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

FORM 8-K/A
(Amendment No. 1)

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

Date of Report (Date of earliest event reported): October 23, 2020

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

Delaware	**001-38832**	**83-2540607**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

520 Lake Cook Road, Suite 315, Deerfield, Illinois	**60015**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (224) 303-4651

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4 (c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of exchange on which registered
common stock, $0.001 par value	**SRGA**	**Nasdaq Global Select Market**

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). 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. ☐

Explanatory Note

On October 23, 2020, Surgalign Holdings, Inc. (the "Company") filed a Current Report on Form 8-K (the "Form 8-K") in connection with the closing, on October 23, 2020, of the previously announced transaction, pursuant to which Holo Surgical Inc. ("Holo Surgical") became a direct wholly owned subsidiary of the Company (the "Transaction").

This Current Report on Form 8-K/A is being filed to amend the Form 8-K to provide the financial statements and pro forma financial information described below, in accordance with the requirements of Item 9.01 of Form 8-K. The pro forma financial information included in this Form 8-K/A has been presented for informational purposes only, as required by Form 8-K. It does not purport to represent the actual results of operations that the Company and Holo Surgical would have achieved had the companies been combined during the periods presented in the pro forma financial information and is not intended to project the future results of operations that the combined company may achieve after the Transaction. Except as described in this Form 8-K/A, all other information in the Current Report on Form 8-K filed on October 23, 2020 remains unchanged.

Item 9.01 Financial Statements and Exhibits.

(a) Financial statements of business acquired.

The audited consolidated balance sheets of Holo Surgical as of December 31, 2019 and December 31, 2018, and the audited consolidated statements of operations, stockholders' equity and cash flows for the years ended December 31, 2019 and 2018, and related notes are included as Exhibit 99.1 to this Form 8-K/A.

The unaudited condensed consolidated balance sheets of Holo Surgical as of September 30, 2020 and 2019 and the unaudited condensed consolidated statement of operations, stockholders' equity and cash flows for the nine months ended September 30, 2020 and 2019, and related notes are included as Exhibit 99.2 to this Form 8-K/A.

(b) Pro forma financial information.

The unaudited pro forma condensed combined balance sheet of the Company as of September 30, 2020 and unaudited pro forma condensed combined statements of income for the nine months ended September 30, 2020, and the year ended December 31, 2019, are included as Exhibit 99.3 to this Form 8-K/A.

(d) Exhibits

Exhibit No.	Description
23.1*	Consent of Baker Tilly US LLP, independent auditors for Holo Surgical Inc. and Subsidiaries
99.1*	Audited consolidated balance sheets of Holo Surgical Inc. and Subsidiaries, as of December 31, 2019 and December 31, 2018, and audited consolidated statements of operations, stockholders' equity and cash flows for the years ended December 31, 2019 and 2018, and related notes.
99.2*	Unaudited condensed consolidated balance sheets of Holo Surgical Inc. and Subsidiaries, as of September 30, 2020 and 2019 and unaudited condensed consolidated statement of operations, stockholders' equity and cash flows for the nine months ended September 30, 2020 and 2019, and related notes.
99.3*	Unaudited pro forma condensed combined balance sheet of Surgalign Holdings, Inc. as of September 30, 2020 and unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2020, and the year ended December 31, 2019, and related notes.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* *Filed herewith.*

SIGNATURES

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

		SURGALIGN HOLDINGS, INC.
Date: December 30, 2020	By:	/s/ Jonathon M. Singer
	Name:	Jonathon M. Singer
	Title:	Chief Financial and Operating Office

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS PUBLIC ACCOUNTING FIRM

We consent to the inclusion in the Registration Statement on Form S-1 of Surgalign Holdings, Inc. of our report dated December 22, 2020, relating to the consolidated financial statements of Holo Surgical Inc., and to the reference to our Firm under the caption “Experts.”

/s/ BAKER TILLY US, LLP

Chicago, Illinois

December 30, 2020

Exhibit 99.1

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors of
Holo Surgical Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Holo Surgical Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Holo Surgical Inc. and its subsidiaries as of December 31, 2019 and 2018 and the results of their operations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ BAKER TILLY US, LLP
Chicago, Illinois
December 22, 2020

Holo Surgical Inc. and Subsidiaries
Consolidated Balance Sheets
As of December 31, 2019 and 2018
(In dollars)

	2019	2018
Assets		
Other intangible assets - net	$ 15,109	$ 25,604
Total assets	$ 15,109	$ 25,604
Liabilities and Stockholders' Equity		
Stockholders' equity:		
Common stock	1	1
.0001 par value		
10,000 shares authorized		
10,000 shares issued and outstanding		
Additional paid-in capital	2,341,335	1,597,253
Accumulated deficit	(2,326,227)	(1,571,650)
Total stockholders' equity	15,109	25,604
Total liabilities and stockholders' equity	$ 15,109	$ 25,604

See notes to audited financial statements.

Holo Surgical Inc. and Subsidiaries
Consolidated Statements of Operations
For the Years Ended December 31, 2019 and 2018
(In dollars)

	2019	2018
Revenues	$ —	$ —
Cost of goods sold	—	—
Gross profit	—	—
Operating Expenses		
General and administrative	—	—
Research and development costs	744,082	657,351
Amortization of intangible assets	10,495	20,697
Total operating expenses	754,577	678,048
Operating loss	(754,577)	(678,048)
Net loss	$(754,577)	$(678,048)

See notes to audited financial statements.

Holo Surgical Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
For the Years Ended December 31, 2019 and 2018
(In dollars)

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
Balance at January 1, 2018	$ 1	$ 939,902	$ (893,602)	$ 46,301
2018 net loss	—	—	(678,048)	(678,048)
Stockholders' contributions	—	657,351	—	657,351
Balance at December 31, 2018	1	1,597,253	(1,571,650)	25,604
2019 net loss	—	—	(754,577)	(754,577)
Stockholders' contributions	—	744,082	—	744,082
Balance at December 31, 2019	$ 1	$ 2,341,335	$(2,326,227)	$ 15,109

See notes to audited financial statements.

Holo Surgical Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018
(In dollars)

	2019	2018
Cash flows from operating activities:		
Net loss	$(754,577)	$(678,048)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Amortization of intangibles	10,495	20,697
Net cash provided by operating activities	(744,082)	(657,351)
Cash flows from financing activities:		
Contributions by stockholders’	744,082	657,351
Net cash provided by financing activities	744,082	657,351
Net change in cash and cash equivalents	—	—
Cash and cash equivalents, beginning of period	—	—
Cash and cash equivalents, end of period	$ —	$ —

See notes to audited financial statements.

Holo Surgical Inc. and Subsidiaries
Notes to Consolidated Financial Statements
Years Ended December 31, 2019 and 2018
(In dollars)

1. Summary of Significant Accounting Policies

Nature of Operations

Holo Surgical Inc. and its subsidiaries (collectively, the "Company") is a digital surgery company focused on improving patient outcomes by bringing Augmented Reality and Artificial Intelligence to the operating room.

Principles of Presentation

The accompanying consolidated financial statements include the accounts of Holo Surgical Inc. and its directly or indirectly wholly owned subsidiaries HoloSurgical Technology Inc. and HoloSurgical Technology Polska sp. Zoo. Significant intercompany accounts and transactions have been eliminated.

Prior to the Transaction (defined below) Holo Surgical Inc. was a direct or indirect wholly owned subsidiary of Roboticine Inc. through its subsidiary Holo Surgical S.A. (collectively "Parent").

Foreign Currency Translation

The local currency is the functional currency for the Company's foreign subsidiaries. Expenses allocated to the Company by the Parent are translated at the weighted-average exchange rates for the year.

Intangible Assets

Internally-developed intangibles are carried at cost of expenses incurred. Internally-developed patents are amortized over their estimated useful life.

Impairment of Long-Lived Assets

The Company reviews intangible assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Research and Development Costs

Research and development costs are expensed in the period incurred. These costs, representing raw materials, engineering salaries, fringe benefits, other direct expenses, and a portion of the Company's overhead, are included in the accompanying consolidated statement of operations, within operating expenses. Research and development expenses were $744,082 and $657,351 for the years ended December 31, 2019 and 2018, respectively.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes resulting from temporary differences. Such temporary differences result from differences in the carrying value of assets and liabilities for tax and financial reporting purposes.

Temporary differences arise principally from the use of the allowance method of bad debt recognition for financial reporting purposes and the direct write-off method for income tax purposes; differences in depreciation methods used for book and tax purposes; capitalization of certain handling, storage and administrative expenses for income tax purposes only; differences in required methods for reporting pension expense; timing of deductions of contracts payable to former officers; and recognition of an allowance for obsolete inventory for financial reporting purposes only. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

During February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases* (Topic 842). ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. In August 2018, the FASB issued ASU 2018-11, “Targeted Improvements,” which provides entities with an additional (and optional) transition method whereby an entity initially applies the new lease standard at the adoption date and recognizes a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. Due to the deferred required implementation date set forth by the FASB in June 2020, Topic 842 (as amended) is effective for annual periods beginning after December 15, 2021. Early adoption is permitted. The Company is currently assessing the effect that Topic 842 (as amended) will have on its results of operations, financial position and cash flows but plans to elect the transitional method noted in ASU 2018-11.

Subsequent Events

The Company has evaluated subsequent events through December 22, 2020, which is the date the consolidated financial statements were made available for issuance, and has concluded that no such events or transactions took place which would require disclosure herein.

COVID-19

In December 2019, a novel strain of coronavirus was reported in Wuhan, Hubei province, China. In the first several months of 2020, the virus, SARS-CoV-2 and resulting disease, COVID-19, spread to the United States, including to geographic locations in which the Company operates. As of the date above, the Company’s evaluation of the effects of these events is ongoing.

The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

Related Party Promissory Note

In August 2020, the Company obtained a related-party promissory note with Parent for approximately $120,000. The note is payable on December 31, 2021. On October 19, 2020, Parent contributed the promissory note to the Company, and immediately thereafter, the promissory note was terminated.

Stock Purchase Agreement

The Company is dependent on cash flows from financing to fund research and development operations. As of December 31, 2019, the Company did not have adequate liquidity to operate for at least twelve months. However, in September 2020, the Company entered into a stock purchase agreement whereby all issued and outstanding shares of common stock were acquired by Surgalign Holdings, Inc. in October 2020 (the "Transaction").

2. Income Taxes

The provision (benefit) for income tax expense and the related components are as follows for the years ended December 31:

	Year Ended December 31,	
	2019	2018
Current:		
Federal	—	—
State	—	—
Total deferred	—	—
Deferred:		
Federal	—	—
State	—	—
Total deferred	—	—
Total income tax provision (benefit)	—	—
Valuation allowance	—	—
Total income tax provision - net	$ —	$ —

The valuation allowance has been established because, based on the weight of available evidence, the Company has determined that it is more likely than not that the deferred tax assets will not be realized. The components of deferred income tax assets and liabilities are as follows as of December 31:

	Year Ended December 31,	
	2019	2018
Deferred tax assets:		
Net operating losses - Federal	294,301	138,044
Net operating losses - state	105,177	49,334
Total deferred tax assets	399,478	187,378
Deferred tax liabilities:		
Amortizable intangibles	4,306	7,299
Total deferred tax liabilities	4,306	7,299
Total deferred tax assets - net	395,172	180,079
Valuation allowance	(395,172)	(180,079)
Total deferred tax assets - net	$ —	$ —

As of December 31, 2019, the Company has not recorded any reserve related to uncertain tax positions. There were no interest and penalty amounts included in the uncertain tax positions as of December 31, 2019. The Company does not expect any changes in its uncertain tax positions during the next 12 months that will have a significant impact on the Company's financial position or results of operations. Tax years 2018 - 2016 for Federal and state taxes remain open to statute.

At December 31, 2019, the Company has $1,401,433 of Federal and $1,401,433 of state net operating losses to carryforward. The state net operating loss carryforwards will begin to expire in 2030.

The Company currently has a valuation allowance against its net deferred tax assets it is expected that the Company will not be able to utilize the assets in future years.

Exhibit 99.2

Independent Accountants' Review Report

To the Stockholders and Board of Directors of
Holo Surgical Inc. and Subsidiaries

We have reviewed the accompanying financial statements of Holo Surgical Inc. and its subsidiaries (the "Company"), which comprise the balance sheets as of September 30, 2020 and 2019 and the related statements of operations, stockholders' equity, and cash flows for the nine-month periods then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the reviews engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

/s/ BAKER TILLY US, LLP
Chicago, Illinois
December 22, 2020

Holo Surgical Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
As of September 30, 2020 and 2019
(In dollars)

	September 30, 2020	September 30, 2019
Assets		
Current Assets:		
Cash and cash equivalents	$ 10,405	$ —
Total current assets	10,405	—
Other intangible assets - net	13,593	17,733
Total assets	$ 23,998	$ 17,733
Liabilities and Stockholders' Equity		
Stockholders' equity:		
Common stock	1	1
.0001 par value		
10,000 shares authorized		
10,000 shares issued and outstanding		
Additional paid-in capital	2,974,630	2,079,306
Accumulated deficit	(2,950,633)	(2,061,574)
Total stockholders' equity	23,998	17,733
Total liabilities and stockholders' equity	$ 23,998	$ 17,733

See notes to unaudited financial statements.

Holo Surgical Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
For the Nine Months Ended September 30, 2020 and 2019
(In dollars)

	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Revenues	$ —	$ —
Cost of goods sold	—	—
Gross profit	—	—
Operating Expenses		
General and administrative	—	—
Research and development costs	622,890	482,053
Amortization of intangible assets	1,516	7,871
Total expenses	624,406	489,924
Total operating loss	(624,406)	(489,924)
Net loss	$ (624,406)	$ (489,924)

See notes to unaudited financial statements.

Holo Surgical Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity
For the Nine Months Ended September 30, 2020 and 2019
(In dollars)

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
Balance at January 1, 2019	1	1,597,253	(1,571,650)	25,604
Q3 2019 YTD net loss	—	—	(489,924)	(489,924)
Stockholders' contributions	—	482,053	—	482,053
Balance at September 30, 2019	$ 1	$ 2,079,306	$(2,061,574)	$ 17,733
Balance at January 1, 2020	1	2,341,335	(2,326,227)	15,109
Q3 2020 YTD net loss	—	—	(624,406)	(624,406)
Stockholders' contributions	—	633,295	—	633,295
Balance at September 30, 2020	$ 1	$ 2,974,630	$(2,950,633)	$ 23,998

See notes to unaudited financial statements.

Holo Surgical Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2020 and 2019
(In dollars)

	For the Nine Months Ended September 30,	
	2020	**2019**
Cash flows from operating activities:		
Net loss	$ (624,406)	$ (489,924)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Amortization of intangibles	1,516	7,871
Net cash provided by operating activities	(622,890)	(482,053)
Cash flows from financing activities:		
Contributions by stockholders	633,295	482,053
Net cash provided by financing activities	633,295	482,053
Net change in cash and cash equivalents	10,405	—
Cash and cash equivalents, beginning of period	—	—
Cash and cash equivalents, end of period	$ 10,405	$ —

See notes to unaudited financial statements.

1. Summary of Significant Accounting Policies

Nature of Operations

Holo Surgical Inc. and its subsidiaries (collectively, the "Company") is a digital surgery company focused on improving patient outcomes by bringing Augmented Reality and Artificial Intelligence to the operating room.

Principles of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its directly or indirectly wholly owned subsidiaries HoloSurgical Technology Inc. and HoloSurgical Technology Polska sp. Zoo. Significant intercompany accounts and transactions have been eliminated. Prior to the Transaction (defined below) Holo Surgical Inc. was a direct or indirect wholly owned subsidiary of Roboticine Inc. through its subsidiary Holo Surgical S.A. (collectively "Parent").

Foreign Currency Translation

The local currency is the functional currency for the Company's foreign subsidiaries. Expenses allocated to the Company by the Parent are translated at the weighted-average exchange rates for the period.

Cash and Cash Equivalents

The Company defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less.

Intangible Assets

Internally-developed intangibles are carried at cost of expenses incurred. Internally-developed patents are amortized over their estimated useful life.

Impairment of Long-Lived Assets

The Company reviews intangible assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Research and Development Costs

Research and development costs are expensed in the period incurred. These costs, representing raw materials, engineering salaries, fringe benefits, other direct expenses, and a portion of the Company's overhead, are included in the accompanying consolidated statement of operations, within operating expenses. Research and development expenses were $622,890 and $482,053 for the periods ended September 30, 2020 and 2019, respectively.

Note Payable - Related Party

In August 2020, the Company obtained a related-party promissory note with Parent for approximately $120,000. The note is payable on December 31, 2021. On October 19, 2020, Parent contributed the promissory note to the Company, and immediately thereafter, the promissory note was terminated.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes resulting from temporary differences. Such temporary differences result from differences in the carrying value of assets and liabilities for tax and financial reporting purposes.

Temporary differences arise principally from the use of the allowance method of bad debt recognition for financial reporting purposes and the direct write-off method for income tax purposes; differences in depreciation methods used for book and tax purposes; capitalization of certain handling, storage and administrative expenses for income tax purposes only; differences in required methods for reporting pension expense; timing of deductions of contracts payable to former officers; and recognition of an allowance for obsolete inventory for financial reporting purposes only. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements

During February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases* ("Topic 842"). ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. In August 2018, the FASB issued ASU 2018-11, "Targeted Improvements," which provides entities with an additional (and optional) transition method whereby an entity initially applies the new lease standard at the adoption date and recognizes a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. Due to the deferred required implementation date set forth by the FASB in June 2020, Topic 842 (as amended) is effective for annual periods beginning after December 15, 2021. Early adoption is permitted. The Company is currently assessing the effect that Topic 842 (as amended) will have on its results of operations, financial position and cash flows but plans to elect the transitional method noted in ASU 2018-11.

Subsequent Events

The Company has evaluated subsequent events through December 22, 2020, which is the date the consolidated financial statements were made available for issuance, and has concluded that no such events or transactions took place which would require disclosure herein.

COVID-19

In December 2019, a novel strain of coronavirus was reported in Wuhan, Hubei province, China. In the first several months of 2020, the virus, SARS-CoV-2 and resulting disease, COVID-19, spread to the United States, including to geographic locations in which the Company operates. As of the date above, the Company's evaluation of the effects of these events is ongoing.

The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

Stock Purchase Agreement

The Company is dependent on cash flows from financing to fund research and development operations. As of December 31, 2019, the Company did not have adequate liquidity to operate for at least twelve months. However, in September 2020, the Company entered into a stock purchase agreement whereby all issued and outstanding shares of common stock were acquired by Surgalign Holdings, Inc. in October 2020 (the "Transaction").

2. Income Taxes

The provision (benefit) for income tax expense and the related components are as follows for the nine-month periods ended September 30:

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Current:		
Federal	$ —	$ —
State	—	—
Total deferred	—	—
Deferred:		
Federal	—	—
State	—	—
Total deferred	—	—
Total income tax provision (benefit)	—	—
Valuation allowance	—	—
Total income tax provision, net	$ —	$ —

The valuation allowance has been established because, based on the weight of available evidence, the Company has determined that it is more likely than not that the deferred tax assets will not be realized. The components of deferred income tax assets and liabilities are as follows as of September 30:

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Deferred tax assets:		
Net operating losses - Federal	$ 424,557	$ 239,275
Net operating losses - state	151,728	85,512
Total deferred tax assets	576,285	324,787
Deferred tax liabilities:		
Amortizable intangibles	6,118	5,055
Total deferred tax liabilities	6,118	5,055
Total deferred tax assets, net	570,167	319,732
Valuation allowance	(570,167)	(319,732)
Total deferred tax assets, net	$ —	$ —

As of September 30, 2020, the Company has not recorded any reserve related to uncertain tax positions. There were no interest and penalty amounts included in the uncertain tax positions as of December 31, 2019. The Company does not expect any changes in its uncertain tax positions during the next 12 months that will have a significant impact on the Company's financial position or results of operations. Tax years 2018 - 2016 for Federal and state taxes remain open to statute.

At September 30, 2020, the Company has $2,021,699 of Federal and $2,021,699 of state net operating losses to carryforward. The state net operating loss carryforwards will begin to expire in 2030.

The Company currently has a valuation allowance against its net deferred tax assets it is expected that the company will not be able to utilize the assets in future years.

Exhibit 99.3

SURGALIGN HOLDINGS, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED
FINANCIAL INFORMATION

On October 23, 2020, in connection with the closing (the “Transaction”), Surgalign Holdings, Inc. (“Surgalign” or the “Company”) acquired Holo Surgical Inc. and its subsidiaries (“Holo Surgical”), which became direct wholly owned subsidiaries of the Company.

The following unaudited pro forma condensed combined balance sheet and the unaudited condensed combined statements of operations (collectively, the “unaudited pro forma condensed combined financial information”) is presented to illustrate the estimated effects of the Transaction and certain other related adjustments described below (collectively, “Adjustments” or “Transaction Accounting Adjustments”). The pro forma financial information has been prepared in accordance to Regulation S-X Article 11, Pro Forma Financial Information, as amended by the final rule, Amendments to Financial Disclosures about Acquired and Disposed Businesses, as adopted by the U.S. Securities and Exchange Commission on May 20, 2020 (“Article 11”). The Company elected to voluntarily comply with the amended Article 11 in advance of the mandatory compliance date of January 1, 2021.

The following unaudited pro forma condensed combined balance sheet and the unaudited condensed combined statements of operations are based on separate historical financial statements of Surgalign and Holo Surgical after giving effect to the Transaction. The unaudited pro forma condensed combined balance sheet as of September 30, 2020 is presented as if the Transaction occurred on September 30, 2020. The unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2020, and for the year ended December 31, 2019 are presented as if the Transaction had occurred on January 1, 2019. The historical financial information of Surgalign and Holo Surgical reflect factually supportable items that are directly attributable to the Transaction. The Transaction is reflected in the accompanying unaudited pro forma condensed combined financial information and related notes as an asset acquisition. Accordingly, the consideration given by Surgalign in exchange for the assets acquired in the Transaction will be primarily allocated to the in process research and development (“IPR&D”) asset based upon the estimated fair value as of the date of the completion of the Transaction. The consideration given, including the contingent consideration, and thus the IPR&D asset is based upon certain assumptions and specifically, with respect to the contingent consideration, the determination of future milestone payments.

Accordingly, Transaction Accounting Adjustments are preliminary, subject to further Adjustments as additional information becomes available and as additional analyses are performed and have been made solely for the purpose of providing the unaudited pro forma condensed combined financial information presented below. Increases or decreases in the consideration given will result in Adjustments to the historical balance sheet and or statement of operations. There can be no assurance that the final determination will not result in material changes. The assumptions and estimates underlying the Adjustments in the unaudited pro forma condensed combined financial information are described in the accompanying notes, which should be read together with the unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined financial information has been presented for informational purposes only. The pro forma information is not necessarily indicative of what the combined company’s financial position or results of operations would have been had the Transaction been completed as of the dates indicated nor are they meant to be indicative of any anticipated combined financial position or future results of operations that the combined company will experience after the Transaction. In addition, the unaudited pro forma condensed combined financial information do not purport to project the future operating results of the combined company. Furthermore, the unaudited pro forma condensed combined financial information does not reflect the cost of any integration activities or benefits that may result from synergies that may be derived from integration activities.

The unaudited pro forma condensed combined financial information should be read together with:

- The accompanying notes to the unaudited pro forma condensed combined financial information;
- Surgalign’s audited historical consolidated financial statements and accompanying notes as of and for the year ended December 31, 2019, included in Surgalign’s Current Report on Form 8-K filed on December 30, 2020;
- Audited consolidated balance sheets of Holo Surgical Inc. and Subsidiaries, as of December 31, 2019 and December 31, 2018, and audited consolidated statements of operations, stockholders’ equity and cash flows for the years ended December 31, 2019 and 2018, and related notes included as Exhibit 99.1 to this Current Report on Form 8-K/A; and
- Unaudited condensed consolidated balance sheets of Holo Surgical Inc. and Subsidiaries, as of September 30, 2020 and 2019 and unaudited condensed consolidated statement of operations, stockholders’ equity and cash flows for the nine months ended September 30, 2020 and 2019, and related notes included as Exhibit 99.2 to this Current Report on Form 8-K/A.

SURGALIGN HOLDINGS, INC. AND SUBSIDIARIES
Unaudited Pro Forma Condensed Combined Balance Sheet
As of September 30, 2020
(In thousands)

	Surgalign Holdings	Holo Surgical	Transaction Accounting Adjustments	Note Ref.	Pro Forma
Assets					
Current Assets:					
Cash and cash equivalents	$ 95,790	$ 10	$ (30,000)	[A]	$ 65,800
Accounts receivable—less allowances of $6,638	24,485	—	—		24,485
Inventories—net	28,195	—	—		28,195
Prepaid and other current assets	4,278	—	—		4,278
Total current assets	152,748	10	(30,000)		122,758
Non-current inventories—net	4,872	—	—		4,872
Property, plant and equipment—net	617	—	—		617
Other intangible assets—net	—	14	(14)	[B1]	—
Other assets—net	10,107	—	—		10,107
Total assets	$ 168,344	$ 24	$ (30,014)		$ 138,354
Liabilities and Stockholders' Equity					
Current Liabilities:					
Accounts payable	$ 10,760	$ —	$ —		$ 10,760
Accrued expenses	13,720	—	—		13,720
Accrued income taxes	29,106	—	—		29,106
Current contingent consideration	—	—	8,993	[C]	8,993
Total current liabilities	53,586	—	8,993		62,579
Deferred tax liability	2,559	—	—		2,559
Other long-term liabilities	1,323	—	41,639	[C]	42,962
Total liabilities	57,468	—	50,632	[C]	108,100
Preferred stock Series A	—	—	—		—
Stockholders' equity:					
Common stock	75	—	6	[D]	81
Additional paid-in capital	503,901	2,975	12,244	[D]	519,120
Accumulated other comprehensive loss	(2,619)	—	—		(2,619)
Accumulated deficit	(384,922)	(2,951)	(92,886)	[E]	(480,769)
Less treasury stock	(5,559)	—	—		(5,559)
Total stockholders' equity	110,876	24	(80,646)		30,254
Total liabilities and stockholders' equity	$ 168,344	$ 24	$ (30,014)		$ 138,354

See accompanying notes to unaudited proforma condensed combined financial information.

SURGALIGN HOLDINGS, INC. AND SUBSIDIARIES
Unaudited Pro Forma Condensed Combined Statement of Operations
For the Nine Months Ended September 30, 2020
(In thousands, except share and per share data)

	Surgalign Holdings	Holo Surgical	Transaction Accounting Adjustments	Note Ref.	Pro Forma
Revenues	$ 75,562	$ —	$ —		$ 75,562
Costs of processing and distribution	30,336	—	—		30,336
Gross profit	45,226	—	—		45,226
Expenses (income):					
Marketing, general and administrative	97,095	2	(2)	**[B2]**	97,095
Research and development	9,764	623	—		10,387
Gain on acquisition contingency	(130)	—	—		(130)
Asset impairment and abandonments	12,117	—	—		12,117
Transaction and integration expenses	5,826	—	(1,498)	**[F]**	4,328
Acquired in-process research and development and related costs	—	—	1,498	**[F]**	1,498
Total expenses (income)	124,672	625	(2)		125,295
Operating (loss) income	(79,446)	(625)	2		(80,069)
Other (expense) income:					
Interest income	92	—	—		92
Foreign exchange loss	(28)	—	—		(28)
Total other income—net	64	—	—		64
(Loss) income before income tax benefit	(79,382)	(625)	2		(80,005)
Income tax benefit	3,492	—	—		3,492
Net (loss) income from continuing operations	(75,890)	(625)	2		(76,513)
Net loss from continuing operations per common share—basic	$ (1.04)				$ (0.97)
Net loss from continuing operations per common share—diluted	$ (1.04)				$ (0.97)
Weighted average shares outstanding—basic	72,933,038		6,250,000	**[G]**	79,183,038
Weighted average shares outstanding—diluted	72,933,038		6,250,000	**[G]**	79,183,038

See accompanying notes to unaudited proforma condensed combined financial information.

SURGALIGN HOLDINGS, INC. AND SUBSIDIARIES
Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year Ended December 31, 2019
(In thousands, except share and per share data)

	Surgalign Holdings	Holo Surgical	Transaction Accounting Adjustments	Note Ref.	Pro Forma
Revenues	$ 117,423	$ —	$ —		$ 117,423
Costs of processing and distribution	32,777	—	—		32,777
Gross profit	84,646	—	—		84,646
Expenses:					
Marketing, general and administrative	135,396	10	(10)	[B2]	135,396
Research and development	16,836	744	—		17,580
Severance and restructuring costs	—	—	—		—
Gain on acquisition contingency	(76,033)	—	—		(76,033)
Asset impairment and abandonments	97,341	—	472	[B3]	97,813
Goodwill impairment	140,003	—	—		140,003
Acquisition and integration expenses	13,999	—	—		13,999
Acquired in-process research and development and related costs	—	—	92,424	[H]	92,424
Total expenses	327,542	754	92,886		421,182
Operating loss	(242,896)	(754)	(92,886)		(336,536)
Other (expense) income:					
Interest income	161	—	—		161
Foreign exchange loss	(122)	—	—		(122)
Total other income—net	39	—	—		39
Loss before income tax provision	(242,857)	(754)	(92,886)		(336,497)
Income tax provision	(5,921)	—	—		(5,921)
Net loss from continuing operations	(248,778)	(754)	(92,886)		(342,418)
Net loss from continuing operations per common share—basic	$ (3.55)				$ (4.49)
Net loss from continuing operations per common share—diluted	$ (3.55)				$ (4.49)
Weighted average shares outstanding—basic	70,150,492		6,250,000	[G]	76,400,492
Weighted average shares outstanding—diluted	70,150,492		6,250,000	[G]	76,400,492

See accompanying notes to unaudited proforma condensed combined financial information.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION
(In thousands, except share and per share data)

Note 1. Basis of Presentation

On October 23, 2020, Surgalign Holdings, Inc. (the "Company") filed a Current Report on Form 8-K (the "Form 8-K") in connection with the closing, on October 23, 2020, of the previously announced transaction, pursuant to which Holo Surgical Inc. ("Holo Surgical") and its subsidiaries became direct wholly owned subsidiaries of the Company (the "Transaction").

The underlying financial information of the Company has been derived from the audited consolidated financial statements of the Company included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, and the unaudited condensed consolidated financial statements of the Company included in the Company's Quarterly Report on Form 10-Q for the nine months ended September 30, 2020. The underlying financial information of Holo Surgical has been derived from the audited consolidated financial statements of Holo Surgical for the year ended December 31, 2019, and the unaudited consolidated financial statements for the nine months ended September 30, 2020, which are included in this Current Report on Form 8-K/A.

The OEM Businesses which were sold by the Company on July 20, 2020 as discussed in the Current Report on Form 8-K filed on December 29, 2020 met the criteria within Accounting Standards Codification ("ASC") 205-20—*Discontinued Operations* to be reported as discontinued operations because the Transaction was a strategic shift in business that had a major effect on the Company's operations and financial results. Therefore, the Company is reporting the historical financial information of the OEM Businesses as discontinued operations, and related assets and liabilities were retrospectively reclassified as assets and liabilities of discontinued operations for all periods presented herein.

The above pro forma tables should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section in the Company's Current Report on Form 8-K filed with the SEC on December 30, 2020 and in our Quarterly Report on Form 10-Q filed with the SEC on November 16, 2020.

This unaudited pro forma condensed combined financial information has been prepared assuming that the Transaction had been completed on January 1, 2019, and is not intended to reflect the financial results of operations which would have actually resulted had the Transaction been effected on the dates indicated.

The Transaction has been treated as an asset acquisition, with the Company as the accounting acquirer. Accordingly, unaudited pro forma condensed combined financial information reflects the assets acquired at cost. To determine the accounting for this transaction under U.S. GAAP, the Company must first assess whether an integrated set of assets and activities should be accounted for as an acquisition of a business or an asset acquisition. The U.S. GAAP guidance requires an initial screen test to determine if substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If that screen is met, the set is not considered a business and is accounted for as an asset acquisition. The Company determined that substantially all of the fair value is concentrated in the acquired in process research and development ("IPR&D") asset. As such, the acquisition is being treated as an asset acquisition.

Note 2. Total Consideration Transferred and Allocation

a) Total Consideration Transferred

Under the terms of the Transaction, Holo Surgical was acquired by the Company, for upfront total cash and stock consideration of $42,000 and contingent stock consideration of $50,632. The total consideration transferred was calculated as follows:

	(in thousands, except share and per share data)	
Total cash portion of the consideration transferred	$ 30,000	i.
Total value of stock portion of the consideration transferred	$ 12,250	ii.
Surgalign Holdings share price	$ 1.96	ii.
Total shares of Surgalign Holdings common stock issued	6,250,000	ii.
Fair value of contingent consideration	50,632	iii.
Total consideration transferred	$ 92,882	iv.

i. The cash portion of the total consideration transferred

ii. The value of the stock portion of the total consideration transferred is $12,250. For purposes of preparing this unaudited pro forma condensed combined financial information, the Company utilized a per share price equal to $1.96, based on the closing price of the Company's common stock on October 23, 2020. The Company was the stock trading entity on the Transaction date of October 23, 2020.

iii. For purposes of preparing this unaudited pro forma condensed combined financial information, the assessment of contingent consideration was determined based on a probability-weighted model. To determine the fair value of the contingent consideration, the Company's management utilized the potential payout for each of the eight milestone payments, discounted the payments based on a weighted average cost of capital of 14.0%, and the probability of achieving those payments and the duration of the contingency period.

iv. The Company has determined that the contingent consideration arrangement should be accounted for as a liability in accordance with ASC 480. Accordingly, fair value of the contingent consideration will be assessed quarterly until settlement. As such, the total consideration transferred in connection with the Transaction reflected in this unaudited pro forma condensed combined financial information does not purport to represent the actual total consideration transferred in connection with the Transaction.

b) Allocation of Total Consideration Transferred to Assets Acquired and Liabilities Assumed

IPR&D	$ 92,424	i., ii.
Intangible assets—Assembled workforce	458	i.
	$ 92,882	

i. The unaudited pro forma condensed combined financial information has been prepared using the Company's available accounting records as of October 23, 2020.

ii. The IPR&D relates to Holo Surgical's development of the Augmented Reality and Artificial Intelligence ("ARAI") Platform. The ARAI Platform has not yet reached technological feasibility and has no alternative future use; thus, the purchased IPR&D was expensed immediately subsequent to the acquisition.

Note 3. Transaction Accounting Adjustments

The unaudited pro forma condensed combined financial information reflects the following adjustments:

[A] Cash and cash equivalents

Transaction accounting adjustment made related to the cash portion of the total consideration transferred as part of the transaction.

[B1] Other intangible assets

Transaction accounting adjustment made to other intangible assets totaling $14 from the Holo Surgical standalone balance sheet, which were immediately impaired upon acquisition in the year ended December 31, 2019. Additionally, the acquired intangible assets totaling $458 were immediately impaired in the year ended December 31, 2019.

[B2] Marketing, general and administrative

Transaction accounting adjustments made to remove the amortization expense related to the other intangible assets, which were noted as impaired above in [B1]. For the nine months ended September 30, 2020, $2 was adjusted in the pro forma statement of operations. For the year ended December 31, 2019, $10 was adjusted in the pro forma statement of operations.

[B3] Asset impairment and abandonments

Transaction accounting adjustments related to the combined impairment adjustments in [B1] above, totaling $472 are included in the pro forma statement of operations for the year ended December 31, 2019.

[C] Contingent consideration

Transaction accounting adjustments made to current and long-term liabilities related to the contingent consideration. The current contingent consideration, totaling $8,993, relates to the first milestone payment, expected to be paid by June 30, 2021. The remaining contingent consideration, totaling $41,639, relates to milestone payments expected to be paid after December 31, 2021.

[D] Common stock and Additional paid-in capital

Transaction accounting adjustments made to record the stock portion of the consideration transferred.

		(in thousands, except share and per share data)
Common stock:		
Total shares of Surgalign Holdings common stock issued		6,250,000
Par value of common stock	$	0.001
Total Surgalign Holdings common stock issued	$	6
Additional paid-in capital		
Total shares of Surgalign Holdings common stock issued		6,250,000
Fair value of common stock	$	1.96
Total consideration transferred	$	12,244

[E] Accumulated deficit

Transaction accounting adjustments made to capture the impact on accumulated deficit, including: the consideration transferred [A], [C], and [D], as well as the impairment of intangible assets discussed above in adjustment [B1].

Cash	$(30,000)	[A]
Impairment of other intangible assets	(14)	[B1]
Contingent consideration	(50,632)	[C]
Stock	(12,250)	[D]
Impact to Accumulated deficit	$(92,896)	

[F] Transaction costs

Consistent with the accounting guidance the Company is allowed to capitalize the costs associated with the transaction, but as there were no assets to allocate the costs to, the Company immediately expensed these costs consistent with the IPR&D assets. Transaction accounting adjustments made to reclassify transaction costs incurred through September 30, 2020 related to the acquisition into a separate line item on the statement of operations: “Acquired in-process research and development and related costs.”

[G] Weighted average shares outstanding—basic

The Company's calculations of pro forma net income per share of common stock for the year ended December 31, 2019 include the impact of items discussed in this Note 3, including the weighted average number of shares of common stock outstanding on a pro forma basis. The pro forma weighted average number of shares of common stock outstanding for the nine months ended September 30, 2020 and the year ended December 31, 2019, has been calculated as if the shares issued in connection with the Transaction had been issued and outstanding as of the beginning of the period.

[H] Acquired in-process research and development and related costs

The IPR&D acquired relates to Holo Surgical's development of the Augmented Reality and Artificial Intelligence ("ARAI") Platform. The ARAI Platform has not yet reached technological feasibility and has no alternative future use; thus, the purchased IPR&D asset was expensed immediately subsequent to the acquisition within the Company's pro forma condensed combined statements of operations for the year ended December 31, 2019.