MIMEDX GROUP, INC.
Form 10-Q
February 23, 2009

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the Quarterly Period Ended December 31, 2008

OR

o **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	**26-2792552**
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification Number)
1234 Airport Road, Suite 105 **Destin, Florida**	**32541**
(Address of principal executive offices)	(Zip Code)

(850) 269-0000

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 þ No o

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 o	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company þ

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

As of February 13, 2009, there were 38,037,128 shares outstanding of the registrant s common stock.

MIMEDX GROUP, INC.
TABLE OF CONTENTS

Part I FINANCIAL INFORMATION

Item 1. Financial Statements 1

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations 14

Item 3. Quantitative and Qualitative Disclosures About Market Risk 20

Item 4T. Controls and Procedures 20

Part II OTHER INFORMATION

Item 1. Legal Proceedings 21

Item 1A. Risk Factors 21

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 21

Item 3. Defaults Under Senior Securities 22

Item 4. Submission of Matters to a Vote of Security Holders 22

Item 6. Exhibits 23

Exhibit 31.1
Exhibit 31.2
Exhibit 32.1
Exhibit 32.2

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	December 31, 2008 (unaudited)	March, 31 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 864,768	$ 6,749,609
Prepaid expenses and other current assets	8,321	189,253
Total current assets	873,089	6,938,862
Property and equipment, net of accumulated depreciation of $504,782 (December) and $191,588 (March)	1,470,489	1,452,436
Goodwill	857,597	857,597
Intangible assets, net of accumulated amortization of $823,960 (December) and $323,848 (March)	5,283,041	5,783,153
Deposits	149,302	146,433
Total assets	$ 8,633,518	$ 15,178,481
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 1,190,689	$ 948,478
Total current liabilities	$ 1,190,689	$ 948,478
Common stock with registration rights, 210,000 shares issued and outstanding	945,000	
Redeemable common stock, 487,500 shares issued and outstanding	2,291,250	
Commitments and contingencies (Notes 4 and 9)		
Stockholders equity:		
Preferred stock; $.001 par value; 5,000,000 shares authorized and 0 (December and March) shares issued and outstanding		

Common stock; $.001 par value; 100,000,000 shares authorized and 37,339,628 (December) and 36,864,534 (March) shares issued and outstanding	37,340	36,864
Additional paid-in capital	33,409,193	32,226,983
Deficit accumulated during the development stage	(29,239,954)	(18,033,844)
Total stockholders equity	4,206,579	14,230,003
Total liabilities and stockholders equity	$ 8,633,518	$ 15,178,481

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 December 31,		Nine Months Ended December 31,		Period from Inception (November 22, 2006) through December 31,
	2008	2007	2008	2007	2008
Research and development expenses	$ 886,270	$ 563,094	$ 3,065,625	$ 1,221,101	$ 5,192,524
Acquired in-process research and development				7,177,000	7,177,000
General and administrative expenses	1,428,488	2,169,538	6,040,519	4,707,419	15,270,550
Loss from operations	(2,314,758)	(2,732,632)	(9,106,144)	(13,105,520)	(27,640,074)
Other income (expense), net	5,703	(167)	58,857	381,501	570,535
Loss before income taxes	(2,309,055)	(2,732,799)	(9,047,287)	(12,724,019)	(27,069,539)
Income taxes					
Net loss	(2,309,055)	(2,732,799)	(9,047,287)	(12,724,019)	(27,069,539)
Accretion of redeemable common stock and common stock with registration rights to fair value	(735,000)		(2,158,823)		(2,158,823)
Loss attributable to common shareholders	$ (3,044,055)	$ (2,732,799)	$ (11,206,110)	$ (12,724,019)	$ (29,228,362)
Net loss per common share Basic and diluted	$ (0.08)	$ (0.16)	$ (0.30)	$ (0.81)	

Shares used in computing net loss per common share				
Basic and diluted	37,833,267	16,912,317	37,464,301	15,693,161

See notes to condensed consolidated financial statements

Table of Contents

MIMEDX GROUP, INC. AND SUBSIDARIES
(A DEVELOPMENT STAGE ENTERPRISE)
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
PERIOD FROM INCEPTION (NOVEMBER 22, 2006) THROUGH DECEMBER 31, 2008

tible Stock A	Convertible Preferred Stock Series B		Convertible Preferred Stock Series C		Common Stock		Additional Paid-in	Stock Subscriptions	Note Receivable Related
Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Receivable	party
		$		$		$	$	$	$
					12,880,000	12,880			
							13,409		
							17,980		
					1,120,000	1,120	894,880		
									(2,000,00
14,016,000							(918,806)	(1,233,750)	
									(7,64
14,016,000					14,000,000	14,000	7,463	(1,233,750)	(2,007,64
							649,783		
							158,247		

							1,233,750	
								(41,25
	5,922,397	7,402,996			2,911,117	2,911	2,316,908	2,048,89
			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	206	1,126,173	
(25,273,996)					18,420,198	18,420	25,255,576	
					400,000	400	2,595,600	
					36,864,534	36,864	32,226,983	
							488,695	
							98,912	

		417,594	418	(418)		
				595,073		
		57,500	58	(52)		
$	$	37,339,628	$ 37,340	$ 33,409,193	$	$

See notes to condensed consolidated financial statements

Table of Contents

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

	Nine Months Ended December 31,		Period from Inception (November 22, 2006) through December 31, 2008
	2008	2007	
Cash flows from operating activities:			
Net loss	$ (9,047,287)	$ (12,724,019)	$ (27,069,539)
Adjustments to reconcile net loss to net cash flows from operating activities, net of effects of acquisition:			
Acquired in-process research and development		7,177,000	7,177,000
Depreciation	313,193	111,614	505,348
Amortization of intangible assets	500,112	176,457	823,959
Employee share-based compensation expense	488,695		1,151,887
Other share-based compensation expense	98,912	420,252	275,139
Issuance of common stock for transaction fees			1,126,379
Accrued interest on notes receivable, related party		(41,250)	(48,894)
Change in fair value of investment, related party		41,775	41,775
Increase (decrease) in cash resulting from changes in:			
Prepaid expenses and other current assets	180,932	(13,064)	10,757
Accounts payable and accrued expenses	242,211	(197,942)	292,575
Deferred interest income		(43,200)	(43,200)
Net cash flows from operating activities	(7,223,232)	(5,092,377)	(15,756,814)
Cash flows from investing activities:			
Purchase of equipment	(331,246)	(1,150,716)	(1,512,048)
Cash paid for intangible asset			(100,000)
Cash paid for security deposits	(2,869)	29,200	(115,500)
Cash received in acquisition of SpineMedica Corp.		1,957,405	1,957,405
Cash paid for acquisition costs of SpineMedica Corp.		(227,901)	(227,901)
Payments from (advances to) related party		29,414	(2,008,522)
Net cash flows from investing activities	(334,115)	637,402	(2,006,566)
Cash flows from financing activities:			
Payments on related party borrowing		(500,000)	
Proceeds from Series A preferred stock		1,233,750	14,016,000
Proceeds from Series C preferred stock		3,855,000	3,855,000
	1,672,500		1,672,500

Proceeds from sale of redeemable common stock and warrants and common stock with registration rights			
Proceeds from sale of common stock and exercise of stock options	6	2,160	3,454
Offering costs paid in connection with Series A preferred stock offering		(755,152)	(918,806)
Net cash flows from financing activities	1,672,506	3,835,758	18,628,148
Net change in cash	(5,884,841)	(619,217)	864,768
Cash, beginning of period	6,749,609	10,456,707	
Cash, end of period	$ 864,768	$ 9,837,490	$ 864,768

See notes to condensed consolidated financial statements

Table of Contents

MIMEDX GROUP, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED DECEMBER 31, 2008 AND 2007 AND THE PERIOD FROM INCEPTION (NOVEMBER 22, 2006) THROUGH DECEMBER 31, 2008
(UNAUDITED)

1. Basis of Presentation:

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulations 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. Operating results for the three and nine months ended December 31, 2008 and 2007 are not necessarily indicative of the results that may be expected for the fiscal year. The balance sheet at March 31, 2008 has been 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.

You should read these condensed consolidated financial statements together with the historical consolidated financial statements of the Company for the year ended March 31, 2008 and period from inception (November 22, 2006) through March 31, 2008 and 2007 included in our Annual Report on Form 10-K for the year ended March 31, 2008, filed with the Securities and Exchange Commission (SEC) on June 27, 2008, as amended on July 29, 2008 and September 30, 2008.

MiMedx, Inc. (MiMedx) was incorporated in Florida in 2006. MiMedx entered into an Agreement and Plan of Merger (Merger Agreement) on January 29, 2008 with a publicly-traded Nevada Corporation, Alynx, Co. (Alynx), a public shell company, which was consummated on February 8, 2008. As a result of this transaction, MiMedx shareholders owned approximately 97% of the outstanding shares of the surviving company, thus giving MiMedx substantial control.

Under GAAP, MiMedx was deemed to be the accounting acquirer since the shareholders of MiMedx own a substantial majority of the issued and outstanding shares, and thus this reverse merger was accounted for as a capital transaction. The historical financial statements are a continuation of the financial statements of the accounting acquirer and the capital structure of the consolidated enterprise is now different from that appearing in the historical financial statements of the accounting acquirer in earlier periods due to the recapitalization.

On March 31, 2008, MiMedx Group, Inc., a Florida corporation, and Alynx merged. As a result of this transaction, MiMedx Group, Inc. became the surviving corporation. The Company refers to MiMedx Group, Inc., a development stage company, as well as its two operating subsidiaries: MiMedx, Inc. and SpineMedica, LLC.

The financial statements include the accounts of MiMedx Group, Inc. and its wholly-owned subsidiaries MiMedx, Inc. and SpineMedica, LLC. All significant inter-company balances and transactions have been eliminated.

2. Significant accounting policies:

Net loss per share

Basic net loss per common share is computed using the weighted-average number of common shares outstanding during the period. Diluted net loss per common share is typically computed using the weighted-average number of common and dilutive common equivalent shares from stock options, warrants and convertible preferred stock using the treasury stock method.

Table of Contents

For all periods presented, diluted net loss per share is the same as basic net loss per share, as the inclusion of equivalent shares from outstanding common stock options, warrants and convertible preferred stock would be anti-dilutive.

Outstanding anti-dilutive securities not included in diluted net loss per share calculation are as follows:

	As of December 31,	
	2008	2007
Common Stock equivalents:		
Stock Options	4,076,250	4,451,250
Stock Warrants	672,751	6,631,729
Convertible Preferred Stock		18,420,198
	4,749,001	29,503,177

Recently issued accounting pronouncements:

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 clarifies the principle that fair value should be based on the assumptions that market participants would use when pricing an asset or liability. Additionally, it establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. Effective April 1, 2008 the Company adopted the provisions of SFAS 157. The adoption of the Standard had no effect on the consolidated financial statements.

In April 2008, FASB Staff Position No. 142-3, *Determination of the Useful Life of Intangible Assets (FSP 142-3"*) was issued. This standard amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement 142, Goodwill and Other Intangible Assets. FSP 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The Company has not determined the impact on its financial statements of this accounting standard.

In June 2008, the Emerging Issues Task Force issued EITF Consensus No. 07-05 *Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity s Own Stock* for periods beginning after December 15, 2008. The objective of this Consensus is to provide guidance for determining whether an equity-linked financial instrument (or embedded feature) is indexed to an entity s own stock and it applies to any freestanding financial instrument or embedded feature that has all the characteristics of a derivative in Statement of Financial Accounting Standards No. 133 (SFAS 133) *Accounting for Derivative Financial Instruments and Hedging Activities*, for purposes of determining whether the financial instrument or embedded feature qualifies for the first part of the scope exception in paragraph 11(a) of SFAS 133 (the Paragraph 11(a) Exemption). This Issue also applies to any freestanding financial instrument that is potentially settled in an entity s own stock, regardless of whether the instrument has all the characteristics of a derivative in SFAS 133, for purposes of determining whether the instrument is within the scope of Issue 00-19 *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company s Own Stock.* The Consensus requires the application of a two-step approach that requires us to (1) evaluate the instrument s contingent exercise provisions and (2) evaluate the instrument s settlement provisions. With regard to the Company s outstanding financial instruments, management does not expect the adoption of this standard to have a significant effect on the

Company s financial statements.

Table of Contents

3. Liquidity and management s plans:

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. For the period from inception (November 22, 2006) through December 31, 2008 the Company experienced net losses of $27,069,539 (unaudited) and cash used in operations of $15,756,814 (unaudited). As of December 31, 2008, the Company had not emerged from the development stage and had only approximately $865,000 of cash and cash equivalents on hand. On February 20 and 23, 2009, the Company entered into Stock Subscription and Purchase Agreements with certain accredited investors pursuant to which such investors purchased 500,000 shares of the Company s Common Stock at a price of $1.00 per share, and received registration rights covering the purchased shares of Common Stock. The Company estimates the total proceeds to be received of $500,000 will be sufficient to fund operations through March 31, 2009. Should these proceeds not ultimately be received, the Company only has sufficient funds to operate through approximately the end of February 2009. In order to fund on-going operating cash requirements beyond that point (February or March 2009), or to further accelerate and execute its business plan, the Company will need to raise significant additional funds. In view of these matters, the ability of the Company to continue as a going concern is dependent upon the Company s ability to secure additional financing sufficient to support its research and development activities, approval of developed products for sale by regulatory authorities, including the FDA, and ultimately to generate revenues sufficient to cover all costs. Since inception, the Company has financed its activities principally from the sale of equity securities. The Company is currently attempting to raise additional funds and such funds may not be available on favorable terms, or at all, particularly when considering the current worldwide financial and credit crises which has made it significantly more difficult to gain access to the capital markets. Furthermore, if the Company issues equity or debt securities to raise additional funds, existing shareholders may experience dilution and the new equity or debt securities it issues may have rights, preferences and privileges senior to those of existing shareholders. In addition, if the Company raises additional funds through collaboration, licensing or other similar arrangements, it may be necessary to relinquish valuable rights to products or proprietary technologies, or grant licenses on terms that are not favorable. If the Company cannot raise funds on acceptable terms, the Company will not be able to continue as a going concern, develop or enhance products, obtain the required regulatory clearances or approvals, execute the Company s business plan, take advantage of future opportunities, or respond to competitive pressure or unanticipated customer requirements. Any of these events would adversely affect the Company s ability to achieve the Company s development and commercialization goals, which could have a material adverse effect on the Company s business, results of operations and financial condition.

4. Intangible assets and royalty agreements:

Intangible assets activity is summarized as follows:

	License (a)	License (b)	License (c)	Intellectual Property(d)	Total
April 1, 2008	$ 881,466	$ 2,195,487	$ 2,596,000	$ 110,200	$ 5,783,153
Additions					
Amortization	(74,700)	(222,012)	(194,700)	(8,700)	(500,112)
December 31, 2008	$ 806,766	$ 1,973,475	$ 2,401,300	$ 101,500	$ 5,283,041

a) On January 29, 2007, the Company

acquired a license from Shriners Hospitals for Children and University of South Florida Research Foundation, Inc. The acquisition price of this license was a one-time fee of $100,000 and 1,120,000 shares of common stock valued at $896,000 (based upon the estimated fair value of the common stock on the transaction date). Within thirty days after the receipt by the Company of approval by the FDA allowing the sale of the first licensed product, the Company is required to pay an additional $200,000 to the licensor. This amount is not recorded as a liability based on its contingent nature. The Company will also be required to pay a royalty of 3% on all commercial sales revenues of the licensed

products.

b) License from SaluMedica, LLC (SaluMedica) for the use of certain developed technologies related to spine repair. This license was acquired through the acquisition of SpineMedica Corp.

Table of Contents

c) On March 31, 2008, the Company entered into a license agreement for the use of certain developed technologies related to surgical sheets made of polyvinyl alcohol cryogel. The acquisition price of the asset was 400,000 shares of common stock valued at $2,596,000 (based upon the closing price of the common stock on the transaction date). The agreement also provides for the issuance of an additional 600,000 shares upon the Company meeting certain milestones related to future sales. There are no amounts accrued for this obligation due to its contingent nature.

d) During the year ended March 31, 2008,

the Company issued 200,000 stock options valued at $116,000 for certain technologies relating to medical device designs for products used in hand surgery. The agreement also provides for royalty payments upon the sale of certain products. There are no amounts accrued for this obligation due to its contingent nature.

Expected future amortization of intangible assets is as follows:

Year ending December 31,	
2009	$ 666,821
2010	666,821
2011	666,821
2012	666,821
2013	666,821
Thereafter	1,948,936
	$ 5,283,041

5. Common Stock Placements

September 2008 Private Placement

On September 25, 2008, the Company commenced a private placement of up to 13,333,333 units (at $3.00 per unit) wherein each unit consists of one share of common stock and a warrant to purchase one share of common stock for $3.50 over a five year term (the September 2008 Private Placement). As of December 31, 2008, the Company had sold 487,500 units for total proceeds of $1,462,500.

In connection with the September 2008 Private Placement, the Company entered into a Registration Rights Agreement related solely to the common stock that requires the Company to among other things, (i) file a Registration Statement within 90 days from the closing of the September 2008 Private Placement; and (ii) make required filings under the Securities Act of 1933 and the Securities and Exchange Act of 1934. It also provides for (i) achieving and maintaining effectiveness; and (ii) listing the shares on any exchange on which the Company s shares are then listed and maintain the listing; each on a best-efforts basis. The Registration Rights

Agreement does not provide for an alternative or contain a penalty in the event the Company is unable to fulfill its requirements. In addition, the terms of the sale of common stock provide that the investor has an option, for a period of six months following the purchase, to exchange the common shares for other financial instruments (including those that may require classification outside of stockholders equity) that may be issued at a price, or effective price in the case of convertible instruments, lower than the original purchase price. As of December 31, 2008 the investors had not exercised this option. As a result of the registration rights obligation to file within a specified period, which is presumed not to be within the Company s control, and the contingent redemption feature, the Company is required, pursuant to EITF D-98 *Classification and Measurement of Redeemable Securities*, to classify the common stock outside of stockholders equity as redeemable common stock. Further, given the nature of the contingent redemption provision and the registration rights requirement, the standard requires the Company to initially record the redeemable common stock at its fair value, which was accomplished with a charge to retained earnings of $1,423,823.

Table of Contents

Upon expiration of the exchange period and the filing of the registration statement, the redeemable common stock will be reclassified to paid-in capital and par value, unless exchanged for other financial instruments. If the redeemable common stock is exchanged for other financial instruments, other accounting standards will be applied.

The warrants included in the unit offering are indexed to 487,500 shares of the Company s common stock and were evaluated for purposes of their classification under EITF 00-19 *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company s Own Stock*. These warrants are not subject to the Registration Rights Agreement referred to above, and they otherwise meet the conditions for equity classification provided in that standard. Accordingly, these warrants are recorded in stockholders equity. The Company is required to reevaluate that classification on each reporting date. As of December 31, there has been no change to the warrants initial classification.

The total basis in the financing was allocated to the redeemable common stock and warrants based upon their relative fair values as provided in EITF D-98 and related standards. The fair value of the redeemable common stock represents the value of the number of shares at the trading market price. The warrants were valued using the Black-Scholes-Merton technique, and the Company estimated (i) the expected term as equal to the five-year warrant term, (ii) the volatility, based upon a reasonable peer group, at 75.33% and (iii) the risk free rate as the published rate for zero coupon government securities with terms consistent with the expected term, or 3.09%. The following table illustrates the allocation:

Financial Instrument	Fair Values	Relative Fair Values
Redeemable Common Stock	$ 2,291,250	$ 867,427
Warrants	1,571,846	595,073
	$ 3,863,096	$ 1,462,500

November 2008 Private Placement

On November 21, 2008, the Company commenced a private placement of up to 30,000,000 shares of common stock at $1.00 per share (the November 2008 Private Placement). As of December 31, 2008, the Company had sold 210,000 shares for total proceeds of $210,000.

In connection with the November 2008 Private Placement, the Company entered into a Registration Rights Agreement related solely to the common stock that requires the Company to among other things, (i) file a Registration Statement within 90 days from the closing of the November 2008 Private Placement; and (ii) make required filings under the Securities Act of 1933 and the Securities and Exchange Act of 1934. It also provides for (i) achieving and maintaining effectiveness of the registration statement; and (ii) listing the shares on any exchange on which the Company s shares are then listed and maintain the listing; each on a best-efforts basis. The Registration Rights Agreement does not provide for an alternative or contain a penalty in the event the Company is unable to fulfill its requirements. As a result of the registration rights obligation to file within a specified period, which is presumed not to be within the Company s control, the Company is required to classify the common stock outside of stockholders equity as common stock with registration rights. Further, the Company will initially record the stock at its fair value, which was accomplished with a charge to retained earnings of $735,000. Upon the filing of the required registration statement, the redeemable common stock will be reclassified to paid-in capital and par value.

9

Table of Contents

6. Stock Options and Warrants:

Stock Options:

Activity with respect to the stock options is summarized as follows:

	Shares	Weighted-average Exercise Price	Intrinsic Value
Options outstanding at April 1, 2008	4,446,250	$ 2.20	
Granted	50,000	5.38	
Cancelled	(362,500)	1.69	
Exercised	(57,500)	.0001	
Options outstanding at December 31, 2008	4,076,250	2.31	$ 8,519,362
Options exercisable at December 31, 2008	2,620,833	1.93	$ 6,473,458

Following is a summary of stock options outstanding and exercisable at December 31, 2008:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$.0001 1.00	1,145,000	3.19	$ .96	773,750	$ .96
1.80 2.40	2,281,250	6.01	2.11	1,684,583	2.03
5.38 5.44	650,000	4.56	5.44	162,500	5.44
	4,076,250	5.04	2.31	2,620,833	1.93

A summary of the status of the Company s unvested stock options follows:

Unvested Stock Options	Shares	Weighted Average Grant Date Fair Value
Unvested at April 1, 2008	2,300,626	.49
Granted	50,000	3.45

Cancelled	(130,625)	.36
Vested	(764,584)	.51
Unvested at December 31, 2008	1,455,417	

Total unrecognized compensation expense associated with issued stock options at December 31, 2008 was approximately $1,200,000 and will be charged to expense through June, 2011.

The fair value of the options granted was estimated on the date of grant using the Black-Scholes option-pricing model that uses assumptions for expected volatility, expected dividends, expected term, and the risk-free interest rate. Expected volatilities are based on historical volatility of peer companies and other factors estimated over the expected term of the options. The expected term of employee options granted is derived using the simplified method which computes expected term as the average of the sum of the vesting term plus the contract term. The term for non-employee options is generally based upon the contractual term of the option. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for the period of the expected term or contractual term as described.

Table of Contents

The assumptions used in calculating the fair value of options using the Black-Scholes option-pricing model are set forth in the following table:

	Nine Months Ended	
	December 31, 2008	December 31, 2007
Dividend yield	0%	0%
Expected volatility	70.05%	45.53% to 62.35%
Risk free interest rates	3.11%	4.09% to 4.92%
Expected lives	6 years	2.75 to 5 years

The weighted-average grant date fair value for options granted during the nine months ended December 31, 2008, and 2007, was approximately $3.45, and $.44, respectively.

Warrants:

A summary of our common stock warrant activity for the nine months ended December 31, 2008 is as follows:

	Number	Weighted Average Exercise Price per Share
Warrants outstanding at April 1, 2008	709,331	$ 1.41
Cashless exercise of warrants (417,594 shares of common stock issued)	(524,080)	(1.25)
Warrants issued in connection with private placement of common stock (Note 5)	487,500	3.50
Warrants outstanding at December 31, 2008	672,751	$ 3.05

Warrants outstanding at December 31, 2008 consist of the following:

Issued in connection with private placement discussed in Note 5	487,500
Assumed by the Company in connection with acquisition of SpineMedica Corp. in July, 2007 ($1.80 exercise price); expire October, 2009	175,251
Service provided by consultant in October, 2007 ($3.00 exercise price); expire October, 2012	10,000
Total warrants outstanding at December 31, 2008	672,751

11

Table of Contents

Warrants may be exercised in whole or in part by:

notice given by the holder accompanied by payment of an amount equal to the warrant exercise price multiplied by the number of warrant shares being purchased; or

election by the holder to exchange the warrant (or portion thereof) for that number of shares equal to the product of (a) the number of shares issuable upon exercise of the warrant (or portion) and (b) a fraction, (x) the numerator of which is the market price of the shares at the time of exercise minus the warrant exercise price per share at the time of exercise and (y) the denominator of which is the market price per share at the time of exercise.

These warrants are not mandatorily redeemable, do not obligate the Company to repurchase its equity shares by transferring assets or issue a variable number of shares.

The warrants require that the Company deliver shares as part of a physical settlement or a net-share settlement, at the option of the holder, and do not provide for a net-cash settlement.

All of our warrants are classified as equity as of December 31, 2008.

7. Income taxes:

The Company has incurred net losses since its inception and, therefore, no current income tax liabilities have been incurred for the periods presented. Due to the Company s losses, management has established a valuation allowance equal to the amount of net deferred tax assets since management cannot determine that realization of these benefits is more likely than not.

8. Related party transactions:

The Company incurred expenses of approximately $43,000 and $19,000 during the nine months ended December 31, 2008 related to aircraft usage and the lease of office space, respectively, from entities owned by the Chairman of the Board. Amounts incurred for these types of expenses during the nine months ended December 31, 2007 approximated $78,000 and $18,000, respectively.

9. Contractual Commitments:

The table below sets forth our known contractual obligations as of December 31, 2008:

	Payments due by period				
		Less than			
Contractual Obligations	Total	1 year	2 3 years	4 5 years	
Consulting Agreements	$ 457,000	$ 326,000	$ 131,000	$	
Employment Agreements	1,732,000	1,411,000	321,000		
Operating Lease Obligations	882,000	281,000	511,000	90,000	
Total	$ 3,071,000	$ 2,018,000	$ 963,000	$ 90,000	

In May 2008, the Company entered into agreements with a consultant/shareholder which require payments in the event the Company receives proceeds from the sale or disposition of certain intellectual property contributed by the consultant/shareholder. As of December 31, 2008 no commitments have been paid or accrued under these agreements due to their contingent nature.

12

Table of Contents

The Company s directors and officers are indemnified against costs and expenses related to stockholder and other claims (i.e., only actions taken in their capacity as officers and directors) that are not covered by the Company s directors and officers insurance policy. This indemnification is ongoing and does not include a limit on the maximum potential future payments, nor are there any recourse provisions or collateral that may offset the cost. No events have occurred as of December 31, 2008 which would trigger any liability under the agreement.

Registration rights:

Certain shareholders of the Company have registration rights covering 18,420,198 shares of the Company s common stock pursuant to an agreement dated July 23, 2007. The rights will be effective nine months after the Company either closes an underwritten public offering or receives, in the aggregate, a minimum of $10,000,000 in cash from the sale or a series of related sales of the Company s securities at a time when its equity securities are registered under Section 12 of the Exchange Act. As such, these are contingent rights subject to events within the Company s control. When and if these events occur and the nine month period expires, the majority of the holders of the registration rights can demand that the Company use its best efforts to register such shares on up to two occasions but not more than once in any 12-month period, subject to certain restrictions. The holders of those shares also have certain piggyback registration rights. The various registration rights expire upon the earlier of the fifth anniversary from when the Company has its first underwritten public offering or the date when the holder of such shares is able to sell the registrable shares under Rule 144. Pursuant to a separate registration rights agreement, dated February 8, 2008, the holders of approximately 17,600 additional shares of the Company s common stock have piggyback registration rights which are substantially the same as those granted in July 2007. The registration rights agreements do not require the Company to pay any consideration to holders if an SEC registration statement is not declared effective or maintained. Beginning February 9, 2009, most, if not all, of the shares subject to the registration rights agreements will be eligible for sale pursuant to Rule 144. Approximately 966,667 of the shares are held by persons who are affiliates. Affiliates will be subject to the condition that the Company be current in its filings before they may utilize Rule 144, and to Rule 144 volume limitations.

As discussed in Note 5, registration rights were also granted to shareholders in conjunction with the September 2008 and November 2008 Private Placements.

Table of Contents

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

Forward-Looking Statements

This Form 10-Q and certain information incorporated herein by reference contain forward-looking statements and information within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. This information includes assumptions made by, and information currently available to management, including statements regarding future economic performance and financial condition, liquidity and capital resources, acceptance of the Company s products by the market, and management s plans and objectives. In addition, certain statements included in this and our future filings with the Securities and Exchange Commission (SEC), in press releases, and in oral and written statements made by us or with our approval, which are not statements of historical fact, are forward-looking statements. Words such as may, could, should, would, believe, expect, anticipate, estimate, intend, seeks, plan, will, should, and other words or expressions of similar meaning are intended by us to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These forward-looking statements are found at various places throughout this report and in the documents incorporated herein by reference. These statements are based on our current expectations about future events or results and information that is currently available to us, involve assumptions, risks, and uncertainties, and speak only as of the date on which such statements are made.

All forward-looking statements are subject to the risks and uncertainties inherent in predicting the future. Our actual results may differ materially from those projected, stated or implied in these forward-looking statements as a result of many factors, including our critical accounting policies and risks and uncertainties related, but not limited to, our current liquidity crisis and need to raise additional funds to continue as a going concern, the current global economic slowdown and credit crisis, the overall industry environment, delays in the introduction of products, regulatory delays, the inability to reduce our overhead, and negative clinical results. These and other risks and uncertainties are described in more detail in our most recent Annual Report on Form 10-K, in Part II, Section 1A. Risk Factors, below, as well as other reports that we file with the SEC.

Forward-looking statements speak only as of the date they are made and should not be relied upon as representing our views as of any subsequent date. We undertake no obligation to update or revise such statements to reflect new circumstances or unanticipated events as they occur, except as required by applicable laws, and you are urged to review and consider disclosures that we make in this and other reports that we file with the SEC that discuss factors germane to our business.

Background of MiMedx Group, Inc.

The predecessor to MiMedx Group, Inc. was originally formed as a Utah corporation on July 30, 1985 under the name Leibra, Inc. We later changed domicile, through a merger, to Nevada, and later changed our name to Alynx, Co. We had several additional name changes in connection with various business acquisitions, all of which were discontinued or rescinded. We were an inactive shell corporation for at least the past 10 years, seeking to acquire an interest in a business with long-term growth potential. On March 6, 2007, we (then Alynx, Co.) filed a registration statement with the SEC on Form 10-SB to register our common stock under the Securities Exchange Act of 1934. We have filed periodic reports with the SEC since that time.

As used herein, the terms the Company, we, our and us refer to MiMedx Group, Inc., a Florida corporation (form Alynx, Co., a Nevada corporation), and our consolidated subsidiaries as a combined entity, except where it is clear that the terms mean only MiMedx Group, Inc.

On February 8, 2008, MiMedx Group, Inc. (then Alynx, Co.), MMX Acquisition Corp., a Florida corporation wholly-owned by Alynx, Co., and MiMedx, Inc., a Florida-based, privately-held, development-stage medical device company (MiMedx), consummated the arrangement set forth in an Agreement and Plan of Merger between the parties (the Merger), whereby (i) MMX Acquisition Corp. merged with and into MiMedx; (ii) MiMedx became a wholly-owned subsidiary of the Company; and (iii) former MiMedx shareholders received approximately 97.25% of the post-merger company s outstanding shares. On March 31, 2008, we merged into a Florida entity, thereby becoming MiMedx Group, Inc. and also effected a reverse stock split so that each former MiMedx shareholder owned the same number of shares in the Company as such shareholder held in MiMedx prior to the Merger.

14

Table of Contents

Under U.S. generally accepted accounting principles (GAAP), MiMedx was deemed to be the accounting acquirer since the shareholders of MiMedx own a substantial majority of the issued and outstanding shares, and thus this reverse merger was accounted for as a capital transaction. As a result, the financial statements presented are the historical financial statements of MiMedx.

Overview

We are a development stage enterprise based in Destin, Florida. The Company has generated no operating revenue and has a history of losses since its inception in November 2006.

We currently operate in one business segment, musculoskeletal products, which includes the design, manufacture and marketing of four major market categories: soft-tissue reconstructive products, fixation devices, spinal products and joint reconstruction products including tendons and ligaments of the hand and upper and lower extremity joint markets, and procedure-specific instrumentation required to implant our reconstructive systems. Fixation devices may include internal, bone-to-bone fixation devices that do not address the spine. Spinal products may include artificial spinal discs to treat cervical pain and degeneration as well as lumbar indications, facet arthroplasty, intervertebral spacers, spinous process spacers, and other spinal systems and implants, as well as orthobiologics. Other product categories may include arthroscopy products, general surgical implants and instruments, operating room supplies and other surgical products and implants.

MiMedx s core technology, under development at our laboratory facility located in Tampa, Florida, is a unique cross-linking process that utilizes nordihydroguaiaretic acid (NDGA), a naturally occurring compound. Initial bench testing shows that collagen cross-linked with NDGA produces a very strong, biocompatible, and durable material which could possibly be used to treat a number of orthopedic and general soft-tissue trauma and disease disorders. The technology is licensed to us and is embodied in two patents. It covers the polymerization chemistry of NDGA as applied to biological materials, bioprostheses, or devices created through its application. It covers chemistries and compounds that have the reactive groups that are responsible for the effectiveness of NDGA, including a variety of organically synthesized NDGA analogs and natural compounds. Multiple medical products could potentially be developed and patented that are all tied to the core patented technology.

Characteristics and benefits of products that we believe could possibly be developed using this licensed technology are:

Initial tests of fibers cross-linked with NDGA appear to demonstrate they are stronger than existing collagenous tissue, including healthy tendons and ligaments. These fibers form the fundamental unit from which a variety of devices could be configured as follows:

Linear arrays of fibers for tendons

Fiber braids for ligament bioprostheses

Woven meshes for general surgical use;

NDGA-treated biomaterials have been tested and results preliminarily suggest that the materials are biocompatible and biodegradable;

Biocompatibilization (making a material biocompatible that may otherwise not be) of in-dwelling medical devices by coating with NDGA polymerized collagen;

NDGA treatment of xenograft (animal in origin) and allograft (human in origin) materials could make them more biocompatible and possibly improve functional lifetime; and

NDGA-treated collagen-based biorivets have the potential to be used for bone repair.

We have developed a number of early stage products utilizing these technologies. MiMedx s efforts presently focus on development of the products identified and manufacturing processes for those products. We are using linear arrays and braided constructs for tendon repair in the first products that will enter clinical development. We are planning to initiate biocompatibility trials in the second quarter of calendar year 2009, assuming we are successful in obtaining

sufficient capital.

Table of Contents

SpineMedica, based in Marietta, Georgia, owns specific rights to a poly-vinyl alcohol (PVA) and water-based biomaterial that can be manufactured with a wide range of mechanical properties, including those that appear to closely mimic the mechanical and physical properties of natural, healthy human tissue. We believe the intervertebral disc space and the normal mobility of the spine can be preserved using a biomimetic material like this specific hydrogel. This proprietary hydrogel has been used in other medical device applications and we believe it has demonstrated biocompatibility and durability inside the human body. In the United States, the FDA has cleared the material for use next to nerves and in the European Union and Canada it has been cleared for use next to nerves and to replace worn-out and lesioned cartilage in the knee.

SpineMedica is currently developing three products: a vessel guard, a posterior interbody fusion device, and a cervical total disc replacement. The vessel guard, anticipated to be a 510(k) device with the FDA, is designed to reduce the risk of potential vessel damage during a spinal anterior revision surgery by providing a plane of dissection around the vasculature. Of these three products under development, SpineMedica anticipates the vessel guard will be first to market. SpineMedica submitted a 510(k) application to the FDA in December 2008, and expects a response from the FDA regarding the application during the first quarter of calendar year 2009. Submission of the application is no guarantee of a successful clearance of the product.

Results of Operations for the Three Months Ended December 31, 2008 Compared to the Three Months Ended December 31, 2007

Research and Development Expenses

We incurred approximately $886,000 of research and development expenses during the three months ended December 31, 2008 compared to approximately $563,000 during the three months ended December 31, 2007. These costs consist primarily of fees paid to external consultants and service providers supporting our development efforts, internal personnel costs, and supplies and instruments used in our laboratories. Fees paid to external consultants and service providers approximated $481,000 and $212,000 for the three months ended December 31, 2008 and 2007, respectively. Internal personnel costs approximated $281,000 for the three months ended December 31, 2008 compared to approximately $311,000 for the three months ended December 31, 2007. During the three months ended December 31, 2008 we reversed $109,000 of accruals for anticipated bonuses which were established in previous quarters that are not now expected to be paid. Excluding this adjustment, personnel costs increased approximately $79,000 during the three months ended December 31, 2008 as compared to the three months ended December 31, 2007. Supplies and instruments used for research and development increased to approximately $124,000 for the three months ended December 31, 2008 compared to $40,000 for the three months ended December 31, 2007. Research and development costs have increased significantly as we expanded our staff and advanced the research and development of our technologies. We anticipate, if successful in obtaining additional working capital as discussed in liquidity and capital resources, continued investment in the area of research and development in the foreseeable future as we progress our technologies into clinical development to obtain approval from the FDA to market our technologies.

Acquired In-Process Research and Development Expenses

As part of our acquisition of SpineMedica Corp., a total of approximately $7,177,000 was allocated from the purchase price to acquired in-process research and development. This allocation of the purchase price relates to acquired research costs associated with two products that were still under development and had not yet yielded a completed finished product. This amount was recognized as an expense at the acquisition date in July 2007.

General and Administrative Expenses

General and administrative expenses for the three months ended December 31, 2008 approximated $1,429,000 compared to approximately $2,170,000 for the three months ended December 31, 2007. General and administrative expenses primarily consist of personnel costs, professional fees consisting of legal and accounting fees, travel and entertainment expenses, and facilities costs. Salaries and benefits approximated $488,000 for the three months ended December 31, 2008 as compared to approximately $502,000 for the three months ended December 31, 2007. During the three months ended December 31, 2008 we reversed $206,000 of accruals for anticipated bonuses which were established in previous quarters that are not now expected to be paid. Excluding this adjustment, personnel costs have increased $192,000 during the three months ended December 31, 2008 as compared to the three months ended December 31, 2007. Professional fees of approximately $201,000 were incurred during the three months ended

December 31, 2008 as compared to approximately $748,000 during the three months ended December 31, 2007. These professional fees are primarily attributed to general counsel, merger and acquisition costs, costs incurred in filing patents, and accounting and reporting fees. Facilities costs consist primarily of leasing office and lab space in Tampa, Florida and Marietta, Georgia.

Table of Contents

During the three months ended December 31, 2008, we recorded $110,000 in depreciation expense and $167,000 in amortization expense as compared to $71,000 in depreciation expense and $126,000 in amortization expense during the three months ended December 31, 2007. We depreciate our assets on a straight-line basis, principally over five to seven years and amortize our intangible assets over a period of 10 years, which we believe represents the remaining useful lives of the patents underlying the licensing rights and intellectual property. We do not amortize goodwill, but at least annually we test goodwill for impairment and periodically evaluate other intangibles for impairment based on events or changes in circumstances as they occur.

Share Based Compensation

We follow the provisions of Statement of Financial Accounting Standards No. 123R Share-based Payments (FAS123R), which requires the use of the fair-value based method to determine compensation for all arrangements under which employees and others receive shares of stock or equity instruments (options). The total share based compensation recognized during the three months ended December 31, 2008 and 2007 approximated $176,000 and $238,000, respectively, and is included in general and administrative expenses.

Results of Operations for the Nine Months Ended December 31, 2008 Compared to the Nine Months Ended December 31, 2007

Research and Development Expenses

We incurred approximately $3,066,000 of research and development expenses during the nine months ended December 31, 2008 compared to approximately $1,221,000 during the nine months ended December 31, 2007. These costs consist primarily of fees paid to external consultants and service providers supporting our development efforts, internal personnel costs, and supplies and instruments used in our laboratories. Fees paid to external consultants and service providers approximated $1,467,000 and $521,000 for the nine months ended December 31, 2008 and 2007, respectively. Internal personnel costs approximated $1,208,000 for the nine months ended December 31, 2008 compared to approximately $598,000 for the nine months ended December 31, 2007. As of December 31, 2008 we employed 26 personnel devoted to research and development, compared to 15 personnel devoted to research and development at December 31, 2007. Supplies and instruments used for research and development increased to approximately $391,000 for the nine months ended December 31, 2008 compared to $102,000 for the nine months ended December 31, 2007. Research and development costs have increased significantly as we have expanded our staff and advanced the research and development of our technologies. We anticipate continued increases in the area of research and development in the foreseeable future as we progress our technologies into clinical development to obtain approval from the FDA to market our technologies.

Acquired In-Process Research and Development Expenses

As part of our acquisition of SpineMedica Corp., a total of approximately $7,177,000 was allocated from the purchase price to acquired in-process research and development. This allocation of the purchase price relates to acquired research costs associated with two products that were still under development and had not yet yielded a completed finished product. This amount was recognized as an expense at the acquisition date in July 2007.

Table of Contents

General and Administrative Expenses

General and administrative expenses for the nine months ended December 31, 2008 approximated $6,041,000 compared to approximately $4,707,000 for the nine months ended December 31, 2007. General and administrative expenses primarily consist of personnel costs, professional fees consisting of legal and accounting fees, travel and entertainment expenses, and facilities costs. During the nine months ended December 31, 2008, salaries and benefits approximated $2,182,000 compared to approximately $1,550,000 for the nine months ended December 31, 2007. As of December 31, 2008, we employed 17 personnel not related to research and development functions as compared to 15 as of December 31, 2007. Professional fees of approximately $1,443,000 were incurred during the nine months ended December 31, 2008 as compared to approximately $1,645,000 during the nine months ended December 31, 2007. These professional fees are primarily attributed to general counsel, merger and acquisition costs, costs incurred in filing patents, and accounting and reporting fees. Facilities costs consist primarily of leasing office and lab space in Tampa, Florida and in Marietta, Georgia.

During the nine months ended December 31, 2008, we recorded approximately $313,000 in depreciation expense and $500,000 in amortization expense as compared to approximately $112,000 in depreciation expense and approximately $176,000 in amortization expense during the nine months ended December 31, 2007. We depreciate our assets on a straight-line basis, principally over five to seven years and amortize our intangible assets over a period of 10 years, which we believe represents the remaining useful lives of the patents underlying the licensing rights and intellectual property. We do not amortize goodwill, but at least annually we test goodwill for impairment and periodically evaluate other intangibles for impairment based on events or changes in circumstances as they occur.

Share Based Compensation

We follow the provisions of Statement of Financial Accounting Standards No. 123R Share-based Payments (FAS123R) which requires the use of the fair-value based method to determine compensation for all arrangements under which employees and others receive shares of stock or equity instruments (options). The total share based compensation recognized during the nine months ended December 31, 2008 and 2007 approximated $588,000 and $420,000, respectively, and is included in general and administrative expenses.

Other Income

We recorded net interest income of approximately $59,000 during the nine months ended December 31, 2008 and approximately $382,000 during the nine months ended December 31, 2007 primarily as a result of our investment of the net proceeds of our prior private placements.

Liquidity and Capital Resources

Since inception, we have funded our development, operating costs and capital expenditures through issuances of stock.

We had approximately $865,000 of cash and cash equivalents on hand as of December 31, 2008. On February 20 and 23, 2009, we entered into Stock Subscription and Purchase Agreements with certain accredited investors pursuant to which such investors purchased 500,000 shares of our Common Stock at a price of $1.00 per share and received registration rights covering the purchased shares of Common Stock. We estimate the total proceeds to be received of $500,000 along with our current cash balances, will be sufficient to fund operations through approximately March 31, 2009. Should these proceeds not ultimately be received, we have sufficient funds to operate through approximately the end of February 2009. In order to fund on-going operations beyond that point (February or March 2009), we will need to raise significant additional funds.

We are currently attempting to raise additional funds through private placements of our common stock to accredited investors or through debt financings, but there can be no assurance that funds will be available, or that the price or terms we can obtain will be acceptable. Management has taken steps to deal with the current liquidity crisis, including the deferral of payment related to approximately $540,000 of accrued legal fees, the deferral of salaries for the four executives of MiMedx Group, Inc. beginning in October of 2008, the deferral of directors fees, and the undertaking of an intense search for additional capital. Furthermore, management is the process of identifying and implementing additional plans for reducing overhead and deferring cash outflows.

18

Table of Contents

Our working capital requirements, and the adequacy of additional funds, will depend upon numerous factors, including the risk factors described under Part II, Item 1A Risk Factors, the progress of our research and development programs, pre-clinical testing, clinical trials, timing and cost of seeking as well as achievement of regulatory milestones, and the ability to sell or license our technologies in the marketplace. In any event, we will require substantial funds in addition to those presently available to develop all of our programs to meet our business objectives.

We expect to incur losses from operations for the foreseeable future, assuming we are able to obtain additional funds and continue as a going concern.

Contractual Obligations

Contractual obligations associated with our ongoing business activities are expected to result in cash payments in future periods. A table summarizing the amounts and estimated timing of these future cash payments as of December 31, 2008 is provided in Note 9 of the unaudited condensed consolidated financial statements included in Item 1.

Critical Accounting Policies

We follow accounting principles generally accepted in the United States in preparing our financial statements, which require us to make certain estimates and apply judgments that affect our financial position and results of operations. We continually review our accounting policies and financial information disclosures. A summary of our significant accounting policies that require the use of estimates and judgments in preparing the financial statements was provided in our Annual Report on Form 10-K for the year ended March 31, 2008. During the first nine months of fiscal 2009, there were no material changes to the accounting policies and assumptions previously disclosed.

Recent Accounting Pronouncements

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 clarifies the principle that fair value should be based on the assumptions that market participants would use when pricing an asset or liability. Additionally, it establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. Effective April 1, 2008 the Company adopted the provisions of SFAS 157. The adoption of the Standard had no effect on the condensed consolidated financial statements.

In April 2008, FASB Staff Position No. 142-3, *Determination of the Useful Life of Intangible Assets (FSP 142-3"*) was issued. This standard amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement 142, Goodwill and Other Intangible Assets. FSP 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The Company has not determined the impact, if any, of this accounting standard on its financial statements.

In June 2008, the Emerging Issues Task Force issued EITF Consensus No. 07-05 *Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity s Own Stock* for periods beginning after December 15, 2008. The objective of this Consensus is to provide guidance for determining whether an equity-linked financial instrument (or embedded feature) is indexed to an entity s own stock and it applies to any freestanding financial instrument or embedded feature that has all the characteristics of a derivative in Statement of Financial Accounting Standards No. 133 (SFAS 133) *Accounting for Derivative Financial Instruments and Hedging Activities*, for purposes of determining whether the financial instrument or embedded feature qualifies for the first part of the scope exception in paragraph 11(a) of SFAS 133 (the Paragraph 11(a) Exemption). This Issue also applies to any freestanding financial instrument that is potentially settled in an entity s own stock, regardless of whether the instrument has all the characteristics of a derivative in SFAS 133, for purposes of determining whether the instrument is within the scope of Issue 00-19 *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company s Own Stock.* The Consensus requires the application of a two-step approach that requires us to (1) evaluate the instrument s contingent exercise provisions and (2) evaluate the instrument s settlement provisions. The Company is currently evaluating how this will affect its fiscal year 2010 financial statements.

19

Table of Contents

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

In the normal course of doing business we are not exposed to the risks associated with foreign currency exchange rates and changes in interest rates. We do not engage in trading market risk sensitive instruments or purchasing hedging instruments or other than trading instruments that are likely to expose us to significant market risk, whether interest rate, foreign currency exchange, commodity price or equity price risk.

Our exposure to market risk relates to our cash and investments.

The primary objective of our investment activities is to preserve principal while at the same time maximizing yields without significantly increasing risk. To achieve this objective, we invest our excess cash in debt instruments of the U.S. Government and its agencies, bank obligations, repurchase agreements and high-quality corporate issuers, and, by policy, restrict our exposure to any single corporate issuer by imposing concentration limits. To minimize the exposure due to adverse shifts in interest rates, we maintain investments at an average maturity of generally less than three months.

Item 4T. Controls and Procedures.

Disclosure Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the Exchange Act), we have carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. This evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Principal Financial Officer. Based upon that evaluation, our Chief Executive Officer and Principal Financial Officer concluded that our controls and procedures were effective as of the end of the period covered by this report.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer, as appropriate, to allow timely decisions regarding disclosures.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the three months ended December 31, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

Limitations on the Effectiveness of Controls

We have confidence in our internal controls and procedures. Nevertheless, our management, including our Chief Executive Officer and Principal Financial Officer, does not expect that our disclosure procedures and controls or our internal controls will prevent all errors or intentional fraud. An internal control system, no matter how well-conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of such internal controls are met. Further, the design of an internal control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all internal control systems, no evaluation of controls can provide absolute assurance that all our control issues and instances of fraud, if any, have been detected.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

As of December 31, 2008, there were no material changes in the our risk factors from those disclosed in Part I, Item 1A in our Annual Report on Form 10-K for the fiscal year ended March 31, 2008, as amended, other than the risk factors mentioned below. The risk factors disclosed in our Annual Report on Form 10-K, as amended, could materially affect our business, results of operations and financial condition. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may, in the future, materially adversely affect our business, results of operations and financial condition.

Our financial condition raises substantial doubt about our ability to continue as a going concern.

As of December 31, 2008, we had approximately $865,000 of cash or cash equivalents on hand. On February 20 and 23, 2009, we entered into Stock Subscription and Purchase Agreements with certain accredited investors pursuant to which such investors purchased 500,000 shares of our Common Stock at a price of $1.00 per share. We estimate the total proceeds to be received of $500,000 will be sufficient to fund operations through March 31, 2009. Should these proceeds not ultimately be received, we have sufficient funds to operate through approximately the end of February 2009. If we fail to obtain additional capital in the immediate future, we will have to terminate our planned business operations, in which case you will lose all or part of your investment. There is substantial doubt we can continue as a going concern given our current financial condition.

The recent disruptions in the overall economy and the credit and financial markets may adversely impact our ability to raise necessary additional capital.

Recently, the capital and credit markets have become increasingly volatile as a result of adverse conditions that have caused the failure and near failure of a number of large financial services companies. If the capital and credit markets continue to experience volatility and the availability of funds remains limited, it is possible that our ability to access the capital and credit markets may be limited or nonexistent because of these or other factors, and we require additional capital in the near future in order to continue operations.

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

On September 25, 2008, we entered into Stock Subscription and Purchase Agreements with certain accredited investors pursuant to which such investors purchased 487,500 units for $3.00 per unit, for aggregate proceeds of $1,423,823. Each unit consisted of a share of our Common Stock and a warrant with a five-year term to purchase a share of our Common Stock for $3.50. In addition, the terms of the sale provide that the investors have an option, for a period of six months following the purchase, to exchange their investment for other financial instruments that may be issued at a price, or effective price in the case of convertible instruments, lower than the original purchase price. As of December 31, 2008, the investors had not exercised this option. A Registration Rights Agreement was also entered into with each investor and relates solely to the common stock purchased in each unit. The Registration Rights Agreement requires us to file a registration statement covering the resale of the shares within 90 days from the completion and termination of the private placement of the Company s common stock under the Stock Subscription and Purchase Agreements (or March 25, 2009). The warrants do not contain registration rights.

21

Table of Contents

The Common Stock and warrants were offered and sold solely to accredited investors in reliance on the exemption from registration afforded by Rule 506 of Regulation D promulgated under the Securities Act of 1933, as amended.

On December 16, 2008, we entered into Stock Subscription and Purchase Agreements with certain accredited investors pursuant to which such investors purchased 210,000 shares of our Common Stock at a price of $1.00 per share, for aggregate proceeds of $210,000, and received registration rights covering the purchased shares of Common Stock. The registration rights require us to file a registration statement covering the resale of the shares within 90 days from the closing of the offering (which must end no later than February 6, 2009).

The Common Stock was offered and sold solely to accredited investors in reliance on the exemption from registration afforded by Rule 506 D promulgated under the Securities Act of 1933, as amended.

We continue to use the proceeds from sales of our equity securities to further develop our technologies and products as well as for working capital and general corporate purposes.

Item 3. Defaults Under Senior Securities.

None

Item 4. Submission of Matters to a Vote of Security Holders.

None

Table of Contents

Item 6. Exhibits.

Exhibit Number	Reference	Description
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

Filed or furnished herewith.

Table of Contents

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.

MIMEDX GROUP, INC.

Date February 23, 2009

By: /s/ John C. Thomas, Jr.
John C. Thomas, Jr., Chief Financial Officer (Principal financial officer and duly authorized officer)

Table of Contents

EXHIBIT INDEX

Exhibit Number	Description
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