenant (as defined in the Hayfin Loan Agreement) of 3.5x Total Net Leverage, tested prior to any drawings under the DD TL, and

- Minimum Liquidity (as defined in the Hayfin Loan Agreement) of $10 million, an at-all times, financial covenant tested monthly.

The Credit Facilities also specify that any prepayment of the loan, voluntary or mandatory, as defined in the Term Loan Agreement, subjects MiMedx to a prepayment premium applicable as of the date of the prepayment:

- On or before the first anniversary of the Closing Date:
    - A make-whole premium, equal to the greater of:
        - 5% of the principal balance repaid,
        - 102% of the principal balance plus interest that would have been accrued from the repayment date to 12 months following the Closing Date.
- After the first anniversary of the Closing Date but on or before the second anniversary of the Closing Date: 2% of the principal balance repaid.
- After the second anniversary of the Closing Date: 1% of the principal balance repaid.
- After the third anniversary of the Closing Date: 0% of the principal balance repaid.

The Loan Agreement also includes events of default customary for facilities of this type, and upon the occurrence of such events of default, subject to customary cure rights, all outstanding loans under the Credit Facilities may be accelerated or the lenders' commitments terminated. The mandatory prepayments are also required in the event of a change in control, incurring other indebtedness, certain proceeds from disposal of assets and insured casualty event. Beginning with the fiscal year ending December 31, 2021, the Company is required to prepay the outstanding loans based on the percentage of the Excess Cash Flow (as defined in the Hayfin Loan Agreement), if such is generated, with the percentage determined based on the total net leverage thresholds.

Hayfin maintains a first-priority security interest in substantially all of the Company's assets. The Company paid an up front commitment fee of $3.3 million, or 2% of the aggregate of the Term Loan and the DD TL. The Company also incurred $3.3 million of deferred financing costs. Original issue discount and deferred financing costs were allocated to the two tranches of debt on the basis of the face amount of each tranche of debt. A summary of the allocation of the deferred financing costs and original issue discount between the Term Loan and the DD TL on July 2, 2020 were as follows (amounts in thousands):

	July 2, 2020		
	Term Loan	DD TL	Total
	Long term debt	*Other current assets*	
Original issue discount	$ 333	$ 167	$ 500
Deferred financing costs	2,169	1,084	3,253

Deferred financing costs and original issue discount associated with the Term Loan are amortized using the effective interest method through the Maturity Date. The amortization of such amounts are presented as part of interest expense on the condensed consolidated statements of operations for the three and nine months ended September 30, 2020. Unamortized deferred financing costs and original issue discount associated with the Term Loan are presented as a reduction to the principal balance on the Term Loan as part of long term debt on the condensed consolidated balance sheet as of September 30, 2020.

Deferred financing costs and original issue discount associated with the DD TL are amortized using the straight line method through the earlier of the expiration of the DD TL commitment term on June 30, 2021, or the date the balance of the DD TL is funded. To the extent that there are unamortized deferred financing costs or original issue discount associated with the DD TL will be amortized using the effective interest method through the Maturity Date. Amortization of these amounts are presented as part of interest expense on the condensed consolidated statements of operations for the three and nine months ended September 30, 2020. Unamortized deferred financing costs and original issue discount associated with the DD TL are presented as other current assets on the condensed consolidated balance sheet as of September 30, 2020. In addition, the DD TL is subject to an additional commitment fee of 1% per annum of the amount undrawn, which is recognized as interest expense. The DD TL was not drawn upon as of September 30, 2020.

The balances of the Term Loan as of September 30, 2020 was as follows (amounts in thousands):

	September 30, 2020
Outstanding principal	$ 50,000
Deferred financing costs	(2,077)
Original issue discount	(296)
Long term debt	$ 47,627

Interest expense related to the Term Loan, included in Interest expense, net in the condensed consolidated statements of operations, was as follows (amounts in thousands):

	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020
Stated interest	$ 1,031	$ 1,031
Amortization of deferred financing costs	90	90
Accretion of original issue discount	38	38
Interest expense	$ 1,159	$ 1,159

Interest expense related to the DD TL, included in Interest expense, net in the condensed consolidated statements of operations, was as follows (amounts in thousands):

	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020
Commitment fee	64	64
Amortization of deferred financing costs	106	106
Accretion of original issue discount	125	125
Interest expense	295	295

Principal payments on the Term Loan as of September 30, 2020 are as follows:

Year ending December 31,	Principal
2020 (excluding the nine months ended September 30, 2020)	$ —
2021	—
2022	—
2023	—
2024	—
Thereafter	50,000
Total long term debt	$ 50,000

As the Company has not borrowed on the DD TL as of September 30, 2020, there are no principal payments owed on the DD TL.

As of September 30, 2020, the fair value of the Term Loan was $50.3 million. This valuation was calculated based on a series of Level 2 and Level 3 inputs, including a discount rate based on the credit risk spread of debt instruments of similar risk character in reference to U.S. Treasury instruments with similar maturities, with an incremental risk premium for risk factors specific to the Company. To derive the fair value of the Term Loan, the remaining cash flows associated with the Term Loan were discounted to September 30, 2020 using this discount rate.

Blue Torch Term Loan

On June 10, 2019, the Company entered into the Loan Agreement (the "***BT Term Loan Agreement***") with the subsidiaries of the Company as guarantors and party thereto from time to time, the lenders party thereto from time to time and Blue Torch Finance LLC ("***Blue Torch***"), as administrative agent and collateral agent, pursuant to which the full amount of $75 million was borrowed and funded (the "***BT Term Loan***"). The proceeds from the BT Term Loan were used (i) for working capital and general corporate purposes and (ii) to pay transaction fees, costs and expenses incurred in connection with the BT Term Loan and the related transactions. The BT Term Loan would have matured on June 20, 2022 and was repayable in quarterly installments of $0.9 million; the balance was due on June 20, 2022. Blue Torch maintained a first-priority security interest in substantially all the Company's assets. The BT Term Loan was issued net of the original issue discount of $2.3 million. The Company also incurred $6.7 million of deferred financing costs.

On April 22, 2020, the Company amended its BT Loan Agreement with Blue Torch. The amendment provided for an increase in the maximum Total Leverage Ratio, which was a quarterly test, for the remainder of 2020, and also provided for a reduction in the minimum Liquidity requirement from April 2020 through and including November 2020. In connection with the amendment, the Company agreed to pay a one-time fee of approximately $0.7 million, added to the principal balance, and a 1 percentage point increase in the interest rate to LIBOR plus 9%.

On July 2, 2020, a portion of the proceeds from each of the sales of the Company's Series B Preferred Stock and the borrowings from the Hayfin Loan Transaction were used to repay the outstanding balance of principal, accrued but unpaid interest, and prepayment premium under the BT Loan Agreement. In connection with the repayment of the BT Term Loan, the Company terminated the BT Loan Agreement. The Company has no continuing obligations related to the BT Term Loan. Because the Term Loan was executed with a party unrelated to Blue Torch, the repayment of the BT Term Loan was accounted for as an extinguishment under ASC 470-50. As part of the extinguishment, the Company recorded a loss on extinguishment of debt of $8.2 million. The composition of the loss on extinguishment of debt is as follows (amounts in thousands):

	July 2, 2020
Unamortized deferred financing costs	$ 4,528
Unamortized original issue discount	1,538
Unamortized amendment fee	671
Prepayment premium	1,439
Other fees	25
Loss on extinguishment of debt	$ 8,201

The balances of the BT Term Loan were as follows (amounts in thousands):

	December 31, 2019	
	Current portion	Long-term
Liability component - principal	$ 3,750	$ 69,375
Original issue discount	—	(1,890)
Deferred financing cost	—	(5,579)
Liability component - net carrying value	$ 3,750	$ 61,906

Interest expense related to the BT Term Loan, included in Interest (expense) income, net in the condensed consolidated statements of operations was as follows (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Interest on principal balance	$ 42	$ 2,024	$ 3,773	$ 2,417
Accretion of original issue discount	4	158	354	189
Accretion of amendment fee	2	—	53	—
Amortization of deferred financing costs	11	478	1,051	563
Total BT Term Loan interest expense	$ 59	$ 2,660	$ 5,231	$ 3,169

Paycheck Protection Program Loan

The Company applied for and, on April 24, 2020, received proceeds of $10 million in the form of a loan under the Paycheck Protection Program (the "***PPP Loan***").

On May 11, 2020, the Company repaid the PPP Loan in full. There are no continuing obligations under the PPP Loan as of September 30, 2020.

9. Net (Loss) Income Per Common Share

Net (loss) income per common share is calculated using two methods: basic and diluted.

Basic Net (Loss) Income Per Common Share

Basic net loss (income) per common share is calculated as net loss (income) available to common shareholders divided by weighted average common shares outstanding. Net loss (income) available to common shareholders is calculated as net loss (income) less dividends paid, payable, or deemed on the Company's Series A and Series B Preferred Stock. (No shares of Series A Preferred Stock have been issued or are outstanding).

The following table provides a reconciliation of Net loss (income) to Net loss (income) available to common shareholders and calculation of basic net income (loss) per common share for each of the three and nine months ended September 30, 2020 and 2019 (amounts in thousands, except share and per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net (loss) income	$ (19,417)	$ 12,379	$ (32,704)	$ (18,104)
Adjustments to reconcile to net (loss) income available to common stockholders				
Accrued dividend on Series B Convertible Preferred Stock	997	—	997	—
Amortization of beneficial conversion feature	31,110	—	31,110	—
Accretion of increasing-rate dividend feature	458	—	458	—
Total adjustments	32,565	—	32,565	—
Net (loss) income available to common stockholders	$ (51,982)	$ 12,379	$ (65,269)	$ (18,104)
Weighted average common shares outstanding	108,493,208	107,157,561	108,222,419	106,929,643
Basic net (loss) income per common share	$ (0.48)	$ 0.12	$ (0.60)	$ (0.17)

Diluted Net (Loss) Income Per Common Share

Diluted net (loss) income per common share is calculated as net (loss) income available to common shareholders, adjusted for dividends on convertible preferred stock to the extent such conversions would be dilutive, divided by weighted average common shares outstanding plus potential common shares. Potential common shares considers incremental shares resulting from certain transactions, including the exercise of stock options, the issuance of restricted stock, and the exercise of warrants using the treasury stock method, as well as the hypothetical conversion of the Company's Series B Preferred Stock using the if-converted method.

The treasury stock method assumes that proceeds from the transaction are used to purchase common stock at the average market price throughout the period. The if-converted method adds back dividends paid, payable, or deemed on the Company's Series B Convertible Preferred Stock and that assumes conversion as of the later of the beginning of the period or the original transaction date.

Each individual transaction is assessed for its dilutive effect on net (loss) income per common share. To the extent that the transaction is antidilutive, or does not reduce net (loss) income per common share, the effect is excluded from the calculation.

The following table sets forth the computation of basic and diluted net loss per common share (in thousands except share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net (loss) income available to common stockholders	$ (51,982)	$ 12,379	$ (65,269)	$ (18,104)
Dividends on Series B Convertible Preferred Stock	32,565	—	32,565	—
Numerator	$ (51,982)	$ 12,379	$ (65,269)	$ (18,104)
Weighted average shares outstanding	108,493,208	107,157,561	108,222,419	106,929,643
Potential common shares (a)	28,625,684	2,432,447	11,032,820	1,635,797
Weighted average shares outstanding adjusted for potential common shares	108,493,208	109,590,008	108,222,419	106,929,643
Diluted net (loss) income per common share	$ (0.48)	$ 0.11	$ (0.60)	$ (0.17)

(a) Potential common shares reflects hypothetical transactions involving convertible securities and share-based payment awards using the if-converted and treasury stock methods, respectively. The effect of each of these adjustments on the calculation is presented in the table below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Series B Convertible Preferred Stock	25,691,700	—	8,626,410	—
Outstanding Stock Options	772,967	848,507	739,937	903,344
Performance Based Awards	37,931	—	25,735	—
Restricted Stock Awards	1,203,853	1,583,940	1,281,635	732,453
Restricted Stock Unit Awards	919,233	—	359,103	—
	28,625,684	2,432,447	11,032,820	1,635,797

10. Equity

Issuance of $100 Million of Series B Convertible Preferred Stock

On July 2, 2020, the Company issued $100 million of the Company's Series B Convertible Preferred Stock, par value $0.001 per share (the "***Series B Preferred Stock***") to an affiliate of EW Healthcare Partners and to certain funds managed by Hayfin Capital Management LLP (individually, the "***Holder***", collectively the "***Holders***") pursuant to a Securities Purchase Agreement with Falcon Fund 2 Holding Company, L.P., an affiliate of EW Healthcare Partners, and certain funds managed by Hayfin Capital Management LLP, dated as of June 30, 2020 (the "***Securities Purchase Agreement***"), for an aggregate purchase price of $100 million (the "***Preferred Stock Transaction***").

The Series B Preferred Stock pays a 4.0% cumulative dividend per annum prior to the quarterly dividend payment ending on June 30, 2021, and a 6.0% cumulative dividend per annum thereafter. Dividends are declared at the sole discretion of the Company's board of directors. Dividends are paid at the end of each quarter based for dividend amounts that accumulate beginning on the last payment date through the day prior to the end of each quarter. In lieu of paying a dividend, the Company may elect to accrue the dividend owed to shareholders. Accrued dividend balances accumulate dividends at the prevailing dividend rate for each dividend period for which they are outstanding.

Each share of Series B Preferred Stock, including any accrued and unpaid dividends, is convertible into Company's common stock at any time at the option of the Holder at a conversion price of $3.85 per common share, or 259.74 common shares for each Series

B Preferred Share prior to any accrued and unpaid dividends. The Series B Preferred Stock, including any accrued and unpaid dividends, automatically converts into common stock at any time after the third anniversary of the issuance date, provided that the common stock has traded at 200% or more of the conversion price for 20 out of 30 consecutive trading days and on such date of conversion the common stock has traded at 200% or more of the conversion price.

Holders of the Series B Preferred Stock, voting as a class, are entitled to elect two members to the board of directors. Holders of the Series B Preferred Stock are entitled to vote on all matters to be voted on by the Company's shareholders shall vote on an as-converted basis as a single class with the Common Stock not to exceed 19.9% of the total voting stock of the Company. Holders of the Series B Preferred Stock are also entitled to a liquidation preference in an amount equal to the original issue price plus all accrued and unpaid dividends in the event of a liquidation, dissolution, or winding-up of the Company.

The Company evaluated its Series B Preferred Stock and determined that it was considered an equity host under ASC 815, *Derivatives and Hedging*. As a result of the Company's conclusion that the Series B Preferred Stock represented an equity host, the conversion feature of all Series B Preferred Stock was considered to be clearly and closely related to the associated Series B Preferred Stock host instrument. Accordingly, the conversion feature of all Series B Preferred Stock was not considered an embedded derivative that required bifurcation. The Company accounted for potential beneficial conversion features under ASC 470-20, *Debt with Conversion and Other Options*. At the time of the issuance of the Series B Preferred Stock, the Company's common stock into which the Company's Series B Preferred Stock is convertible had an estimated fair value exceeding the effective conversion price of the Series B Preferred Stock, giving rise to a beneficial conversion feature in the amount of $31.1 million. This amount was immediately recognized on the commitment date since there is no stated redemption date and the Series B Preferred Stock is immediately convertible. The amortization of the total beneficial conversion feature on the commitment date was accounted for as a deemed dividend.

The Series B Preferred Stock instrument contains an increasing-rate cumulative dividend feature. The Company determined the present value of the difference between the (1) dividends that will be payable, in the period preceding commencement of the perpetual dividend; and (2) the perpetual dividend amount for a corresponding number of periods to ascribe a fair value to this feature. The present value is calculated using a market rate for dividend yield. The Company calculated the amount of the increasing-rate dividend feature as $1.8 million. This amount is amortized as a deemed dividend to preferred shareholders using the effective interest method through the commencement date of the Perpetual Dividend Rate. During the three and nine months ended September 30, 2020, the Company recognized $0.5 million of deemed dividends related to the amortization of the increasing rate dividend feature.

If the Company undergoes a change of control, the Company will have the option to repurchase some or all of the then-outstanding shares of Series B Preferred Stock for cash in an amount equal to the liquidation preference, subject to the rights of the holders of the Series B Preferred Stock in connection with such change in control. If the Company does not exercise such repurchase right, holders of the Series B Preferred Stock will have the option to (1) require the Company to repurchase any or all of its then-outstanding shares of Series B Preferred Stock for cash in an amount equal to the liquidation preference or (2) convert the Series B Preferred Stock, including accrued and unpaid dividends into common stock and receive its pro rata consideration thereunder. Because the contingent redemption of the Series B Preferred Stock by the holder in the event of change in control is outside the Company's control, the Series B Preferred Stock and related beneficial conversion feature were classified as temporary equity.

The below table illustrates changes in the Company's balance of Series B Preferred Stock for the three months ended September 30, 2020 (in thousands except per share amounts):

	Series B Preferred Stock	
	Shares	Amount
Balance at June 30, 2020	—	$ —
Issuance of Series B Preferred Stock	100,000	59,540
Deemed dividends	—	31,568
Balance at September 30, 2020	100,000	$ 91,108

The below table illustrates the changes in shares and balance of the Company's Series B Preferred Stock for the nine months ended September 30, 2020 (in thousands except per share amounts):

	Series B Preferred Stock	
	Shares	Amount
Balance at December 31, 2019	—	$ —
Issuance of Series B Preferred Stock	100,000	59,540
Deemed dividends	—	31,568
Balance at September 30, 2020	100,000	$ 91,108

The Company elected not to declare or pay the quarterly dividend on the Series B Convertible Preferred Stock for September 30, 2020. The dividend was $9.86 per share, or approximately $1.0 million. As this amount has not been declared, the Company has not recorded this amount on its unaudited condensed consolidated balance sheet as of September 30, 2020. Dividends in arrears as of September 30, 2020 was $1.0 million.

Based on accumulated dividends as of September 30, 2020, each share of Series B Convertible Preferred Stock was convertible into 262.33 shares of the Company's common stock, or 26,233,055 common shares in total.

11. Income Taxes

The effective tax rates for the Company were (0.2)% and (2.6)% for the three months ended September 30, 2020 and September 30, 2019, respectively. These effective tax rates include the impact of discrete items of $0 and $0.3 million for the three months ended September 30, 2020 and September 30, 2019, respectively.

The effective tax rates for the Company were 25.6% and 1.2% for the nine months ended September 30, 2020 and September 30, 2019, respectively. These effective tax rates include the impact of discrete items of $11.4 million in 2020 and $0.3 million in 2019. The discrete items recorded for the nine months ended September 30, 2020 are primarily related to modifications to the tax rules for carryback of net operating losses as a result of the CARES Act which are expected to result in a federal tax refund of

$11.3 million and an income tax benefit of the same amount. No benefit had been recognized with respect to the net operating losses due to a previously-recorded valuation allowance.

12. Supplemental Disclosure of Cash Flow and Non-cash Investing and Financing Activities

Selected cash payments, receipts, and non-cash activities are as follows (in thousands):

	Nine Months Ended September 30,	
	2020	2019
Cash paid for interest	$ 6,308	$ 2,417
Income taxes paid	213	308
Non-cash activities:		
Deferred financing costs	471	—
Stock issuance costs	942	—
Deemed dividends on Series B Convertible Preferred Stock	31,568	—
Amendment fee on BT Term Loan	722	—

13. Contractual Commitments and Contingencies

Contractual Commitments

In addition to the leases noted under Note 5, "*Leases*," the Company has commitments for meeting space. These leases expire over the 3 years following September 30, 2020, and generally contain renewal options. The Company anticipates that most of these leases will be renewed or replaced upon expiration.

Rent expense for both the three months ended September 30, 2020 and 2019 was $0.3 million. Rent expense for the nine months ended September 30, 2020 and 2019 was $1.0 million and $1.1 million, respectively. These amounts are allocated among cost of sales, research and development and selling, general and administrative expenses.

Litigation and Regulatory Matters

In the ordinary course of business, the Company and its subsidiaries are parties to numerous civil claims and lawsuits and subject to regulatory examinations, investigations, and requests for information. Some of these matters involve claims for substantial amounts. The Company's experience has shown that the damages alleged by plaintiffs or claimants are often overstated, based on unsubstantiated legal theories, unsupported by facts, and/or bear no relation to the ultimate award that a court might grant. Additionally, the outcome of litigation and regulatory matters and the timing of ultimate resolution are inherently difficult to predict. These factors make it difficult for the Company to provide a meaningful estimate of the range of reasonably possible outcomes of claims in the aggregate or by individual claim. However, on a case-by-case basis, reserves are established for those legal claims in which it is probable that a loss will be incurred and the amount of such loss can be reasonably estimated. The Company's unaudited condensed consolidated financial statements as of September 30, 2020 reflect the Company's current best estimate of probable losses associated with these matters, including costs to comply with various settlement agreements, where applicable. The actual costs of resolving these claims, as well as the cost to resolve claims which either are not probable or not estimable at this time, may be substantially higher or lower than the amounts reserved. For more information regarding the Company's legal proceedings, refer to the disclosure under Item 3, "*Legal Proceedings*" and Note 16, "*Commitments and Contingencies*" in the 2019 Form 10-K.

As of September 30, 2020, the Company has accrued $7.6 million related to the legal proceedings discussed below. The Company paid $7.4 million toward the resolution of legal matters involving the Company during the nine months ended September 30, 2020.

The following is a description of certain litigation and regulatory matters:

Shareholder Derivative Suits

On December 6, 2018, the United States District Court for the Northern District of Georgia entered an order consolidating three shareholder derivative actions (*Evans v. Petit, et al*. filed September 25, 2018, *Georgalas v. Petit, et al.* filed September 27, 2018, and *Roloson v. Petit, et al.* filed October 22, 2018) that had been filed in the Northern District of Georgia. On January 22, 2019, plaintiffs filed a verified consolidated shareholder derivative complaint. The consolidated action sets forth claims of breach of fiduciary duty, corporate waste and unjust enrichment against certain former officers, and certain current and former directors, of the Company: Parker H. Petit, William C. Taylor, Michael J. Senken, John E. Cranston, Alexandra O. Haden, Joseph G. Bleser, J. Terry Dewberry, Charles R. Evans, Larry W. Papasan, Luis A. Aguilar, Bruce L. Hack, Charles E. Koob, Neil S. Yeston and Christopher M. Cashman. The allegations generally involve claims that the defendants breached their fiduciary duties by causing or allowing the Company to misrepresent its financial statements as a result of improper revenue recognition. The Company filed a motion to stay on February 18, 2019, pending the completion of the investigation by the Company's Special Litigation Committee. The Special Litigation Committee completed its investigation relating to this action and filed an executive summary of its findings with the Court on July 1, 2019. The parties (together with parties from the Hialeah derivative lawsuit, the Nix and Demaio derivative lawsuit, and the Murphy derivative lawsuit, each described below) held a mediation on February 11, 2020. Following continued discussions, on May 1, 2020, the parties notified the Court that plaintiffs and the Company had reached an agreement in principle to settle this consolidated derivative action, which settlement also encompasses all claims asserted in the Hialeah derivative lawsuit, the Nix and Demaio derivative lawsuit, and the Murphy derivative lawsuit. On September 9, 2020, the parties filed a Stipulation and Agreement of Settlement. Judge Ray entered an Order preliminarily approving the proposed settlement on October 8, 2020 and set a hearing for final approval of the settlement for December 21, 2020. The Company has recorded an accrual related to this case and it is included in the accrual amount noted above.

On October 29, 2018, the City of Hialeah Employees Retirement System ("***Hialeah***") filed a shareholder derivative complaint in the Circuit Court for the Second Judicial Circuit in and for Leon County, Florida (the "***Florida Court***"). The complaint alleges claims for breaches of fiduciary duty and unjust enrichment against certain former officers, and certain current and former directors, of the Company: Parker H. Petit, William C. Taylor, Michael J. Senken, John E. Cranston, Alexandra O. Haden, Joseph G. Bleser, J. Terry Dewberry, Charles R. Evans, Bruce L. Hack, Charles E. Koob, Larry W. Papasan, and Neil S. Yeston. The allegations generally involve claims that the defendants breached their fiduciary duties by causing or allowing the Company to misrepresent its financial statements as a result of improper revenue recognition. The Company moved to stay the action on February 7, 2019, to allow the prior-filed consolidated derivative action in the Northern District of Georgia to be resolved first and to allow the Company's Special Litigation Committee time to complete its investigation. The Company also filed a motion to dismiss on April 8, 2019. As discussed above, the plaintiff participated in the mediation that took place in connection with the prior-filed consolidated derivative action in the Northern District of Georgia and is a party to the agreement in principle to settle that consolidated derivative action. The agreement in principle provides that the plaintiff in this action will file a notice of dismissal to dismiss its action with prejudice within seven calendar days after the date that the judgment entered by the Northern District of Georgia becomes final.

On May 15, 2019, two individuals purporting to be shareholders of the Company filed a shareholder derivative complaint in the Superior Court for Cobb County, Georgia. (*Nix and Demaio v. Evans, et al.*) The complaint alleges claims for breaches of fiduciary duty, corporate waste and unjust enrichment against certain current and former directors and officers of the Company: Parker H. Petit, William C. Taylor, Michael J. Senken, John E. Cranston, Alexandra O. Haden, Chris Cashman, Lou Roselli, Mark Diaz, Charles R. Evans, Luis A. Aguilar, Joseph G. Bleser, J. Terry Dewberry, Bruce L. Hack, Charles E. Koob, Larry W. Papasan and Neil S. Yeston. The allegations generally involve claims that the defendants breached their fiduciary duties by causing or allowing the Company to misrepresent its financial statements as a result of improper revenue recognition. The Court ordered this matter stayed pending the resolution of the consolidated derivative suit pending in the Northern District of Georgia. As discussed above, the plaintiff participated in the mediation that took place in connection with the prior-filed consolidated derivative action in the Northern District of Georgia and is a party to the agreement in principle to settle that consolidated derivative action. The agreement in principle provides that the plaintiffs in this action will file a notice of dismissal to dismiss their action with prejudice within seven calendar days after the date that the judgment entered by the Northern District of Georgia becomes final.

On August 12, 2019, John Murphy filed a shareholder derivative complaint in the United States District Court for the Southern District of Florida (*Murphy v. Petit, et al.*). The complaint alleged claims for breaches of fiduciary duty and unjust enrichment against certain former officers, and certain current and former directors, of the Company: Parker H. Petit, William C. Taylor, Michael J. Senken, John E. Cranston, Alexandra O. Haden, Charles R. Evans, Luis A. Aguilar, Joseph G. Bleser, J. Terry Dewberry, Bruce L. Hack, Charles E. Koob, Larry W. Papasan and Neil S. Yeston. The allegations generally involve claims that the defendants breached their fiduciary duties by causing or allowing the Company to misrepresent its financial statements as a result of improper revenue recognition. The Company filed a motion to transfer this action to the Northern District of Georgia. Prior to resolution of that motion, the plaintiff voluntarily dismissed this action without prejudice. As discussed above, the plaintiff participated in the mediation that took place in connection with the prior-filed consolidated derivative action in the Northern District of Georgia and is a party to the agreement in principle to settle that consolidated derivative action. Under the agreement in principle, the plaintiff has agreed that this action shall not be reinstated and, after the judgment entered by the Northern District of Georgia becomes final, this action shall be deemed dismissed with prejudice.

Securities Class Action

On January 16, 2019, the United States District Court for the Northern District of Georgia entered an order consolidating two purported securities class actions (*MacPhee v. MiMedx Group, Inc., et al.* filed February 23, 2018 and *Kline v. MiMedx Group, Inc., et al.* filed February 26, 2018). The order also appointed Carpenters Pension Fund of Illinois as lead plaintiff. On May 1, 2019, the lead plaintiff filed a consolidated amended complaint, naming as defendants the Company, Michael J. Senken, Parker H. Petit, William C. Taylor, Christopher M. Cashman and Cherry Bekaert & Holland LLP. The amended complaint (the "***Securities Class Action Complaint***") alleged violations of Section 10(b) of the Securities Exchange Act of 1934, as amended (the "***Exchange Act***"), Rule 10b-5 promulgated thereunder and Section 20(a) of the Exchange Act. It asserted a class period of March 7, 2013 through June 29, 2018. Following the filing of motions to dismiss by the various defendants, the lead plaintiff was granted leave to file an amended complaint. The lead plaintiff filed its amended complaint against the Company, Michael Senken, Pete Petit, William Taylor, and Cherry Bekaert & Holland (Christopher Cashman was dropped as a defendant) on March 30, 2020; defendants filed motions to dismiss on May 29, 2020. The parties have agreed to stay the proceedings until December 18, 2020 to allow for mediation.

Investigations

*United States Attorney's Office for the Southern District of New York ("**USAO-SDNY**") Investigation*

The USAO-SDNY conducted an investigation into, among other things, the Company's recognition of revenue and practices with certain distributors and customers. The USAO-SDNY requested that the Company provide it with copies of all information the Company furnished to the SEC and made additional requests for information. The USAO-SDNY conducted interviews of various individuals, including employees and former employees of the Company. The USAO-SDNY issued indictments in November 2019 against former executives Messrs. Petit and Taylor for securities fraud and conspiracy to commit securities fraud, to make false filings with the SEC, and to influence improperly the conduct of audits relating to alleged misconduct that resulted in inflated revenue figures for fiscal 2015. The Company is cooperating with the USAO-SDNY.

*Department of Veterans' Affairs Office of Inspector General ("**VA-OIG**") and Civil Division of the Department of Justice ("**DOJ-Civil**") Subpoenas and/or Investigations*

VA-OIG has issued subpoenas to the Company seeking, among other things, information concerning the Company's financial relationships with VA clinicians. DOJ-Civil has requested similar information. The Company has cooperated fully and produced responsive information to VA-OIG and DOJ-Civil. Periodically, VA-OIG has requested additional documents and information regarding payments to individual VA clinicians. Most recently, on June 3, 2020, the Company received a subpoena from the VA-OIG requesting information regarding the Company's financial relationships and interactions with two healthcare providers at the VA Long Beach Healthcare System. The Company has continued to cooperate and respond to these requests.

*United States Attorney's Office for the Middle District of North Carolina ("**USAO-MDNC**") Investigation*

On January 9, 2020, the USAO-MDNC informed the Company that it is investigating the Company's financial relationships with two former clinicians at the Durham VA Medical Center. The Company is cooperating with the investigation.

Qui Tam Actions

On January 19, 2017, a former employee of the Company filed a *qui tam* False Claims Act complaint in the United States District Court for the District of South Carolina (*United States of America, ex rel. Jon Vitale v. MiMedx Group, Inc.*) alleging that the Company's donations to the patient assistance program, Patient Access Network Foundation, violated the Anti-Kickback Statute and resulted in submission of false claims to the government. The government declined to intervene and the complaint was unsealed on August 10, 2018. The Company filed a motion to dismiss on October 1, 2018. The Company's motion to dismiss was granted in part and denied in part on May 15, 2019. The case is in discovery.

Former Employee Litigation

On November 19, 2018, the Company's former Chief Financial Officer filed a complaint in the Superior Court for Cobb County, Georgia (*Michael J. Senken v. MiMedx Group, Inc.*) in which he claims that the Company has breached its obligations under the Company's charter and bylaws to advance to him, and indemnify him for, his legal fees and costs that he incurred in connection with certain Company internal investigations and litigation. The Company filed its answer denying the plaintiff's claims on April 19, 2019. To date, no deadlines have been established by the court.

On January 21, 2019, a former employee filed a complaint in the Fifth Judicial Circuit, Richland County, South Carolina (*Jon Michael Vitale v. MiMedx Group, Inc. et. al.*) against the Company alleging retaliation, defamation and unjust enrichment and seeking monetary damages. The former employee claims he was retaliated against after raising concerns related to insurance fraud and later defamed by comments concerning the indictments of three South Carolina VA employees. On February 19, 2019, the case was removed to the U.S. District Court for the District of South Carolina. The Company filed a motion to dismiss on April 8, 2019, which was denied by the Court. This case is in discovery.

Defamation Claims

On June 4, 2018, Sparrow Fund Management, LP ("***Sparrow***") filed a complaint against the Company and Mr. Petit, including claims for defamation and civil conspiracy in the United States District Court for the Southern District of New York (*Sparrow Fund Management, L.P. v. MiMedx Group, Inc. et. al.*). The complaint seeks monetary damages and injunctive relief and alleges the defendants commenced a campaign to publicly discredit Sparrow by falsely claiming it was a short seller who engaged in illegal and criminal behavior by spreading false information in an attempt to manipulate the price of our common stock. On March 31, 2019, a judge granted defendants' motions to dismiss in full, but allowed Sparrow the ability to file an amended complaint. The Magistrate has recommended Sparrow's motion for leave to amend be granted in part and denied in part and the

Judge adopted the Magistrate's recommendation. Sparrow filed its amended complaint against MiMedx (Mr. Petit has been dropped from the lawsuit) on April 3, 2020 and the Company filed its answer. This case is in discovery.

On June 17, 2019, the principals of Viceroy Research ("***Viceroy***"), filed suit in the Circuit Court for the Seventeenth Judicial Circuit in Broward County, Florida (*Fraser John Perring et. al. v. MiMedx Group, Inc. et. al.*) against the Company and Mr. Petit, alleging defamation and malicious prosecution based on the defendants' alleged campaign to publicly discredit Viceroy and the lawsuit the Company previously filed against the plaintiffs, but which the Company subsequently dismissed without prejudice. On November 1, 2019, the Court granted Mr. Petit's motion to dismiss on jurisdictional grounds, denied the Company's motion to dismiss, and granted plaintiffs leave to file an amended complaint to address the deficiencies in its claims against Mr. Petit, which they did on November 21, 2019. The Company filed its answer on December 20, 2019.

Intellectual Property Litigation

The NuTech Action

On March 2, 2015, the Company filed a patent infringement lawsuit against NuTech Medical, Inc. ("***NuTech***") and DCI Donor Services, Inc. ("***DCI***") in the United States District Court for the Northern District of Alabama (*MiMedx Group, Inc. v. NuTech Medical, Inc. et. al.*). The Company has alleged that NuTech and DCI infringed and continue to infringe the Company's patents through the manufacture, use, sale and/or offering of their tissue graft product. The Company has also asserted that NuTech knowingly and willfully made false and misleading representations about its products to customers and prospective customers. The Company is seeking permanent injunctive relief and unspecified damages. The case was stayed pending the restatement of the Company's financial statements. Since the Company has completed its restatement, the case resumed. The parties have reached a settlement in the matter and the case will be dismissed with prejudice.

The Osiris Action

On February 20, 2019, Osiris Therapeutics, Inc. ("***Osiris***") refiled its trade secret and breach of contract action against the Company (which had been dismissed in a different forum) in the United States District Court for the Northern District of Georgia (*Osiris Therapeutics, Inc. v. MiMedx Group, Inc.*). The parties have reached a settlement in the matter and the case was dismissed with prejudice on October 26, 2020.

Other Matters

Under the Florida Business Corporation Act and agreements with its current and former officers and directors, the Company is obligated to indemnify its current and former officers and directors who are made party to a proceeding, including a proceeding brought by or in the right of the corporation, with certain exceptions, and to advance expenses to defend such matters. The Company has already borne substantial costs to satisfy these indemnification and expense advance obligations and expects to continue to do so in the future.

In addition to the matters described above, the Company is a party to a variety of other legal matters that arise in the ordinary course of the Company's business, none of which is deemed to be individually material at this time. Due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on the Company's business, results of operations, financial position or liquidity.

14. Revenue Data by Customer Type

MiMedx has two primary distribution channels: (1) direct to customers (healthcare professionals and/or facilities) ("***Direct Customers***"), and (2) sales through distributors ("***Distributors***"). The Company groups its customers into these two groups. This grouping by customer types does not constitute a basis for resource allocation but is information intended to provide the reader with ability to better understand how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors applicable to each customer type. The Company did not have significant foreign operations or a single external customer from which 10% or more of revenues were derived during the three or nine months ended September 30, 2020 or 2019.

Below is a summary of net sales by each customer type (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Direct Customers	$ 62,409	$ 84,264	$ 175,060	$ 214,014
Distributors	1,894	4,599	4,626	8,841
Total	$ 64,303	$ 88,863	$ 179,686	$ 222,855

15. Subsequent Events

The Company has assessed subsequent events through November 4, 2020, the date which these condensed consolidated financial statements were available to be issued.

On October 2, 2020, the Board of Directors authorized an additional 37,500,000 shares of the Company's common stock, subject to shareholder approval.

On October 30, 2020, the Company announced that The Nasdaq Stock Market LLC approved its application for listing the Company's common stock on the Nasdaq Stock Market. The Company's common stock began trading on the Nasdaq Stock Market at the opening of trading on November 4, 2020 under the symbol "MDXG".

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

MiMedx is an industry leader in advanced wound care and an emerging therapeutic biologics company, developing and distributing placental tissue allografts with patent-protected processes for multiple sectors of healthcare. We derive our products from human placental tissues processed using our proprietary processing methodologies, including the PURION® process. We employ aseptic processing techniques in addition to terminal sterilization to produce our allografts. MiMedx provides products in the wound care, burn, surgical, orthopedic, spine, sports medicine, ophthalmic, and dental sectors of healthcare. Our mission is to offer products and tissues to help the body heal itself. All of our products are regulated by the FDA.

MiMedx is the leading supplier of human placental allografts, which are human tissues that are transplanted from one person (a donor) to another person (a recipient). MiMedx has supplied over 1.9 million allografts, through both direct sales and consignment shipments. Our biomaterial platform technologies include AmnioFix®, EpiFix®, EpiCord®, AmnioCord® and AmnioFill®. AmnioFix and EpiFix are our tissue allografts derived from the amnion and chorion layers of the human placental membrane. EpiCord and AmnioCord are tissue allografts derived from umbilical cord tissue. AmnioFill is a placental connective tissue matrix derived from the placental disc and other placental tissue.

Our EpiFix and EpiCord product lines are promoted for external use, such as in advanced wound care applications, while our AmnioFix, AmnioCord and AmnioFill products are positioned for use in surgical applications, including lower extremity repair, plastic surgery, vascular surgery and multiple orthopedic repairs and reconstructions.

MiMedx has two primary distribution channels: (1) direct to customers (healthcare professionals and/or facilities); and (2) sales through distributors.

Trends in Our Business

Results of our business have declined due to internal and external factors, including continued efforts to resolve areas of business impacted by the Company's former management.

The fallout from the actions of the Company's former management caused negative publicity and media attention, impacting our ability to retain existing customers, expand current sales, identify new customers, and retain talented employees. Legal and restatement costs incurred to rectify and litigate the actions of former management have been significant and have prevented us from making more meaningful investments in our core business. The criminal trial against our former executives began in October 2020 so we expect our indemnification obligations to continue in the next quarter before declining over time. Finally, beginning in March 2020, our operations were impacted by the Pandemic. While, in the third quarter, our operating results returned to a level consistent with our expectations, it is unknown whether further waves of the virus will occur and, if so, whether governmental or societal responses to such further waves will cause an impact as significant as those that occurred during the second quarter of 2020.

Demographic shifts are creating opportunities in the wound care space

The advanced wound care category is expected to continue growing in the U.S. due to certain demographic trends, including an aging population, increasing incidence of obesity and diabetes, and the associated higher susceptibility to non-healing chronic wounds. Furthermore, the increasing number of patients requiring advanced treatment represents a significant cost burden on the healthcare system. We expect that these shifts will benefit our business. With treatment delays associated with the ongoing Pandemic, wounds have not improved and still require treatment, potentially for larger wounds that have not healed.

As we look for ways to achieve long-term competitive advantages, we plan to continue to invest in research & development

We plan to continue efforts to advance the underlying placental science and more rigorously establish the clinical and economic value of our products. We believe a strong scientific foundation will shape future regulatory and coverage policy change, and inform the potential of our core portfolio and musculoskeletal pipeline to address other areas of significant unmet need. This should also differentiate the value of our products. We remain focused on advancing our BLA programs and are therefore aligning customer input, industry expertise, and additional resourcing toward gaining FDA approval for micronized dehydrated human amnion/chorion membrane ("***dHACM***") to treat musculoskeletal degeneration across multiple indications. In addition, we expect to incur additional costs to achieve compliance with advanced regulatory standards, including the filing of two additional INDs for AmnioFill and EpiFix Micronized.

During the third quarter of 2020, we made considerable progress toward these goals. Specifically:

- we consummated two major financing transactions which provided us with sufficient capital to make investments in research and development and capitalize on identified opportunities in the marketplace;
- we launched an expandable version of our EpiCord Placental Allograft product; and
- we concluded enrollment of both our Knee Osteoarthritis Phase 2B study and our Phase 3 Plantar Fasciitis study, representing critical steps in the clinical trial process.

Expected Impact of COVID-19 Pandemic

Governments and businesses around the world have taken unprecedented actions to mitigate the spread of COVID-19, including imposing restrictions on movement and travel such as quarantines and shelter-in-place requirements, and restricting or prohibiting outright some or all commercial and business activity. As of September 30, 2020, significant uncertainty exists surrounding timing, efficacy, and availability of a vaccine. The evolution of the Pandemic, combined with the continuing unavailability of a vaccine, could result in the imposition of similar or greater restrictions for indefinite periods of time.

COVID-19 began to affect our operations during the three months ended March 31, 2020.

Sourcing and Manufacturing

We source placental raw materials for our products from donated C-section births in hospitals. We have a large, geographically-diverse network of donor hospitals. We experienced interruptions for a portion of our hospitals in specific geographic areas beginning in the second half of March 2020. However, we have been successful in mitigating this disruption to our supply by adding additional donor hospitals, using third-party providers of donated placentas (where necessary and in accordance with MiMedx quality standards), and increasing efforts at hospitals that did not impose access limits. Additionally, in anticipation of expected disruptions, we ran manufacturing at levels greater than demand and have been successful in building our inventory of safety stock.

We process donated tissue using aseptic techniques in a controlled environment area. However, the manufacturing space is a confined space with areas that do not require controlled environment and in which an infected employee may spread the virus to other employees despite the use of personal protective equipment required for all areas at MiMedx. We monitor our employees' temperatures and ask employees to confirm that they are not experiencing symptoms of COVID-19 prior to entering our facilities. We have partnered with a testing facility to provide test kits and rapid results for employees that have symptoms or have a known risk of exposure. In addition, the Company is monitoring the guidance and updates provided by federal, state, and local public-health sources that set policy, and will continue adhering to state and local recommendations, as well as Centers for Disease Control and Prevention ("***CDC***") guidance. In response, we have implemented a number of safety protocols. Additionally, we required our non-manufacturing employees, including our executives, to work from home from March 13, 2020 until June 1, 2020 and again from July 12, 2020 until the end of the 2020. We have continued to allow most employees flexibility in their work arrangements as a result of the Pandemic. We have had a small number of employees test positive for COVID-19, each of whom were segregated from our customers and the remaining workforce, but otherwise our processing activities have not been been materially affected by the Pandemic. Except as note above, the Pandemic, and governmental and societal responses to the Pandemic, have had only a modest impact on our ability to source and manufacture our products due to significant mitigation efforts that we have made.

Sales and Marketing

Our ability to sell our products has been hampered by the Pandemic. Our sales force is spread across the country. In many areas, our sales force was excluded from hospitals and the offices of other health care providers. Additionally, many patients stayed away from hospitals and other medical facilities. This had an adverse effect on our revenues beginning late in the first quarter of 2020 and continuing into April. By mid-May, access restrictions to hospitals and offices of healthcare providers had eased for our sales force, and significant numbers of patients began to return for treatment, including for elective procedures. This trend continued into the third quarter of 2020, where we saw net sales in July, August, and September 2020 were generally consistent with net sales in the comparable periods from 2019 on an "as-shipped" basis. We remind the reader that we changed our method of recognizing revenue between 2019 and 2020. See Note 2, *Significant Accounting Policies*.

Future sales will depend on patients' willingness to visit healthcare providers for care, and our sales force's access to healthcare providers. Also, the severity of the Pandemic has been uneven across the country, and future waves of the outbreak of COVID-19 may have a greater impact than did the first wave depending on where infection rates are highest. We are not able to estimate COVID-19's future effect on patient behavior and consequently future demand or the ability of providers to pay for our products. See Item 1A, Risk Factors, in our 2019 Form 10-K: "*The COVID-19 pandemic and governmental and societal responses thereto*

have adversely affected our business, results of operations and financial condition, and the continuation of COVID-19 or the outbreak of other health epidemics could harm our business, results of operations, and financial condition."

Selling and General Administrative Expenses

In response to these challenges, our management team initiated several actions. Most discretionary expenses were eliminated or postponed, including non-essential travel and new hires, with the exception of new hires in areas critical to the business. We negotiated additional discounts with vendors. Merit salary increases scheduled for the second quarter of 2020 were deferred. Beginning on April 5, 2020, we reduced employees' salaries, including those of senior executives, on a sliding scale with larger reductions applied to larger salaries. The salary reductions ended June 28, 2020. We estimate that the combination of these efforts have saved the Company approximately $13 million through September 30, 2020. This has allowed us to reduce our expense base and reduce cash outlays, although we expect our margins to be temporarily reduced until sales return to normal levels.

Liquidity and Capital Resources

Refer to discussion in the *Liquidity and Capital Resources* section below.

Reserves and Financial Estimates

We do not expect that there will be significant changes in judgments in determining the fair value of other assets measured in accordance with U.S. GAAP. As a result of the Pandemic, we do not expect to incur any material impairments (e.g., with respect to goodwill, intangible assets, long-lived assets, right of use assets, investment securities), increases in allowances for credit losses, restructuring charges, other expenses, or changes in accounting judgments that have had or are reasonably likely to have a material impact on our financial statements. However, the uncertain future impacts of COVID-19 make it difficult for us to forecast future results.

Financial Reporting Systems and Internal Controls

We have invested in technology to allow our office staff to work remotely. As a result, we do not expect the Pandemic to have a material adverse effect on our financial reporting systems, internal controls over financial reporting and disclosure controls and procedures, although we have experienced delays when working with third parties who do not have remote access to our systems or whose procedures require them to review certain physical records.

Results of Operations

Three Months Ended September 30, 2020 Compared to the Three Months Ended September 30, 2019

	Three Months Ended September 30, (in thousands)			
	2020	2019	$ Change	% Change
Net sales	$ 64,303	$ 88,863	$ (24,560)	(27.6)%
Cost of sales	10,289	13,205	(2,916)	(22.1)%
Gross profit	54,014	75,658	(21,644)	(28.6)%
Selling, general and administrative	48,046	51,258	(3,212)	(6.3)%
Investigation, restatement and related	12,027	7,242	4,785	66.1 %
Research and development	3,372	2,691	681	25.3 %
Amortization of intangible assets	276	269	7	2.6 %
Loss on extinguishment of debt	(8,201)	—	(8,201)	— %
Interest expense, net	(1,472)	(2,255)	783	(34.7)%
Other income, net	1	127	(126)	(99.2)%
Income tax provision (expense) benefit	(38)	309	(347)	(112.3)%
Net (loss) income	$ (19,417)	$ 12,379	(31,796)	(256.9)%

Net Sales

We recorded net sales for the three months ended September 30, 2020 of $64.3 million, recognized on an "as-shipped" basis, a $24.6 million, or 27.6%, decrease compared to the three months ended September 30, 2019, in which we recognized revenue of $88.9 million. We remind the reader that we changed our method for recognizing revenue on September 30, 2019, and this change in accounting policy materially affects the comparison of net sales between periods. Refer to Note 2, *Significant Accounting Policies*, of the unaudited condensed consolidated financial statements for additional discussion regarding the Transition and Remaining Contracts. Net sales for the three months ended September 30, 2019 includes the Transition adjustment of $21.4 million. Additionally, net sales for the three months ended September 30, 2020 includes $1.0 million of revenue recognized on the Remaining Contracts.

On an "as-shipped" basis, revenue between the two periods was relatively consistent.

Cost of Sales and Gross Profit Margin

Cost of sales for the three months ended September 30, 2020 and 2019 was $10.3 million and $13.2 million, respectively, a decrease of $2.9 million or 22.1%. As part of the Transition, the Company recognized approximately $4.0 million of deferred cost of sales during the three months ended September 30, 2019. On an "as-shipped" basis, cost of sales between the two periods was relatively consistent.

Gross profit margin for the three months ended September 30, 2020 was 84.0% compared to 85.1% for the three months ended September 30, 2019. The decrease in margin is primarily a result of higher quality standards of CGMP and lower yield.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three months ended September 30, 2020 decreased $3.2 million, or 6.3%, to $48.0 million compared to $51.3 million for the three months ended September 30, 2019. The decrease in selling, general and administrative expenses was driven, in part, by travel restrictions implemented by the Company that caused year-over-year travel and entertainment expenses to decrease $1.9 million. The remaining decrease was driven by decreases in salaries and benefits, primarily from reduced severance expenses and fewer legal, consulting, and accounting expenses, exclusive of those recognized in investigation, restatement and related expenses.

Investigation, Restatement and Related Expenses

Investigation, restatement and related expenses for the three months ended September 30, 2020 were $12.0 million compared to $7.2 million for the three months ended September 30, 2019. In the three months ended September 30, 2020 these costs consisted of obligations to advance litigation defense costs incurred under indemnification agreements with the Company's former management as well as resolution costs for matters in which the Company is named. In the three months ended September 30, 2019 these costs consisted of legal and restatement expenses.

Going forward, these costs will be unpredictable, as they will consist of expenses for legal matters involving the Company, including resolution of matters and costs incurred under the indemnification agreements. Management continues to make progress in resolving open matters. Refer to Note 13, *Contractual Commitments and Contingencies*, of the unaudited condensed consolidated financial statements for additional discussion regarding litigation matters.

Research and Development Expenses

Our research and development expenses increased approximately $0.7 million, or 25.3%, to $3.4 million for the three months ended September 30, 2020, compared to approximately $2.8 million for the three months ended September 30, 2019. The increase was driven by consulting fees related to our clinical research efforts.

We do expect these costs to increase over time as we invest in additional clinical and scientific research supportive of future growth objectives (i.e. INDs, clinical efficacy and economic data, internal product development, and pre-clinical research).

Amortization of Intangible Assets

Amortization expense related to intangible assets was relatively flat for the three months ended September 30, 2020 compared to the three months ended September 30, 2019.

Loss on Extinguishment of Debt

Loss on extinguishment of debt was $8.2 million for the three months ended September 30, 2020. The following items, all of which are related to the repayment and termination of our loan agreement with Blue Torch Financial, LLC (the "***BT Term Loan***"), comprise this activity (amounts in thousands):

Unamortized deferred financing costs	$	4,528
Unamortized original issue discount		1,538
Unamortized amendment fee		671
Prepayment premium		1,439
Other fees		25
Loss on extinguishment of debt	$	8,201

Interest Expense, Net

Interest expense, net was $1.5 million for the three months ended September 30, 2020 compared to $2.3 million for the three months ended September 30, 2019, a decrease of $0.8 million, or 34.7%. The difference related to the lower outstanding principal balance and lower stated interest rate on the Term Loan compared to the BT Term Loan.

Other Income, Net

Other (expense) income, net, was income of $0.1 million for the three months ended September 30, 2019. This was primarily driven by a patent infringement settlement received from a customer. Other (expense) income, net was inconsequential for the three months ended September 30, 2020.

Income Tax Provision (Expense) Benefit

The effective tax rates for the Company were (0.2)% and (2.6)% for the three months ended September 30, 2020 and September 30, 2019, respectively. These effective tax rates include the impact of discrete items of $0 and $0.3 million for the three months ended September 30, 2020 and September 30, 2019, respectively. The rate remained consistent over the two periods due to the full valuation allowance recorded in both periods.

Nine Months Ended September 30, 2020 Compared to the Nine Months Ended September 30, 2019

	Nine Months Ended September 30, (in thousands)			
	2020	2019	$ Change	% Change
Net sales	$ 179,686	$ 222,855	$ (43,169)	(19.4)%
Cost of sales	28,513	30,372	(1,859)	(6.1)%
Gross profit	151,173	192,483	(41,310)	(21.5)%
Selling, general and administrative	132,316	152,761	(20,445)	(13.4)%
Investigation, restatement and related	39,065	46,374	(7,309)	(15.8)%
Research and development	8,281	8,421	(140)	(1.7)%
Amortization of intangible assets	818	769	49	6.4 %
Impairment of intangible assets	—	446	(446)	(100.0)%
Loss on extinguishment of debt	(8,201)	—	(8,201)	— %
Interest expense, net	(6,433)	(2,313)	(4,120)	178.1 %
Other (expense) income, net	(2)	272	(274)	(100.7)%
Income tax provision benefit	11,239	225	11,014	4,895.1 %
Net (loss) income	$ (32,704)	$ (18,104)	$ (14,600)	80.6 %

Net Sales

We recorded revenue for the nine months ended September 30, 2020 of $179.7 million, primarily recognized on an “as-shipped” basis, a $43.2 million, or 19.4%, decrease compared to the nine months ended September 30, 2019 revenue of $222.9 million, recognized primarily on a “cash-receipts” basis. We remind the reader that we changed our method for recognizing revenue on September 30, 2019, and this change in accounting policy materially affects the comparison of net sales between periods. Refer to Note 2, *Significant Accounting Policies*, of the unaudited condensed consolidated financial statements for additional discussion regarding the Transition and Remaining Contracts. Net sales for the nine months ended September 30, 2019 includes the Transition adjustment of $21.4 million. Additionally, net sales for the nine months ended September 30, 2020 includes $7.2 million of revenue recognized on the Remaining Contracts. Refer to Note 2, *Significant Accounting Policies*, of the unaudited condensed consolidated financial statements for additional discussion regarding the Transition and Remaining Contracts.

The decrease, excluding the impact of the Transition adjustment and cash collected on Remaining Contracts, primarily resulted from the Pandemic as discussed above. Due to access restrictions imposed across the country, our direct sales staff were limited in their ability to retain or generate new business. The restrictions affected all product lines, and materially impacted products across multiple sites of service, including hospital outpatient, hospital in-patient and physician office applications.

Cost of Sales and Gross Profit Margin

Cost of sales for the nine months ended September 30, 2020 was $28.5 million, a decrease of $1.9 million, or 6.1%, compared to $30.4 million for the nine months ended September 30, 2019. As part of the Transition, the Company recognized approximately $4.0 million of deferred cost of sales during the nine months ended September 30, 2019.

Gross profit margin for the nine months ended September 30, 2020 were 84.1% as compared to 86.4% for the nine months ended September 30, 2019. The decrease in gross margin was due to the cost of higher quality standards of CGMP, lower yield, and negative impact from mix.

Selling, General and Administrative Expenses

Selling, General and Administrative expenses for the nine months ended September 30, 2020 decreased approximately $20.4 million, or 13.4%, to $132.3 million compared to $152.8 million for the nine months ended September 30, 2019. The decrease in selling, general and administrative expenses was driven, in part, by a decrease in legal, consulting, and accounting expenses incurred which were not included in Investigation, restatement and related expense, which decreased $9.3 million, year-over-year. This was further aided by a temporary reduction in salaries, bonuses and other cost-containment measures implemented to mitigate the impact of the Pandemic. The decrease to salaries was reversed during July 2020. The total effect of such measures, year-over-year, was approximately $5.4 million. Travel restrictions implemented by the Company caused travel and entertainment expenses to decrease $3.7 million, year-over-year. The remaining decrease was driven primarily by lower commissions due to decreased sales.

Investigation, Restatement and Related Expenses

Investigation, restatement and related expenses for the nine months ended September 30, 2020 decreased approximately $7.3 million, or 15.8%, to $39.1 million compared to $46.4 million for the nine months ended September 30, 2019. The decrease was driven by decreases in investigation, accounting, and consulting fees, year-over-year, due to the conclusion of the investigation in May 2019. In each period, these expenses consisted of legal fees incurred in connection with our indemnification obligations, restatement fees, and consulting fees.

Going forward, these costs will be unpredictable, as they will consist of expenses for legal matters involving the Company, including resolution of matters and costs incurred under the indemnification agreements. Management continues to make progress in resolving open matters. Refer to Note 13, *Contractual Commitments and Contingencies*, of the unaudited condensed consolidated financial statements for additional discussion regarding litigation matters.

Research and Development Expenses

Our research and development expenses decreased $0.1 million, or 1.7%, to $8.3 million for the nine months ended September 30, 2020, compared to $8.4 million for the nine months ended September 30, 2019. The decrease primarily related to year-over-year decreases in clinical trial activities driven by a decrease in clinical trial visits during the second quarter of 2020, brought upon by the Pandemic. This effect was offset by increases in enrollment and certain consulting costs incurred during the third quarter of 2020.

While expenses are down compared to the prior year, we do expect these costs to increase over time as we invest in additional clinical and scientific research supportive of future growth objectives (i.e. INDs, clinical efficacy and economic data, internal product development, and pre-clinical research).

Amortization of Intangible Assets

Amortization expense related to intangible assets remained relatively flat between nine months ended September 30, 2020 and nine months ended September 30, 2019.

Impairment of Intangible Assets

The impairment of intangible assets of $0.4 million during the nine months ended September 30, 2019 was due to the impairment of certain customer relationship intangible assets related to Stability. Stability was divested during 2017.

Loss on Extinguishment of Debt

Loss on extinguishment of debt was $8.2 million for the nine months ended September 30, 2020. The following items, all of which are related to the repayment and termination of the BT Term Loan, comprise this activity (amounts in thousands):

Unamortized deferred financing costs	$	4,528
Unamortized original issue discount		1,538
Unamortized amendment fee		671
Prepayment premium		1,439
Other fees		25
Loss on extinguishment of debt	$	8,201

There was no equivalent activity during the nine months ended September 30, 2019.

Interest Expense, Net

Interest expense, net was $6.4 million for the nine months ended September 30, 2020 compared to $2.3 million for the nine months ended September 30, 2019. The difference was driven primarily by interest on our BT Term Loan, which was executed on June 10, 2019.

Other (Expense) Income, Net

Other (expense) income, net was income of $0.3 million for the nine months ended September 30, 2019 because of a patent infringement settlement received from a customer. Activity for the nine months ended September 30, 2020 was immaterial.

Income Tax Provision Benefit

The effective tax rates for the Company were 25.6% and 1.2% for the nine months ended September 30, 2020 and 2019, respectively. The change in effective tax rates was driven by modifications to the tax rules for carryback of net operating losses as a result of the CARES Act which are expected to result in a federal tax refund of $11.3 million and an income tax benefit of the same amount.

Critical Accounting Policies

In preparing financial statements, we follow accounting principles generally accepted in the United States, which require us to make certain estimates and apply judgments that affect its financial position and results of operations. Management regularly reviews our accounting policies and financial information disclosures. A summary of significant accounting policies that require the use of estimates and judgments in preparing the financial statements was provided in our 2019 Form 10-K. During the quarter covered by this report, there were no material changes to the accounting policies and assumptions previously disclosed, except as disclosed in Note 2 to the unaudited condensed consolidated financial statements contained herein.

Non-GAAP Financial Measures

In addition to our GAAP results, we provide certain Non-GAAP metrics including Adjusted Net Sales, Earnings Before Interest, Taxes, Depreciation and Amortization ("***EBITDA***"), and Adjusted EBITDA. We believe that the presentation of these measures provides important supplemental information to management and investors regarding our performance. These measurements are not a substitute for GAAP measurements, and the manner in which we calculate such metrics may not be identical to the manner in which other companies calculate and present similar metrics. Company management uses these Non-GAAP measurements as aids in monitoring our on-going financial performance from quarter-to-quarter and year-to-year on a regular basis and for benchmarking against comparable companies.

Adjusted Net Sales

Our reported net sales between periods, specifically those reported prior to and after the Transition, led to situations where we included revenue recognized on the cash basis and the "as-shipped" basis in the same period. Refer to Note 2, "*Significant Accounting Policies*", of the unaudited condensed consolidated financial statements for additional details regarding the Transition. Adjusted Net Sales provides comparative assessments of our revenue and assists in evaluating our sales performance. Adjusted Net Sales consists of GAAP net sales less the effects of the revenue transition. For the three and nine months ended September 30, 2019, this includes the Transition Adjustment. For the three and nine months ended September 30, 2020, this reflects cash received from the Remaining Contracts.

A reconciliation of GAAP net sales to Adjusted Net Sales is provided in the table below (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net sales	$ 64,303	$ 88,863	$ 179,686	$ 222,855
Effect of change in revenue recognition	(1,039)	(21,385)	(7,240)	(21,385)
Adjusted net sales	$ 63,264	$ 67,478	$ 172,446	$ 201,470

EBITDA and Adjusted EBITDA

EBITDA is intended to provide a measure of the Company's operating performance as it eliminates the effects of financing and capital expenditures. EBITDA consists of GAAP net loss excluding: (i) depreciation, (ii) amortization of intangibles, (iii) interest expense, net, (iv) loss on extinguishment of debt, and (v) income tax provision.

Adjusted EBITDA is intended to provide an enduring, normalized view of EBITDA and our broader business operations that we expect to experience on an ongoing basis by removing certain non-cash items and items which may be irregular, one-time, or non-recurring from EBITDA; most significantly those expenses related to the Audit Committee Investigation and Restatement. This also includes share-based compensation, which is predominantly settled in shares. This enables us to identify underlying trends in our business that could otherwise be masked by such items.

Adjusted EBITDA consists of GAAP net loss excluding: (i) depreciation, (ii) amortization of intangibles, (iii) interest expense, (iv) loss on extinguishment of debt, (v) income tax provision, (vi) costs incurred in connection with Audit Committee Investigation and Restatement, (vii) the effect of the change in revenue recognition on net loss, (viii) impairment of intangibles, and (ix) share-based compensation.

Management also assesses EBITDA margin and Adjusted EBITDA margin to provide an additional layer of context to the Company's profitability; indicating our ability to convert our sales into sustainable operating results. EBITDA margin is calculated as EBITDA divided by GAAP net sales. Similarly, Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by GAAP net sales.

A reconciliation of GAAP net loss to EBITDA and Adjusted EBITDA appears in the table below (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Net (loss) income	$ (19,417)	$ 12,379	$ (32,704)	$ (18,104)
Net margin	*(30.2)%*	*13.9%*	*(18.2)%*	*(8.1)%*
Non-GAAP Adjustments:				
Depreciation expense	1,566	1,641	4,494	4,981
Amortization of intangible assets	276	269	818	769
Interest expense, net	1,472	2,255	6,433	2,313
Loss on extinguishment of debt	8,201	—	8,201	—
Income tax provision expense (benefit), net	38	(309)	(11,239)	(225)
EBITDA	(7,864)	16,235	(23,997)	(10,266)
EBITDA margin	*(12.2)%*	*18.3%*	*(13.4)%*	*(4.6)%*
Additional Non-GAAP Adjustments				
Costs incurred in connection with Audit Committee Investigation and Restatement	12,027	7,242	39,065	46,374
Effect of change in revenue recognition	(893)	(18,577)	(6,226)	(18,577)
Impairment of intangible assets	—	—	—	1,258
Share-based compensation	3,669	2,686	11,452	9,199
Adjusted EBITDA	$ 6,939	$ 7,586	$ 20,294	$ 27,988
Adjusted EBITDA margin	*10.8 %*	*8.5%*	*11.3 %*	*12.6 %*
Adjusted EBITDA, % of Adjusted Net Sales	*11.0 %*	*11.2%*	*11.8 %*	*13.9 %*

Discussion of Cash Flows

Operating Activities

Net cash used in operations during the nine months ended September 30, 2020 increased approximately $3.7 million to approximately $20.0 million, compared to $16.3 million for the nine months ended September 30, 2019. The increase in cash used was primarily related to legal settlement payouts, severance payouts to former executives, and interest payments on our various loan agreements. These effects were partially offset by improvements in operating results, exclusive of recorded effects resulting from the Transition during the nine months ended September 30, 2019. This improvement was driven primarily by reductions in expenses related to the Audit Committee Investigation and related Restatement.

Investing Activities

Net cash for investing activities during the nine months ended September 30, 2020 was $2.3 million of cash used for investing activities, compared to $1.3 million of cash provided by investing activities for the nine months ended September 30, 2019. Activity for the nine months ended September 30, 2019 was driven by collection on our note receivable from Stability of $2.7 million. The remaining difference was primarily year-over-year increases in capital expenditures of approximately $1 million, driven by investments made by the Company toward CGMP compliance.

Financing Activities

Net cash provided by financing activities decreased $1.2 million to $62.8 million during the nine months ended September 30, 2020 compared to $64.0 million of cash provided during the nine months ended September 30, 2019. Cash provided by financing activities during the nine months ended September 30, 2020 included proceeds on the sale of the Company’s Series B Convertible Preferred Stock of $93.4 million, net of stock issuance costs. In addition, the Company received $46.7 million of proceeds in connection with the Term Loan, net of original issue discount and deferred financing costs. These proceeds were used in combination with one another to repay the remaining principal balance and prepayment premium on the Company’s BT Term Loan of $73.4 million.

By comparison, activity during the nine months ended September 30, 2019 approximately $66.1 million of proceeds from our BT Term Loan, net of deferred financing costs and original issue discount.

The remaining variance was driven by approximately $0.9 million of incremental principal payments on the BT Term Loan during the nine months ended September 30, 2020, as well as a $1.2 million in period-over-period increase in stock repurchases for tax withholding. The remaining variance was the result of year-over-year changes in stock option activity.

Contractual Obligations

Contractual obligations associated with ongoing business activities are expected to result in cash payments in future periods. The table below summarizes the amounts and estimated timing of these future cash payments as of September 30, 2020 (amounts in thousands).

Contractual Obligations	Total	Less than 1 Year	1-3 Years	3-5 Years	Thereafter
Hayfin Term Loan Principal	$ 50,000	$ —	$ —	$ 50,000	$ —
Hayfin Term Loan Interest	19,869	4,182	8,365	7,322	—

There were no material changes to our operating lease obligations from those disclosed in the section "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" in our 2019 Form 10-K.

Liquidity and Capital Resources

Our business requires capital for our operating activities, including costs associated with the sale of product through direct and indirect sales channels, the conduct of research and development activities, compliance costs, and legal and consulting fees in connection with ongoing litigation and other matters.

On July 2, 2020, we completed a capital raise through the Preferred Stock Transaction (as defined in Note 10, "Equity," above) and the Term Loan (as defined in Note 8, "Long Term Debt," above). We expect to use the proceeds from these transactions to implement our strategic priorities, including for capital investments, take steps to achieve CGMP compliance, advance our IND applications, pursue BLAs for certain of our micronized products, and to settle certain legal matters.

As of September 30, 2020, the Company had approximately $109.6 million of cash and cash equivalents. The Company reported total current assets of approximately $171.5 million and total current liabilities of approximately $57.3 million at September 30, 2020, which represents a current ratio of 3.0 as of September 30, 2020.

Our Common Stock was suspended from trading on The Nasdaq Capital Market effective November 8, 2018 and subsequently was delisted from trading on The Nasdaq Capital Market in March 2019. The Nasdaq Stock Market LLC approved the Company's application for listing its Company's common stock and it resumed trading on the Nasdaq Stock Market at the opening of trading on November 4, 2020 under the symbol "MDXG".

On July 2, 2020, we issued $100 million of our Series B Preferred Stock to an affiliate of EW Healthcare Partners and certain funds managed by Hayfin Capital Management LLP pursuant to a Securities Purchase Agreement with Falcon Fund 2 Holding Company, L.P., an affiliate of EW Healthcare Partners, and to certain funds managed by Hayfin Capital Management LLP, dated as of June 30, 2020, for an aggregate purchase price of $100 million.

On July 2, 2020, we executed a Loan Agreement with, among others, Hayfin Services, LLP, an affiliate of Hayfin Capital Management LLP, which was funded on July 2, 2020 and that provided us with a senior secured term loan in an aggregate amount of $50 million (the "***Term Loan***") and an additional $25 million delayed draw term loan ((the "***DD TL***", collectively, the "***Credit Facilities***") in the form of a committed but undrawn facility that is available for drawdown until June 30, 2021. The Term Loan and the DD TL mature on July 2, 2025 (the "***Maturity Date***"). The Term Loan and the DD TL have no fixed amortization (i.e. interest only through the Maturity Date).

The Credit Facilities contain financial covenants requiring the Company, on a consolidated basis, to maintain the following:

- Maximum Total Net Leverage Ratio of 5.0x through December 31, 2020, reduced to 4.5x through June 30, 2021, further reduced to 4.0x thereafter for the life of the loans, required to be calculated on a quarterly basis,
- Delayed Draw Term Loan Incurrence Covenant (as defined in the Hayfin Loan Agreement) of 3.5x Total Net Leverage, tested prior to any drawings under the DD TL, and
- Minimum Liquidity (as defined in the Hayfin Loan Agreement) of $10 million, an at-all times, financial covenant tested monthly.

We are in compliance with these financial covenants as of September 30, 2020.

On July 2, 2020, we repaid the remaining principal of $72.0 million, and accrued interest and fees of $0.1 million under the BT Loan Agreement. As a result of the early termination of the BT Loan Agreement, we incurred a prepayment premium of $1.4 million. We paid the remaining principal, the related prepayment premium, and the accrued interest with a portion of the proceeds from the Preferred Stock Transaction and the Hayfin Loan Transaction, as described above.

We believe that our anticipated cash from operating activities, existing cash and cash equivalents, as well as the proceeds under the Preferred Stock Transaction and the Hayfin Loan Transaction will enable us to meet our operational liquidity needs and fund our planned investing activities, as well as any challenges and uncertainties surrounding our operating results which may arise due to the COVID-19 Pandemic, for the 12 months from November 4, 2020.

Share Repurchases

During the three months ended September 30, 2020, we repurchased 14,123 shares surrendered by employees to satisfy tax withholding obligations upon vesting of restricted stock. Other than these, we did not repurchase any shares of our common stock for the three months ended September 30, 2020. The timing and amount of future repurchases, if any, will depend upon our stock price, economic and market conditions, regulatory requirements, and other corporate considerations. We may initiate, suspend or discontinue purchases at any time.

Contingencies

See Note 13 to our condensed consolidated financial statements in Part I, Item 1 herein.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as of September 30, 2020.

Recent Accounting Pronouncements

For the effect of recent accounting pronouncements, see Note 2 to the condensed consolidated financial statements contained herein.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Based on our lack of market risk sensitive instruments outstanding at September 30, 2020, we have determined that there was no material market risk exposure to our consolidated financial position, results of operations or cash flows as of such date.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management maintains a set of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our CEO and CFO, to allow for timely decisions regarding required disclosure.

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was performed under the supervision and with the participation of our management, including our CEO and CFO. As a result of this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were not effective as of September 30, 2020 because of certain material weaknesses in internal control over financial reporting, as described in Item 9A, “Controls and Procedures” of our 2019 Form 10-K.

Notwithstanding the conclusion by our CEO and CFO that our disclosure controls and procedures as of September 30, 2020 were not effective, and notwithstanding the identified material weaknesses in our internal control over financial reporting, management believes that the condensed consolidated financial statements and related financial information included in this Quarterly Report on Form 10-Q fairly present in all material respects our financial condition, results of operations and cash flows as of the dates presented, and for the periods ended on such dates, in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Management's belief is based on a number of factors, including the remediation actions described below.

Changes in Internal Control over Financial Reporting

Under Exchange Act Rules 13a-15(d) and 15d-15(d), management is required to evaluate, with the participation of our principal executive officer and principal financial officer, any changes in internal control over financial reporting that occurred during each fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Other than as disclosed under “Remediation Efforts to Address Material Weaknesses in Internal Control over Financial Reporting” below, there were no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Additionally, we have not experienced any material impact to our internal controls over financial reporting despite the fact that most of our employees are working remotely due to the Pandemic. On an ongoing basis, we are monitoring and assessing the impact of COVID-19 and the related remote working situation on our internal controls to minimize the impact on the design and operating effectiveness of internal controls.

Remediation Efforts to Address Material Weaknesses in Internal Control Over Financial Reporting

As discussed in Item 9A, "Controls and Procedures" of our 2019 10-K, we identified unremediated material weaknesses related to the Control Environment and Control Activities elements established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO framework") as of December 31, 2019. Prior to December 31, 2019, we designed and implemented new controls specific to our information and technology system to remediate identified material weaknesses, specifically, management performed a comprehensive review of permissions and profiles within each information technology (“IT”) application that is significant to the Company's financial reporting objectives, and subsequently reconfigured profiles with appropriate permissions to better align with job responsibilities and enforce segregation of duties. Once user profiles and their associated permissions were reconfigured, management employed procedures to ensure the continued appropriateness of all applicable system and network access. This objective was achieved through the performance of periodic user access reviews and the enhancement of procedures related to the granting and removing of system and network access. Due to the timing of the design and implementation of these controls during the fourth quarter of 2019, however, there was insufficient time to consistently execute against their design as of December 31, 2019. During the third quarter of 2020, we executed the newly designed controls specific to the IT system.

Our material weakness remediation efforts have not been limited to our IT general control environment, as we have also implemented either new or newly enhanced controls within numerous business processes throughout the year. These control enhancement initiatives have resulted in improvements to a variety of transactional areas that impact significant account balances and financial statement line items, including (but not necessarily limited to) revenue, inventory, capital assets, income taxes, purchasing, and the treasury function. More pervasive control activities, such as entity level controls and controls inherent to the financial reporting and close process, have also been subject to enhancement during the first three quarters of 2020, as during this period we have formalized accounting policies, introduced additional layers of independent reviews by appropriately qualified individuals, and improved the precision and timeliness of reviews applied to various financial result analyses.

We will continue to evaluate the results of our control assessments and testing procedures to determine whether the new controls have been designed appropriately and are operating effectively, and whether the material weakness has been remediated. We expect that our remediation efforts will continue for all identified material weaknesses through 2020 as described in our remediation plan and status in Item 9A, “Controls and Procedures” of our 2019 10-K.

Inherent Limitation on the Effectiveness of Internal Controls

The effectiveness of any system of internal control over financial reporting is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting can only provide reasonable, not absolute, assurance that its objectives will be met. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but we cannot assure that such improvements will be sufficient to provide us with effective internal control over financial reporting in 2020 or future periods.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

The Company and its subsidiaries are parties to numerous claims and lawsuits arising in the normal course of its business activities, some of which involve claims for substantial amounts. The ultimate outcome of these suits cannot be ascertained at this time. For additional information, see Note 13, "*Contractual Commitments and Contingencies*," to the Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q, which is incorporated herein by reference.

Item 1A. Risk Factors

There have been no material changes to our risk factors from those disclosed under "Risk Factors" in Part I, Item 1A of our 2019 Form 10-K and in Part II, Item 1A. of our Form 10-Q for the period ended June 30, 2020 filed with the SEC on August 4, 2020.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) On June 30, 2020, the Company entered into a Securities Purchase Agreement (the "***Purchase Agreement***" or "***Securities Purchase Agreement***") with Falcon Fund 2 Holding Company, L.P. (the "***EW Purchaser***"), an affiliate of EW Healthcare Partners, and certain funds managed by Hayfin Capital Management LLP (the "***Hayfin Purchasers***" and together with the EW Purchaser, the "***Purchasers***"), in connection with the offering, issuance, and sale of (1) 90,000 shares of the Company's Series B Convertible Preferred Stock, par value $0.001 per share (the "***Series B Preferred Stock***") to the EW Purchaser for an aggregate purchase price of $90,000,000, and (2) 10,000 shares of Series B Preferred Stock in the aggregate to the Hayfin Purchasers for an aggregate purchase price of $10,000,000, in each case on the terms and subject to the conditions of the Purchase Agreement (such shares, the "***Purchased Shares***" and such transaction, the "***Preferred Stock Transaction***"). The Company completed the Preferred Stock Transaction on July 2, 2020. J.P. Morgan Securities LLC acted as placement agent for the offering. The Series B Preferred Stock was offered to a small number of institutional investors in a transaction exempt under Section 4(a)(2) of the Securities Act of 1933, as amended, and certain rules and regulations thereunder. The Company received an aggregate of $95.8 million net of aggregate underwriting discounts or commissions of $4.0 million and placement agent expenses of $0.2 million. The proceeds from the sale of the Preferred Stock Transaction have or will be used to repay outstanding debt, for working capital and general corporate purposes, and to pay transaction fees, costs and expenses incurred in connection with the transactions contemplated by the Purchase Agreement. The Company previously described the Preferred Stock Transaction in Item 9B, "Other," of its Annual Report on Form 10-K for the year ended December 31, 2019, which it filed on July 6, 2020, which disclosures are incorporated herein by reference.

(b) None.

(c) The following table sets forth information regarding the purchases of the Company's equity securities made by or on behalf of the Company or any affiliated purchaser (as defined in Exchange Act Rule 10b-18) during the three month period ended September 30, 2020:

	Total number of shares purchased[(a)]	Average price paid per share	Total number of shares purchased under publicly announced plan	Approximate Dollar Value of Shares that May Yet Be Purchased Under Plans or Programs
Total amount remaining July 1, 2020				$ —
July 1 - July 31, 2020	13,296	$ 5.50	—	$ —
August 1 - August 31, 2020	827	$ 6.65	—	$ —
September 1 - September 30, 2020	—	$ —	—	$ —
Total for the quarter	14,123	$ 5.57	—	

(a) Shares repurchased during the quarter include only shares surrendered by employees to satisfy tax withholding obligations upon vesting of restricted stock.

Item 3. Defaults Upon Senior Securities

(b) Arrearages. As of September 30, 2020, the Company calculated accumulated dividends of $997,260 in respect of the outstanding shares of Series B Preferred Stock. In accordance with the terms thereof, the Company elected to accumulate, rather than pay, such accumulated dividends.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
3.1	Articles of Incorporation of MiMedx Group, Inc., together with Articles of Amendment (i) effective each of May 14, 2010; August 8, 2012, November 8, 2012; and May 15, 2015 (incorporated by reference to Exhibit 3.1 to the Registrant's Form 10-K filed on March 1, 2017), (ii) effective November 6, 2018 (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-A filed on November 7, 2018), and (iii) effective July 1, 2020 (incorporated by reference to Exhibit 3.4 to Registrant's Form 10-Q for the period ended March 31, 2020 filed July 6, 2020).
3.2	Bylaws of MiMedx Group, Inc., as amended and restated as of October 3, 2018 (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K filed on October 4, 2018).
10.1	Registration Rights Agreement dated as of July 2, 2020, by and between MiMedx Group, Inc. and Falcon Fund 2 Holding Company, L.P., incorporated by reference to Exhibit 10.39 to Annual Report on Form 10-K filed July 6, 2020.
10.2*#	Employment Offer Letter between the Company and Rohit Kashyap dated as of July 23, 2020.
10.3*#	Employment Offer Letter between the Company and Robert B. Stein effective August 1, 2020.
10.4*#	Form of Non-Employee Restricted Stock Award Agreement (vest into retirement).
31.1 #	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 #	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 #	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 #	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS #	XBRL Instance Document
101.SCH #	XBRL Taxonomy Extension Schema Document
101.CAL #	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF #	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB #	XBRL Taxonomy Extension Label Linkbase Document
101.PRE #	XBRL Taxonomy Extension Presentation Linkbase Document

* Indicates a management contract or compensatory plan or arrangement

\# Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

November 4, 2020

MIMEDX GROUP, INC.

By: /s/ Peter M. Carlson

Peter M. Carlson

Chief Financial Officer and Principal Financial Officer

Exhibit 10.2

July 23, 2020

Mr. Rohit Kashyap, [***]

Dear Rohit,

I am pleased to confirm our offer of employment to you for the position of Chief Commercial Officer ("CCO") on behalf of MiMedx Group, Inc. ("MiMedx" or "Company"), which employment is to commence on or before August 3, 2020. In this position you will report directly to Tim Wright, Chief Executive Officer.

Your initial base salary will be $19,230 (gross before deductions) per biweekly pay period, which is equivalent to the gross amount of $500,000 on an annualized basis. Your salary will be payable on a biweekly basis. Your future salary adjustments will be in accordance with Company policy and based upon individual and Company performance.

You will be eligible to participate in the MiMedx Group 2020 Operating Incentive Plan ("OIP") with an annual target bonus amount equal to fifty two and one half percent (52.5%) of the annual base salary paid to you in accordance with the terms of such program in effect from time-to-time. You will be eligible to begin participating in the OIP effective July 27, 2020 and will be prorated according to your start date, provided, however, you shall be entitled to receive an amount equal to a minimum of 80% of your prorated annual target bonus amount for calendar year 2020 in view of your third quarter employment start date. Your 2020 OIP incentive will be calculated based on the achievement of MiMedx financial targets and your individual objectives. The individual objectives will be comprised of one or more key operational measures and/or outcomes that are specific to your position and directly influenced by your performance. In the 2020 OIP, specified portions of your above-referenced target bonus will be allocated to a) MiMedx revenue performance, b) MiMedx Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") and c) your performance in the attainment of your 2020 individual objectives. Following the final approval of the 2020 OIP by the MiMedx Board of Directors, you will receive further confirmation of the details of the 2020 OIP.

Based on the Company's analysis of competitive data, the Company has established a target annual long-term incentive value for each posit ion eligible to participate in the Company's stock incentive program. This target is expressed as a percentage of the participant's annual base salary, and is used as a guide by which to measure the appropriate and competitive value of the annual equity grant to be proposed by the Company for approval by the Compensation committee. In your position of CCO, your target annual long-term incentive value is two hundred percent (200%) of your annual base salary. (a) As an incentive to enter into the employ of the Company, you will be eligible to receive a one-time bonus payment in the amount

of $200,000 (gross before deductions). This amount will be payable within forty-five (45) days following the commencement of your employment with MiMedx . You must be an active employee with the Company on the date of payment in order to remain eligible for the above referenced one-time bonus. In accordance with Company policy, should you voluntarily elect to discontinue employment with MiMedx other than for "Good Reason", within twelve (12) months following the date of this Agreement, you agree to repay to MiMedx the full amount of the one-time bonus paid to you. "Good Reason" shall mean the occurrence of one or more of the following conditions, without your consent: (i) a material reduction in your annual base salary and/or annual target bonus, (ii) a material reduction in the nature and scope of your authority, responsibilities or duties; (iii) an adverse change in your reporting relationship such that you do not report to the Board of Directors of the Company or the Chief Executive Officer, or any adverse change in your title from Chief Commercial Officer; or (iv) Employee being required to change his principal place of residence.

As an incentive to enter into employ of the Company, you will be eligible for a restricted stock grant with a value of $1,000,000 dollars, or 200% of your initial base salary. The grant is contingent upon approval of the Board of Directors, but the Company agrees to recommend the grant to the Board no later than the meeting of the Board to be held prior to July 31, 2020. The grant will be made on later of the date your employment commences or the date the Board approves the grant (the "Grant Date"). The award will vest pro rata annually over three years, provided that you continue to be employed by the Company on each vesting date. The number of shares granted will be equal to such value divided by our closing stock price on the Grant Date.

In addition, you shall be entitled to a retention bonus in the amount of $100,000 ("Retention Bonus") to be paid (i) on or before March 30, 2022 if you are still employed by the Company, or (ii) immediately in the event a change in control of the Company occurs prior to March20, 2022. However, in the event your total target cash compensation for the year 2021 is equal to and/or greater than $875,000.00 you shall not be entitled to the retention bonus. In the event your total target cash compensation for 2021 is less than $875,000, you shall only be entitled to such a percent of the Retention Bonus as to ensure your total target cash compensation equals $875,000.

The Company encourages you to review this offer and the terms and conditions contained herein with your personal attorney. The Company will reimburse you for reasonable attorney's fees and expenses incurred in such a review in an amount not to exceed $5,000.

The terms of your offer include the specific compensation arrangements described above, as well as certain change in control and no cause separation benefits which would be payable in the event (i) of a change in control of the Company and within 12 months of such event your employment is involuntarily terminated or the voluntary termination of your employment by you for good reason, or (ii) if your employment is involuntarily terminated, or (iii) a voluntary termination of your employment by you for good reason. These benefits will be described more fully and governed by a Key Employee Retention and Restrictive Covenant Agreement, but shall be an amount not less than 1.25 times your base salary and target bonus for a no cause or good reason termination and not less than1.5 times your base and target bonus for a no cause or good reason termination within one year of a Change in Control. In each instance you shall be entitled to either benefit continuation for a period equal to the amount of the separation payment, i.e. 15 months or 18 months, or a cash payment equal to the cost of such benefit continuation.

You will be eligible to participate in the Company's medical, dental, vision, life insurance, and disability benefits programs the first day of the month following the date of your employment. Additionally you will be entitled to four weeks of vacation annually to be taken and used in a manner consistent with the Company's applicable vacation policy. You will be eligible to participate in the MiMedx Group 401(k) Plan effective

the first day of the month following your employment. In addition, as an officer of the Company, you will be covered by the Company's Director and Officer Insurance and potentially other insurance policies as well as other benefits afforded to the Company's officers, including indemnity right sunder the then applicable program available to other executive officers and which program shall among other things provide for the advancement of expenses in the event you are subject to a claim for which indemnification is allowed by the Company's constituent documents or governing law.

Each such benefit shall be provided in accordance with the terms of the applicable benefit plans, which may be revised at any time at the Company's discretion. A summary of the Company's benefits is enclosed for your review. More detailed benefits eligibility and enrollment information will be sent to you shortly after you begin employment.

This position does not require you to relocate to the Company's headquarters in Marietta, Georgia. However, in the event that the Company and you mutually agree to relocate at a later date, you shall be entitled to participate in the Company's then applicable relocation program.

This offer is contingent upon a favorable background investigation and a pre-employment drug screen result. Please find attached the *Background Authorization* form that authorizes the above referenced background investigation, including drug testing, to be conducted. You must sign and complete the form and return it to my attention before the background investigation and drug screen can commence. Drug screenings must be completed within 48 hours of receiving this offer letter. Once we receive the executed *Background Authorization* form, you will receive an email from Pembrooke with instructions for the drug screen process and a Chain of Custody ID number for specimen collection.

The email from Pembrooke will also contain the addresses and phone numbers of the lab facilities closest to your home address. To find another lab facility that may be more convenient for you, please call 1-800-939-4782, Monday - Friday from 6am to midnight (CST). No appointments are necessary. Please make sure that you bring the COC Registration number and photo identification, such as your driver's license.

The Company is committed to the highest standards of integrity and to treating its customers, employees, fellow workers, business partners and competitors in good faith and fair dealing. We expect employees to share the same standard and values. By accepting this offer, you agree that throughout your employment, you will observe all of the Company's rules governing conduct of its business and employees, including its policies protecting employees from illegal discrimination and harassment, as those rules and policies may be amended from time to time.

As an employee of MiMedx, you are prohibited from the use or disclosure of confidential information or trade secrets obtained from your past employers. If you have any such documents in your possession, you are expected to return them to the respective organization, and during the course of your employment with the Company, not bring onto MiMedx premises or utilize in any manner such documents, confidential information or trade secrets. While you have not made the Company aware of any such information in your possession, we urge you to abide by this prohibition if such information is currently in your possession.

This offer of employment is contingent on the absence of any restrictive covenants that would prevent you from conducting the duties and responsibilities of your position with MiMedx. The Company acknowledges that you have provided it with a copy of a prior Restrictive Covenants Agreement dated November 4, 2011, by and between Kinetic Concepts, Inc. and you (the "Restrictive Covenants Agreement"). The Company

and you have reviewed the Restrictive Covenants Agreement and, each, in good faith, believes that the obligations or restrictions under such agreement would not be triggered by your employment with the Company or your execution of your duties on behalf of the Company as contemplated by this Agreement. Further the Company agrees that if a claim is made that your employment with MiMedx or the execution of your duties on behalf of MiMedx constitutes a breach or violation of the Restrictive Covenants Agreement the Company will provide you with a defense, at the Company's expense, against any such claim(s) with counsel reasonably satisfactory to you. You acknowledge that you have had the opportunity to consult with your attorney regarding this matter. If you become aware of any other restrictive covenant agreements to which you are a party which may restrict or limit your employment with the Company, by your acceptance of this offer, you agree to promptly provide us with a copy of such additional agreements.

As a condition of your employment, you will be required to sign and comply with the enclosed MiMedx Confidentiality and Non-Solicitation Agreement, MiMedx Employee Inventions Assignment Agreement, and MiMedx Non-Competition Agreement. If the provisions of this offer are agreeable to you, please sign this letter to indicate your acceptance and return one copy along with the above-referenced agreements in the enclosed self-addressed envelope.

Rohit, I am delighted to extend this offer to you and look forward to an exciting and mutually rewarding business association. We look forward to your joining MiMedx. Please feel free to contact me via email or on my cell phone at 404-796-5670 if you have any questions.

Sincerely,

/s/ Lee Ann Lawson

Lee Ann Lawson
Senior Vice President, Human Resources

cc:Tim Wright

ACCEPTANCE

I have read and understand the foregoing which constitutes the entire and exclusive agreement between the Company and the undersigned and supersedes all prior or contemporaneous proposals, promises, understandings, representations, conditions, oral or written, relating to the subject matter of this agreement. I understand and agree that my employment is at-will and is subject to the terms and conditions contained herein.

/s/ Rohit Kashyap July 23, 2020

Rohit Kashyap *Date*

Exhibit 10.3

July 10, 2020

Mr. Robert B. Stein
[***]

Dear Bob,

I am pleased to confirm our offer of employment to you for the position of Executive Vice President, Research and Development ("EVP, R&D") on behalf of MiMedx Group, Inc. ("MiMedx" or "Company"), which employment is to commence on or before July 27. In this position you will report directly to Tim Wright, Chief Executive Officer.

Your initial base salary will be $19,230 (gross before deductions) per biweekly pay period, which is equivalent to the gross amount of $500,000 on an annualized basis. Your salary will be payable on a biweekly basis. Your future salary adjustments will be in accordance with Company policy and based upon individual and Company performance.

You will be eligible to participate in the MiMedx Group 2020 Operating Incentive Plan ("OIP") with an annual target bonus amount equal to fifty percent (50%) of the base salary paid to you in accordance with the terms of such program in effect from time-to-time. You will be eligible to begin participating in the OIP effective upon joining the Company and will be prorated according to your start date. Your 2020 OIP incentive will be calculated based on the achievement of MiMedx financial targets and your individual objectives. The individual objectives will be comprised of one or more key operational measures and/or outcomes that are specific to your position and directly influenced by your performance. In the 2020 OIP, specified portions of your above-referenced target bonus will be allocated to a) MiMedx revenue performance, b) MiMedx Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") and c) your performance in the attainment of your 2020 individual objectives. Following the final approval of the 2020 OIP by the MiMedx Board of Directors, you will receive further confirmation of the details of the 2020 OIP.

Based on the Company's analysis of competitive data, the Company has established a target annual long-term incentive value for each position eligible to participate in the Company's stock incentive program. This target is expressed as a percentage of the participant's annual base salary, and is used as a guide by which to measure the appropriate and competitive value of the annual equity grant to be proposed by the Company for approval by the Compensation committee. In your position of EVP, R&D, your target annual long-term incentive value is two hundred percent (200%) of your annual base salary.

As an incentive to enter into the employ of the Company prior to your receipt of the bonus from your current employer, you will be eligible to receive a one-time bonus payment in the amount of $250,000 (gross before deductions). This amount will be payable within forty-five (45) days following the commencement of your employment with MiMedx. You must be an active employee with the Company on the date of payment in order to remain eligible for the above referenced one-time bonus. In accordance with Company policy, should you voluntarily elect to discontinue employment with MiMedx within twelve (12) months following the date that the above-described one-time bonus was paid, you agree to repay to MiMedx the full amount of the one-time bonus paid to you.

As an incentive to enter into employ of the Company, you will be eligible for a restricted stock grant with a value of $500,000 (or 100% of your starting base salary) dollars; the grant is contingent upon approval of

the Board of Directors, but the Company agrees to recommend the grant to the Board no later than the next meeting of the Board. The grant will be made on later of the date your employment commences or the date the Board approves the grant (the "Grant Date"). The award will vest pro rata annually over three years, provided that you continue to be employed by the Company on each vesting date. The number of shares granted will be equal to such value divided by our closing stock price on the Grant Date.

The terms of your offer include the specific compensation arrangements described above, as well as, a Change of Control Severance and Restrictive Covenant Agreement. This Agreement would initially be equal to twelve months of your annual base compensation and twelve months of your annual target bonus. In addition, the Company has engaged a compensation consultant, which is, among other things, reviewing the Company's severance plan(s) for executives. The consultant and Management will make a formal recommendation to the Compensation Committee of the Board of Directors at the July Compensation Committee Meeting and Board of Directors Meetings. You will be entitled to the severance benefits approved by the Compensation committee for non-CEO executives and will be presented a retention agreement once such benefits are approved.

You will be eligible to participate in the Company's medical, dental, vision, life insurance, and disability benefits programs the first day of the month following the date of your employment. You will be eligible to participate in the MiMedx Group 401(k) Plan effective the first day of the month following your employment.

Each such benefit shall be provided in accordance with the terms of the applicable benefit plans, which may be revised at any time at the Company's discretion. A summary of the Company's benefits is enclosed for your review. More detailed benefits eligibility and enrollment information will be sent to you shortly after you begin employment.

This offer is contingent upon a favorable background investigation and a pre-employment drug screen result. Please find attached the *Background Authorization* form that authorizes the above referenced background investigation, including drug testing, to be conducted. You must sign and complete the form and return it to my attention before the background investigation and drug screen can commence. Drug screenings must be completed within 48 hours of receiving this offer letter. Once we receive the executed *Background Authorization* form, you will receive an email from Pembrooke with instructions for the drug screen process and a Chain of Custody ID number for specimen collection.

The email from Pembrooke will also contain the addresses and phone numbers of the lab facilities closest to your home address. To find another lab facility that may be more convenient for you, please call 1-800-939-4782, Monday – Friday from 6am to midnight (CST). No appointments are necessary. Please make sure that you bring the COC Registration number and photo identification, such as your driver's license.

The Company is committed to the highest standards of integrity and to treating its customers, employees, fellow workers, business partners and competitors in good faith and fair dealing. We expect employees to share the same standard and values. By accepting this offer, you agree that throughout your employment, you will observe all of the Company's rules governing conduct of its business and employees, including its policies protecting employees from illegal discrimination and harassment, as those rules and policies may be amended from time to time.

As an employee of MiMedx, you are prohibited from the use or disclosure of confidential information or trade secrets obtained from your past employers. If you have any such documents in your possession, you are expected to return them to the respective organization, and during the course of your employment with the Company, not bring onto MiMedx premises or utilize in any manner such documents, confidential

information or trade secrets. While you have not made the Company aware of any such information in your possession, we urge you to abide by this prohibition if such information is currently in your possession.

This offer of employment is contingent on the absence of any restrictive covenants that would prevent you from conducting the duties and responsibilities of your position with MiMedx. By your acceptance of this offer, you represent that you are not a party to any non-disclosure, restrictive covenant or invention assignment agreements. If you become aware of any such agreements to which you are a party, by your acceptance of this offer, you agree to provide us with a copy of such additional agreements.

As a condition of your employment, you will be required to sign and comply with the enclosed MiMedx Confidentiality and Non-Solicitation Agreement, MiMedx Employee Inventions Assignment Agreement, and MiMedx Non-Competition Agreement. If the provisions of this offer are agreeable to you, please sign this letter to indicate your acceptance and return one copy along with the above-referenced agreements in the enclosed self-addressed envelope.

Bob, I am delighted to extend this offer to you and look forward to an exciting and mutually rewarding business association. We look forward to your joining MiMedx. Please feel free to contact me via email or on my cell phone at 404-796-5670 if you have any questions.

Sincerely,

/s/ Lee Ann Lawson

Lee Ann Lawson
Senior Vice President, Human Resources

cc: Tim Wright

ACCEPTANCE

I have read and understand the foregoing which constitutes the entire and exclusive agreement between the Company and the undersigned and supersedes all prior or contemporaneous proposals, promises, understandings, representations, conditions, oral or written, relating to the subject matter of this agreement. I understand and agree that my employment is at-will and is subject to the terms and conditions contained herein.

/s/ Robert B. Stein August 1, 2020

Robert B. Stein *Date*

Exhibit 10.4

MIMEDX GROUP, INC.

2016 EQUITY AND CASH INCENTIVE PLAN

Restricted Stock Agreement

No. of shares
of Restricted Stock: _____

THIS RESTRICTED STOCK AGREEMENT (this "Agreement") dated as of the ____ day of ____ 2020 (the "Grant Date"), between MiMedx Group, Inc. (the "Company") and _____ (the "Participant"), is made pursuant and subject to the provisions of the Company's 2016 Equity and Cash Incentive Plan (the "Plan"), a copy of which is attached hereto. All terms used herein that are defined in the Plan have the same meaning given them in the Plan.

1. *Grant of Restricted Stock.* Pursuant to the Plan, the Company, on the Grant Date granted to the Participant, subject to the terms and conditions of the Plan and subject further to the terms and conditions set forth herein, this Restricted Stock Award for _____ shares of Common Stock (the "Shares"). The Shares are nontransferable and forfeitable until the time they vest and become nonforfeitable as described herein. The Shares will vest and become nonforfeitable as set forth in Section 2 below.

2. *Vesting of the Shares.* Subject to earlier expiration or termination as provided herein, the Shares will become vested and nonforfeitable (such date upon which the Shares vest, the "Vesting Date") as follows*:*

(a) *Time-Based Vesting*. The Shares will become vested in full and nonforfeitable upon the first anniversary of the Date of Grant, provided the Participant has either (i) been continuously providing services as a non-employee director of the Company from the Date of Grant until such date or, (ii) following the Participant's term of service as a non-employee director during the vesting period, the Participant has fully performed the obligations in Section 4, below, through such date.

(b) *Change of Control*. Notwithstanding the foregoing subsection (a), upon the occurrence of a Change of Control, the Shares shall become vested and nonforfeitable at the time of the Change of Control, provided the Participant has been continuously employed by, or providing services to, the Company or an Affiliate from the Date of Grant until the time of the Change of Control.

(c) *Death and Disability*. Notwithstanding the foregoing, if the Participant's service as a non-employee director of the Company or performance of obligations under Section 4 is terminated on account of the Participant's death or Disability, the Shares shall become vested and nonforfeitable upon termination of the Participant's service as a

non-employee director or performance of obligations under Section 4, as applicable, on account of the Participant's death or Disability.

3. *Non-Transferability of the Shares.*

(a) *Transfer Restrictions*. Participant shall not assign or transfer any Shares while such Shares remain forfeitable, other than by will or the laws of descent and distribution. No right or interest of Participant or any transferee in the Shares shall be subject to any lien or any obligation or liability of the Participant or any transferee.

(b) *Stock Holding Requirements*. Notwithstanding any other provision of this Agreement, the shares that vest and become nonforfeitable may not be sold, transferred or otherwise disposed of until the level of ownership provided in the Company's Stock Ownership Guidelines is met, to the extent applicable to the Participant. All shares of Common Stock acquired hereunder shall be subject to the terms and conditions of the Company's Stock Ownership Guidelines, as they may be amended from time to time.

4. *Continuing Services and Protective Covenants.*

(a) The Participant agrees to be available for consultation and cooperation with the Company during the vesting period, as may be reasonably requested by the Company, including any portion of the vesting period following termination of Participant's service as a non-employee director.

(b) Definitions. This Subsection sets forth the definition of certain capitalized terms used in this Section 4.

(i) "Competing Business" shall mean a business (other than the Company) that, directly or through a controlled subsidiary or through an affiliate, is an integrated developer, processor, and/or marketer of a) collagen based biomaterials and products, b) bioimplants processed from human amniotic membrane, c) other amnion based products, d) tissue regeneration products, e) human allograft including skin and bone products, and f) other products of the type conducted, authorized, offered or provided within two years prior to the Grant Date (collectively, "Competing Services").

(ii) "Competitive Position" shall mean: (A) the Participant's direct or indirect equity ownership (excluding ownership of less than one percent (1%) of the outstanding common stock of any publicly held Company) or control of any portion of any Competing Business; or (B) any employment, consulting, partnership, advisory, directorship, agency, promotional or independent contractor arrangement between the Participant and any Competing Business where the Participant performs services for a Competing Business.

(iii) "Confidential Information" shall have the meaning provided in the Georgia Restrictive Covenants Act, Ga. Code Ann. §§ 13-8-50 to 59, and all amendments thereto, concerning the Company, its parent and the other subsidiaries of its parent in any form or media, whether oral, written, graphic, machine readable, sample form, or other tangible media, or in information storage and retrieval systems, including (A) all tangible reproductions or embodiments of such Confidential Information; (B) all notes, analyses, compilations, studies, interpretations or other documents, and all copies thereof, prepared by the Participant, which contain, reflect or are

based upon, in whole or in part, any Confidential Information. Confidential Information includes, but is not limited to, data, reports (including, but not limited to, weekly task list reports and clinical research reports), analyses (including, but not limited to, analyses of competitive products and potentially competitive emerging technologies), matrices, notes, interpretations, protocols, forecasts, testing, methods and analysis of test results, records, models (including, but not limited to, the models of studies performed), documents, agreements, business plans, budgeting information, customer lists, the identity of and information relating to suppliers, business partnerships and acquisition targets, financial statements and other financial information of the Company and its customers or suppliers, know-how, strategic or technical data, research (primary and basic), clinical trial data and outcomes, technology (including without limitation all processing, manufacturing and related technology), designs, developments, inventions, data and any components thereof, whether or not copyrightable, intellectual property and trade secrets, whether or not patented or patentable, patent programs and strategies, sales and marketing data, marketing research data, marketing strategies, marketing materials (including, those in draft form), product information (including, but not limited to, the composition and structure of products, manufacturing processes for products, histology of products, biologic activity of products, internal opinions on the efficacy of products, and research team conclusions on products), product research and development data, sample product information, information discussed during lab meetings, software programs (including source code), pricing information and strategies, information provided by third parties which the Company has a duty to protect from disclosure.

(iv) "Covenant Period" shall mean the period of time from the Grant Date to the date that is twelve (12) months after the Grant Date.

(v) "Customers" shall mean prospective and actual customers, clients or referral sources to or on behalf of which the Company provides Competing Services and with whom the Participant had Material Contact (A) during the two years prior to the Grant Date and (B) during the Covenant Period.

(vi) "Material Contact" shall mean the contact between the Participant and each Customer or potential Customer of the Company: (A) with whom or with which the Participant dealt on behalf of the Company in an effort to initiate, maintain or further a business relationship between the Company and the Customer or potential Customer; (B) whose dealings with the Company were coordinated or supervised by the Participant; (C) about whom the Participant obtained Confidential Information in the ordinary course of business as a result of the Participant's association with the Company; or (D) who receives products or services authorized by the Company, the sale or provision of which directly results or resulted in compensation, commissions, or earnings for the Participant within the last two (2) years of the Participant's service with the Company.

(vii) "Restricted Territory" shall mean the 48 contiguous states of the continental United States.

(viii) "Trade Secrets" shall mean Confidential Information which meets the additional requirements of the Georgia Trade Secrets Act of 1990 (the "Act") or similar state law, as applicable, or the Defend Trade Secrets Act of 2016.

(c) Limitation on Competition. In consideration of the Company's entering into this Agreement and the acknowledgements set forth in Section 4(f) below, the Participant agrees that during the Covenant Period, the Participant will not, without the prior written consent of the Company, anywhere within the Restricted Territory, either directly or indirectly, alone or in conjunction with any other party, accept, enter into or take any action in conjunction with or in furtherance of a Competitive Position (other than action to reject an unsolicited offer of a Competitive Position).

(d) Limitation on Soliciting Customers. In consideration of the Company's entering into this Agreement and the acknowledgements set forth in Section 4(g) below, the Participant agrees that during the Covenant Period, the Participant will not, without the prior written consent of the Company, alone or in conjunction with any other party, solicit, divert or appropriate or attempt to solicit, divert or appropriate on behalf of a Competing Business with which Participant has a Competitive Position any Customer located in the Restricted Territory (or any other Customer with which the Participant had any material contact on behalf of the Company) for the purpose of providing the Customer or having the Customer provided with Competing Services.

(e) Limitation on Soliciting Personnel or Other Parties. In consideration of the Company's entering into this Agreement and the acknowledgements set forth in Section 4(g) below, the Participant hereby agrees that during the Covenant Period, the Participant will not, without the prior written consent of the Company, alone or in conjunction with any other party, solicit or attempt to solicit any employee, consultant, contractor, independent broker or other personnel of the Company or any subsidiary of the Company to terminate, alter or lessen that party's affiliation with the Company or to violate the terms of any agreement or understanding between such employee, consultant, contractor or other person and the Company or any subsidiary of the Company.

(f) Limitation on Use and/or Disclosure of Confidential Information. In consideration of the Company's entering into this Agreement and the acknowledgements set forth in Section 4(g) below, the Participant hereby agrees that from the Grant Date to the date that is twelve months after the Grant Date, he shall (A) hold all Confidential Information in trust and confidence and not, directly or indirectly, divulge, publish or disclose the Confidential Information, whether it is tangible or intangible, to (I) any third party, or (II) any employee or contractor of the Company not authorized to access the Confidential Information, without prior written consent of the Company; (B) not copy or remove from the Company offices any Confidential Information or Trade Secrets without prior written consent of the Company; and (C) not use the Confidential Information for the Participant's personal benefit or for the benefit of any third party, except as otherwise required pursuant to valid judicial order, provided the Participant shall provide prompt written notice of such order to, and shall use the Participant's best efforts to cooperate with, the Company to obtain a protective order or other remedy to ensure that confidential treatment will be afforded such Confidential Information. Notwithstanding the foregoing obligations not to disclose Confidential Information, nothing in this Agreement prohibits the Participant from disclosing information in confidence to a government official or to an attorney for the sole purpose of reporting or investigating a suspected violation of the law. Similarly, nothing in this Agreement prohibits the Participant from disclosing information in a complaint or other court filing, if and only if such filing is made under seal.

(g) Acknowledgements. The Participant understands that the nature of the Participant's position gives the Participant access to and knowledge of confidential business information of the Company and places the Participant in a position of trust and confidence with the Company. The Participant understands and acknowledges that the intellectual services the Participant provides to the Company are unique, special, or extraordinary. The Participant further understands and acknowledges that the Company's ability to reserve these for the exclusive knowledge and use of the Company is of great competitive importance and commercial value to the Company, and that improper use or disclosure by the Participant is likely to result in unfair or unlawful competitive activity. The parties acknowledge and agree that the Protective Covenants are reasonable as to time, scope and territory given the Company's need to protect its trade secrets and confidential business information and given the substantial payments and benefits to which the Participant may be entitled pursuant to this Agreement.

(h) Remedies. The parties acknowledge that any breach or threatened breach of a Protective Covenant by the Participant is reasonably likely to result in irreparable injury to the Company, and therefore, in addition to all remedies provided at law or in equity, the Participant agrees that the Company shall be entitled to a temporary restraining order and a permanent injunction to prevent a breach or contemplated breach of the Protective Covenant. If the Company seeks an injunction, the Participant waives any requirement that the Company post a bond or any other security.

5. *Forfeiture of the Shares.* Shares that are not vested and nonforfeitable pursuant to Sections 2(a), (b) or (c) as of the date of termination of Participant's service as a non-employee director of the Company or full performance of the obligations in Section 4, above, through the end of the vesting period, as applicable, will be forfeited automatically at the close of business on that date (immediately upon removal or notice of termination for Cause). In no event may the Shares become vested and nonforfeitable, in whole or in part, after forfeiture pursuant to this Section 5.

6. *Agreement to Terms of the Plan and this Agreement.* The Participant has received a copy of the Plan, has read and understands the terms of the Plan and this Agreement, and agrees to be bound by their terms and conditions. All decisions and interpretations made by the Company or the Committee with regard to any question arising under this Agreement will be binding and conclusive on the Company and Participant and any other person who has any rights under this Agreement.

7. *Tax Consequences.* The Participant acknowledges (i) that there may be adverse tax consequences upon acquisition or disposition of the shares of Common Stock received upon vesting of the Shares and (ii) that Participant should consult a tax adviser prior to such acquisition or disposition. The Participant is solely responsible for determining the tax consequences of the Restricted Stock Award and for satisfying the Participant's tax obligations with respect to the Restricted Stock Award (including, but not limited to, any income or excise tax as resulting from the application of any Code section or related interest and penalties), and the Company and its Affiliates shall not be liable if this grant is subject to Code Sections 409A, 280G or 4999.

8. *Fractional Shares.* Fractional shares shall not be issuable hereunder, and when any provision hereof may entitle the Participant to a fractional share such fractional share shall be disregarded.

9. *Change in Capital Structure.* The Shares shall be adjusted in accordance with the terms and conditions of the Plan as the Committee determines is equitably required in the event the Company effects one or more stock dividends, stock splits, subdivisions or consolidations of shares or other similar changes in capitalization.

10. *Notice.* Any notice or other communication given pursuant to this Agreement, or in any way with respect to the Shares, shall be in writing and shall be personally delivered or mailed by United States registered or certified mail, postage prepaid, return receipt requested, to the following addresses:

If to the Company: MiMedx Group, Inc.
1775 West Oak Commons Ct. NE
Marietta, Georgia 30062
Attn: _____

If to the Participant: _____
_____
_____

11. *Shareholder Rights.* While the Shares remain subject to forfeiture in accordance with this Agreement, Participant shall have all rights of a stockholder with respect to such Shares, including the right to receive dividends and vote the Shares; provided, however, that during such period (i) Participant may not sell, transfer, pledge, exchange, hypothecate or otherwise dispose of the Shares other than as described above and (ii) the Company shall retain custody of any certificates evidencing the Shares. In lieu of retaining custody of any certificates evidencing the Shares, the Shares granted under the Agreement, may, in the Company's discretion, be held in escrow by the Company or reflected in the Company's books and records, until Participant's interest in such Shares becomes vested and nonforfeitable. With respect to any Shares forfeited under this Agreement, Participant does hereby irrevocably constitute and appoint the Secretary of the Company or any successor Secretary of the Company (the "Secretary") as Participant's attorney to transfer the forfeited Shares on the books of the Company with full power of substitution in the premises. The Secretary shall use such authority to cancel any Shares that are forfeited under this Agreement.

12. *No Right to Continued Service.* Neither the Plan, the granting of the Shares nor any other action taken pursuant to the Plan or this Agreement constitutes or is evidence of any agreement or understanding, expressed or implied, that the Company or any Affiliate shall retain the Participant as a non-employee director or other service provider for any period of time or at

any particular rate of compensation or the rights of shareholders to elect and remove non-employee directors.

13. *Binding Effect.* Subject to the limitations stated above and in the Plan, this Agreement shall be binding upon and inure to the benefit of the legatees, distributees, and personal representatives of the Participant and the successors of the Company.

14. *Conflicts.* In the event of any conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of the Plan shall govern. All references herein to the Plan shall mean the Plan as in effect on the date hereof.

15. *Counterparts.* This Agreement may be executed in a number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one in the same instrument.

16. *Miscellaneous.* The parties agree to execute such further instruments and take such further actions as may be necessary to carry out the intent of the Plan and this Agreement. This Agreement and the Plan shall constitute the entire agreement of the parties with respect to the subject matter hereof.

17. *Section 409A.* Notwithstanding any of the provisions of this Agreement, it is intended that the Shares be exempt from Section 409A of the Code. Notwithstanding the preceding, neither the Company nor any Affiliate shall be liable to the Participant or any other person if the Internal Revenue Service or any court or other authority have any jurisdiction over such matter determines for any reason that the Shares are subject to taxes, penalties or interest as a result of failing to be exempt from, or comply with, Section 409A of the Code.

18. *Section 83(b)*. The Participant may make an election under Section 83(b) of the Code to include the Fair Market Value of the Shares in taxable income as of the Date of Grant.

19. *Compensation Recoupment Policy*. Notwithstanding any other provision of this Agreement, the Participant shall reimburse or return to the Company the gross number of shares of Common Stock that the Participant received (or would have received absent a "net exercise" procedure) under this Agreement or, if greater, the amount of gross proceeds from any earlier sale of any such shares of Common Stock, plus any other amounts received with respect to this Award, to the extent any reimbursement, recoupment or return is required under applicable law or the Company's Compensation Recoupment Policy or any similar policy that the Company may adopt.

20. *Governing Law.* This Agreement shall be governed by the governing laws applicable to the Plan.

[Signature Page to Follow]

IN WITNESS WHEREOF, the Company has caused this Agreement to be signed by a duly authorized officer, and the Participant has affixed the Participant's signature hereto.

COMPANY:

MiMedx Group, Inc.

By:
Name:
Title:

ATTEST:

_____
[Name]
[Title]

PARTICIPANT:

Participant's Signature

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULES 13a-14(A) AND 15d-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934

I, Timothy R. Wright, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, of MiMedx Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2020

/s/ Timothy R. Wright
Timothy R. Wright
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULES 13a-14(A) AND 15d-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934

I, Peter M. Carlson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, of MiMedx Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2020

/s/ Peter M. Carlson
Peter M. Carlson
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned Timothy R. Wright, the Chief Executive Officer of MiMedx Group, Inc. (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Quarterly Report on Form 10-Q for the period ending September 30, 2020 (the "Report"). Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned hereby certifies, to his knowledge, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2020

/s/ Timothy R. Wright

Timothy R. Wright
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned Peter M. Carlson, the Chief Financial Officer of MiMedx Group, Inc. (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Quarterly Report on Form 10-Q for the period ending September 30, 2020 (the "Report"). Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned hereby certifies, to his knowledge, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 4, 2020

/s/ Peter M. Carlson

Peter M. Carlson

Chief Financial Officer