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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2024

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: 001-34951

XTANT MEDICAL HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware	20-5313323
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
664 Cruiser Lane Belgrade, Montana	59714
(Address of principal executive offices)	(Zip Code)

(406) 388-0480
(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 $0.000001 per share	XTNT	NYSE American LLC

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 every Interactive Data File required to be submitted 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 ☒ 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 the 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 ☐
Non-accelerated filer ☒	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 ☒

Number of shares of common stock, par value $0.000001 per share, of registrant outstanding at November 7, 2024: 139,008,456.

XTANT MEDICAL HOLDINGS, INC.
FORM 10-Q
September 30, 2024

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This Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the safe harbor created by those sections. For more information, see "Cautionary Statement Regarding Forward-Looking Statements."

As used in this report, unless the context indicates another meaning, the terms "we," "us," "our," "Xtant," "Xtant Medical," and the "Company" mean Xtant Medical Holdings, Inc. and its wholly owned subsidiaries, all of which are consolidated on Xtant's condensed consolidated financial statements. All intercompany balances and transactions have been eliminated in consolidation.

We own various unregistered trademarks and service marks, including our corporate logo. Solely for convenience, the trademarks and trade names in this report are referred to without the ® and ™ symbols, but such references should not be construed as any indicator that the owner of such trademarks and trade names will not assert, to the fullest extent under applicable law, their rights thereto. We do not intend the use or display of other companies' trademarks and trade names to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

We include our website address throughout this report for reference only. The information contained on or connected to our website is not incorporated by reference into this report.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The statements contained in this Quarterly Report on Form 10-Q that are not purely historical are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Our forward-looking statements include, but are not limited to, statements regarding our expectations, hopes, beliefs, intentions, or strategies regarding the future. In addition, any statements that refer to projections, forecasts, or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "possible," "potential," "predict," "project," "should," and "would," as well as similar expressions, may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward looking. Forward-looking statements in this Form 10-Q may include, for example, statements about the topics below and are subject to risks and uncertainties including without limitation those described below:

- our ability to increase revenue and our ability to improve our gross margins, our operating expenses as a percentage of revenue, and obtain and sustain profitability;

- our ability to maintain sufficient liquidity to fund our operations and obtain financing on reasonable terms when needed and the effect of such additional financing on our business, results of operations, financial condition and stockholders;

- our ability to become operationally self-sustaining by controlling our supply chain, especially with respect to stem cells, and becoming less reliant on production and manufacturing of our products outside of our control, which we believe will allow us to be a larger and more diverse producer of biologics;

- our dependence on and ability to retain and recruit independent sales agents and distributors with appropriate expertise and motivate and incentivize them to engage with customers and sell our products, including in particular our dependence on key independent agents for a significant portion of our revenue;

- the ability of our sales personnel, including our independent sales agents and distributors, to achieve expected results;

- our ability to integrate the products acquired as part of the acquisition of Surgalign SPV, Inc., the acquisition of certain assets and liabilities of Surgalign Holdings, Inc., and the acquisition of certain assets of RTI Surgical, Inc. and achieve future sales of those products as anticipated, especially given their respective declines in sales before we acquired them, and other risks associated with those acquisitions and any future business combinations or acquisitions we may pursue;

- the effect of our private label and original equipment manufacturer ("OEM") business on our business and operating results and risks associated therewith, including fluctuations in our operating results and decreased profit margins, and the possibility that we may become more in the OEM business;

- our ability and success in implementing key growth and process improvement initiatives designed to increase our production capacity, revenue and scale and risks associated with such growth and process improvement initiatives;

- our ability to implement successfully our four key growth pillars, which are focused on introducing new products; expanding our distribution network and achieving greater contract access; leveraging and penetrating adjacent markets and completing targeted strategic acquisitions;

- risks associated with our international operations, including but not limited to the effect of foreign currency exchange rate fluctuations and compliance with foreign legal and regulatory requirements, current and future wars, related sanctions and geopolitical tensions, political risks associated with the potential instability of governments and legal systems in countries in which we or our customers or suppliers conduct business, and other potential conflicts;

- our ability to operate in international markets and effectively manage our international subsidiaries, which require management attention and financial resources;

- our ability to navigate manufacturing challenges related to the production of biologics products and recover from our prior stem cell shortage and our ability to win back stem cell customers and achieve future stem cell revenue as anticipated;

- our ability to retain and expand our agreements with group purchasing organizations ("GPOs") and independent delivery networks ("IDNs") and sell products to members of such GPOs and IDNs;

- the effect of inflation and supply chain disruptions, which could result in delayed product launches, lost revenue, higher costs, decreased profit margins, and other adverse effects on our business and operating results;

- the effect of labor and staffing shortages at hospitals and other medical facilities on the number of elective procedures in which our products are used and as a result our revenues, as well as global and local labor shortages and loss of personnel, which have adversely affected and may continue to adversely affect our ability to produce product to meet demand;

- our ability to remain competitive;

- our ability to rebrand and integrate acquired products with our existing product line and successfully transition our customers from some of our older legacy hardware products to these new products and the anticipated adverse effect of these transitions on our organic revenue growth rate;

- our ability to innovate, develop, introduce, market and license new products and technologies and the success of such new products and technologies, including our recently launched Cortera® Posterior Fixation System, viable bone matrix, OsteoVive® Plus, and amniotic membrane allografts, SimpliGraft™ and SimpliMax™;

- our reliance on third party suppliers and manufacturers;

- the effect of product liability claims and other litigation to which we may be subjected and product recalls and defects;

- the effect of infectious diseases on our business, operating results and financial condition;

- the effect of fluctuations in foreign currency exchange rates on our earnings and our foreign currency translation adjustments;

- risks associated with and the effect of a shift in procedures using our products from hospitals to ambulatory surgical centers, which would put pressure on the price of our products and margins;

- our ability to obtain and maintain regulatory approvals in the United States and abroad and the effect of government regulations and our compliance with government regulations;

- the ability of our clinical trials to demonstrate competent and reliable evidence of the safety and effectiveness of our products;

- our ability to remain accredited with the American Association of Tissue Banks and continue to obtain a sufficient number of donor cadavers for our products;

- our ability to obtain and maintain government and third-party coverage and reimbursement for our products;

- our ability to attract, retain and engage qualified technical, sales and processing personnel and members of our management team, especially in light of a tight labor market and increasing cost of living in and around the Belgrade, Montana area;

- our ability to service our debt and comply with the covenants in our credit agreements and the effect of our significant indebtedness on our business, results of operations, financial condition and prospects;

- our expectations regarding operating trends, future financial performance and expense management and our estimates of our future revenue, expenses, ongoing losses, gross margins, operating leverage, capital requirements and our need for, or ability to obtain, additional financing and the availability of our credit facilities;

- our ability to effectively remediate our outstanding material weaknesses and maintain effective internal control over financial reporting;

- our ability to license certain of our intellectual property on commercially reasonable terms and our ability to maintain any such licenses;

- our ability to obtain and protect our intellectual property and proprietary rights and operate without infringing the intellectual property rights of others;

- our ability to maintain our stock listing on the NYSE American Exchange;

- risks inherent in being a controlled company; and

- the effect of a global economic slowdown, rising interest rates and the prospects for recession, a possible U.S. government shutdown in December 2024, as well as past and potential future disruptions in access to bank deposits or lending commitments due to bank failures, which could materially and adversely affect our revenue, liquidity, financial condition and results of operations.

The forward-looking statements contained in this Form 10-Q are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties, or assumptions, many of which are beyond our control, which may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described in the "*Risk Factors*" section of our Annual Report on Form 10-K for the year ended December 31, 2023 and this Form 10-Q.

Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as may be required under applicable securities laws.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

XTANT MEDICAL HOLDINGS, INC.
Condensed Consolidated Balance Sheets
(In thousands, except number of shares and par value)

	As of September 30, 2024 (Unaudited)	As of December 31, 2023
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 6,596	$ 5,715
Restricted cash	490	208
Trade accounts receivable, net of allowance for credit losses and doubtful accounts of $1,038 and $920, respectively	20,545	20,731
Inventories	41,886	36,885
Prepaid and other current assets	1,893	1,330
Total current assets	71,410	64,869
Property and equipment, net	10,284	8,692
Right-of-use asset, net	995	1,523
Goodwill	7,302	7,302
Intangible assets, net	8,788	10,085
Other assets	103	141
Total Assets	$ 98,882	$ 92,612
LIABILITIES & STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 8,298	$ 7,054
Accrued liabilities	8,871	10,419
Current portion of lease liability	795	830
Current portion of finance lease obligations	68	65
Line of credit	12,887	4,622
Current portion of long-term debt	2,750	—
Total current liabilities	33,669	22,990
Long-term Liabilities:		
Lease liability, less current portion	247	759
Finance lease obligation, less current portion	65	116
Long-term debt, plus premium and less issuance costs	19,138	17,167
Other liabilities	38	231
Total Liabilities	53,157	41,263
Commitments and Contingencies (note 14)		
Stockholders' Equity:		
Preferred stock, $0.000001 par value; 10,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, $0.000001 par value; 300,000,000 shares authorized; 138,680,874 shares issued and outstanding as of September 30, 2024 and 130,180,031 shares issued and outstanding as of December 31, 2023	—	—
Additional paid-in capital	301,966	294,330
Accumulated other comprehensive loss (income)	54	29
Accumulated deficit	(256,295)	(243,010)
Total Stockholders' Equity	45,725	51,349
Total Liabilities & Stockholders' Equity	$ 98,882	$ 92,612

See notes to unaudited condensed consolidated financial statements.

XTANT MEDICAL HOLDINGS, INC.
Condensed Consolidated Statements of Operations
(Unaudited, in thousands, except number of shares and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Total Revenue	$ 27,937	$ 25,019	$ 85,754	$ 63,195
Cost of Sales	11,630	9,685	33,562	24,865
Gross Profit	16,307	15,334	52,192	38,330
Operating Expenses				
General and administrative	7,493	7,144	22,991	16,983
Sales and marketing	11,890	11,085	37,530	26,855
Research and development	701	490	1,863	844
Total Operating Expenses	20,084	18,719	62,384	44,682
Loss from Operations	(3,777)	(3,385)	(10,192)	(6,352)
Other (Expense) Income				
Interest expense	(1,199)	(760)	(3,026)	(2,120)
Interest income	—	48	—	133
Foreign currency exchange gain	27	—	106	—
Other expense	(13)	—	(6)	—
Bargain purchase gain	—	11,028	—	11,028
Total Other (Expense) Income	(1,185)	10,316	(2,926)	9,041
Net (Loss) Income from Operations Before Provision for Income Taxes	(4,962)	6,931	(13,118)	2,689
Provision for Income Taxes Current and Deferred	(62)	2,300	(166)	2,274
Net (Loss) Income	$ (5,024)	$ 9,231	$ (13,284)	$ 4,963
Net (Loss) Income Per Share:				
Basic	$ (0.04)	$ 0.07	$ (0.10)	$ 0.04
Dilutive	$ (0.04)	$ 0.07	$ (0.10)	$ 0.04
Shares used in the computation:				
Basic	135,100,233	128,140,238	131,881,302	115,380,792
Dilutive	135,100,233	135,663,274	131,881,302	123,832,401

See notes to unaudited condensed consolidated financial statements.

XTANT MEDICAL HOLDINGS, INC.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited, in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
Net (Loss) Income	$ (5,024)	$ 9,231	$ (13,284)	$ 4,963
Other Comprehensive (Loss) Income				
Foreign currency translation adjustments	229	(146)	25	(146)
Comprehensive (Loss) Income	$ (4,795)	$ 9,085	$ (13,259)	$ 4,817

See notes to unaudited condensed consolidated financial statements.

XTANT MEDICAL HOLDINGS, INC.
Condensed Consolidated Statements of Equity
(Unaudited, in thousands, except number of shares)

	Common Stock		Additional Paid-In-Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2023	130,180,031	$ —	$ 294,330	$ 29	$ (243,010)	$ 51,349
Common stock issued on vesting of restricted stock units	44,496	—	—	—	—	—
Withholding on common stock upon vesting of restricted stock units	(7,986)	—	(17)	—	—	(17)
Stock-based compensation	—	—	910	—	—	910
Foreign currency translation adjustment	—	—	—	(162)	—	(162)
Net loss	—	—	—	—	(4,400)	(4,400)
Balance at March 31, 2024	130,216,541	—	295,223	(133)	(247,410)	47,680
Common stock issued on vesting of restricted stock units	97,831	—	—	—	—	—
Stock-based compensation	—	—	1,228	—	—	1,228
Foreign currency translation adjustment	—	—	—	(42)	—	(42)
Net loss	—	—	—	—	(3,861)	(3,861)
Balance at June 30, 2024	130,314,372	$ —	$ 296,451	$ (175)	$ (251,271)	$ 45,005
Private placement of common stock, net of issuance costs of $191	7,812,500	—	4,456	—	—	4,456
Exercise of stock options	19,858	—	13	—	—	13
Common stock issued on vesting of restricted stock units	689,977	—	—	—	—	—
Withholding of common stock upon vesting of restricted stock units	(155,833)	—	(93)	—	—	(93)
Stock-based compensation	—	—	1,139	—	—	1,139
Foreign currency translation adjustment	—	—	—	229	—	229
Net loss	—	—	—	—	(5,024)	(5,024)
Balance at September 30, 2024	138,680,874	—	301,966	54	(256,295)	45,725

	Common Stock		Additional Paid-In-Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2022	108,874,803	$ —	$ 277,841	$ —	$ (243,670)	$ 34,171
Common stock issued on vesting of restricted stock units	22,245	—	—	—	—	—
Stock-based compensation	—	—	617	—	—	617
Net loss	—	—	—	—	(2,078)	(2,078)
Balance at March 31, 2023	108,897,048	—	278,458	—	(245,748)	32,710
Stock-based compensation	—	—	439	—	—	439
Net loss	—	—	—	—	(2,190)	(2,190)
Balance at June 30, 2023	108,897,048	$ —	$ 278,897	$ —	$ (247,938)	$ 30,959
Private placement of common stock, net of issuance costs of $175	20,000,000	—	14,011	—	—	14,011
Common stock issued on vesting of restricted stock units	992,287	—	—	—	—	—
Withholding of common stock upon vesting of restricted stock units	(100,388)	—	(119)	—	—	(119)
Stock-based compensation	—	—	745	—	—	745
Foreign currency translation adjustment	—	—	—	(146)	—	(146)
Net income	—	—	—	—	9,231	9,231
Balance at September 30, 2023	129,788,947	—	293,534	(146)	(238,707)	54,681

See notes to unaudited condensed consolidated financial statements.

XTANT MEDICAL HOLDINGS, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited, in thousands)

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Operating activities:		
Net (loss) income	$ (13,284)	$ 4,963
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	3,076	2,157
Gain on disposal of fixed assets	(182)	(104)
Non-cash interest	369	266
Non-cash rent	(18)	5
Stock-based compensation	3,277	1,801
Provision for expected credit losses	330	316
Provision for excess and obsolete inventory	695	398
Release of valuation allowance	—	(2,394)
Gain on bargain purchase	—	(11,028)
Other	17	—
Changes in operating assets and liabilities, net of the effects of the acquisition:		
Accounts receivable	(128)	(7,047)
Inventories	(5,657)	(1,669)
Prepaid and other assets	(503)	69
Accounts payable	1,290	1,298
Accrued liabilities	(1,843)	2,369
Net cash used in operating activities	(12,561)	(8,600)
Investing activities:		
Purchases of property and equipment	(3,441)	(1,093)
Proceeds from sale of fixed assets	278	70
Acquisition of Surgalign SPV, Inc.	—	(17,000)
Acquisition of Surgalign Holdings, Inc.'s hardware and biologics business, net of cash acquired	—	(4,448)
Net cash used in investing activities	(3,163)	(22,471)
Financing activities:		
Payments on financing leases	(49)	(46)
Borrowings on line of credit	86,315	55,345
Repayments on line of credit	(78,050)	(54,724)
Proceeds from private placement, net of cash issuance costs	4,456	14,011
Net proceeds from issuance of long-term debt, net of issuance costs	5,000	4,899
Payments on long term debt	(648)	—
Proceeds from the exercise of stock based compensation	13	—
Payments of taxes from withholding of common stock on vesting of restricted stock units	(110)	(119)
Net cash provided by financing activities	16,927	19,366
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(40)	(53)
Net change in cash and cash equivalents and restricted cash	1,163	(11,758)
Cash and cash equivalents and restricted cash at beginning of period	5,923	20,507
Cash and cash equivalents and restricted cash at end of period	$ 7,086	$ 8,749
Reconciliation of cash and cash equivalents and restricted cash reported in the condensed consolidated balance sheets		
Cash and cash equivalents	$ 6,596	$ 8,664
Restricted cash	490	85
Total cash and restricted cash reported in condensed consolidated balance sheets	$ 7,086	$ 8,749

See notes to unaudited condensed consolidated financial statements.

Notes to Unaudited Condensed Consolidated Financial Statements

(1) Business Description, Basis of Presentation and Summary of Significant Accounting Policies

Business Description and Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of Xtant Medical Holdings, Inc. (“Xtant”), a Delaware corporation, and its wholly owned subsidiaries, which are jointly referred to herein as “Xtant” or the “Company”. The terms “we,” “us” and “our” also refer to Xtant. All intercompany balances and transactions have been eliminated in consolidation.

Xtant is a global medical technology company focused on the design, development, and commercialization of a comprehensive portfolio of orthobiologics and spinal implant systems to facilitate spinal fusion in complex spine, deformity, and degenerative procedures.

The accompanying condensed consolidated balance sheet as of December 31, 2023, which has been derived from audited financial statements, and the unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. They do not include all disclosures required by generally accepted accounting principles for annual consolidated financial statements, but in the opinion of management include all adjustments, consisting only of normal recurring items, necessary for a fair presentation.

Interim results are not necessarily indicative of results that may be achieved in the future for the full year ending December 31, 2024.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto, which are included in Xtant’s Annual Report on Form 10-K for the year ended December 31, 2023. The accounting policies set forth in those annual consolidated financial statements are the same as the accounting policies utilized in the preparation of these condensed consolidated financial statements, except as modified for appropriate interim consolidated financial statement presentation.

Liquidity

Since our inception, we have financed our operations through primarily operating cash flows, private placements of equity securities and convertible debt, debt facilities, common stock rights offerings, and other debt transactions. For the nine months ended September 30, 2024, we incurred a net loss of $13.3 million and negative cash flows from operating activities of $12.6 million. We believe that our $6.6 million of cash and cash equivalents as of September 30, 2024, together with our anticipated operating cash flows and amounts available under our credit facilities, as discussed further in Note 11, “*Debt*,” will be sufficient to meet our anticipated cash requirements through at least November 2025. However, we may require or seek additional capital to fund our future operations and business strategy prior to November 2025. Accordingly, there is no assurance that we will not need or seek additional financing prior to such time. Additionally, we can give no assurances that we will be able to secure additional sources of funds to support our operations, or if such funds are available to us, that such additional financing will be sufficient to meet our needs or on terms acceptable to us. This is particularly true if economic and market conditions deteriorate or our business, financial performance or prospects deteriorate. In addition, prior to raising additional equity or debt financing, we may be required to obtain the consent of MidCap Financial Trust and MidCap Funding IV Trust under our Credit Agreements and/or OrbiMed Royalty Opportunities II, LP (“Royalty Opportunities”) and ROS Acquisition Offshore LP (“ROS”) under our Investor Rights Agreement with them, and no assurance can be provided that they would provide such consent, which could limit our ability to raise additional financing and the terms thereof.

Private Placement

On August 7, 2024, we entered into a securities purchase agreement pursuant to which we issued an aggregate of 7,812,500 shares of common stock to accredited investors in a private placement at a per share purchase price of $0.64 at a closing held on August 9, 2024. The gross proceeds to us from the private placement were $5.0 million, before deducting estimated offering fees and expenses payable by us. We expect to use the net proceeds of $4.5 million from the private placement for working capital and other general corporate purposes.

Use of Estimates

The preparation of the condensed consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the period. Significant estimates include the carrying amount of property and equipment; goodwill, intangible assets and liabilities; valuation allowances for trade receivables, inventory, deferred income tax assets and liabilities; current and long-term lease obligations and corresponding right-of-use asset; estimates for the fair value of assets acquired as part of business combinations; and estimates for the fair value of long-term debt, stock options and other equity awards upon which the Company determines stock-based compensation expense. Actual results could differ from those estimates.

Restricted Cash

Cash and cash equivalents classified as restricted cash on our condensed consolidated balance sheets are restricted as to withdrawal or use under the terms of certain contractual agreements. The September 30, 2024 and December 31, 2023 balances included lockbox deposits that are temporarily restricted due to timing at the period end. The lockbox deposits are applied against our line of credit the next business day.

Concentration of Credit Risk

Financial instruments that potentially expose the Company to concentration of credit risk consist primarily of cash, cash equivalents and restricted cash. The Company maintains its cash balances primarily with two financial institutions. These balances generally exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk in cash and cash equivalents.

Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. No impairments of long-lived assets were recorded for the three and nine months ended September 30, 2024 and 2023.

Goodwill

Goodwill represents the excess of costs over fair value of assets of businesses acquired. Goodwill and intangible assets acquired in a purchase business combination and determined to have indefinite useful lives are not amortized. Instead, they are tested for impairment at least annually, and whenever events or circumstances indicate, the carrying amount of the asset may not be recoverable. No impairments of goodwill were recorded for the three and nine months ended September 30, 2024 and 2023.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification ("ASC") 718, *Compensation-Stock Compensation*. ASC 718 requires the recognition of compensation expense, using a fair-value based method, for costs related to all share-based payments including stock options, restricted stock units, performance stock units, and shares issued under its employee stock purchase plan. ASC 718 requires companies to estimate the fair value of all share-based payment option awards on the date of grant using an option pricing model. The fair value of stock options is recognized over the period during which an optionee is required to provide services in exchange for the option award, known as the requisite service period (usually the vesting period), on a straight-line basis. The Company accounts for option forfeitures as they occur.

The Company accounts for stock-based compensation for restricted stock units at their fair value, based on the closing market price of the Company's common stock on the date of grant. These costs are recognized on a straight-line basis over the requisite service period, which is usually the vesting period.

The Company accounts for stock-based compensation for performance stock units with market-based conditions at their fair value on the date of the award using the Monte Carlo simulation model. These costs are recognized over the requisite service period, which is usually the vesting period, regardless of the likelihood of achievement of the market-based performance criteria.

Foreign Currency

The Company generates revenues outside the United States in multiple foreign currencies including euros, Swiss francs, British pounds and in U.S. dollar-denominated transactions conducted with customers who generate revenue in currencies other than the U.S. dollar. The Company also incurs operating expenses in euros, Swiss francs and British pounds. All assets and liabilities of foreign subsidiaries which have a functional currency other than the U.S. dollar are translated at the rate of exchange at period-end, while elements of the income statement are translated at the average exchange rates in effect during the period. The net effect of these translation adjustments is shown as a component of accumulated other comprehensive income. Foreign currency transaction gains and losses are reported in other income, net.

Fair Value of Financial Instruments

The carrying values of financial instruments, including trade accounts receivable, accounts payable, accrued liabilities, and long-term debt, approximate their fair values based on terms and related interest rates as of September 30, 2024 and December 31, 2023.

(2) Acquisition of Coflex and CoFix Product Lines

On February 28, 2023, we entered into an Equity Purchase Agreement (the "Equity Purchase Agreement") with Surgalign SPV, Inc. ("Surgalign SPV"), a wholly owned subsidiary of Surgalign Spine Technologies, Inc., ("Seller"), Seller and Surgalign Holdings, Inc. , pursuant to which we purchased all of the issued and outstanding shares of common stock of Surgalign SPV, which shares constituted all of the outstanding equity of Surgalign SPV, for an aggregate purchase price of $17.0 million in cash (the "Purchase Price"). The closing contemplated by the Equity Purchase Agreement occurred on February 28, 2023 (the "Closing").

Immediately prior to the Closing, Seller and its affiliates transferred and assigned to Surgalign SPV, a newly formed entity wholly owned by Seller, certain intellectual property, contractual rights and other assets related to the design, manufacture, sale and distribution of Seller's Coflex and CoFix products in the United States (the "Coflex Business"). The Coflex and CoFix products have been approved by the U.S. Food and Drug Administration for the treatment of moderate to severe lumbar spinal stenosis in conjunction with decompression and provide minimally invasive, motion preserving stabilization.

In conjunction with the Equity Purchase Agreement, on February 28, 2023, we entered into a Transition Services Agreement with Surgalign SVP and Seller, whereby Seller agreed to provide, or cause to be provided, to us on and after the effective date of the Equity Purchase Agreement, after giving effect to the Closing, certain transitional services related to the transition of the Coflex Business.

We funded the Purchase Price with cash on hand and approximately $5.0 million of indebtedness incurred under our term loan, refer to Note 11 – Debt for additional information.

We recorded the purchase of this acquisition using the acquisition method of accounting and, accordingly, recognized the assets acquired at their fair values as of the date of acquisition. The table below represents the allocation of the total consideration for Surgalign SPV's assets and liabilities based on management's estimates of their respective fair values as of February 28, 2023 (in thousands):

Inventories	$	1,589
Equipment		947
Intangible assets		11,155
Net assets acquired		13,691
Goodwill		3,309
Total purchase consideration	$	17,000

The acquisition was recorded by allocating the costs of the net assets acquired based on their estimated fair values at the acquisition date. The fair values were based on management's analysis, including work performed by third-party valuation specialists.

The acquisition strengthened the Company's spine portfolio with the addition of the Coflex Business. Coflex is a differentiated and minimally invasive motion preserving stabilization implant that had a premarket application approved by the U.S. Food and Drug Administration for the treatment of moderate to severe lumbar spinal stenosis in conjunction with decompression. This potential benefit resulted in the Company paying a premium for the acquisition resulting in the recognition of $3.3 million in goodwill. For tax purposes, goodwill is deductible.

(3) Acquisition of Surgalign Holdings, Inc.'s Hardware and Biologics Business

On August 10, 2023, we completed the acquisition (the "Transaction") of the assets of Surgalign Holdings, Inc. ("Surgalign Holdings"), and its subsidiaries used in Surgalign Holdings' hardware and biologics business. The acquired assets included specified inventory, intellectual property and intellectual property rights, contracts, equipment and other personal property, records, the outstanding equity securities of Surgalign Holdings' international subsidiaries, and intangibles that were related to Surgalign Holdings' hardware and biologics business (collectively, the "Assets"). As part of the Transaction, we assumed and certain specified liabilities of Surgalign Holdings (collectively, the "Liabilities"), all pursuant to the Asset Purchase Agreement, dated June 18, 2023, between Surgalign Holdings and us (as amended, the "Asset Purchase Agreement").

The Transaction was conducted through a process supervised by the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the "Bankruptcy Court") in connection with Surgalign Holdings' bankruptcy proceedings; and therefore, we acquired the Assets with limited representations and warranties. The Bankruptcy Court issued a Sale Order on August 9, 2023 approving and authorizing the Transaction. We funded the purchase price of $5.0 million, plus Liabilities, with cash on hand.

We recorded the purchase of the Transaction using the acquisition method of accounting and, accordingly, recognized the assets acquired at their fair values as of the date of acquisition. The table below represents the allocation of the total consideration for Surgalign Holdings' assets and liabilities based on management's estimates of their respective fair values as of August 10, 2023 (in thousands):

Cash	$	1,087
Accounts receivable		1,627
Inventories		15,300
Prepaids and other current assets		825
Equipment		2,067
Right-of-use asset		576
Accounts payable		(530)
Accrued liabilities		(1,170)
Current portion of lease liability		(238)
Lease liability, less current portion		(338)
Net assets acquired		19,206
Bargain purchase gain		(11,694)
Deferred tax liability		(1,922)
Total purchase consideration	$	5,590

The Transaction was recorded by allocating the costs of the net assets acquired based on their estimated fair values at the acquisition date. The fair values were based on management's analysis, including work performed by third-party valuation specialists.

ASC 805, *Business Combinations*, requires that any excess of purchase price over the fair value of assets acquired, including identifiable intangibles and liabilities assumed, be recognized as goodwill and any excess of fair value of acquired net assets, including identifiable intangible assets over the acquisition consideration, results in a gain from bargain purchase. Prior to recording a gain, the acquiring entity must reassess whether all assets acquired and assumed liabilities have been identified and recognized and perform re-measurements to verify that the consideration paid, assets acquired and liabilities assumed have been properly valued. The Transaction resulted in a gain on bargain purchase due to the estimated fair value of the identifiable net assets acquired exceeding the purchase consideration transferred by $12.0 million and is shown as a gain on bargain purchase on our condensed consolidated statement of operations. Upon completion of our assessment, we concluded that recording a gain on bargain purchase was appropriate and required under ASC 805. The bargain purchase was primarily attributable to the Transaction occurring as part of bankruptcy proceedings.

The Company believes that the Transaction will strengthen our growing orthobiologics and spinal fusion device portfolio, while expanding our commercial footprint with new contracts and distributors.

(4) Acquisition of NanOss Production Operations

On October 23, 2023, the Company acquired the nanOss production operations from RTI Surgical, Inc. ("RTI") pursuant to an Asset Purchase Agreement dated October 23, 2023 between the Company and RTI (the "Asset Purchase Agreement"). Under the terms of the Asset Purchase Agreement, the Company acquired certain assets, including equipment and inventory, used in RTI's synthetic bone graft business and assumed from RTI the lease for the nanOss production facility located in Greenville, North Carolina. The purchase price for the assets was $2.0 million in cash on hand plus $0.2 million of contingent payments based on future sales of next generation nanOss products. The Company previously acquired nanOss distribution rights and certain nanOss intellectual property with the acquisition of assets related to the biologics and spinal fixation business of Surgalign Holdings, Inc. in August 2023. The potential benefit associated with the improved economics of internal production of nanOss products resulted in the Company paying a premium for the acquisition resulting in the recognition of $0.6 million of goodwill. For tax purposes, goodwill is deductible.

The Company recorded the purchase of this acquisition using the acquisition method of accounting and, accordingly, recognized the assets acquired at their fair values as of the date of acquisition. The table below represents the allocation of the total consideration for certain RTI assets based on management's estimates of their respective fair values as of October 23, 2023 (in thousands):

Inventories	$	1,150
Fixed assets		267
Intangible assets		220
Net assets acquired		1,637
Goodwill		573
Total purchase consideration	$	2,210

The following unaudited pro forma combined financial information summarizes the results of operations for the periods indicated as if the Transaction, the acquisition of Surgalign SPV, Inc. and the acquisition of nanOss production operations from RTI Surgical, Inc. had been completed as of January 1, 2023 (in thousands):

		Nine Months Ended September 30, 2023
Revenues	$	97,842
Net loss		(11,570)

Pro forma information reflects adjustments that are expected to have a continuing impact on the Company's results of operations and are directly attributable to the Transaction, the acquisition of Surgalign SPV, Inc. and the acquisition of nanOss production operations from RTI Surgical, Inc. The unaudited pro forma results include adjustments to reflect the amortization of the inventory step-up and the incremental intangible asset amortization to be incurred based on the values of each identifiable intangible asset. The pro forma amounts do not purport to be indicative of the results that would have actually been obtained if the transactions had occurred as of January 1, 2023 or that may be obtained in the future, and do not reflect future synergies, integration costs, or other such costs or savings.

Revenue was approximately $10.5 million and net losses were approximately $0.3 million for Surgalign SPV and the hardware and biologics business of Surgalign Holdings, collectively, from the dates of acquisition to September 30, 2023.

(5) Revenue

In the United States, the Company generates most of its revenue from independent commissioned sales agents. The Company consigns its orthobiologics products to hospitals and consigns or loans its spinal implant sets to independent sales agents. The spinal implant sets typically contain the instruments, disposables, and spinal implants required to complete a surgery. Consigned sets are managed by the sales agent to service hospitals that are high volume users for multiple procedures.

The Company ships replacement inventory to independent sales agents to replace the consigned inventory used in surgeries. Loaned sets are returned to the Company's distribution center, replenished, and made available to sales agents for the next surgical procedure.

For each surgical procedure, the sales agent reports use of the product by the hospital and, as soon as practicable thereafter, ensures that the hospital provides a purchase order to the Company. Revenue is recognized upon utilization of product.

Additionally, the Company sells product directly to domestic and international stocking resellers, original equipment manufacturer resellers and private label resellers. Upon receipt and acceptance of a purchase order from a stocking reseller, the Company ships product and invoices the reseller. The Company recognizes revenue when the control is transferred upon shipment or upon delivery, based on the customer contract terms and legal requirements, and the transfer of title and risk of loss occurs. There is generally no customer acceptance or other condition that prevents the Company from recognizing revenue in accordance with the delivery terms for these sales transactions. In the normal course of business, the Company accepts returns of product that have not been implanted. Product returns are not material to the Company's consolidated statements of operations. The Company accounts for shipping and handling activities as a fulfillment cost rather than a separate performance obligation. The Company's policy is to record revenue net of any applicable sales, use, or excise taxes. Payment terms are generally net 30 days from invoice date and some customers are offered discounts for early pay. The consideration for goods or services reflects any fixed amount stated per the contract and estimates for any variable consideration, such as returns, discounts or rebates, to the extent that it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. For certain sales transactions, we incur GPO fees that are based on a contractual percentage of applicable sales and are treated as consideration payable to a customer and recorded as a reduction of revenue.

The Company recognizes revenue in certain circumstances before product delivery occurs (commonly referred to as bill-and-hold transactions). When the Company enters into bill-and-hold arrangements, the Company determines if the customer obtains control of the product by determining (a) the reason for the bill-and-hold arrangement; (b) whether the product was identified separately as belonging to the customer; (c) whether the product was ready for physical transfer to the customer; and (d) whether the Company was unable to utilize the product or direct it to another customer. For bill-and-hold arrangements, the associated product inventory is identified separately by the Company as belonging to the customer and is ready for physical transfer. At September 30, 2024, $0.6 million was included in revenue for products that had not shipped.

The Company operates in one reportable segment with its net revenue derived primarily from the sale of orthobiologics and spinal implant products across North America, Europe, Asia Pacific, and Latin America. Sales are reported net of returns, discounts and rebates. The following table presents revenues from these product lines for the three and nine months ended September 30, 2024 and 2023 (in thousands):

	Three Months Ended September 30, 2024	Percentage of Total Revenue	Three Months Ended September 30, 2023	Percentage of Total Revenue
Orthobiologics	$ 16,579	59%	$ 15,665	63%
Spinal implant	11,358	41%	9,354	37%
Total revenue	$ 27,937	100%	$ 25,019	100%

	Nine Months Ended September 30, 2024	Percentage of Total Revenue	Nine Months Ended September 30, 2023	Percentage of Total Revenue
Orthobiologics	$ 48,123	56%	$ 43,531	69%
Spinal implant	37,631	44%	19,664	31%
Total revenue	$ 85,754	100%	$ 63,195	100%

(6) Receivables

The Company's provision for current expected credit loss is determined based on historical collection experience adjusted for current economic conditions affecting collectability. Actual customer collections could differ from estimates. Account balances are charged to the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Provisions to the allowance for credit losses are charged to expense.

(7) Inventories

Inventories consist of the following (in thousands):

	September 30, 2024	December 31, 2023
Raw materials	$ 7,172	$ 7,269
Work in process	2,820	1,562
Finished goods	31,894	28,054
Total	$ 41,886	$ 36,885

(8) Property and Equipment, Net

Property and equipment, net are as follows (in thousands):

	September 30, 2024	December 31, 2023
Equipment	$ 7,120	$ 6,858
Computer equipment	1,234	1,330
Computer software	361	230
Leasehold improvements	4,382	4,347
Surgical instruments	17,275	14,648
Assets not yet in service	905	959
Total cost	31,277	28,372
Less: accumulated depreciation	(20,993)	(19,680)
Property and equipment, net	$ 10,284	$ 8,692

Depreciation expense related to property and equipment, including property under finance leases, for the three months ended September 30, 2024 and 2023 was $0.7 million and $0.5 million, respectively, and $1.8 million and $1.2 million for the nine months ended September 30, 2024 and 2023, respectively.

(9) Intangible Assets

The following table sets forth information regarding intangible assets (in thousands):

September 30, 2024:	Weighted Average Life	Cost	Accumulated Amortization	Net
Patents	11 years	$ 2,777	$ (879)	$ 1,898
Customer List	6 years	8,000	(2,112)	5,888
Tradenames	10 years	1,190	(188)	1,002
		$ 11,967	$ (3,179)	$ 8,788

December 31, 2023:	Weighted Average Life	Cost	Accumulated Amortization	Net
Patents	11 years	$ 2,777	$ (672)	$ 2,105
Customer List	6 years	8,000	(1,111)	6,889
Tradenames	10 years	1,190	(99)	1,091
		$ 11,967	$ (1,882)	$ 10,085

Amortization expense for both the three months ended September 30, 2024 and 2023 was $0.4 million, and $1.3 million and $1.0 million for the nine months ended September 30, 2024 and 2023, respectively.

(10) Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	September 30, 2024	December 31, 2023
Cash compensation/commissions payable	$ 6,826	$ 8,890
Other accrued liabilities	2,045	1,529
Accrued liabilities	$ 8,871	$ 10,419

(11) Debt

Long-term debt consists of the following (in thousands):

	September 30, 2024	December 31, 2023
Amounts due under the term loan	$ 22,000	$ 17,000
Accrued end-of-term payments	359	456
Less: unamortized debt issuance costs	(471)	(289)
Less: current maturities	(2,750)	—
Long-term debt, less issuance costs	$ 19,138	$ 17,167

On March 7, 2024, the Company's term credit agreement was amended and restated to, among other things, extend the maturity date to March 1, 2029. An additional $10.0 million tranche, available solely at the discretion of MidCap Financial Trust and the lenders, was added to the term credit agreement and the applicable margin used to determine the per annum interest rate was reduced from 7.00% to 6.50%. The date of certain fees payable in connection with optional prepayments were also reset by the amendment to be determined based on the date the amendment. The Company's revolving credit agreement was also amended and restated on March 7, 2024, to among other things, increase the commitment amount from $8.0 million to $17.0 million. The maturity of the revolving credit agreement was also extended to March 1, 2029. Minimum net product revenue requirements specified in the credit agreements were reset and minimum adjusted EBITDA requirements were removed.

On May 14, 2024, the term credit agreement was amended to increase the amount of term loans that may be borrowed by $5.0 million to a maximum of $22.0 million, which were fully drawn as of May 14, 2024. In addition, the amendments to the term credit agreement and revolving credit agreement re-set the date certain fees payable in connection with optional prepayments are determined to May 14, 2024 and consequently extend such fees' original expiration. The exit fees were increased by 2.50% to 6.50% of the principal amount borrowed pursuant to the term credit agreement. The terms of borrowing under the term credit agreement and revolving credit agreement otherwise remain materially unchanged.

The effective rate of the term loan, inclusive of amortization of debt issuance costs and accretion of the final payment, was 14.58% as of September 30, 2024. The effective rate of the revolving credit agreement was 9.82% as of September 30, 2024. As of September 30, 2024, the Company had $3.8 million available under the revolving credit agreement and was in compliance with all covenants under the credit agreements.

(12) Stock-Based Compensation

On July 26, 2023, our stockholders approved and adopted the Xtant Medical Holdings, Inc. 2023 Equity Incentive Plan (the "2023 Plan"), which replaced the Xtant Medical Holdings, Inc. 2018 Equity Incentive Plan (as amended and restated, the "2018 Plan") with respect to future grants of equity awards, although the 2018 Plan continues to govern equity awards granted under the 2018 Plan. The 2023 Plan permits the Board of Directors, or a committee thereof, to grant to eligible employees, non-employee directors, and consultants of the Company non-statutory and incentive stock options, stock appreciation rights, restricted stock awards, restricted stock units, deferred stock units, performance awards, non-employee director awards, and other stock-based awards. The Board of Directors may select 2023 Plan participants and determine the nature and amount of awards to be granted. The maximum number of shares of our common stock available for issuance under the 2023 Plan, subject to adjustment pursuant to the terms of the 2023 Plan, is (i) 5,500,000 shares of common stock; (ii) 7,695,812 shares of common stock remaining available for issuance under the 2018 Plan but not subject to outstanding awards under the 2018 Plan as of July 26, 2023; and (iii) up to 6,686,090 shares of common stock subject to awards outstanding under the 2018 Plan as of July 26, 2023 but only to the extent such awards are subsequently forfeited, cancelled, expire, or otherwise terminate without the issuance of such shares of common stock after such date.

Stock Options

Stock option activity, including options granted under the 2023 Plan and the 2018 Plan was as follows for the nine months ended September 30, 2024 and 2023:

	2024			2023		
	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (years)	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (years)
Outstanding at January 1	4,875,828	$ 1.31		3,360,664	$ 1.51	
Granted	—	—		1,602,013	1.16	
Exercised	(19,858)	0.64		—	—	
Cancelled or expired	(397,032)	$ 1.16		(86,849)	$ 6.58	
Outstanding at September 30	4,458,938	$ 1.32	6.6	4,875,828	$ 1.31	8.2
Exercisable at September 30	2,779,049	$ 1.41	5.9	1,519,973	$ 1.59	7.1

As of September 30, 2024, there was approximately $1.1 million of total unrecognized compensation expense related to unvested stock options. These costs are expected to be recognized over a weighted-average period of 2.5 years. There were no options granted during the nine months ended September 30, 2024.

Deferred Stock Units and Restricted Stock Units

Deferred stock unit and restricted stock unit activity for awards granted under the 2023 Plan and the 2018 Plan was as follows for the nine months ended September 30, 2024 and 2023:

	2024		2023	
	Shares	Weighted Average Fair Value at Grant Date Per Share	Shares	Weighted Average Fair Value at Grant Date Per Share
Outstanding at January 1	3,524,675	$ 1.07	3,612,433	$ 0.88
Granted	4,195,363	$ 0.84	1,942,614	$ 1.15
Vested	(1,482,056)	$ 1.08	(1,014,532)	$ 0.68
Cancelled	(675,820)	$ 0.90	(494,121)	$ 0.54
Outstanding at September 30	5,562,162	$ 0.91	4,046,394	$ 1.10

Total compensation expense related to unvested deferred stock units and restricted stock units not yet recognized was $4.0 million as of September 30, 2024, which is expected to be allocated to expenses over a weighted-average period of 2.7 years.

Performance Stock Units

During 2024, the Company began awarding performance stock units, or PSUs, under the 2023 Plan to certain executive officers and key employees. The Company has awarded an aggregate of 1,894,985 PSUs, assuming target performance, and each PSU award can be earned and vested at the end of a three-year performance period based on the total stockholder return, or TSR, of the Company's common stock price relative to a group of peer companies and subject to continued service to the Company. The number of shares of the Company's common stock to be issued upon vesting and settlement of the PSUs range from 0% to 200% of the target number of shares underlying the award, depending on the Company's performance against the group of peer companies. The fair value of the PSUs was estimated using the Monte Carlo simulation model and the following assumptions: the volatility of the peer companies was unique to each company used in simulation, Company volatility of 93.34%, risk-free interest rate of 4.53%, correlation with index of 0.06, and dividend yield of 0%.

Activity for PSU awards granted under the 2023 Plan was as follows for the nine months ended September 30, 2024:

	2024		
	Shares		**Weighted Average Fair Value**
Outstanding at January 1	—	$	—
Granted	1,894,985		1.49
Forfeited	(184,209)		1.49
Vested	—		—
Outstanding at September 30	1,710,776	$	1.49

The total compensation cost related to unvested PSUs was $2.1 million as of September 30, 2024, which is expected to be allocated to expenses over a weighted-average period of 2.4 years.

(13) Warrants

Warrant activity was as follows for the nine months ended September 30, 2024:

	2024		
	Common Stock Warrants		**Weighted Average Exercise Price**
Outstanding as of January 1, 2024	12,187,470	$	1.53
Issued	50,000		0.82
Outstanding as of September 30, 2024	12,237,470	$	1.53

As of September 30, 2024 and December 31, 2023, the weighted average remaining contractual term of outstanding warrants was 2.0 years and 2.8 years, respectively.

(14) Commitments and Contingencies

Litigation

We are subject to potential liabilities under government regulations and various claims and legal actions that are pending or may be asserted from time to time. These matters arise in the ordinary course and conduct of our business and may include, for example, commercial, product liability, intellectual property, and employment matters. We intend to continue to defend the Company vigorously in such matters and, when warranted, take legal action against others. Furthermore, we regularly assess contingencies to determine the degree of probability and range of possible loss for potential accrual in our financial statements. An estimated loss contingency is accrued in our financial statements if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Based on our assessment, we have adequately accrued an amount for contingent liabilities currently in existence. We do not accrue amounts for liabilities that we do not believe are probable or that we consider immaterial to our overall financial position. Litigation is inherently unpredictable, and unfavorable resolutions could occur. As a result, assessing contingencies is highly subjective and requires judgment about future events. While we do not believe that the ultimate resolution of any claims and lawsuits will have a material adverse effect upon our consolidated financial position, results of operations or cash flows, it is possible that the amount of ultimate loss may exceed our current accruals and that our cash flows or results of operations could be materially affected in any particular period by the unfavorable resolution of one or more of these contingencies.

Indemnification Arrangements

Our indemnification arrangements generally include limited warranties and certain provisions for indemnifying customers against liabilities if our products or services infringe a third-party's intellectual property rights. To date, we have not incurred any material costs as a result of such warranties or indemnification provisions and have not accrued any liabilities related to such obligations in the accompanying condensed consolidated financial statements.

We have also agreed to indemnify our directors and executive officers for costs associated with any fees, expenses, judgments, fines, and settlement amounts incurred by any of these persons in any action or proceeding to which any of those persons is, or is threatened to be, made a party by reason of the person's service as a director or officer, including any action by us, arising out of that person's services as our director or officer or that person's services provided to any other company or enterprise at our request.

(15) Income Taxes

Information on the Company's income taxes for the periods reported is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Income tax expense (benefit) from continuing operations	$ 62	$ (2,300)	$ 166	$ (2,274)
Income (loss) from continuing operations before income taxes	$ (4,962)	$ 6,931	$ (13,118)	$ 2,689
Effective income tax rate	-1.2%	-33.2%	-1.3%	-84.6%

Our effective tax rate for the three and nine months ended September 30, 2024 differs from the statutory rate due to a valuation allowance against deferred tax assets, offset by the impact of cash state and foreign taxes.

Our effective tax rate for the three and nine months ended September 30, 2023 differs from the statutory rate due to a valuation allowance against deferred tax assets, offset by the impact of cash state taxes.

As of September 30, 2024, the Company is not currently under examination by tax authorities.

(16) Net (Loss) Income Per Share

Basic net (loss) income per share is computed by dividing net (loss) income by the weighted average number of shares of common stock outstanding. Shares issued during the period and shares reacquired during the period are weighted for the portion of the period that they were outstanding. Diluted net (loss) income per share is computed in a manner consistent with that of basic earnings per share while giving effect to all potentially dilutive shares of common stock outstanding during the period, which include the assumed exercise of stock options and warrants using the treasury stock method. Diluted net (loss) income per share was the same as basic net (loss) income per share for the three and nine months ended September 30, 2024, as shares issuable upon the exercise of stock options and warrants were anti-dilutive as a result of the net losses incurred for those periods.

The table below sets forth the computation of basic and diluted (loss) earnings per share (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Numerator:				
Net (loss) income	$ (5,024)	$ 9,231	$ (13,284)	$ 4,963
Denominator:				
Basic – weighted average shares outstanding	135,100,233	128,140,238	131,881,302	115,380,792
Effect of dilutive securities:				
Employee restricted stock units	-	2,270,924	-	3,199,497
Warrants	-	5,252,112	-	5,252,112
Diluted – weighted average shares outstanding	135,100,233	135,663,274	131,881,302	123,832,401
Basic (loss) earnings per share	(0.04)	0.07	(0.10)	0.04
Diluted (loss) earnings per share	(0.04)	0.07	(0.10)	0.04

For the three months ended September 30, 2024 and 2023, 22,289,457 and 13,856,656 stock options, restricted stock units and warrants were excluded for the diluted (loss) earnings per share calculation as they were anti-dilutive. For the nine months ended September 30, 2024 and 2023, 22,289,457 and 12,658,083 stock options, restricted stock units and warrants were excluded for the diluted (loss) earnings per share calculation as they were anti-dilutive.

(17) Supplemental Disclosure of Cash Flow Information

Supplemental cash flow information is as follows (in thousands):

	Nine Months Ended September 30,	
	2024	2023
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest	$ 2,657	$ 1,854

(18) Related Party Transactions

As described in more detail under Note 1, "*Business Description and Summary of Significant Accounting Policies,*" and Note 19, "*Related Party Transactions,*" in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, we are party to an Investor Rights Agreement, as amended, Registration Rights Agreements and certain other agreements with OrbiMed Royalty Opportunities II, LP and ROS Acquisition Offshore LP, which are funds affiliated with OrbiMed Advisors LLC ("OrbiMed"). OrbiMed beneficially owns 52.5% of the Company's common stock.

All related party transactions are reviewed and approved by the Audit Committee or the disinterested members of the full Board of Directors.

(19) Segment and Geographic Information

The Company operates in one segment based upon the Company's organizational structure, the way in which the operations and investments are managed and evaluated by the chief operating decision maker ("CODM"). The Company shares common, centralized support functions which report directly to the CODM and decision-making regarding the Company's overall operating performance and allocation of Company resources is assessed on a consolidated basis. Net revenue by geographic region are as follows:

	Three Months Ended September 30,	
	2024	2023
United States	$ 25,342	$ 23,433
Rest of world	2,595	1,586
Total revenue	$ 27,937	$ 25,019

	Nine Months Ended September 30,	
	2024	2023
United States	$ 76,752	$ 60,932
Rest of world	9,002	2,263
Total revenue	$ 85,754	$ 63,195

(20) Subsequent Event

On October 22, 2024, the Company entered into a licensing agreement with a distributor granting an exclusive, nontransferable, non-sublicensable, royalty-bearing right and license to manufacture and commercialize in the United States the Company's SimpliMax™ product and the trademarks associated therewith during the term of the agreement and subject to certain limitations as set forth therein. Under the terms of the agreement, the Company received a one-time, up front, non-refundable, non-creditable cash payment of $1.5 million. Beginning in 2025, the Company is entitled to quarterly royalty payments based on the volume of product sold by the distributor. These royalty payments include guaranteed minimums, which aggregate to $3.75 million during 2025. The agreement has an initial term of one year and is automatically renewable in one-year terms unless either party thereto provides written notice of non-renewal six months prior to the then-current term or earlier termination as provided under the agreement, including in the event of a CMS Policy Change, as defined in the agreement.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis provides material historical and prospective disclosures intended to enable investors and other users to assess our financial condition and results of operations. The following discussion should be read in conjunction with our condensed consolidated financial statements and accompanying notes included in this Quarterly Report on Form 10-Q and the audited consolidated financial statements and accompanying notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Some of the numbers included herein have been rounded for the convenience of presentation. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed above in "Cautionary Statement Regarding Forward-Looking Statements" and elsewhere in this Form 10-Q.

Business Overview

We develop, manufacture and market regenerative medicine products and medical devices for domestic and international markets. Our products serve the specialized needs of orthopedic and neurological surgeons, including orthobiologics for the promotion of bone healing, implants and instrumentation for the treatment of spinal disease. We promote our products in the United States through independent distributors and stocking agents, supported by direct employees.

We have an extensive sales channel of independent commissioned agents and stocking distributors in the United States representing some or all of our products. We also maintain a national accounts program to enable our agents to gain access to integrated delivery network hospitals ("IDNs") and through group purchasing organizations ("GPOs"). We have biologics contracts with major GPOs, as well as extensive access to IDNs across the United States for both biologics and spine hardware systems. While our focus is the United States market, we promote and sell our products internationally through direct sales representatives and stocking distribution partners in Europe, Canada, Mexico, South America, Australia, and certain Pacific region countries.

We have focused and intend to continue to focus primarily on four key growth initiatives: (1) introduce new products, including our Cortera® Posterior Fixation System, viable bone matrix, OsteoVive® Plus, and amniotic membrane allografts, SimpliGraft™ and SimpliMax™; (2) expand our distribution network; (3) penetrate adjacent markets; and (4) leverage our growth platform with technology and strategic acquisitions. In furtherance of our growth initiatives, and as described elsewhere in this report, we made the following three acquisitions last year:

- On February 28, 2023, we acquired all of the issued and outstanding capital stock of Surgalign SPV, Inc. ("Surgalign SPV"), a then indirect wholly owned subsidiary of Surgalign Holdings, Inc. ("Surgalign Holdings"), which held certain intellectual property, contractual rights and other assets related to the design, manufacture, sale and distribution of the Coflex and CoFix products in the United States, for a purchase price of $17.0 million in cash.

- On August 10, 2023, we acquired out of a bankruptcy proceeding certain additional assets of Surgalign Holdings and its subsidiaries, including specified inventory, intellectual property and intellectual property rights, contracts, equipment and other personal property, records, all outstanding equity securities of Surgalign Holdings' international subsidiaries, and intangibles related to the business of designing, developing and manufacturing hardware medical technology and distributing biologics medical technology, and assume certain related liabilities, for a purchase price of $5 million in cash.

- On October 23, 2023, we acquired the nanOss production operations from RTI Surgical, Inc. ("RTI") including certain equipment and inventory used in RTI's synthetic bone graft business and assumed from RTI the lease for the nanOss production facility located in Greenville, North Carolina. The purchase price for the assets was $2 million in cash plus a low single digit royalty on sales prior to October 23, 2028 of next generation nanOss products.

While the intent of these four key growth initiatives is to increase our future revenues, no assurance can be provided that we will be successful in implementing these growth initiatives or increasing our future revenues.

Since one of our key growth initiatives is to leverage our growth platform with technology and strategic acquisitions and explore other strategic transactions with respect to our products and our company, including licenses, business collaborations and other business combinations or transactions with other companies, we, as a matter of course, often engage in discussions with third parties regarding such matters.

Results of Operations

Comparison of Three and Nine Months Ended September 30, 2024 and September 30, 2023

Revenue

Total revenue for the three and nine months ended September 30, 2024 was $27.9 million and $85.8 million, respectively, which represents an increase of 12% and 36%, respectively, compared to $25.0 million and $63.2 million for the three and nine months ended September 30, 2023, respectively. These increases are attributed primarily to the contribution of additional sales resulting from the acquisition of the Surgalign Holdings' hardware and biologics business, partially offset by reduced surgical procedures using our products in the current year periods as compared to the respective prior year periods.

Cost of Sales

Cost of sales consists primarily of manufacturing cost, product purchase costs and depreciation of surgical instruments. Cost of sales also includes reserves for estimated excess inventory, inventory on consignment that may be missing and not returned, and reserves for estimated missing and damaged consigned surgical instruments. Cost of sales increased by 20%, or $1.9 million, to $11.6 million for the three months ended September 30, 2024 from $9.7 million for the three months ended September 30, 2023. Cost of sales increased by 35%, or $8.7 million, to $33.6 million for the nine months ended September 30, 2024 from $24.9 million for the nine months ended September 30, 2023. These increases are primarily due to greater revenue in the 2024 periods compared to the comparable 2023 periods, as mentioned above.

Gross Profit

Gross profit as a percentage of revenue decreased to 58.4% for the three months ended September 30, 2024 compared to 61.3% for the same period in 2023 and increased to 60.9% for the nine months ended September 30, 2024 compared to 60.7% for the same period in 2023. Of the decrease for the three-month comparison, 350 basis points were due to reduced production throughput, partially offset by 100 basis points related to additional scale. Of the increase for the nine-month comparison, 250 basis points were due to greater scale, partially offset by 150 basis points related to reduced production throughput.

General and Administrative

General and administrative expenses consist primarily of personnel costs for corporate employees, cash-based and stock-based compensation related costs, amortization, and corporate expenses for legal, accounting and professional fees, as well as occupancy costs. General and administrative expenses increased 5%, or $0.4 million, to $7.5 million for the three months ended September 30, 2024, compared to $7.1 million for the same period in 2023. General and administrative expenses increased 35%, or $6.0 million, to $23.0 million for the nine months ended September 30, 2024, compared to $17.0 million for the same period in 2023. The increase for the three-month comparison is primarily attributable to $0.5 million of severance expense and $0.4 million of additional stock-based compensation. These increases were partially offset by reduced expense of $0.2 million related to various compensation plans. The increase for the nine-month comparison is primarily attributable to $1.4 million of additional expense related to various compensation plans, $1.5 million of additional stock-based compensation expense, $0.9 million of additional professional service fees, $0.5 million of additional hardware and software expense and $0.5 million of severance expense.

Sales and Marketing

Sales and marketing expenses consist primarily of sales commissions, personnel costs for sales and marketing employees, costs for trade shows, sales conventions and meetings, travel expenses, advertising, and other sales and marketing related costs. Sales and marketing increased 7%, or $0.8 million, to $11.9 million for the three months ended September 30, 2024, compared to $11.1 million for the same period in 2023. Sales and marketing expenses increased 40%, or $10.7 million, to $37.5 million for the nine months ended September 30, 2024, compared to $26.9 million for the same period in 2023. The increase for the three-month comparison is primarily due to additional commission expense of $0.6 million resulting from revenue growth. The increase for the nine-month comparison is primarily due to additional commission expense of $6.3 million resulting from revenue growth and $3.0 million of additional compensation expense related to additional headcount.

Research and Development

Research and development expenses consist primarily of internal costs for the development of new technologies. Research and development expenses were $0.7 million for the three months ended September 30, 2024, compared to $0.5 million for the same period in 2023. Research and development expenses were $1.9 million for the nine months ended September 30, 2024, compared to $0.8 million for the same period in 2023. The increases for the three- and nine-month comparisons are primarily due to $0.1 million and $0.5 million, respectively, of compensation expense related to additional headcount.

Interest Expense

Interest expense consists of interest incurred from our debt instruments and finance leases. Interest expense was $1.2 million and $3.0 million for the three and nine months ended September 30, 2024, respectively, compared to $0.8 million and $2.1 million for the three and nine months ended September 30, 2023. The increases in interest expense during the three- and nine-month comparisons resulted primarily from additional borrowings on our revolving line of credit and the additional borrowing of $5.0 million under our term credit agreement in May 2024.

Provision for Income Taxes Current and Deferred

Income tax expense for the three months ended September 30, 2024 was $0.1 million compared to income tax benefit of $2.3 million for the same period in 2023. The change resulted primarily from the tax benefit associated with release of valuation allowance resulting from recognition of deferred tax liabilities in purchase accounting during the three months ended September 30, 2023. Income tax expense for the nine months ended September 30, 2024 was $0.2 million compared to income tax benefit of $2.3 million for the same period in 2023. The change resulted primarily from the tax benefit associated with release of valuation allowance resulting from recognition of deferred tax liabilities in purchase accounting during the nine months ended September 30, 2023.

Liquidity and Capital Resources

Working Capital

Since our inception, we have financed our operations through primarily operating cash flows, private placements of equity securities and convertible debt, debt facilities, common stock rights offerings, and other debt transactions. The following table summarizes our working capital as of September 30, 2024 and December 31, 2023 (in thousands):

	September 30, 2024	December 31, 2023
Cash and cash equivalents	$ 7,086	$ 5,923
Accounts receivable, net	20,545	20,731
Inventories	41,886	36,885
Total current assets	71,410	64,869
Accounts payable	8,298	7,054
Accrued liabilities	8,871	10,419
Line of credit	12,887	4,622
Total current liabilities	33,669	22,990
Net working capital	37,741	41,879

Cash Flows

Net cash used in operating activities for the first nine months of 2024 was $12.6 million compared to $8.6 million for the first nine months of 2023. This increase in net cash used in operating activities relates primarily to the combination of the increase in net loss during the first nine months of 2024 compared to the prior year period and the effects of changes in operating assets and liabilities.

Net cash used in investing activities for the first nine months of 2024 was $3.2 million compared to $22.5 million for the first nine months of 2023. This decrease relates primarily to the use of $21.4 million in cash for the acquisitions of Surgalign SPV, Inc. and Surgalign Holdings, Inc.'s hardware and biologics business during the first nine months of 2023.

Net cash provided by financing activities for the first nine months of 2024 was $16.9 million compared to $19.4 million for the first nine months of 2023. This decrease relates primarily to $9.6 million of greater proceeds from private placements during the first nine months of 2023, partially offset by greater borrowings during the first nine months of 2024 under the Revolving Facility, as defined below, net of repayments.

Current and Prior Credit Facilities

On March 7, 2024, the Company, as guarantor, and certain of our subsidiaries, as borrowers (collectively, the "Borrowers"), entered into an Amended and Restated Credit, Security and Guaranty Agreement (Term Loan) (as amended from time to time, the "Term Credit Agreement") and an Amended and Restated Credit, Security and Guaranty Agreement (Revolving Loan) (as amended from time to time, the "Revolving Credit Agreement" and, together with the Term Credit Agreement, the "Credit Agreements") with MidCap Financial Trust and MidCap Funding IV Trust, each in its respective capacity as agent, and lenders from time to time party thereto. These Credit Agreements amend and restate the Credit, Security and Guaranty Agreement, dated as of May 6, 2021 (Term Loan), as amended (the "Prior Term Credit Agreement"), and the Credit, Security and Guaranty Agreement, dated as of May 6, 2021 (Revolving Loan), as amended (the "Prior Revolving Credit Agreement" and, together with the Prior Term Credit Agreement, the "Prior Credit Agreements"), in each case, by and among the Borrowers, the Company and MidCap Financial Trust and MidCap Funding IV Trust, as respective agents, and the lenders from time to time party thereto.

On May 14, 2024, we entered into Amendment No. 1 to Amended and Restated Credit, Security and Guarantee Agreement (Term Loan) ("Term Amendment No. 1"), which amends the Term Credit Agreement, and Amendment No. 1 to Amended and Restated Credit, Security and Guarantee Agreement (Revolving Loan) ("Revolving Amendment No. 1" and, together with Term Amendment No. 1, the "Amendments No. 1"), which amends the Revolving Credit Agreement. The Term Amendment No. 1 increases the amount of term loans that may be borrowed by $5.0 million to a maximum of $22.0 million, which are fully drawn as of September 30, 2024. In addition, the Amendments No. 1 re-set the date certain fees payable in connection with optional prepayments are determined to May 14, 2024 and consequently extend such fees' original expiration. The exit fees were increased by 2.50% to 6.50% of the principal amount borrowed pursuant to the Term Credit Agreement. The terms of borrowing under the Credit Agreements otherwise remain materially unchanged.

The Revolving Credit Agreement provides for a secured revolving credit facility (the "Revolving Facility," and, together with the secured term credit facility under the Term Credit Agreement, the "Facilities") under which the Borrowers may borrow up to $17.0 million at any one time, the availability of which is determined based on a borrowing base equal to percentages of certain accounts receivable and inventory of the Borrowers in accordance with a formula set forth in the Revolving Credit Agreement. All borrowings under the Revolving Facility are subject to the satisfaction of customary conditions, including the absence of default, the accuracy of representations and warranties in all material respects and the delivery of an updated borrowing base certificate.

The Facilities have a maturity date of March 1, 2029. Each of the Borrowers, and the Company, as guarantor, are jointly and severally liable for all of the obligations under the Facilities on the terms set forth in the Credit Agreements. The Borrowers' obligations, and the Company's obligations as a guarantor, under the Credit Agreements are secured by first-priority liens on substantially all of their assets, including, without limitation, all inventory, equipment, accounts, intellectual property and other assets of the Company and the Borrowers. As of September 30, 2024, the Company had $12.9 million outstanding and $3.8 million of availability under the Revolving Facility.

The loans and other obligations pursuant to the Credit Agreements will bear interest at a per annum rate equal to the sum of the SOFR Interest Rate, as such term is defined in the Credit Agreements, plus the applicable margin of 6.50% in the case of the Term Credit Agreement, and an applicable margin of 4.50% in the case of the Revolving Credit Agreement, subject in each case to a floor of 2.50%. As of December 31, 2023, the effective rate of the Prior Term Credit Agreement, inclusive of authorization of debt issuance costs and accretion of the final payment, was 14.42%, and the effective rate of the Prior Revolving Credit Agreement was 9.94%.

The Credit Agreements contain affirmative and negative covenants customarily applicable to senior secured credit facilities, including covenants that, among other things, limit or restrict the ability of the Borrowers, subject to negotiated exceptions, to incur additional indebtedness and additional liens on their assets, engage in mergers or acquisitions or dispose of assets, pay dividends or make other distributions, voluntarily prepay other indebtedness, enter into transactions with affiliated persons, make investments, and change the nature of their businesses. In addition, the Credit Agreements require the Borrowers and the Company to maintain net product revenue at or above minimum levels and to maintain a certain minimum liquidity level, in each case as specified in the Credit Agreements. As of September 30, 2024, we were in compliance with all covenants under the Credit Agreements.

Cash Requirements

We believe that our $7.1 million of cash and cash equivalents as of September 30, 2024, together with our anticipated operating cash flows, including fees associated with licensing agreements, and amounts available under the Facilities, will be sufficient to meet our anticipated cash requirements through at least November 2025. However, we may require or seek additional capital to fund our future operations and business strategy prior to November 2025. Accordingly, there is no assurance that we will not need or seek additional financing prior to such time.

We may elect to raise additional financing even before we need it if market conditions for raising additional capital are favorable. We may seek to raise additional financing through various sources, such as equity and debt financings, or additional debt restructurings or refinancings. We can give no assurances that we will be able to secure additional sources of funds to support our operations, or if such funds are available to us, that such additional financing will be sufficient to meet our needs or on terms acceptable to us. This is particularly true if economic and market conditions deteriorate or our business, financial performance or prospects deteriorate.

To the extent that we raise additional capital through the sale of equity or convertible debt securities or the restructuring or refinancing of our debt, the interests of our current stockholders may be diluted, and the terms may include discounted equity purchase prices, warrant coverage, liquidation or other preferences or rights that would adversely affect the rights of our current stockholders. If we issue common stock, we may do so at purchase prices that represent a discount to our trading price and/or we may issue warrants to the purchasers, which could further dilute our current stockholders. If we issue preferred stock, it could adversely affect the rights of our stockholders or reduce the value of our common stock. In particular, specific rights or preferences granted to future holders of preferred stock may include voting rights, preferences as to dividends and liquidation, conversion and redemption rights, sinking fund provisions, and restrictions on our ability to merge with or sell our assets to a third party. Additional debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. Prior to raising additional equity or debt financing, we may be required to obtain the consent of MidCap Financial Trust and MidCap Funding IV Trust under our Credit Agreements and/or ROS and Royalty Opportunities under our Investor Rights Agreement with them, and no assurance can be provided that they would provide such consent, which could limit our ability to raise additional financing and the terms thereof.

Critical Accounting Estimates

Management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and assumptions for the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, and any such differences may be material.

There have been no changes in our critical accounting estimates for the three months ended September 30, 2024 as compared to the critical accounting estimates described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide the information required by this Item.

ITEM 4. CONTROLS AND PROCEDURES

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of September 30, 2024. Based upon that evaluation, and as a result of the material weakness in our internal control over financial reporting discussed below, our principal executive officer and principal financial officer concluded that as of September 30, 2024, our disclosure controls and procedures were not effective.

Previously Reported Material Weakness in Internal Control over Financial Reporting

As previously described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, in connection with the audit of our consolidated financial statements for the fiscal year ended December 31, 2023, we identified certain control deficiencies in the design and implementation of our internal control over financial reporting, which constituted two material weaknesses. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

More specifically, our controls surrounding the completeness and accuracy of information utilized in determining the open balance sheet fair value of inventory, which includes the establishment of inventory reserves, related to the acquisition of the hardware and biologics business of Surgalign Holdings. were insufficient and did not operate at an appropriate level of precision. Our review of certain data and assumptions utilized in our valuation of opening balance sheet inventory failed to identify inconsistent assumptions related to inventory utilization and inventory costing. This constituted a material weakness. In addition to the foregoing material weakness, due to insufficient time and resources, we did not appropriately design, implement and execute sufficient controls and procedures to verify the existence of inventory on consignment that was acquired in connection with our acquisitions of Surgalign SPV. and the hardware and biologics business of Surgalign Holdings during the year ended December 31, 2023, resulting in a second material weakness.

The material weaknesses described above, if not remediated, could result in a material misstatement of one or more disclosures in our annual or interim consolidated financial statements that would not be prevented or detected in a timely manner.

Our management, under the oversight of the Audit Committee of the Board of Directors, is continuing to implement measures designed to improve our internal control over financial reporting to remediate the identified material weaknesses. The remediation actions we are taking, and expect to take, include the following:

- *Precision of Controls Related to Completeness and Accuracy of Information Utilized in Determining the Opening Balance Sheet Fair Value of Inventory*. To prevent similar occurrences in the future, we plan to add additional accounting personnel to allow for more robust review of nonrecurring, complex transactions. We expect to have additional headcount in place by end of fiscal 2024. Additionally, if necessary, we may utilize external accounting resources to review future valuations of acquired inventory.

- *Insufficient Procedures to Confirm the Existence of Acquired Consigned Inventory*. Beginning in the first quarter of 2024, we began subjecting our acquired consigned inventory to our ongoing inventory field audits, with the goal of verifying all consigned inventory acquired during the year ended December 31, 2024. We expect this process to be completed by the end of fiscal 2024.

As management continues to evaluate and work to remediate the material weaknesses, we may determine to take additional measures to address the material weaknesses. However, we cannot provide assurance that the measures we have taken to date, or that we may take in the future, will be sufficient to remediate the material weaknesses or avoid potential future material weaknesses.

Changes in Internal Control over Financial Reporting

Other than the remediation steps described above, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended September 30, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Our legal proceedings are discussed in Note 13 – Commitments and Contingencies in the notes to our condensed consolidated financial statements in this Form 10-Q.

ITEM 1A. RISK FACTORS

As a smaller reporting company, we are not required to provide the information required by this Item.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

We did not sell any unregistered equity securities of our Company during the quarter ended September 30, 2024, other than the issuance of shares of our common stock in connection with our private placement, as reported in a Current Report on Form 8-K as filed with the SEC on August 8, 2024.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Plan and Non-Rule 10b5-1 Trading Arrangement Adoptions, Terminations, and Modifications

During the three months ended September 30, 2024, none of our directors or "officers" (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 of Securities and Exchange Commission ("SEC") Regulation S-K.

ITEM 6. EXHIBITS

The following exhibits are being filed or furnished with this Quarterly Report on Form 10-Q:

Exhibit No.	Description
2.1†	Equity Purchase Agreement, dated February 28, 2023, by and among Xtant Medical Holdings, Inc, Surgalign SPV, Inc., Surgalign Spine Technologies, Inc., and Surgalign Holdings, Inc. (filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the SEC on March 1, 2023 (SEC File No. 001-34951) and incorporated by reference herein).
2.2†	Asset Purchase Agreement, dated as of June 18, 2023, between Surgalign Holdings, Inc. and Xtant Medical Holdings, Inc. (filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the SEC on June 20, 2023 (SEC File No. 001-34951) and incorporated by reference herein).
2.3†	First Amendment to Asset Purchase Agreement, dated as of July 10, 2023, between Xtant Medical Holdings, Inc. and Surgalign Holdings, Inc. (filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 11, 2023 (SEC File No. 001-34591) and incorporated by reference herein).
2.4†	Second Amendment to Asset Purchase Agreement, dated as of July 20, 2023, between Xtant Medical Holdings, Inc. and Surgalign Holdings, Inc. (filed as Exhibit 2.4 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2023 (SEC File No. 001-34591) and incorporated by reference herein).
2.5†	Third Amendment to Asset Purchase Agreement, dated as of July 24, 2023, between Xtant Medical Holdings, Inc. and Surgalign Holdings, Inc. (filed as Exhibit 2.5 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2023 (SEC File No. 001-34591) and incorporated by reference herein).

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of Xtant Medical Holdings, Inc. (filed as Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 (SEC File No. 001-34591) and incorporated by reference herein).
3.2	Third Amended and Restated Bylaws of Xtant Medical Holdings, Inc. (Effective as of June 1, 2023) (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the SEC on May 19, 2023 (SEC File No. 001-34951) and incorporated by reference herein).
10.1	Securities Purchase Agreement, dated as of August 7, 2024, among Xtant Medical Holdings, Inc. and the investors party thereto (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on August 8, 2024 (SEC File No. 001-34951) and incorporated by reference herein).
10.2	Registration Rights Agreement, dated as of August 9, 2024, among Xtant Medical Holdings, Inc. and the investors party thereto (filed as Exhibit 4.11 to the Registrant's Registration Statement on Form S-3 filed with the SEC on September 3, 2024 (SEC File No. 333-281910) and incorporated by reference herein).
10.3	Separation Agreement, dated as of August 15, 2024, between Kevin D. Brandt and Xtant Medical Holdings, Inc. (filed herewith).
10.4	Amendment No. 1 to Employment Agreement, effective as of August 8, 2024, between Xtant Medical Holdings, Inc. and Sean E. Browne (filed as Exhibit 10.2 to the Registration's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024 (SEC File No. 001-34951) and incorporated by reference herein).
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101	The following materials from Xtant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2024, formatted in Inline XBRL (Extensible Business Reporting Language): (i) the unaudited Condensed Consolidated Balance Sheets, (ii) the unaudited Condensed Consolidated Statements of Operations, (iii) the unaudited Condensed Consolidated Statements of Equity, (iv) the unaudited Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements (filed herewith).
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

† All exhibits and schedules to this exhibit have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Registrant will furnish the omitted exhibits and schedules to the SEC upon request by the SEC.

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.

XTANT MEDICAL HOLDINGS, INC.

Date: November 12, 2024	By:	*/s/ Sean E. Browne*
	Name:	Sean E. Browne
	Title:	President and Chief Executive Officer (Principal Executive Officer)
Date: November 12, 2024	By:	*/s/ Scott C. Neils*
	Name:	Scott C. Neils
	Title:	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 10.3

SEPARATION AGREEMENT

This Separation Agreement ("Agreement") and the Release, which is attached and incorporated by reference as Exhibit A ("Release"), are made by and between Kevin D. Brandt ("Employee"), and Xtant Medical Holdings, Inc., its affiliates, related or predecessor corporations, subsidiaries, successors and assigns ("Employer").

Employer and Employee (collectively, "Parties") wish to end their employment relationship in an honorable, dignified and orderly fashion. Toward that end, the Parties have agreed to separate according to the following terms.

IN CONSIDERATION OF THIS AGREEMENT, THE PARTIES AGREE AS FOLLOWS:

1. Termination. Employee's employment shall end on August 16, 2024 ("Termination Date").

2. Consideration. Employer shall, (1) after receipt of a fully executed Agreement and Release; (2) after expiration of all applicable Rescission Periods; and (3) provided Employee complies with his obligations under this Agreement, provide Employee with separation benefits in compliance with Section 12.B. of Employee's Employment Agreement attached as Exhibit B (the "Consideration").

3. Termination of Benefits. Except as otherwise provided by this Agreement, Employee's participation in Employer's employee benefits, bonus, and all other compensation or commission plans, will terminate on the Termination Date, unless otherwise provided by law, or benefit plan. Employee shall receive no compensation or benefits under such plans, except as specifically provided in Section 2 of this Agreement.

4. Execution of Agreement and Release of all Claims. Employee agrees to fully execute this Agreement, and the Release attached as Exhibit A, releasing any and all actual or potential claims which may have arisen at any time during his employment with or termination from employment with Employer. Employee's failure to execute this Agreement and/or Release, or any attempt to rescind or revoke this Agreement or that Release, shall terminate this Agreement, and the Parties' respective rights and obligations under this Agreement.

5. Satisfactory Performance and Cooperation During Transition. Employee shall fully cooperate with Employer in responding to questions, providing assistance and information, and defending against claims of any type, and will otherwise assist Employer as Employer may request through Employee's Termination Date ("Transition Period"). More specifically:

(a) During the Transition Period, Employee shall reasonably cooperate with Employer as it meets and otherwise communicates/works, with Employer's employees, customers, strategic relationships, consultants, and vendors on the transition of Employee's duties to other individuals. Employee shall be available, upon reasonable notice, during business hours to respond to Employer's questions and electronic communications. Employer shall reimburse Employee for Employee's reasonable out-of-pocket expenses (such reimbursement shall not include compensation for any such time or Employee's attorney's fees) incurred in accordance with this paragraph upon submission of receipts to Employer for such expenses.

(b) Employee shall not, absent Employer's specific approval, initiate any form of communication with Employer's employees, customers or strategic partners regarding Employer, Employer's products or Employees, and shall communicate with such persons in the above capacity only in conjunction with person(s) who Employer has designated to participate in such communications.

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EMPLOYEE INITIALS

6. Stipulation of No Charges. Employee affirmatively represents that he has not filed nor caused to be filed any charges, claims, complaints, or actions against Employer before any federal, state, or local administrative agency, court, or other forum. Except as expressly provided in this Agreement (including without limitation Section 2 which provides for separation benefits in compliance with Section 12.B. of Employee's Employment Agreement after receipt of a fully executed Agreement and Release, after expiration of all applicable Rescission Periods, and provided Employee complies with his obligations under this Agreement) or required by law, Employee acknowledges and agrees that he has been paid all wages, bonuses, compensation, benefits and other amounts that are due, with the exception of any vested right under the terms of a written ERISA-qualified benefit plan. Employee waives any right to any form of recovery or compensation from any legal action, excluding any action claiming this Agreement and Release violate the Age Discrimination in Employment Act ("ADEA") and/or the Older Workers Benefit Protection Act ("OWBPA"), filed or threatened to be filed by Employee or on Employee's behalf based on Employee's employment, terms of employment, or separation from, Employer. Employee understands that any Consideration paid to Employee pursuant to this Agreement may be deducted from any monetary award he may receive as a result of a successful ADEA and/or OWBPA claim or challenge to this Agreement and Release. This does not preclude Employee from eligibility for unemployment benefits, and does not preclude or obstruct Employee's right to file a Charge with the Equal Employment Opportunity Commission ("EEOC").

7. Return of Property. Employee shall return, on or before the Termination Date, all Employer property in Employee's possession or control, including but not limited to any drawings, orders, files, documents, notes, computers, laptop computers, fax machines, cell phones, smart devices, access cards, fobs, keys, reports, manuals, records, product samples, correspondence and/or other documents or materials related to Employer's business that Employee has compiled, generated or received while working for Employer, including all electronically stored information, copies, samples, computer data, disks, or records of such materials. Employee must return to Employer, and Employee shall not retain, any Employer property as previously defined in this section.

8. Agreement Not to Seek Future Employment. Employee agrees that he will never knowingly seek nor accept employment or a consulting/independent contractor relationship with Employer, nor any other entity owned by Xtant Medical Holdings, Inc., either directly or through a consulting firm.

9. Withholding For Amounts Owed to Employer. Execution of this Agreement shall constitute Employee's authorization for Employer to make deductions from Employee's Consideration, for Employee's indebtedness to Employer, or to repay Employer for unaccrued Paid Time Off already taken, employee purchases, wage or benefit overpayment, or other Employer claims against Employee, to the extent permitted by applicable law.

10. Non-Disparagement. Employee agrees that, unless it is in the context of an EEOC or other civil rights or other government enforcement agency investigation or proceeding, Employee will make no critical, disparaging or defamatory comments regarding Employer or any Released Party, as defined in the Release, in any respect or make any comments concerning the conduct or events which precipitated Employee's separation. Furthermore, Employee agrees not to assist or encourage in any way any individual or group of individuals to bring or pursue a lawsuit, charge, complaint, or grievance, or make any other demands against Employer or any Released Party. This provision does not prohibit Employee from participating in an EEOC or other civil rights or other government enforcement agency charge, investigation or proceeding, or from providing testimony or documents pursuant to a lawful subpoena or as otherwise required by law.

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EMPLOYEE INITIALS

11. Compliance with Employment Agreement and Protection of Confidential Information. Employee agrees to comply with the provisions of and the restrictions set forth in his Employment Agreement (Exhibit B). Employee agrees to never divulge or use any trade secrets, confidential information, or other proprietary information of Employer which Employee obtained or to which Employee had access during his employment with Employer. For purposes of this latter obligation, "Confidential Information" means information that is not generally known and that is proprietary to Employer or that Employer is obligated to treat as proprietary. It includes, but is not limited to, information or data of Employer concerning its business, financial statements, patient contact information and data, products, plans, ideas, drawings, designs, concepts, inventions, discoveries, improvements, patent applications, know-how, trade secrets, prototypes, processes, techniques and other proprietary information. It does not include information that Employee can establish: (i) is already lawfully in the possession of Employee through independent means at the time of disclosure thereof; (ii) is or later becomes part of the public domain through no fault of Employee; (iii) is lawfully received by Employee from a third party having no obligations of confidentiality to Employer; or (iv) is required to be disclosed by order of a governmental agency or by a court of competent jurisdiction. Any information that Employee knows or should reasonably know is Confidential Information, or that Employer treats as Confidential Information, will be presumed to be Confidential Information.

12. Confidentiality. It is the intent of Employer and Employee that the terms of this Agreement be treated as Confidential, except to the extent this Agreement is required to be disclosed under applicable federal securities laws, as determined by Employer. Employee warrants that he has not and agrees that he will not in the future disclose the terms of this Agreement, or the terms of the Consideration to be paid by Employer to Employee as part of this Agreement, to any person other than his attorney, tax advisor, spouse, or representatives of any state or federal regulatory agency, who shall be bound by the same prohibitions against disclosure as bind Employee, and Employee shall be responsible for advising those individuals or agencies of this confidentiality provision. Employee shall not provide or allow to be provided to any person this Agreement, or any copies thereof, nor shall Employee now or in the future disclose the terms of this Agreement to any person, with the sole exception of communications with Employee's spouse, attorney and tax advisor, unless otherwise ordered to do so by a court or agency of competent jurisdiction.

13. Invalidity. In case any one or more of the provisions of this Agreement or Release shall be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained in this Agreement and Release will not in any way be affected or impaired thereby.

14. Non-Admissions. The Parties expressly deny any and all liability or wrongdoing and agree that nothing in this Agreement or the Release shall be deemed to represent any concession or admission of such liability or wrongdoing or any waiver of any defense.

15. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of Minnesota, without reference to its choice of law rules. Any action for breach of this Agreement shall be brought in the federal or state court, as appropriate, located in Hennepin County, State of Minnesota.

16. Voluntary and Knowing Action. Employee acknowledges that he has had sufficient opportunity to review the terms of this Agreement and attached Release, and that he has voluntarily and knowingly entered into this Agreement. Employer shall not be obligated to provide any Consideration to Employee pursuant to this Agreement in the event Employee elects to rescind/revoke the Release. The Release becomes final and binding on the Parties upon expiration of the rescission/revocation period, provided Employee has not exercised his option to rescind/revoke the Release. Any attempt by Employee to rescind/revoke any part of the Release obligates Employee to immediately return all Consideration under this Agreement to counsel for Employer.

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EMPLOYEE INITIALS

17. Legal Counsel and Fees. Except as otherwise provided in this Agreement and the Release, the Parties agree to bear their own costs and attorneys' fees, if any. Employee acknowledges that Employer, by this Agreement, has advised him that he may consult with an attorney of his choice prior to executing this Agreement and the Release. Employee acknowledges that he has had the opportunity to be represented by legal counsel during the negotiation and execution of this Agreement and the Release, and that he understands he will be fully bound by this Agreement and the Release.

18. Modification. This Agreement may be modified or amended only by a writing signed by both Employer and Employee.

19. Successors and Assigns. This Agreement is binding on and inures to the benefit of the Parties' respective successors and assigns.

20. Notices. Any notice, request or demand required or desired to be given hereunder shall be in writing and shall be addressed as follows:

If to Employer: Sean E. Browne
Chief Executive Officer
Xtant Medical Holdings, Inc.
664 Cruiser Lane
Belgrade, MT 59714

With a copy to: Amy E. Culbert
Fox Rothschild LLP
City Center
33 S. Sixth Street, Suite 3600
Minneapolis, MN 55402

If to Employee: Kevin D. Brandt
XXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXX

Either party may change its address by giving the other Party written notice of its new address.

21. Waivers. No failure or delay by either Party in exercising any right or remedy under this Agreement will waive any provision of this Agreement.

22. Miscellaneous. This Agreement may be executed simultaneously in counterparts, each of which shall be an original, but all of which shall constitute but one and the same agreement.

23. Entire Agreement. Except for any continuing, post-employment, obligations under Exhibit B, or employment related Employer policy, or as otherwise provided in this Agreement, this Agreement, the attached Release, and Exhibit B are the entire Agreement between Employer and Employee relating to his employment and his separation. Employee understands that this Agreement and the Release cannot be changed unless it is done in writing and signed by both Employer and Employee.

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EMPLOYEE INITIALS

EMPLOYEE

/s/ Kevin D. Brandt

Kevin D. Brandt

Print Name

Dated: Aug 14, 2024

XTANT MEDICAL HOLDINGS, INC.

By: */s/ Sean E. Browne*

Name: Sean E. Browne

Its: Chief Executive Officer

Dated: 08/15/2024

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EMPLOYEE INITIALS

EXHIBIT A

RELEASE

I. **Definitions**. I, Kevin D. Brandt, intend all words used in this release ("Release") to have their plain meanings in ordinary English. Technical legal words are not needed to describe what I mean. Specific terms I use in this Release have the following meanings:

A. "I," "Me," and "My" individually and collectively mean Kevin D. Brandt and anyone who has or obtains or asserts any legal rights or claims through Me or on My behalf.

B. "Employer" as used in this Release, shall at all times mean Xtant Medical Holdings, Inc. and any affiliates, related or predecessor corporations, parent corporations or subsidiaries, successors and assigns.

C. "Released Party" or "Released Parties" as used in this Release, shall at all times mean Xtant Medical Holdings, Inc. and its affiliates, related or predecessor corporations, subsidiaries, successors and assigns, present or former officers, directors, shareholders, agents, employees, representatives and attorneys, whether in their individual or official capacities, and its affiliates, related or predecessor corporations, parent corporations or subsidiaries, successors and assigns, present or former officers, directors, shareholders, agents, employees, representatives and attorneys, whether in their individual or official capacities, benefit plans and plan administrators, and insurers, insurers' counsel, whether in their individual or official capacities, and the current and former trustees or administrators of any pension, 401(k), or other benefit plan applicable to the employees or former employees of Employer, in their official and individual capacities.

D. "My Claims" mean any and all of the actual or potential claims of any kind whatsoever I may have had, or currently may have against Employer or any Released Party, whether known or unknown, that are in any way related to My employment with or separation from employment with Employer, including, but not limited to any claims for: invasion of privacy; breach of written or oral, express or implied, contract, including but not limited to any claims for severance under the Employment Agreement attached to the Separation Agreement as Exhibit B; fraud; misrepresentation; violation of the Age Discrimination in Employment Act of 1967 ("ADEA"), 29 U.S.C. § 626, as amended; the Genetic Information Nondiscrimination Act of 2008 ("GINA"), 42 U.S.C. § 2000, et seq., the Older Workers Benefit Protection Act of 1990 ("OWBPA"), 29 U.S.C. § 626(f), Title VII of the Civil Rights Act of 1964 ("Title VII"), 42 U.S.C. § 2000e, et seq., the Americans with Disabilities Act ("ADA"), 29 U.S.C. § 2101, et seq., and as amended ("ADAAA"), the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, 29 U.S.C. § 1001, et seq., Equal Pay Act ("EPA"), 29 U.S.C. § 206(d), the Worker Adjustment and Retraining Notification Act ("WARN"), 29 U.S.C. § 2101, et seq., the Family and Medical Leave Act ("FMLA"), 29 U.S.C. § 2601, et seq.; National Labor Relations Act, 29 U.S.C. § 141, et seq., the False Claims Act, 31 U.S.C. § 3729, et seq., Anti-Kickback Statute, 42 U.S.C. § 1320a, et seq., the Minnesota Human Rights Act, Minn. Stat. § 363A.01, et seq., Minn. Stat. §§ 181 and 177 et seq. to the extent allowed by law, the Minnesota Whistleblower Act, Minn. Stat. § 181.931, et seq., Minn. Stat. § 176.82, the Montana Human Rights Act, Mont. Code Ann. § 49-1-101, et seq., the Montana Minimum Wage and Overtime Compensation Act, Mont. Code Ann. §§ 39-3-401 to 39-3-409, the Montana Wrongful Discharge for Employment Act, Mont. Code Ann. § 39-2-901, et seq., the Montana Wage Payment Act, Mont. Code Ann. § 39-3-201, et. seq., the Montana Backlisting Statutes, Mont. Code. Ann. §§ 39-2-801 to 39-2-804, or any and all other Minnesota, Montana and other state human rights or fair employment practices statutes, administrative regulations, or local ordinances, and any other Montana or other federal, state, local or foreign statute, law, rule, regulation, ordinance or order, all as amended. This includes, but is not limited to, claims for violation of any civil rights laws based on protected class status; claims for assault, battery, defamation, intentional or negligent infliction of emotional distress, breach of the covenant of good faith and fair dealing; promissory estoppel; negligence; negligent hiring; retention or supervision; retaliation; constructive discharge; violation of whistleblower protection laws; unjust enrichment; violation of public policy; and, all other claims for unlawful employment practices, and all other common law or statutory claims.

II. **<u>Agreement to Release My Claims</u>.** Except as stated in Section V of this Release, I agree to release all My Claims and waive any rights to My Claims. I also agree to withdraw any and all of My charges and lawsuits against Employer; *except that* I may, but am not required to, withdraw or dismiss, or attempt to withdraw or dismiss, any charges that I may have pending against Employer with the Employment Opportunity Commission ("<u>EEOC</u>") or other civil rights enforcement agency. In exchange for My agreement to release My Claims, I am receiving satisfactory Consideration from Employer to which I am not otherwise entitled by law, contract, or under any Employer policy. The Consideration I am receiving is a full and fair consideration for the release of all My Claims. Employer does not owe Me anything in addition to what I will be receiving according to the Separation Agreement which I have signed.

III. **<u>Unknown Claims</u>.** In waiving and releasing any and all actual, potential, or threatened claims against Employer, whether or not now known to me, I understand that this means that if I later discover facts different from or in addition to those facts currently known by me, or believed by me to be true, the waivers and releases of this Release will remain effective in all respects – despite such different or additional facts and My later discovery of such facts, even if I would not have agreed to the Separation Agreement and this Release if I had prior knowledge of such facts.

IV. **<u>Confirmation of No Claims, Etc</u>.** I am not aware of any other facts, evidence, allegations, claims, liabilities, or demands relating to alleged or potential violations of law that may give rise to any claim or liability on the part of any Released Party under the Securities Exchange Act of 1934, the Sarbanes–Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the False Claims Act, the Anti-kickback Statute. I understand that nothing in this Release interferes with My right to file a complaint, charge or report with any law enforcement agency, with the Securities and Exchange Commission ("<u>SEC</u>") or other regulatory body, or to participate in any manner in an SEC or other governmental investigation or proceeding under any such law, statute or regulation, or to require notification or prior approval by Employer of any such a complaint, charge or report. I understand and agree, however, that I waive My right to recover any whistleblower award under the Securities Exchange Act of 1934, the Sarbanes–Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or other individual relief in any administrative or legal action whether brought by the SEC or other governmental or law enforcement agency, Me, or any other party, unless and to the extent that such waiver is contrary to law. I agree that the Released Parties reserve any and all defenses which they might have against any such allegations or claims brought by Me or on My behalf. I understand that Employer is relying on My representations in this Release and related Separation Agreement.

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EMPLOYEE INITIALS

V. **Exclusions from Release.**

A. The term “Claims” does not include My rights, if any, to claim the following: unemployment insurance benefits; workers compensation benefits; claims for My vested post-termination benefits under any 401(k) or similar retirement benefit plan; My rights to group medical or group dental insurance coverage pursuant to section 4980B of the Internal Revenue Code of 1986, as amended (“COBRA”); My rights to enforce the terms of this Release; or My rights to assert claims that are based on events occurring after this Release becomes effective.

B. Nothing in this Release interferes with My right to file or maintain a charge with the Equal Employment Opportunity Commission or other local civil rights enforcement agency, or participate in any manner in an EEOC or other such agency investigation or proceeding. I, however, understand that I am waiving My right to recover individual relief including, but not limited to, back pay, front pay, reinstatement, attorneys’ fees, and/or punitive damages, in any administrative or legal action whether brought by the EEOC or other civil rights enforcement agency, Me, or any other party.

C. Nothing in this Release interferes with My right to challenge the knowing and voluntary nature of this Release under the ADEA and/or OWBPA.

D. I agree that Employer reserves any and all defenses, which it has or might have against any claims brought by Me. This includes, but is not limited to, Employer’s right to seek available costs and attorneys’ fees as allowed by law, and to have any monetary award granted to Me, if any, reduced by the amount of money that I received in consideration for this Release.

VI. **Older Workers Benefit Protection Act.** The Older Workers Benefit Protection Act applies to individuals age 40 and older and sets forth certain criteria for such individuals to waive their rights under the Age Discrimination in Employment Act in connection with an exit incentive program or other employment termination program. I understand and have been advised that, if applicable, the above release of My Claims is subject to the terms of the OWBPA. The OWBPA provides that a covered individual cannot waive a right or claim under the ADEA unless the waiver is knowing and voluntary. If I am a covered individual, I acknowledge that I have been advised of this law, and I agree that I am signing this Release voluntarily, and with full knowledge of its consequences. I understand that Employer is giving Me twenty-one (21) days from the date I received a copy of this Release to decide whether I want to sign it. I acknowledge that I have been advised to use this time to consult with an attorney about the effect of this Release. If I sign this Release before the end of the twenty-one (21) day period it will be My personal, voluntary decision to do so, and will be done with full knowledge of My legal rights. I agree that material and/or immaterial changes to the Separation Agreement or this Release will not restart the running of this consideration period. I also acknowledge that the Separation Agreement, this Release and any other attachments or exhibits have each been written in a way that I understand.

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EMPLOYEE INITIALS

VII. **<u>Right to Rescind and/or Revoke</u>.** I understand that I have the right to revoke this Release insofar as it extends to potential claims under the Age Discrimination in Employment Act ("<u>ADEA</u>") by written notice to Employer within seven (7) calendar days following My signing of this Release and that I have the right to rescind this Release as it relates to potential claims under the Minnesota Human Rights Act ("<u>MHRA</u>") by written notice within fifteen (15) calendar days of My signing this Release ("<u>Rescission Periods</u>"). If delivered by mail, the rescission or revocation must be postmarked within the applicable rescission or revocation period, sent by certified mail return receipt requested, and properly addressed as follows:

Sean E. Browne
Chief Executive Officer
Xtant Medical Holdings, Inc.
664 Cruiser Lane
Belgrade, MT 59714

I understand that the Consideration I am receiving for settling and releasing My Claims is contingent upon My agreement to be bound by the terms of this Release. Accordingly, if I decide to revoke or rescind this Release as provided herein, I understand that I am not entitled to the Consideration offered in the Separation Agreement. I further understand that if I attempt to revoke or rescind My release of ADEA or MHRA claims, I must immediately return to the Employer any Consideration that I may have received under My Separation Agreement.

VIII. **<u>I Understand the Terms of this Release</u>.** I have had the opportunity to read this Release carefully and understand all its terms. I have had the opportunity to review this Release with My own attorney. In agreeing to sign this Release, I have not relied on any oral statements or explanations made by Employer, including its employees or attorneys. I understand and agree that this Release and the attached Agreement contain all the agreements between Employer and Me. We have no other written or oral agreements.

/s/ Kevin D. Brandt
Kevin D. Brandt
Dated: Aug 14, 2024

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EMPLOYEE INITIALS

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULES 13a-14(a)/15d-14(a), AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Sean E. Browne, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Xtant Medical Holdings, 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(s) 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(s) 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 12, 2024

By: */s/ Sean E. Browne*
Sean E. Browne
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT RULES 13a-14(a)/15d-14(a), AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Scott C. Neils, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Xtant Medical Holdings, 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(s) 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(s) 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 12, 2024

By: */s/ Scott C. Neils*
Scott C. Neils
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2024 of Xtant Medical Holdings, Inc. (the “Company”), as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Sean E. Browne, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

(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.

November 12, 2024

/s/ Sean E. Browne

Sean E. Browne
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2024 of Xtant Medical Holdings, Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott C. Neils, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

(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.

November 12, 2024

/s/ Scott C. Neils

Scott C. Neils
Chief Financial Officer
(Principal Financial Officer)