

MIMEDX GROUP, INC.
Form 10-Q
November 16, 2009

Table of Contents

**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, 2009

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 0-52491

MIMEDX GROUP, INC.

(Exact name of registrant as specified in its charter)

Florida

(State or other jurisdiction of incorporation)

26-2792552

(I.R.S. Employer Identification Number)

811 Livingston Court, Suite B

Marietta, GA

(Address of principal executive offices)

30067

(Zip Code)

(678) 384-6720

Registrant's telephone number, including area code

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, 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 and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting
company

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

As of November 12, 2009 there were 43,185,022 shares outstanding of the registrant's common stock.

MIMEDX GROUP, INC.
TABLE OF CONTENTS

Part I FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

<u>Condensed Consolidated Balance Sheets as of September 30, 2009 (unaudited) and March 31, 2009 (unaudited)</u>	2
--	---

<u>Condensed Consolidated Statements of Operations for the three and six months ended September 30, 2009, 2008, and the period from inception (November 22, 2006) through September 30, 2009 (unaudited)</u>	3
--	---

<u>Condensed Consolidated Statements of Stockholders' Equity for the six months ended September 30, 2009 and for the period from inception (November 22, 2006) through the period September 30, 2009</u>	4
--	---

<u>Condensed Consolidated Statements of Cash Flows for the six months ended September 30, 2009, 2008, and the period from inception (November 22, 2006) through September 30, 2009 (unaudited)</u>	6
--	---

<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	7
---	---

<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	20
--	----

<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	25
---	----

<u>Item 4. Controls and Procedures</u>	26
--	----

Part II OTHER INFORMATION

<u>Item 1. Legal Proceedings</u>	26
----------------------------------	----

<u>Item 1A. Risk Factors</u>	26
------------------------------	----

<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	26
--	----

<u>Item 3. Defaults Upon Senior Securities</u>	28
--	----

<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	28
--	----

<u>Item 5. Other Information</u>	28
----------------------------------	----

<u>Item 6. Exhibits</u>	29
-------------------------	----

EX-31.1
EX-31.2

EX-32.1

EX-32.2

Table of Contents

MIMEDX GROUP, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTERPRISE)
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

ASSETS	September 30, 2009	March 31, 2009
Current assets:		
Cash and cash equivalents	\$ 5,785	\$ 34,828
Prepaid expenses and other current assets	180,254	82,953
 Total current assets	 186,039	 117,781
Property and equipment, net of accumulated depreciation of \$837,548 (September) and \$610,536 (March)	1,159,250	1,375,896
Goodwill	857,597	857,597
Intangible assets, net of accumulated amortization of \$1,324,070 (September) and \$990,660 (March)	4,782,927	5,116,337
Deferred financing costs	209,971	
Deposits	149,202	149,202
 Total assets	 \$ 7,344,986	 \$ 7,616,813

LIABILITIES AND STOCKHOLDERS EQUITY

Current liabilities:		
Accounts payable and accrued expenses	\$ 932,741	\$ 1,699,337
Hybrid debt instrument	369,055	
Warrant derivative liability	609,666	
 Total current liabilities	 1,911,462	 1,699,337
Long term convertible debt, face value \$3,472,000 less unamortized discount of \$600,319 and including accrued interest of \$43,564	2,915,245	
 Total liabilities	 4,826,707	 1,699,337
 Commitments and contingencies (Notes 4 and 12)		
Common stock with registration rights, 1,905,000 shares issued and outstanding March (Note 7)		3,761,250

Stockholders' equity:

Preferred stock; \$.001 par value; 5,000,000 shares authorized and 0 (September and March) shares issued and outstanding

Common stock; \$.001 par value; 100,000,000 shares authorized and 42,185,022 (September) and 37,339,628 (March) shares issued and outstanding

Additional paid-in capital

Treasury stock (50,000 shares at cost) (Note 8)

Deficit accumulated during the development stage

Total stockholders' equity

Total liabilities and stockholders' equity

	42,185	37,340
	40,697,152	34,230,824
	(25,000)	
	(38,196,058)	(32,111,938)

2,518,279	2,156,226
-----------	-----------

\$ 7,344,986	\$ 7,616,813
--------------	--------------

See notes to condensed consolidated financial statements

Table of Contents

MIMEDX GROUP, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTERPRISE)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,		Period from Inception (November 22, 2006) through September 30, 2009
	2009	2008	2009	2008	
Research and development expenses	\$ 949,281	\$ 1,225,809	\$ 1,722,798	\$ 2,179,355	\$ 7,872,407
Acquired in-process research and development					7,177,000
General and administrative expenses	1,459,346	2,375,710	2,793,663	4,612,031	19,979,806
Loss from operations	(2,408,627)	\$ (3,601,519)	(4,516,461)	(6,791,386)	(35,029,213)
Other income (expense):					
Gain on settlement of payables	1,381		566,219		566,219
Financing expense associated with registration rights/waivers	(1,305,100)		(1,305,100)		(1,305,100)
Derivative expense	(683,416)		(683,416)		(683,416)
Net interest (expense) income, net	(90,814)	15,169	(145,362)	53,154	467,642
Change in fair value of investment, related party					(41,775)
Loss before income taxes	(4,486,576)	(3,586,350)	(6,084,120)	(6,738,232)	(36,025,643)
Income taxes					
Net loss	(4,486,576)	(3,586,350)	(6,084,120)	(6,738,232)	(36,025,643)
Accretion of redeemable common stock to fair value		(1,423,823)		(1,423,823)	(2,158,823)
Loss attributable to common shareholders	\$ (4,486,576)	\$ (5,010,173)	\$ (6,084,120)	\$ (8,162,055)	\$ (38,184,466)

Loss attributable to common
shareholders per common
share

Basic and diluted	\$	(0.11)	\$	(0.13)	\$	(0.15)	\$	(0.22)
-------------------	----	--------	----	--------	----	--------	----	--------

Shares used in computing net
loss per common share

Basic and diluted	41,576,491	37,314,628	40,410,560	37,279,818
-------------------	------------	------------	------------	------------

See notes to condensed consolidated financial statements

Table of Contents

MIMEDX GROUP, INC. AND SUBSIDIARIES
 (A DEVELOPMENT STAGE ENTERPRISE)
 CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
 PERIOD FROM INCEPTION (NOVEMBER 22, 2006) THROUGH SEPTEMBER 30, 2009

Convertible Preferred Stock Series A	Convertible Preferred Stock Series B		Convertible Preferred Stock Series C		Common Stock		Additional Paid-in Treasury Capital	Stock Subscriptions Receivable	Note Receivable Related party
	Shares	Amount	Shares	Amount	Shares	Amount			
		\$		\$		\$	\$	\$	\$
					12,880,000	12,880			
							13,409		
							17,980		
					1,120,000	1,120	894,880		(2,000,000)
14,016,000							(918,806)	(1,233,750)	(7,000,000)

14,016,000					14,000,000	14,000	7,463	(1,233,750)	(2,007,
							649,783		
							158,247		
								1,233,750	
									(41,
	5,922,397	7,402,996			2,911,117	2,911	2,316,908		2,048,
			1,285,001	3,855,000					
							116,000		
					1,200	1	2,159		
11,257,996	(5,922,397)	(7,402,996)	(1,285,001)	(3,855,000)	926,168	926	(926)		
					205,851				