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

FORM 10-K

☑ ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2019

Commission File Number 0-11808

SANARA MEDTECH INC.
(Exact name of Registrant as specified in its charter)

Texas	59-2219994
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1200 Summit Ave, Suite 414, Fort Worth, Texas 76102
(Address of principal executive offices)
(817) 529-2300
(Registrant's telephone number, including area code)

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

Securities registered pursuant to Section 12(g) of the Act:
Common Stock $ .001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☑ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☑ No

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 and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☑ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "accelerated filer," "large accelerated filer" and "smaller reporting 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 registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2019 based on the $5.51 closing price as of such date was approximately $6,526,022

As of February 21, 2020, 6,023,732 shares of the Issuer's $.001 par value common stock were issued and outstanding.

SANARA MEDTECH INC.

Form 10-K
For the Year Ended December 31, 2019

LETTER FROM THE EXECUTIVE CHAIRMAN AND VICE CHAIRMAN

To Our Shareholders:

2019 was a pivotal year for our Company with continued growth and substantial progression in the execution of our long-term strategic plan including our six areas of strategic focus.

2019 Performance

With an increase in revenues of 34% over 2018, Sanara delivered double-digit revenue growth for the seventh consecutive year. Total revenues increased to $11.8 million for 2019 compared to revenues of $8.8 million for 2018.

To be poised for future growth, in 2019, we invested in expanding our sales force and independent distribution network in geographic areas that hadn't been covered as well as the related support infrastructure. In addition, we increased our clinical study to prove out our product evidence-based healing and value proposition.

You will find more detail on all these areas in this report.

Organization

In August 2019, we doubled the size of our Board from three directors to six, including two individuals new to the Company: Kenneth E. Thorpe, Ph.D. and Ann Beal Salamone, M.S. Both Dr. Thorpe and Ms. Salamone have extensive health care experience and very distinguished and successful careers. Dr. Thorpe currently is Chair of the Department of Health Policy & Management at Emory University, Atlanta, Georgia and is a frequent national presenter on issues of health care reform, financing, and insurance. Ms. Salamone is a member of the National Academy of Engineering and currently serves as Chairman of the Board of Rochal Industries LLC based in San Antonio, Texas, and is one of the principal inventors of Rochal's many wound care products.

Management Update

In 2019 we implemented one of our strategic plan initiatives to manage our operations in two distinct divisions: (1) Surgical and (2) Wound Care. In May, Zachary B. Fleming was appointed to the position of President, Surgical. Mr. Fleming joined the Company as Vice President of Sales in November 2017, and successfully led the surgical team to achieve sales growth of forty percent in 2018 and thirty-eight percent in 2019. Also, in Mayof 2019, Shawn M. Bowman was appointed to the position of President, Wound Care. Mr. Bowman joined the Company as Vice President and General Manager, Wound Care in September 2018. He has eighteen years of key experience in the medical device, biologics and pharmaceutical industries. As a result of their managerial skills and achievements, Mr. Fleming and Mr. Bowman were appointed Co-Chief Operating Officers in January of 2020 in addition to maintaining their positions as Presidents of their respective operating divisions.

In January 2020, the Company engaged Don Stelly to provide operational expertise in support of the expansion of our wound and skin care business. Prior to his engagement by Sanara, Mr. Stelly was the President and Chief Operating Officer of LHC Group, Inc., a national provider of in-home healthcare and brings a wealth of experience in the post-acute care setting.

Operations Update

Driving innovation with new product development and a commercial pipeline is key to improving patient outcomes. In line with our six focus areas of wound and skin care which are: debridement, biofilm management, hydrolyzed collagen, advanced biologics, adjunct products for Negative Pressure Wound Therapy, and oxygen delivery systems for the wound bed, the Company introduced the following products in 2019:

- PULSAR II™ Advanced Wound Irrigation System (AWI™), a portable, no touch, painless, hydro-mechanical debridement system that removes bacteria and necrotic tissue without disrupting healthy tissue;
- BIAKŌS™ Antimicrobial Skin & Wound Cleanser, a patented wound cleansing spray that disrupts extracellular polymeric substances to eradicate biofilm; and
- HYCOL™, an additive free Type I bovine collagen that provides hydrolyzed collagen fragments to the wound bed that are a fraction of the size of native collagen.

2020 Events

As we move forward, the Company will aggressively pursue its mission to improve patient outcomes through evidence-based healing solutions. The Company is well positioned to increase its sales of the current products as a result of its expanded sales force and distribution capabilities.

In the first quarter of 2020, the Company's BIAKŌS™ Antimicrobial Skin & Wound Gel received FDA clearance. This product, developed by our primary new product developer, Rochal Industries, is currently going through the manufacturing and commercialization process and is expected to launch later this year. We are also in discussions with various parties to license, acquire, and/or partner in new product opportunities related to our six focus areas of wound and skin care.

The Company continued its record sales in the first two months of 2020, but, with the unforeseen impact of the COVID-19 virus to the global economy we expect a downturn in our business primarily due to the delay in elective surgeries. We are committed to ensuring that our customers and patients continue to have access to our products during this difficult time. To manage this situation, we are taking steps to cut costs, manage cash-flow, and continue to generate revenue from both our wound care and surgical businesses.

Sincerely,

Ron Nixon
Executive Chairman

PART I

Item 1. BUSINESS

Background

The terms “Sanara MedTech,” “we,” “the Company,” “SMTI,” “our,” and “us” as used in this report refer to Sanara MedTech Inc. and its subsidiaries. The Company was organized on December 14, 2001, as a Texas corporation under the name eAppliance Innovations, Inc. In June of 2002, MB Software Corporation, a public corporation formed under the laws of Colorado, merged with the Company and the Company changed its name to MB Software Corporation as part of the merger. In May of 2008, the Company changed its name to Wound Management Technologies, Inc. In May of 2019, the Company changed its name to Sanara MedTech Inc.

The Company’s business is developing, marketing, and distributing wound and skin care products to physicians, hospitals, clinics and post-acute care settings. Our products are primarily sold in the North American advanced wound care and surgical tissue repair markets. Sanara MedTech products include CellerateRX® Surgical Activated Collagen® Adjuvant (CellerateRX); HYCOL™ Hydrolyzed Collagen (HYCOL); BIAKŌS™ Antimicrobial Skin & Wound Cleanser (BIAKŌS AWC); and PULSAR II™ Advanced Wound Irrigation System (AWI™).

The Company’s exclusive license to sell and distribute CellerateRX products in the human health care market (excluding dental and retail) expired on February 27, 2018. The license permitted the Company to continue to sell and distribute products through August 27, 2018. Subsequent to the expiration of the license agreement between the Company and Applied Nutritionals, LLC, an affiliate of The Catalyst Group, Inc. (Catalyst) acquired an exclusive license to distribute CellerateRX products in the United States, Canada and Mexico.

Effective August 28, 2018, the Company consummated definitive agreements that continued the Company’s operations to market the its principal products, CellerateRX, through a 50% ownership interest in a newly formed limited liability company, Cellerate, LLC. The remaining 50% ownership interest was held by an affiliate of Catalyst. As part of this transaction, the Company issued a convertible promissory note to the affiliate of Catalyst which converted into shares of common stock at an adjusted price of $9.00 per share. Cellerate, LLC conducted operations with an exclusive sublicense from Catalyst’s affiliate to distribute CellerateRX products in the United States, Canada and Mexico (the sublicense was subsequently amended to include worldwide distribution rights). On March 15, 2019, the Company executed and closed an agreement with Catalyst to acquire Catalyst’s 50% equity interest in Cellerate, LLC. After closing the acquisition, the Company owned 100% of Cellerate, LLC, and as a wholly owned subsidiary began reporting its financial results on a consolidated basis beginning March 15, 2019. The Company acquired the remaining 50% equity interest in Cellerate, LLC in exchange for the issuance of 1,136,815 shares of the Company’s newly created Series F Convertible Preferred Stock.

The Cellerate Acquisition was accounted for as a reverse merger and recapitalization because, immediately following the completion of the transaction, Catalyst could obtain effective control of the Company upon exercise of its convertible preferred stock and promissory note, both of which could occur at Catalyst’s option. Additionally, Cellerate, LLC’s officers and senior executive positions continued on as management of the combined entity after consummation of the Cellerate Acquisition.

On February 7, 2020, the affiliate of Catalyst converted its promissory note into 179,101 shares of common stock and also converted its Series F Convertible Preferred Stock into 2,273,630 shares of common stock.

The Products

CellerateRX products are primarily purchased by hospitals and ambulatory surgical centers for use by surgeons on surgical wounds. HYCOL products are available through skilled nursing facilities, wound care clinics and other medical facilities, and are intended for the management of full and partial thickness wounds including pressure ulcers, venous and arterial leg ulcers and diabetic foot ulcers. HYCOL is currently approved for reimbursement under Medicare Part B. We believe CellerateRX and HYCOL products are unique in composition, superior to other products in clinical performance, and demonstrate the ability to reduce costs associated with the standards of care for their intended uses.

BIAKŌS AWC is an FDA cleared, patented product that effectively disrupts extracellular polymeric substances to eradicate biofilm microbes. BIAKŌS AWC also provides mechanical removal of debris, dirt, foreign materials, and microorganisms from wounds including stage I-IV pressure ulcers, diabetic foot ulcers, post-surgical wounds, first and second-degree burns as well as grafted and donor sites. BIAKŌS AWC is effective in killing free-floating microbes, immature, and mature bacterial biofilms and fungal biofilms. In addition, BIAKŌS AWC safety studies show that it is non-cytotoxic, non-irritating, and non-sensitizing to healthy skin and assists in the normal wound healing process. First sales of BIAKŌS AWC occurred in July 2019

PULSAR II™ Advanced Wound Irrigation System (AWI™) is a portable, no touch, painless, selective hydro-mechanical debridement system that effectively removes bacteria and necrotic tissue from wounds without disrupting healthy tissue.

New Products, Markets and Services

The Company received notification of FDA clearance for BIAKŌS™ Antimicrobial Wound Gel in February 2020 and expects to launch the product in 2020 to complement its BIAKŌS™ AWC. Both products are effective against planktonic microbes as well and immature and mature biofilms. When used together, the cleanser can be used initially to clean a wound and disrupt biofilms (removing 99% in 10 minutes). The gel can then be applied and will remain in the wound for up to 72 hours eliminating biofilms between normal dressing changes.

The Company also expects to introduce BIAKŌS™ Antimicrobial Barrier Film (BIAKŌS ABF) in the latter part of 2020. BIAKŌS ABF is an FDA cleared, first in-class, antimicrobial spray-on wound dressing that kills microbes while protecting underlying tissue, helping to remediate damage and prevent further infection. This product can be used on macerated skin and wounds.

Marketing, Sales and Distribution

The Company's CellerateRX Surgical products are attracting increased business from hospitals and surgery centers due to their recognized benefits including efficacy and economic value. The surgical products are used in specialty areas including total joint replacement, spine, orthopedic, trauma, vascular, general, plastic and reconstructive surgeries and podiatry. The surgical products are sold through a growing network of surgical specialty distributors and Company representatives who are credentialed to demonstrate the products in surgical settings.

The Company's advanced wound care products are primarily distributed to the post-acute care settings including long-term care facilities, home health, wound care centers, and professional medical offices. Due to the expansion of our distribution network, the increasing prevalence of diabetic and decubitus (pressure) ulcers, and the demonstrated efficacy of our products, we believe demand for our products will grow significantly in 2020. We believe our products are unique in composition, superior to other products in clinical performance, and demonstrate the ability to reduce costs associated with standard wound management. Our wound care products are sold by Company representatives supplemented by major medical-surgical distributors, independent distributors, and durable medical equipment (DME) distributors.

Staffing

As of March 26, 2020, the Company has a staff of 40, consisting of 38 full-time employees and 2 part time employees.

Competition

The wound care market is served by a number of large, multi-product line companies as well as a number of small companies. Our products compete with primary dressings, advanced wound care products, collagen matrices and other biopharmaceutical products. Manufacturers and distributors of competitive products include Smith & Nephew plc, Acelity L.P. Inc., Medline Industries, Inc., ACell Inc., and Integra LifeSciences Holdings Corporation. Many of our competitors are significantly larger than we are and have greater financial and personnel resources. We believe, however, that our products outperform our competitors' currently available products by improving efficacy, reducing the cost of patient care, and replacing numerous products with a single primary dressing.

Available Information

The Company electronically files reports with the Securities and Exchange Commission (the "*SEC*"). The SEC maintains an Internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Copies of the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and amendments to those reports filed or furnished to the SEC are also available free of charge through the Company's website (http://www.sanaramedtech.com/), as soon as reasonably practicable after electronically filing with or otherwise furnishing such information to the SEC, and are available in print to any shareholder who requests it.

Item 1A. RISK FACTORS

The following risk factors should be considered with respect to making any investment in our securities as such an investment involves a high degree of risk. You should carefully consider the following risks and the other information set forth elsewhere in this report, including the financial statements and related notes, before you decide to purchase shares of our stock. If any of these risks occur, our business, financial condition and results of operations could be adversely affected. As a result, the trading price of our stock could decline, perhaps significantly, and you could lose part or all of your investment. As used herein, the word "business" as used in "material adverse effect on our business", "adversely affect our business" and other similar phrases includes any of (or any combination of) the Company's present or future operations, financial performance, margins, revenues, operating margins, stock value, competitive position, or other indicators of Company performance.

RISKS RELATED TO HOW WE OPERATE OUR BUSINESS:

We had a history of losses in prior years and may not maintain profitability as we expand our selling efforts.

The Company has incurred net losses in most years since we began our current operations in 2004. We plan to continue making significant investments in our sales and clinical programs which substantially increase our operating expenses. Consequently, we will need to continue our revenue growth to become profitable in the future. We cannot offer any assurance that we will be able to generate future sales growth. If we fail to achieve profitability, our stock price may decline and you may lose part or all of your investment.

Our revenue growth for a particular period is difficult to predict, and a shortfall in forecast revenues may harm our operating results.

Because we are a relatively small company, our revenue growth and consequently results of operations are difficult to predict. We plan our operating expense levels based primarily on forecasted revenue levels. A shortfall in revenue could lead to operating results being below expectations as we may not be able to quickly reduce our fixed expenses in response to short-term revenue shortfalls. We have experienced fluctuations in revenue and operating results from quarter to quarter and anticipate that these fluctuations will continue until we achieve a critical mass with our product sales. These fluctuations can result from a variety of factors, including:

- the uncertainty surrounding our ability to attract new customers and retain existing customers;
- the length and variability of our sales cycle, which makes it difficult to forecast the quarter in which our sales will occur;
- issues in order fulfillment for our products;
- the timing of operating expense relating to the expansion of our business and operations;
- the development of new wound care products or product enhancements by our competitors;
- actual events, circumstances, outcomes and amounts differing from assumptions and estimates used in preparing our operating plan and how well we execute our strategy and operating plans.

As a consequence, operating results for a particular future period are difficult to predict and prior results are not necessarily indicative of future results. Any of the foregoing factors, or any other factors discussed elsewhere herein, could have a material adverse effect on our business.

If our products do not gain market acceptance, we might not be able to fund future operations.

Several factors may affect the market acceptance of our products or any other products we develop or acquire. These include, but are not limited to:

- the price of our products relative to other products for the same indications;
- the perception by physicians and other members of the healthcare community of the efficacy and safety of our products for their indicated applications and treatments;
- changes in practice guidelines and the standard of care for the targeted indication
- the effectiveness of our sales and marketing efforts or that of our independent sales distributors.

Our ability to effectively promote and sell any approved products may also depend on pricing and cost-effectiveness, including our ability to produce a product at a competitive price and our ability to obtain sufficient third-party coverage or reimbursement, if any. In addition, our efforts to educate the medical community on the benefits of our products may require significant resources, may be constrained by FDA rules and policies on product promotion, and may never be successful. If our products do not gain market acceptance, we may not be able to fund future operations, including developing, testing and obtaining regulatory approval for new product candidates and expanding our sales and marketing efforts for our approved products, which would cause our business to suffer.

Disruption of, or changes in, our distribution model or customer base could harm our sales and margins.

If we fail to manage the distribution of our products properly, or if the financial condition or operations of our reseller channels weakens, there may be a material adverse effect on our business. Furthermore, a change in the mix of our customers between service provider and enterprise, or a change in the mix of direct and indirect sales, could adversely affect our business.

Several factors could also result in disruption of or changes in our distribution model or customer base, which could harm our sales and margins, including the following:

- in some instances, we compete with some of our resellers through our direct sales, which may lead these channel partners to use other suppliers that do not compete; and
- some of our resellers may have insufficient financial resources and may not be able to withstand changes in business conditions.

If we cannot meet our future capital requirements, our business will suffer.

We have a history of operating losses and negative cash flow from operating activities with the exception of 2016 and 2018. As such, we have utilized funds from offerings of our securities to fund our operations. Future results of operations involve significant risks and uncertainties. Factors that could affect our future operating results and cause actual results to vary materially from expectations include, but are not limited to, potential demand for our products, risks from competitors, regulatory approval of our new products, technological change, and dependence on key personnel. Although we have taken steps to improve our overall liquidity, if our cash flow is insufficient, we may be forced either to secure additional amounts to our bank line of credit or seek additional equity financing in order to:

- fund operating losses;
- increase marketing to address the market for wound care and surgical products;
- take advantage of opportunities, including more rapid expansion or acquisitions of complementary products or businesses;
- hire, train and retain employees;
- develop and/or distribute new products; and/or
- respond to economic and competitive pressures.

If our capital needs are met through the issuance of equity or convertible debt securities, the percentage ownership of our current shareholders may be reduced which may have a negative impact on the market price of our common stock. Our future success may be determined in large part by our ability to obtain additional financing, and the incurrence of indebtedness would result in increased debt service obligations which could result in operating and financing covenants that would restrict our operations. There can be no assurance that such financing would be available or, if available, that such financing could be obtained upon terms acceptable to us. If adequate funds are not available, or are not available on acceptable terms, our operating results and financial condition may suffer.

Failure to retain and recruit key personnel would harm our ability to meet key objectives.

Our success depends, in large part, on our ability to attract and retain skilled executive, managerial, sales and marketing personnel. There can be no assurance that we will be able to find and attract additional qualified employees or retain any such executive officers and other key personnel. The inability to hire qualified personnel or the loss of services of our executive officers or key personnel may have a material adverse effect on our business.

Failure to manage our planned growth could harm our business.

Our ability to successfully market and sell our wound care products and implement our business plan requires an effective plan for managing our future growth. We plan to increase the scope of our operations at a rapid rate. Future expansion efforts will be expensive and may strain our internal operating resources. To manage future growth effectively, we must maintain and enhance our financial and accounting systems and controls, integrate new personnel and manage expanded operations. If we do not manage growth properly, it could harm our operating results and financial condition.

We operate in a highly competitive industry and face competition from large, well-established medical device manufacturers as well as new market entrants.

Competition from other medical device companies is significant and could be significantly affected by new product introductions and other market activities of industry participants. We compete with other companies in acquiring rights to products or technologies from third party developers. Although our products have performed well in customer evaluations, we are a relatively unknown brand in a market controlled, in large part, by companies with a large customer base. We may not, even with strong customer accounts, be able to establish the credibility necessary to secure large national customers.

Several factors may limit the market acceptance of our products, including the timing of regulatory approvals and market entry relative to competitive products, the availability of alternative products, and the price of our products relative to alternative products, the availability of third-party reimbursement and the extent of marketing efforts by third party distributors or agents that we retain. There can be no assurance that our products will receive market acceptance in a commercially viable period of time, if at all. Furthermore, there can be no assurance that we can develop products that are more effective or achieve greater market acceptance than competitive products, or that our competitors will not succeed in developing or acquiring products and technologies that are more effective than those being developed by us, that would render our products and technologies less competitive or obsolete.

Our competitors enjoy several competitive advantages over us, including but not limited to:

- large and established distribution networks in the U.S. and/or in international markets;
- greater financial, managerial and other resources for products research and development, sales and marketing efforts and protecting and enforcing intellectual property rights;
- greater name recognition;
- larger consumer base;
- more expansive portfolios of intellectual property rights;
- greater experience in obtaining and maintaining regulatory approvals and/or clearances from the FDA and other regulatory agencies.

The presence of competition in our market may lead to pricing pressure which would make it more difficult to sell our products at a profitable price or may prevent us from selling our products at all. Our failure to compete effectively would have a material adverse effect on our business.

Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

In the ordinary course of our business, we use networks to collect and store sensitive data, including intellectual property, proprietary business information and important information of our customers, suppliers and business partners, as well as personally identifiable information of our customers and employees. The secure processing, maintenance and transmission of this information is critical to our operations. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties. Further, such access, disclosure or loss may cause disruption of our operations and the services we provide to customers, damage to our reputation, and cause a loss of confidence in our products and services, which could adversely affect our business.

We may not be able to maintain sufficient product liability insurance to cover claims against us.

Product liability insurance for the healthcare industry is generally expensive to the extent it is available at all. We may not be able to maintain such insurance on acceptable terms or be able to secure increased coverage as commercialization of our products progresses, nor can we be sure that existing or future claims against us will be covered by our product liability insurance. Moreover, the existing coverage of our insurance policy or any rights of indemnification and contribution that we may have may not be sufficient to offset existing or future claims. A successful claim against us with respect to uninsured liabilities or in excess of insurance coverage and not subject to any indemnification or contribution could have a material adverse effect on our business.

RISKS RELATED TO OUR PRODUCTS:

Competitors could invent products superior to ours and cause our products and technologies to become obsolete.

The wound care sector of the medical products industry is characterized by a multitude of technologies and intense competition. Our competitors currently manufacture and distribute a variety of products that are, in many respects, comparable to our products. Many suppliers of competing products are considerably larger and have much greater resources than we have. In addition, many specialized products companies have formed collaborations with large, established companies to support research, development and commercialization of wound care products which may be competitive with ours. Academic institutions, government agencies and other public and private research organizations are also conducting research activities and may commercialize wound care products on their own or through joint ventures. It is possible that these competitors may develop technologies and products that are more effective than any we currently have. If this occurs, any of our products and technology affected by these developments could become obsolete.

We may have exposure to product liability claims.

Although we have contractual indemnity from the manufacturer of CellerateRX for certain liability claims related to its production, we could face a product liability claim outside of the scope of the contractual indemnity. We do not have, and do not anticipate obtaining, contractual indemnification from parties supplying raw materials or parties marketing the products we sell. In any event, indemnification from the manufacturer of CellerateRX or from any other party is limited by the terms of the indemnity and by the creditworthiness of the indemnifying party. A successful product liability claim or series of claims brought against us could result in judgments, fines, damages and liabilities that could have a material adverse effect on our business. We may incur significant expense investigating and defending these claims, even if they do not result in liability. Moreover, even if no judgments, fines, damages or liabilities are imposed on us, our reputation could suffer, which could have a material adverse effect on our business. In the event that we do not have adequate insurance or contractual indemnification, product liability claims relating to defective products could have a material adverse effect on our business.

RISKS RELATED TO INTELLECTUAL PROPERTY:

If we are unable to protect our intellectual property rights adequately, we may not be able to compete effectively.

Part of our success depends on our ability to protect proprietary rights to technologies used in certain of our products. We rely on patents, copyrights, trademarks and trade secret laws to establish and maintain proprietary rights in our technology and products. However, these legal means afford only limited protection and may not adequately protect our rights or permit us to gain or keep a competitive advantage. Patents and patent applications for the products we have may not be broad enough to prevent competitors from introducing similar products into the market. Our patents or our attempts to enforce them may not necessarily be upheld by the courts. Efforts to enforce any of our proprietary rights could be time-consuming and expensive, which could adversely affect our business and prospects and divert management's attention. There can be no assurance that our proprietary rights will not be challenged, invalidated or circumvented or that the rights will in fact provide competitive advantages to us.

We may be found to infringe on intellectual property rights of others.

Third parties, including customers, may in the future assert claims or initiate litigation related to exclusive patent, copyright, trademark and other intellectual property rights to technologies and related standards that are relevant to us. These assertions may emerge over time as a result of our growth and the general increase in the pace of patent claim assertions, particularly in the U.S. Because of the existence of a large number of patents in the healthcare field, the secrecy of some pending patents and the rapid rate of issuance of new patents, it is not economically practical or even possible to determine in advance whether a product or any of its components infringes or will infringe the patent rights of others. The asserted claims or initiated litigation can include claims against us or our manufacturers, suppliers or customers alleging infringement of their proprietary rights with respect to our existing or future products or components of those products. Regardless of the merit of these claims, they can be time-consuming, result in costly litigation and diversion of technical and management personnel, or require us to develop a non-infringing technology or enter into license agreements. Where claims are made by customers, resistance even to unmeritorious claims could damage customer relationships. There can be no assurance that licenses will be available on acceptable terms and conditions, if at all, or that our indemnification by our suppliers will be adequate to cover our costs if a claim were brought directly against us or our customers. Furthermore, because of the potential for high court awards that are not necessarily predictable, it is not unusual to find even arguably unmeritorious claims settled for significant amounts. If any infringement or other intellectual property claim made against us by any third party is successful, or if we fail to develop non-infringing technology or license the proprietary rights on commercially reasonable terms and conditions, our business could be materially and adversely affected.

RISKS RELATED TO REGULATIONS:

Our business is affected by numerous regulations.

Government regulation by the U.S. FDA and similar agencies in other countries is a significant factor in the development, manufacturing and marketing of our products and in the acquisition or licensing of new products. Complying with government regulations is often time consuming and expensive and may involve delays or actions adversely impacting the marketing and sale of our current or future products.

Following initial regulatory approval of any products that we may develop, we will be subject to continuing regulatory review, including review of adverse (drug or device) experiences or reactions and clinical results that are reported after our products become commercially available. This would include results from any post-marketing tests or continued actions required as a condition of approval. The manufacturing facilities we use (and may use) to make any of our products may become subject to periodic review and inspection by the FDA. If a previously unknown problem with a product or a manufacturing and laboratory facility used or contracted by us is discovered, the FDA may impose restrictions on that product or on the manufacturing facility, including requiring us to withdraw the product from the market. Any changes to an approved product, including the way it is manufactured or promoted, often requires FDA approval before the product, as modified, can be marketed. In addition, for products we develop in the future, we and our contract manufacturers may be subject to ongoing FDA requirements for submission of safety and other post-market information. If we violate regulatory requirements at any stage, whether before or after marketing approval is obtained, we may be fined, be forced to remove a product from the market or experience other adverse consequences, which would materially harm our financial results. Additionally, we may not be able to obtain the labeling claims necessary or desirable for product promotion.

Further, various healthcare reform proposals have emerged at the federal and state levels. We cannot predict whether foreign, federal, state or local healthcare reform legislation or regulation affecting our business may be proposed or enacted in the future, or what effect any such legislation or regulation would have on our business. The implementation of new legislation and regulation may lower reimbursements for our products or reduce medical procedure volumes, which would likely adversely affect our business. In addition, the enacted excise tax may materially and adversely affect our business.

Distribution of our products outside the U.S. is subject to extensive government regulation. These regulations, including the requirements for approvals or clearance to market; the time required for regulatory review and the sanctions imposed for violations, vary from country to country. We do not know whether we will obtain regulatory approvals in such countries or that we will not be required to incur significant costs in obtaining or maintaining these regulatory approvals.

If we fail to obtain or experience significant delays in obtaining regulatory clearances or approvals to market future medical device products, we will be unable to commercialize these products until such clearance or approval is obtained.

The developing, testing, manufacturing, marketing and selling of medical devices is subject to extensive regulation by governmental authorities in the U.S. and other countries. The process of obtaining regulatory clearance and approval of certain medical technology products is costly and time consuming. Inherent in the development of new medical products is the potential for delay because product testing, including clinical evaluation, is required before many products can be approved for human use. With respect to medical devices, such as those that we manufacture and market, before a new medical device, or a new use of, or claim for, an existing product can be marketed (unless it is a Class I device), it must first receive either premarket clearance under Section 510(k) of the Federal Food, Drug and Cosmetic Act or approval of a premarket approval application, or PMA, from the FDA, unless an exemption applies. In the 510(k)-clearance process, the FDA must determine that the proposed device is “substantially equivalent” to a device legally on the market, known as a “predicate” device, with respect to intended use, technology and safety and effectiveness to clear the proposed device for marketing. Clinical data is sometimes required to support substantial equivalence. The PMA approval pathway requires an applicant to demonstrate the safety and effectiveness of the device for its intended use based, in part, on extensive data including, but not limited to, technical, preclinical, clinical trial, manufacturing and labeling data. The premarket approval process is typically required for devices that are deemed to pose the greatest risk, such as life-sustaining, life-supporting or implantable devices. Both the 510(k) and premarket approval processes can be expensive and lengthy and entail significant user fees.

Failure to comply with applicable regulatory requirements can result in, among other things, suspension or withdrawal of approvals or clearances, seizure or recall of products, injunctions against the manufacture, holding, distribution, marketing and sale of a product and civil and criminal sanctions. Furthermore, changes in existing regulations or the adoption of new regulations could prevent us from obtaining, or affect the timing of, future regulatory approvals. Meeting regulatory requirements and evolving government standards may delay marketing of our new products for a considerable period of time, impose costly procedures upon our activities and result in a competitive advantage to larger companies that compete against us.

We cannot assure you that the FDA or other regulatory agencies will clear or approve any products developed by us on a timely basis, if at all, or, if granted, that clearance or approval will not entail limiting the indicated uses for which we may market the product, which could limit the potential market for any of these products.

Changes to the FDA clearance and approval processes or ongoing regulatory requirements could make it more difficult for us to obtain FDA clearance or, approval of new products or comply with ongoing requirements.

New government regulations may be enacted and changes in FDA policies and regulations and, their interpretation and enforcement, could prevent or delay regulatory clearance or approval of new products. We cannot predict the likelihood, nature or extent of adverse government regulation that may arise from future legislation or administrative action, either in the U.S. or abroad. Therefore, we do not know whether we will be able to continue to comply with such regulations or whether the costs of such compliance will have a material adverse effect on our business. Changes could, among other things, require different labeling, monitoring of patients, interaction with physicians, education programs for patients or physicians, curtailment of necessary supplies, or limitations on product distribution. These changes, or others required by the FDA could have an adverse effect on our business, and specifically, on the sales of these products. The evolving and complex nature of regulatory science and regulatory requirements, the broad authority and discretion of the FDA and the generally high level of regulatory oversight results in a continuing possibility that from time to time, we will be adversely affected by regulatory actions despite ongoing efforts and commitment to achieve and maintain full compliance with all regulatory requirements. If we are not able to maintain regulatory compliance, we will not be permitted to market our products and our business would suffer.

Modifications to our current products may require new marketing clearances or approvals or require us to cease marketing or recall the modified products until such clearances or approvals are obtained.

Any modification to an FDA-cleared product that could significantly affect its safety or efficacy, or that would constitute a major change or modification in its intended use, requires a new FDA 510(k) clearance or, possibly, a premarket approval (PMA). The FDA requires every manufacturer to make its own determination as to whether a modification requires a new 510(k) clearance or PMA, but the FDA may review and disagree with any decision reached by the manufacturer. In the future, we may make additional modifications to our products after they have received FDA clearance or approval and, in appropriate circumstances, determine that new clearance or approval is unnecessary. Regulatory authorities may disagree with our decisions not to seek new clearance or approval and may require us to obtain clearance or approval for previous modifications to our products. If that were to occur for a previously cleared or approved product, we may be required to cease marketing or recall the modified device until we obtain the necessary clearance or approval. Under these circumstances, we may also be subject to significant regulatory fines or other penalties. If any of the foregoing were to occur, our financial condition and results of operations could be negatively impacted.

Changes in reimbursement policies and regulations by governmental or other third-party payers may have an adverse impact on the use of our products.

A significant portion of our wound care products are purchased principally for the Medicare and Medicaid eligible population by hospital outpatient clinics, wound care clinics, durable medical equipment (DME) suppliers and skilled nursing facilities (SNFs), which typically bill various third-party payers, primarily state and federal healthcare programs (e.g., Medicare and Medicaid), and managed care plans, for the products and services provided to their patients. Although our wound care products are currently eligible for reimbursement under Medicare Part B, adjustments to our reimbursement amounts or a change in Centers for Medicare & Medicaid Services' (CMS) reimbursement policies could have an adverse effect on our market opportunities in this area. The ability of our customers to obtain appropriate reimbursement for products and services from third-party payers is critical to the success of our business because reimbursement status affects which products our customers purchase and the prices they are willing to pay. In addition, our ability to obtain reimbursement approval in foreign jurisdictions may affect our ability to expand our product offerings internationally.

Third-party payers have adopted, and are continuing to adopt, a number of policies intended to curb rising healthcare costs. These policies include the imposition of conditions of payment by foreign, state and federal healthcare programs as well as private insurance plans, and the reduction in reimbursement amounts applicable to specific products and services.

Changes in healthcare systems in the U.S. or internationally in a manner that significantly reduces reimbursement for procedures using our products or denies coverage for these procedures would also have an adverse impact on the acceptance of our products and the prices which our customers are willing to pay for them.

We and our sales personnel, whether employed by us or by others, must comply with various federal and state anti-kickback, self-referral, false claims and similar laws, any breach of which could cause a material adverse effect on our business.

Our relationships with physicians, hospitals and the marketers of our products are subject to scrutiny under various federal anti-kickback, self-referral, false claims and similar laws, often referred to collectively as healthcare fraud and abuse laws. Healthcare fraud and abuse laws are complex, and even minor, inadvertent violations can give rise to liability, or claims of alleged violations. Possible sanctions for violation of these fraud and abuse laws include monetary fines, civil and criminal penalties, exclusion from federal healthcare programs, including Medicare, Medicaid, the Veterans Administration, Department of Defense, Public Health Service (PHS), and forfeiture of amounts collected in violation of such prohibitions could occur. Certain states have similar fraud and abuse laws that also authorize substantial civil and criminal penalties for violations. Any government investigation or a finding of a violation of these laws may result in an adverse effect on our business. The federal Anti-Kickback Statute prohibits any knowing and willful offer, payment, solicitation or receipt of any form of remuneration in return for the referral of an individual or the ordering or recommending of the use of a product or service for which payment may be made by any federal healthcare program, including Medicare.

The scope and enforcement of the healthcare fraud and abuse laws is uncertain and is subject to rapid change. There can be no assurance that federal or state regulatory or enforcement agencies will not investigate or challenge our current or future activities under these laws. Any state or federal investigation, regardless of the outcome, could be costly and time-consuming. Additionally, we cannot predict the impact of any changes in these laws, whether these changes are retroactive or will have effect on a going-forward basis only.

If we engage additional physicians on a consulting basis, the agreements with these physicians will be structured to comply with all applicable laws, including the federal ban on physician self-referrals (commonly known as the “Stark Law”) the federal Anti-Kickback Statute, state anti-self-referral and anti-kickback laws. Even so, it is possible that regulatory or enforcement agencies or courts may view these agreements as prohibited arrangements that must be restructured or for which we would be subject to other significant civil or criminal penalties. Because our strategy includes the involvement of physicians who consult with us on the design of our products, we could be materially impacted if regulatory or enforcement agencies or courts interpret our financial relationships with our physician advisors who refer or order our products to be in violation of one or more health care fraud and abuse laws. Such government action could harm our reputation and the reputations of our physician advisors. In addition, the cost of noncompliance with these laws could be substantial because we could be subject to monetary fines and civil or criminal penalties, and we could also be excluded from state and federal healthcare programs, including Medicare and Medicaid, for non-compliance.

RISKS RELATED TO OUR GOVERNING DOCUMENTS OR OUR COMMON STOCK:

The trading price of the shares of our common stock is highly volatile, and purchasers of our common stock could incur substantial losses.

The market price of our common stock has been and is likely to continue to be highly volatile and could fluctuate widely in response to various factors, many of which are beyond our control, including the following:

- technological innovations or new products and services by us or by our competitors;
- additions or departures of key personnel;
- sales of our common stock;
- our ability to execute our business plan;
- loss of any strategic relationship;
- industry developments;
- fluctuations in stock market prices and trading volumes of similar companies;
- economic, political and other external factors;
- period-to-period fluctuations in our financial results;
- regulatory developments in the U.S. and foreign countries, both generally or specific to us and our products; and
- intellectual property, product liability or other litigation against us; and
- Relatively low trading volume

Although publicly traded securities are subject to price and volume fluctuations, it is likely that our common stock will experience these fluctuations to a greater degree than the securities of more established and better capitalized organizations.

Our common stock does not have a vigorous trading market and you may not be able to sell your securities when desired.

Although there is a public market for our common stock, trading volume has been historically low, which could impact the stock price and the ability to sell shares of our common stock. We can give no assurance that a more active and liquid public market for the shares of our common stock will develop in the future.

The potential sale of large amounts of common stock may have a negative effect upon the market value of our shares.

Sales of a significant number of shares of our common stock in the public market could harm the market price of our common stock and make it more difficult for us to raise funds through future offerings of common stock. As additional shares of our common stock become available for resale in the public market, the supply of our common stock will increase, which could decrease the price of our common stock.

In addition, future sales of large amounts of common stock could adversely affect or inhibit our ability to raise capital.

We have not paid, and we are unlikely to pay cash dividends on our securities in the near future.

We have not paid and do not currently intend to pay dividends on our common stock, which may limit the current return available on an investment in our stock. Future dividends on our stock, if any, will depend on our future earnings, capital requirements, financial condition and such other factors as our management personnel may consider relevant. Currently, we intend to retain earnings, if any, to increase our net worth and reserves.

A few of our existing shareholders own a large percentage of our voting stock and have control over matters requiring stockholder approval and may delay or prevent a change in control.

Our directors own and through their affiliates control a large percentage of our common stock (See “Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters”). As a result, our directors and their affiliates could have the ability to exert substantial influence over all matters requiring approval by our shareholders, including the election and removal of directors and any proposed merger, consolidation or sale of all or substantially all of our assets as well as other corporate transactions. This concentration of control could be disadvantageous to other shareholders having different interests. This significant concentration of share ownership may adversely affect the trading price for our common stock because investors sometimes perceive disadvantages in owning stock in companies with controlling stockholders. In addition, our Certificate of Formation contains a provision which under the Texas Business Organizations Code could allow the large shareholders who own a majority of the common stock to approve certain major transactions without the approval of other shareholders that otherwise would be required under Texas corporation law.

Our Board can authorize the issuance of preferred stock, which could diminish the rights of holders of our common stock and make a change of control of the Company more difficult even if it might benefit our shareholders.

The Board is authorized to issue shares of preferred stock in one or more series and to fix the voting powers, preferences and other rights and limitations of the preferred stock. Accordingly, we may issue shares of preferred stock with a preference over our common stock with respect to dividends or distributions on liquidation or dissolution, or that may otherwise adversely affect the voting or other rights of the holders of common stock. Issuances of preferred stock, depending upon the rights, preferences and designations of the preferred stock, may have the effect of delaying, deterring or preventing a change of control, even if that change of control might benefit our shareholders.

FORWARD-LOOKING STATEMENTS:

When used in this Form 10-K or other filings by the Company with the Securities and Exchange Commission, in the Company’s press releases or other public or shareholder communications, or in oral statements made with the approval of an authorized officer of the Company’s executive officers, the words or phrases “would be”, “will allow”, “intends to”, “will likely result”, “are expected to”, “will continue”, “is anticipated”, “estimate”, “project”, “plan”, “believe” or similar expressions are intended to identify “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995.

The Company cautions readers not to place undue reliance on any forward-looking statements, which speak only as of the date made, and advises readers that forward-looking statements involve various risks and uncertainties. Our management believes its assumptions are based upon reasonable data derived from and known about our business and operations. No assurances are made that our actual results of operations or the results of our future activities will not differ materially from these assumptions. The Company does not undertake, and specifically disclaims any obligation, to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statement.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company periodically enters into operating lease contracts for office space and equipment. Arrangements are evaluated at inception to determine whether such arrangements constitute a lease. In accordance with the transition guidance of Accounting Standards Codification ("ASC") Topic No. 842, such arrangements are included in our balance sheet as of January 1, 2019.

Right of use assets, which we refer to as "ROU assets," represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities were recognized at the transition date based on the present value of lease payments over the respective lease terms, with the office space ROU asset adjusted for deferred rent liability.

The Company has two operating leases: an office space lease with a remaining lease term of 54 months and a copier lease with a remaining lease term of 19 months as of December 31, 2019. In accordance with the transition guidance of ASC 842, such arrangements are included in our balance sheet as of January 1, 2019. All other leases are short-term leases for which practical expediency has been elected to not recognize lease assets and lease liabilities.

In March 2017, and as amended in March 2018, the Company executed a new office lease effective April 1, 2019 for office space located at 1200 Summit Ave., Suite 414, Fort Worth, TX 76102. On July 1, 2019, the Company amended its office lease agreement related to its current office space located at 1200 Summit Ave., Suite 414, Fort Worth, TX 76102. The amended lease became effective on August 22, 2019 upon completion by landlord of certain leasehold improvements. Under the terms of the amended lease agreement, the Company leased an additional 1,682 rentable square feet of office space which brought the total square footage leased to 5,877. The amended lease agreement extends the original term of the lease for a period of 36 months through June 30, 2024. The monthly base rental payments are as follows:

From	Through	Monthly Base Rental
Commencement Date	June 30, 2020	$ 12,243.75
July 1, 2020	June 30, 2021	$ 12,488.63
July 1, 2021	June 30, 2022	$ 12,488.63
July 1, 2022	June 30, 2023	$ 12,733.50
July 1, 2023	June 30, 2024	$ 12,978.38

As the implicit rate in the leases is not determinable, the discount rate applied to determine the present value of lease payments is the borrowing rate on our line of credit. The office space lease agreement contains no renewal terms, so no lease liability is recorded beyond the termination date. The copier lease can be automatically renewed but no lease liability is recorded beyond the initial termination date as exercising this option is not reasonably certain.

In accordance with ASC 842, the Company has recorded lease assets of $585,251 and a related lease liability of $598,917 as of December 31, 2019. Cash paid for amounts included in measurement of operating lease liabilities as of December 31, 2019 was $95,530 The present value of our operating lease liabilities is shown below.

Maturity of Operating Lease Liabilities

	December 31, 2019
2020	$ 150,887
2021	151,317
2022	151,333
2023	154,271
2024	77,870
Total lease payments	685,678
Less imputed interest	(86,761)
Present value of lease liabilities	$ 598,917

As of December 31, 2019, our operating leases have a weighted average remaining lease term of 4.5 years and a weighted average discount rate of 6.25%.

ITEM 3. LEGAL PROCEEDINGS

As of December 31, 2019, and as of this filing date, the Company has no outstanding legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

This item is not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's common stock is traded on OTCQB market of the OTC Markets Group under the trading symbol "SMTI." OTCQB is one of three tiers established by OTC Markets Group, Inc. ***Reverse Stock Split and Reduction of Authorized Capital Stock***

On May 10, 2019, the Company completed a recapitalization of the Company which included:

(1) a 1-for-100 reverse stock split of the outstanding Common Stock under which every shareholder received one share of Common Stock for every 100 shares of Common Stock held;

(2) the reduction of the authorized capital stock of the Company to 20,000,000 shares of Common Stock and 2,000,000 shares of preferred stock; and

(3) the change of the name of the Company from "Wound Management Technologies, Inc." to "Sanara MedTech Inc."

In addition, on June 6, 2019 the Company changed the trading symbol of its Common Stock to "SMTI". The post-split Common Stock is traded under the CUSIP number 79957L100. In connection with the reverse stock split, the Company adjusted the conversion and voting provisions of the Series F Convertible Preferred Stock by a factor of 100 and proportionately adjusted the Company's outstanding employee stock options.

Record Holders

As of February 21, 2020, there were 207 shareholders of record and there were 6,023,732 shares of common stock issued and outstanding.

The holders of the common stock are entitled to one vote for each share held of record on all matters submitted to a vote of shareholders. Holders of the common stock have no preemptive rights and no right to convert their common stock into any other securities. There is no redemption or sinking fund provisions applicable to the common stock.

Dividends

We have never declared or paid any cash dividends on our common stock and we do not intend to pay cash dividends in the foreseeable future. We currently expect to retain any future earnings to fund our operations and the expansion of our business.

Recent Sales of Unregistered Securities

Set forth below is information regarding the issuance and sales of the Company's securities without registration for the years ended December 31, 2018, and 2019:

On March 6, 2018, the Company issued 226,514 shares of Common Stock for the conversion of $1,200,000 in convertible debt held by related parties and $385,594 in accrued interest. In February and March 2018, the Company issued 1,005,677 shares of Common Stock for the conversion of 85,561 shares of Series C Convertible Preferred Stock and $1,050,468 of related Series C Preferred Stock dividends.

On October 15, 2019, the "Company closed a private placement offering of 1,204,820 shares of its common stock at a price of $8.30 per share. All shares were sold by the Company as newly issued shares. The purchasers in the offering consist of related party entities to three members of the Company's Board of Directors. The transaction was approved by all of the disinterested Directors of the Company. The price per share was determined by a special committee of the Board comprised of disinterested Directors who considered an independent third-party valuation of the offering price and other relevant information.

ITEM 6. SELECTED FINANCIAL DATA

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

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis contain forward-looking statements about future revenues, operating results, plans and expectations. Forward-looking statements are based on a number of assumptions and estimates that are inherently subject to significant risks and uncertainties and our results could differ materially from the results anticipated by our forward-looking statements as a result of many known or unknown factors, including, but not limited to, those factors discussed in Part I, Item 1A. Risk Factors. In addition, the following discussion should be read in conjunction with Part 1 of this report on Form 10-K as well as with our consolidated financial statements and the related Notes contained in Item 8 of this report.

Overview

The Company's business is developing, marketing, and distributing wound and skin care products to physicians, hospitals, clinics and post-acute care settings. Our products are primarily sold in the North American advanced wound care and surgical tissue repair markets. Sanara MedTech products include CellerateRX® Surgical Activated Collagen® Adjuvant ("CellerateRX"); HYCOL™ Hydrolyzed Collagen ("HYCOL"); BIAKŌS™ Antimicrobial Skin & Wound Cleanser ("BIAKŌS AWC"); and PULSAR II™ Advanced Wound Irrigation System.

Liquidity and Capital Resources

Cash on hand at December 31, 2019 was $6,611,928, compared to $176,421 at December 31, 2018. Based on our current plan of operations, we believe this amount, when combined with expected cash flows from operations and amounts available under our revolving credit facility will be sufficient to fund our growth strategy and to meet our anticipated cash needs for at least the next twelve months.

On October 15, 2019, the Company closed a private placement offering of 1,204,820 shares of its Common Stock at a price of $8.30 per share. The $10 million of cash proceeds of the offering are expected to be used to fund milestone payments under current and future product license agreements, repayment of indebtedness under the Company's bank line of credit, and operating expenditures, clinical studies and continued expansion of the Company's sales force. On October 16, 2019, the Company paid down the entire balance of the line of credit of $2,200,000 with cash proceeds received through the private placement stock offering.

During 2018 and 2019, our principal sources of liquidity have been our cash generated from operations, cash provided through a bank line of credit, and more recently, through a private placement offering discussed above. Cash consists of cash on deposit with banks. Historically, we have financed our operations primarily from the sale of debt and equity securities. No financing activities occurred in 2018.

We monitor our cash flow, assess our business plan, and make expenditure adjustments accordingly. If appropriate, we may pursue limited financing including issuing additional equity and/or incurring additional debt. Although we have successfully funded our past operations through additional bank debt and issuance of equity, there is no assurance that our capital raising efforts will be able to attract additional necessary capital at prices attractive to the Company. If we are unable to obtain additional funding for operations at any time in the future, we may not be able to continue operations as proposed. This would require us to modify our business plan, which could curtail various aspects of our operations.

In December 2018, and as amended in June 2019, the Company executed agreements with Cadence Bank, N.A. which provided Cellerate, LLC access to a revolving line of credit up to a maximum principal amount of $2,500,000 which matures in June 2020. The expanded line of credit is intended to provide the Company with additional working capital for its product pipeline, sales force expansion and other corporate purposes. At December 31, 2019, the Company had no outstanding balance on the line of credit.

For the year ended December 31, 2019, net cash used in operating activities was $2,167,401 as reported for Successor, compared to $517,079 provided by operating activities for the year ended December 31, 2018 as reported for the combined Predecessor and Successor periods. The higher use of cash in 2019 was due to investments in our sales force expansion and related sales support infrastructure, higher inventory purchases, and an increase in prepaid items related to inventory.

For the year ended December 31, 2019, net cash used in investing activities was $1,197,097 as reported for Successor, compared to $27,770 used in investing activities during the year ended December 31, 2018 as reported for the combined Predecessor and Successor periods. The cash used in 2019 investing activities was primarily related to new product licenses whereby the Company paid $1,500,000 for the exclusive worldwide rights to market and sell certain FDA cleared products developed by Rochal Industries, LLC.

For the year ended December 31, 2019, net cash provided by financing activities was $9,800,005 as reported for Successor, compared to $0 for the year ended December 31, 2018 as reported for the combined Predecessor and Successor periods. The cash provided by financing activities was funded by the October 15, 2019 private placement offering discussed above.

Results of Operations

To provide a meaningful presentation and comparison of our results of operations, this discussion combines the period of January 1, 2018 through August 27, 2018 (Predecessor) with the period of August 28, 2018 through December 31, 2018 (Successor). In the accompanying consolidated financial statements, a black line separates the Predecessor and Successor financial statements to highlight the lack of comparability between these two periods.

The Successor financials for the twelve months ended December 31, 2019 do not include revenues and expenses related to the Predecessor for the period January 1, 2019 through March 15, 2019. During this period, the Predecessor's revenues were approximately $34,000 and expenses were approximately $348,000, which are not reflected in the Company's results of operations during the twelve months ended December 31, 2019.

Revenues. For the year ended December 31, 2019, the Company generated revenues of $11,766,763 compared to revenues of $8,779,872 for the year ended December 31, 2018 as reported for the combined Predecessor and Successor periods, or a 34% increase from prior year. The higher revenues in 2019 were primarily due to the continued execution of the Company's strategy to expand its sales force and independent distribution network in both new and existing U.S. markets.

Cost of goods sold. Cost of goods sold for the year ended December 31, 2019, was $1,209,300, compared to costs of goods sold of $852,124 for the year ended December 31, 2018 as reported for the combined Predecessor and Successor periods. The increase over prior year was due to higher sales volume and non-cash obsolescence charges related to certain raw materials and finished goods inventory.

***Selling, general and administrative expenses* ("SG&A).** SG&A expenses for the year ended December 31, 2019, were $13,297,520 compared to SG&A expenses of $7,715,613 for the year ended December 31, 2018 as reported for the combined Predecessor and Successor periods. The higher SG&A expenses in 2019 were primarily due to increased payroll costs resulting from sales force expansion and operational support, higher sales commission expense as a result of higher product sales, and increased marketing costs related to promotional activities for new and existing product lines. Direct selling costs represented the vast majority of the increase in total SG&A costs as we more than doubled the size of our field sales organization from eight to eighteen in 2019.

The higher SG&A costs are consistent with the Company's strategy of building out a larger sales force and independent distribution network. New sales representatives generally take six to twelve months on average to begin generating significant revenue. The Company expects SG&A expenses to decline as a percentage of revenue in the next two years as the revenue generated by its new sales force begins to offset the cost of expanding the sales force.

Interest expense. Interest expense was $105,919 for the year ended December 31, 2019, as compared to $60,608 for the year ended December 31, 2018 as reported for the combined Predecessor and Successor periods. The higher interest expense was primarily due to the use of our line of credit in 2019.

Net income / loss. For the year ended December 31, 2019, the Company had a net loss of $2,814,088, compared to net income of $175,464 for the year ended December 31, 2018 as reported for the combined Predecessor and Successor periods. The net loss in 2019 was due to higher SG&A costs described above, which have been driven by the Company's strategy to grow top-line revenue through significant investments in sales force expansion and related sales support infrastructure as well as other areas of administrative support. As mentioned above, the Successor financials for the year ended December 31, 2019 do not include revenues and expenses related to the Predecessor for the period January 1, 2019 through March 15, 2019. During this period, Predecessor's revenues were approximately $34,000 and expenses were approximately $348,000, which are not reflected in the Company's results of operations during the year ended December 31, 2019.

COVID-19 Update

During the first quarter of 2020, the COVID-19 virus emerged as a threat to the global economy including the Company. To date, the virus and the associated slowdown in surgical procedures has had a moderate impact on the Company's business. With a significant percentage of the Company's revenue derived from elective surgeries that have been or will be postponed, management is expecting a decline in revenue. The Company is proactively taking significant steps to cut costs, manage cash-flow, and continue to generate revenue from both its wound care and surgical businesses. The duration and severity of the impact from the COVID-19 virus is unclear, but management believes that surgical procedures currently being delayed will eventually be performed potentially leading to a significant increase in orders for the Company's products.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. The results of these assumptions form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Under different assumptions or conditions, actual results may differ from these estimates. We believe the footnotes to the consolidated financial statements provide the description of the significant accounting policies necessary in fully understanding and evaluating our consolidated financial condition and results of operations.

Off-Balance Sheet Arrangements

None.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

SANARA MEDTECH INC. AND SUBSIDIARIES
Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Sanara MedTech, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Sanara MedTech, Inc. and its subsidiaries (collectively, the "Company") as of December 31, 2019 and 2018 (Successor), and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the year ended December 31, 2019 (Successor), the period from August 28, 2018 to December 31, 2018 (Successor) and for the period from January 1, 2018 to August 27, 2018 (Predecessor), and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018 (Successor), and the results of their operations and their cash flows for the year ended December 31, 2019 (Successor), the period from August 28, 2018 to December 31, 2018 (Successor) and for the period from January 1, 2018 to August 27, 2018 (Predecessor), in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ MaloneBailey, LLP
www.malonebailey.com
We have served as the Company's auditor since 2014.
Houston, Texas
March 26, 2020

SANARA MEDTECH INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

Assets	Successor December 31, 2019	Successor December 31, 2018
Current assets		
Cash and cash equivalents	$ 6,611,928	$ 176,421
Accounts receivable, net of allowance for bad debt of $60,012 and $0	1,285,165	1,022,500
Royalty receivable	50,250	-
Inventory, net of allowance for obsolescence of $43,650 and $484	746,519	465,314
Prepaid and other assets	161,902	26,446
Total current assets	**8,855,764**	**1,690,681**
Long-term assets		
Property, plant and equipment, net of accumulated depreciation of $60,694 and $511	204,953	18,777
Right of use assets – operating leases	585,251	-
Intangible assets, net of accumulated amortization of $603,580 and $0	1,471,194	-
Total long-term assets	**2,261,398**	**18,777**
Total assets	**$ 11,117,162**	**$ 1,709,458**
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	$ 337,504	$ 156,727
Accounts payable – related party	68,668	36,203
Accrued royalties and expenses	528,060	228,606
Accrued bonus and commissions	1,588,056	701,125
Operating lease liability - current	117,533	-
Line of credit	-	-
Total current liabilities	**2,639,821**	**1,122,661**
Long-term liabilities		
Operating lease liability – long term	481,384	-
Convertible notes payable – related party	1,500,000	-
Accrued interest - related party	103,557	-
Total long-term liabilities	**2,084,941**	**-**
Total liabilities	**4,724,762**	**1,122,661**
Shareholders' equity		
Series F Convertible Preferred Stock: $10 par value, 1,200,000 shares authorized; 1,136,815 issued and outstanding as of December 31, 2019 and 1,136,815 issued and outstanding as of December 31, 2018	11,368,150	11,368,150
Common Stock: $0.001 par value, 20,000,000 shares authorized; 3,571,001 issued and outstanding as of December 31, 2019 and none issued and outstanding as of December 31, 2018	3,571	-
Additional paid-in capital	(2,081,829)	(10,919,639)
Retained earnings (accumulated deficit)	(2,675,802)	138,286
Total Sanara MedTech shareholders' equity	**6,614,090**	**586,797**
Equity attributable to noncontrolling interest	(221,690)	-
Total shareholders' equity	6,392,400	586,797
Total liabilities and shareholders' equity	**$ 11,117,162**	**$ 1,709,458**

The accompanying notes are an integral part of these consolidated financial statements.

SANARA MEDTECH INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Successor		Predecessor
	January 1, 2019 – December 31, 2019	August 28, 2018- December 31, 2018	January 1, 2018- August 27, 2018
Revenues	**$ 11,766,763**	**$ 3,006,320**	**$ 5,773,552**
Cost of goods sold	**1,209,300**	**371,421**	**480,703**
Gross profit	**10,557,463**	**2,634,899**	**5,292,849**
Operating expenses			
Selling, general and administrative expenses	13,067,569	2,519,469	5,126,650
Depreciation and amortization	119,951	511	56,425
Bad debt expense	110,000	-	12,558
Total operating expenses	**13,297,520**	**2,519,980**	**5,195,633**
Operating income (loss)	**(2,740,057)**	**114,919**	**97,216**
Other income / (expense)			
Other income	10,198	23,367	570
Interest expense	(105,919)	-	(60,608)
Total other income / (expense)	**(95,721)**	**23,367**	**(60,038)**
Net income (loss)	**(2,835,778)**	**138,286**	**37,178**
Less: Net loss attributable to noncontrolling interest	(21,690)	-	-
Net income (loss) attributable to Sanara MedTech Inc.	**(2,814,088)**	**138,286**	**37,178**
Series C Preferred Stock dividends	-	-	(28,061)
Series C Preferred Stock inducement dividends	-	-	(103,197)
Net income (loss) attributable to Sanara MedTech common shareholders	**$ (2,814,088)**	**$ 138,286**	**$ (94,080)**
Basic loss per share of Common stock	$ (1.32)	$ -	$ (0.05)
Diluted loss per share of Common Stock	$ (1.32)	$ -	$ (0.05)
Weighted average number of common shares outstanding basic	2,132,745	-	2,068,941
Weighted average number of common shares outstanding diluted	2,132,745	-	2,068,941

The accompanying notes are an integral part of these consolidated financial statements.

SANARA MEDTECH INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

Predecessor	Preferred Stock Series C $10 par value		Common Stock $0.001 par value		Additional Paid-In	Treasury Stock		Accumulated Income/(Deficit)	Noncontrolling Interest	Total Shareholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Capital	Shares	Amount			
Balance at December 31, 2017	85,561	$ 855,610	1,134,279	$ 1,134	$ 46,114,357	(41)	$ (120)	$ (46,868,443)	$ -	$ 102,538
Conversion of Series C Preferred Shares	(85,561)	(855,610)	855,605	855	854,755	-	-	-	-	-
Series C Dividend	-	-	150,067	150	(150)	-	-	-	-	-
Common Stock issued for conversion of debt	-	-	226,514	227	1,585,367	-	-	-	-	1,585,594
Recognition of stock option expense	-	-	-	-	14,867	-	-	-	-	14,867
Net income (loss)	-	-	-	-	-	-	-	37,178	-	37,178
Balance at August 27, 2018	-	$ -	2,366,465	$ 2,366	$ 48,569,196	(41)	$ (120)	$ (46,831,265)	$ -	$ 1,740,177

Successor	Preferred Stock Series F $10 par value		Common Stock $0.001 par value		Additional Paid-In	Treasury Stock		Accumulated	Noncontrolling	Total Shareholders' Equity
	Shares	Amount	Shares	Amount	Capital	Shares	Amount	Income/(Deficit)	Interest	(Deficit)
Issuance of preferred stock upon formation on August 28, 2018	1,136,815	$ 11,368,150	-	$ -	$(10,919,639)	-	$ -	$ -	$ -	$ 448,511
Net income (loss)	-	-	-	-	-	-	-	138,286	-	138,286
Balance at December 31, 2018	1,136,815	$ 11,368,150	-	$ -	$(10,919,639)	-	$ -	$ 138,286	$ -	$ 586,797
Reverse recapitalization	-	-	2,366,465	2,366	(1,159,929)	(41)	-	-	-	(1,157,563)
Treasury stock retirement	-	-	(41)	-	-	41	-	-	-	-
Repurchase and cancellation of fractional shares	-	-	(243)	-	(1,061)	-	-	-	-	(1,061)
Private placement stock issue	-	-	1,204,820	1,205	9,998,800	-	-	-	-	10,000,005
Advance on future noncontrolling interest distribution	-	-	-	-	-	-	-	-	(200,000)	(200,000)
Net income (loss)	-	-	-	-	-	-	-	(2,814,088)	(21,690)	(2,835,778)
Balance at December 31, 2019	1,136,815	$ 11,368,150	3,571,001	$ 3,571	$ (2,081,829)	-	$ -	$ (2,675,802)	$ (221,690)	$ 6,392,400

The accompanying notes are an integral part of these consolidated financial statements.

SANARA MEDTECH INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Successor		Predecessor
	January 1, 2019 – December 31, 2019	August 28, 2018- December 31, 2018	January 1, 2018- August 27, 2018
Cash flows from operating activities:			
Net income (loss)	$ (2,835,778)	$ 138,286	$ 37,178
Adjustments to reconcile net income to net cash used in operating activities			
Depreciation and amortization	119,951	511	56,425
Interest expense on convertible debt	61,934	-	60,608
Loss on disposal of asset	15,944	-	-
Bad debt expense	110,000	-	12,558
Recognition of vesting stock option expense	-	-	14,867
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(324,368)	(1,022,500)	(313,969)
(Increase) decrease in inventory	(281,205)	(16,803)	262,886
(Increase) decrease in prepaid and other assets	(455,960)	(26,446)	(23,320)
Increase (decrease) in accounts payable	(65,037)	156,727	189,388
Increase (decrease) in accounts payable related parties	(19,599)	36,203	(36,097)
Increase (decrease) in accrued royalties and expenses	282,004	228,606	(170,467)
Increase (decrease) in accrued liabilities	1,224,713	701,125	231,313
Net cash flows provided by (used in) operating activities	(2,167,401)	195,709	321,370
Cash flows from investing activities:			
Purchase of property and equipment	(182,825)	(19,288)	(8,482)
Cash received in reverse acquisition	508,973	-	-
Repurchase and cancellation of fractional shares	(1,061)	-	-
Proceeds from disposal of assets	301		
Purchase of intangible assets	(1,522,485)	-	-
Net cash flows used in investing activities	(1,197,097)	(19,288)	(8,482)
Cash flows from financing activities:			
Draw on line of credit	2,200,000	-	-
Payment on line of credit	(2,200,000)		
Private placement stock issue	10,000,005	-	-
Advance on future noncontrolling interest distribution	(200,000)	-	-
Net cash flows from financing activities	9,800,005	-	-
Net increase in cash	6,435,507	176,421	312,888
Cash and cash equivalents, beginning of period	176,421	-	463,189
Cash and cash equivalents, end of period	$ 6,611,928	$ 176,421	$ 776,077
Cash paid during the period for:			
Interest	$ 43,985	$ -	$ -
Income taxes	-	-	-
Supplemental non-cash investing and financing activities:			
Common stock issued for dividends on Series C Preferred Stock	-	-	15,007
Common stock issued for conversion of Series C Preferred Stock	-	-	85,561
Common stock issued for conversion of Related Party debt and interest	-	-	1,585,594
Preferred Shares issued for inventory contribution	-	448,511	-
Common stock issued in reverse capitalization; less cash received of $508,973	1,666,537	-	-

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 – NATURE OF OPERATIONS

The Company's business is developing, marketing, and distributing wound and skin care products to physicians, hospitals, clinics and post-acute care settings. Our products are primarily sold in the North American advanced wound care and surgical tissue repair markets. Sanara MedTech products include CellerateRX® Activated Collagen® Adjuvant (CellerateRX); HYCOL™ Hydrolyzed Collagen (HYCOL); BIAKŌS™ Antimicrobial Skin & Wound Cleanser (BIAKŌS); and PULSAR II™ Advanced Wound Irrigation System (Pulsar II).

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BACKGROUND AND BASIS OF PRESENTATION

The terms "Sanara MedTech," "we," "the Company," "SMTI," "our," and "us" as used in this report refer to Sanara MedTech Inc. and its subsidiaries. The Company was organized on December 14, 2001, as a Texas corporation under the name eAppliance Innovations, Inc. In June of 2002, MB Software Corporation, a public corporation formed under the laws of Colorado, merged with the Company and the Company changed its name to MB Software Corporation as part of the merger. In May of 2008, the Company changed its name to Wound Management Technologies, Inc. On May 10, 2019, the Company changed its name from Wound Management Technologies, Inc. to Sanara MedTech Inc.

On August 28, 2018, the Company consummated definitive agreements that continued operations to market the Company's principal products, CellerateRX, through a 50% ownership interest in a newly formed Texas limited liability company, Cellerate, LLC which began operations on September 1, 2018. The remaining 50% ownership interest was held by an affiliate of The Catalyst Group, Inc. (Catalyst), which acquired the exclusive license to CellerateRX products. Cellerate, LLC conducts operations with an exclusive sublicense from the Catalyst affiliate to distribute CellerateRX products into the wound care and surgical markets in the United States, Canada and Mexico.

While the Company had significant influence over the operations of Cellerate, LLC, the Company did not have a controlling interest. Catalyst had the controlling vote in the event of a deadlocked vote by the Board of Managers of Cellerate, LLC. Therefore, the Company's investment in Cellerate, LLC was reported using the equity method of accounting in the Company's Quarterly Report on Form 10-Q filed November 14, 2018, and in the Company's Annual Report on Form 10-K filed on April 1, 2019.

On March 15, 2019, the Company acquired Catalyst's 50% interest in Cellerate, LLC (the Cellerate Acquisition) in exchange for 1,136,815 shares of the Company's newly created Series F Convertible Preferred Stock. Each share of Series F Convertible Preferred Stock was convertible at the option of the holder, at any time, into 2 shares of common stock, adjusted for the 1-for-100 reverse stock split of the Company's common stock which became effective on May 10, 2019. Additionally, each holder of Series F Convertible Preferred Stock was entitled to vote on all matters submitted for a vote of the Company's shareholders with votes equal to the number of shares of common stock into which such holder's Series F shares could then be converted. Based on the closing price of the Company's common stock on March 15, 2019 and the conversion ratio of the Series F Preferred Stock, the fair value of the preferred shares issued to Catalyst was approximately $12.5 million. Following the closing of this transaction, Mr. Ronald T. Nixon, Founder and Managing Partner of Catalyst, was elected to the Company's Board of Directors effective March 15, 2019.

The Cellerate Acquisition was accounted for as a reverse merger and recapitalization because, immediately following the completion of the transaction, Catalyst could obtain effective control of the Company upon exercise of its convertible preferred stock and promissory note, both of which could occur at Catalyst's option. Additionally, Cellerate, LLC's officers and senior executive positions continued on as management of the combined entity after consummation of the Cellerate Acquisition. For accounting purposes, Cellerate, LLC was deemed to be the accounting acquirer in the transaction and, consequently, the transaction was treated as a recapitalization of Sanara MedTech. As part of the reverse merger and recapitalization, the net liabilities existing in the Company as of the date of the merger totaling approximately $1,666,537, which included $508,973 of cash, were converted to equity as part of this transaction. No step-up in basis or intangible assets or goodwill was recorded in this transaction.

As a result of the reverse merger, Cellerate, LLC's assets, liabilities and results of operations are the historical financial statements of the registrant, and Cellerate, LLC's assets, liabilities and results of operations have been combined with Sanara MedTech effective as of the date of the closing of the Cellerate Acquisition. The Company's financial statement presentation identifies Cellerate, LLC as "Successor" for the twelve-month period ending December 31, 2019, and on the balance sheet date of December 31, 2018. Upon its formation on August 28, 2018, Cellerate LLC succeeded to the business and operations of Sanara MedTech. As a result, Sanara MedTech is identified as "Predecessor" for the periods preceding August 28, 2018.

On May 9, 2019, the Company organized Sanara Pulsar, LLC, a Texas limited liability company, which is owned 60% by the Company's wholly owned subsidiary Cellerate, LLC, and 40% owned by Wound Care Solutions, Limited, an unaffiliated company registered in the United Kingdom (WCS). Net profits and losses and distributions are shared by the members in proportion to their respective membership interests. The Company consolidates the operations and financial position of Sanara Pulsar.

PRINCIPLES OF CONSOLIDATION

The financial statements are presented on a comparative basis. The consolidated balance sheet at December 31, 2018 is identified as "Successor" and includes the accounts of Cellerate, LLC only. The consolidated balance sheet at December 31, 2019 is also identified as "Successor" and includes the accounts of Cellerate, LLC, Sanara MedTech, and Sanara Pulsar, LLC.

The consolidated statement of operations for the year ending December 31, 2019 is identified as "Successor" and includes the accounts of Cellerate, LLC for the full year, the accounts of Sanara MedTech for the period March 16, 2019 through December 31, 2019, and the accounts of Sanara Pulsar, LLC since its formation date of May 9, 2019 through December 31, 2019. The statement of operations for the period ending August 27, 2018 is identified as "Predecessor" and includes the accounts of Sanara MedTech and its wholly owned subsidiaries (excluding Cellerate, LLC). The statement of operations for the period August 28 through December 31, 2018 are the accounts of Cellerate, LLC as "Successor". A black line separates the Predecessor and Successor sections to highlight the lack of comparability between these two periods.

The consolidated statement of changes in shareholders' equity includes two sections. The first section is identified as "Predecessor" and includes the Sanara MedTech equity information as previously reported by the Company on its 2017 Form 10-K annual report, and the ending equity balances after the cancellation of the "Predecessor" equity on August 27, 2018. The second section is identified as "Successor" which includes a presentation of equity to reflect the recapitalization of Sanara MedTech. The presentation includes the issuance of the Series F Preferred Stock, the changes in paid-in capital, and the restatement of the accumulated deficit. A black line separates the Predecessor and Successor sections to highlight the lack of comparability between these two periods

The consolidated statement of cash flows for the year ending December 31, 2019 is identified as "Successor" and includes the accounts of Cellerate, LLC for the full year, the accounts of Sanara MedTech for the period March 16, 2019 through December 31, 2019, and the accounts of Sanara Pulsar, LLC since its formation date on May 9, 2019 through December 31, 2019. The consolidated statement of cash flows for the period ending August 27, 2018 is identified as "Predecessor" and includes the accounts of Sanara MedTech and its wholly owned subsidiaries (excluding Cellerate, LLC) for the period ended August 27, 2018. The consolidated statement of cash flows for the period of August 28, 2018 through December 31, 2018 is identified as "Successor" and includes only the accounts of Cellerate, LLC as "Successor". A black line separates the Predecessor and Successor sections to highlight the lack of comparability between these two periods.

USE OF ESTIMATES IN FINANCIAL STATEMENT PREPARATION

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements, and the amounts of revenues and expenses during the reporting period. On a regular basis, management evaluates these estimates and assumptions. Actual results could differ from those estimates.

CASH, CASH EQUIVALENTS AND MARKETABLE SECURITIES

The Company considers all highly liquid debt investments purchased with an original maturity of three months or less to be cash equivalents. Marketable securities include investments with maturities greater than three months but less than one year. For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and other accrued liabilities, and amounts due to related parties, the carrying amounts approximate fair value due to their short maturities.

INCOME / LOSS PER SHARE

The Company computes income/loss per share in accordance with Accounting Standards Codification "ASC" Topic No. 260, "Earnings per Share," which requires the Company to present basic and dilutive income/loss per share when the effect is dilutive. Basic income/loss per share is computed by dividing income/loss available to common stockholders by the weighted average number of common shares available. Diluted income/loss per share is computed similar to basic income/loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive.

The calculation of basic and diluted net loss per share for the years ended December 31, 2019 and 2018 are as follows:

	Successor		Predecessor
	January 1, 2019 – December 31, 2019	August 28, 2018- December 31, 2018	January 1, 2018- August 27, 2018
Numerator for basic and diluted net income (loss) per share:			
Net income (loss) attributable to Sanara MedTech	$ (2,814,088)	$ 138,286	$ 37,178
Series C Preferred Stock dividends	-	-	(28,061)
Series C Preferred Stock inducement dividends	-	-	(103,197)
Basic net income (loss) attributable to Sanara MedTech common shareholders	$ (2,814,088)	$ 138,286	$ (94,080)
Denominator for basic and diluted net income (loss) per share:			
Weighted average shares used to compute diluted net income (loss) per share	2,132,745	-	2,068,941
Basic and diluted net income (loss) per share attributable to common shareholders	$ (1.32)	$ -	$ (0.05)

The following table summarizes the potential shares of common stock that were excluded from the computation of diluted net loss per share for the years ended December 31, 2019 and 2018 as such shares would have had an anti-dilutive effect:

	Successor		Predecessor
	January 1, 2019 – December 31, 2019	August 28, 2018- December 31, 2018	January 1, 2018- August 27, 2018
Options	2,059	-	-
Convertible debt	178,173	-	-
Preferred Shares	2,273,630	2,273,630	-

REVENUE RECOGNITION

The Company recognizes revenue in accordance with ASC Topic 606, Revenue from Contracts with Customers, which was adopted on January 1, 2018 using the modified retrospective method. Revenues are recognized when control of the promised goods or services is transferred to the customer in an amount that reflects the consideration the Company expects to be entitled to receive in exchange for transferring those goods or services. Revenue is recognized based on the following five step model:

1. Identification of the contract with a customer
2. Identification of the performance obligations in the contract
3. Determination of the transaction price
4. Allocation of the transaction price to the performance obligations in the contract
5. Recognition of revenue when, or as, the Company satisfies a performance obligation

The Company recognizes royalty revenue from a licensing agreement between BioStructures, LLC and the Company. The Company records revenue each calendar quarter as earned per the terms of the agreement which stipulates the Company will receive quarterly royalty payments of at least $50,250.

See **Note 3** for more information on revenue recognition.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Company establishes an allowance for doubtful accounts to ensure accounts receivable are not overstated due to uncollectible accounts. Bad debt reserves are maintained based on a variety of factors, including the length of time receivables are past due and a detailed review of certain individual customer accounts. If circumstances related to customers change, estimates of the recoverability of receivables would be further adjusted. The Company recorded bad debt expense of $110,000 and $12,588 in 2019 and 2018, respectively. The allowance for doubtful accounts at December 31, 2019 was $60,012 and the amount at December 31, 2018 was $0. Accounts receivable written-off during 2019 totaled $90,538. The Successor's balance sheet at December 31, 2018 did not include an allowance for doubtful accounts of $40,550 which was carried over from the Predecessor's December 31, 2018 balance sheet.

INVENTORIES

During 2019 and 2018, inventories were stated at the lower of cost or net realizable value, with cost computed on a first-in, first-out basis. Inventories consist of finished goods, powders, gels and the related packaging supplies. The Company recorded inventory obsolescence expense of $120,442 in 2019 and $0 in 2018. The allowance for obsolete and slow-moving inventory had a balance of $43,650 and $484 at December 31, 2019 and December 31, 2018, respectively.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation is computed utilizing the straight-line method over the estimated economic life of the assets, which ranges from three to ten years. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is reflected in income for the period. A summary is as follows:

	Successor December 31, 2019	Successor December 31, 2018
Computers	$ 87,310	$ 5,147
Office Equipment	22,312	-
Furniture and fixtures	153,995	3,328
Leasehold Improvements	2,030	-
Capital in progress	-	10,813
	265,647	19,288
Less accumulated depreciation	(60,694)	(511)
Property and equipment, net	**$ 204,953**	**$ 18,777**

As of December 31, 2019, fixed assets consisted of $265,647 including furniture and fixtures, computer equipment, phone equipment and the Company's tradeshow booth. As of December 31, 2018, fixed assets consisted of $19,288 including furniture and fixtures, computer equipment, and phone equipment. Depreciation expense related to property and equipment was $29,940 for the year ended December 31, 2019 (Successor), and $511 and $13,076 for the periods August 28, 2018 through December 31, 2018 (Successor) and January 1, 2018 through August 27, 2018 (Predecessor), respectively.

INTANGIBLE ASSETS

Intangible Assets are stated at cost of acquisition less accumulated amortization and impairment loss, if any. Cost of acquisition includes purchase price and any cost directly attributable to bringing the asset to its working condition for the intended use. The Company amortizes its intangible assets on a straight-line basis over the useful life of the respective assets which is generally the life of the related patents (if applicable).

See **Note 6** for more information on intangible assets.

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets and certain identifiable intangibles to be held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company continuously evaluates the recoverability of its long-lived assets based on estimated future cash flows and the estimated liquidation value of such long-lived assets and provides for impairment if such undiscounted cash flows are insufficient to recover the carrying amount of the long-lived assets. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, undiscounted cash flows or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value. There was no impairment recorded during the years ended December 31, 2019 and 2018.

FAIR VALUE MEASUREMENTS

As defined in Accounting Standards Codification (“ASC”) Topic No. 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. ASC 820 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). This fair value measurement framework applies at both initial and subsequent measurement.

The three levels of the fair value hierarchy defined by ASC Topic No. 820 are as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives, marketable securities and listed equities.

Level 2 – Pricing inputs are other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the reported date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

Instruments in this category generally include non-exchange-traded derivatives such as commodity swaps, interest rate swaps, options and collars.

Level 3 – Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management’s best estimate of fair value.

Our intangible assets have also been valued using the fair value accounting treatment. A description of the methodology used, including the valuation category, is described below in Note 6 “Intangible Assets.”

INCOME TAXES

Income taxes are accounted for under the asset and liability method, whereby deferred income taxes are recorded for temporary differences between financial statement carrying amounts and the tax basis of assets and liabilities. Deferred tax assets and liabilities reflect the tax rates expected to be in effect for the years in which the differences are expected to reverse. A valuation allowance is provided if it is more likely than not that some or all, of the deferred tax asset will not be realized.

BENEFICIAL CONVERSION FEATURE OF CONVERTIBLE NOTES PAYABLE

The convertible feature of certain notes payable may provide for a rate of conversion that is below the market value of the Company's common stock. Such a feature is normally characterized as a "Beneficial Conversion Feature" ("BCF"). In accordance with ASC Topic No. 470-20-25-4, the intrinsic value of the embedded beneficial conversion feature present in a convertible instrument is recognized separately at issuance by allocating a portion of the debt equal to the intrinsic value of that feature to additional paid in capital. When applicable, the Company records the estimated fair value of the BCF in the consolidated financial statements as a discount from the face amount of the notes. Such discounts are accreted to interest expense over the term of the notes using the effective interest method. There were no beneficial conversion features recorded in 2019 or 2018.

ADVERTISING EXPENSE

In accordance with ASC Topic No. 720-35-25-1, the Company recognizes advertising expenses the first time the advertising takes place. Such costs are expensed immediately if such advertising is not expected to occur.

SHARE-BASED COMPENSATION

The Company accounts for stock-based compensation to employees and nonemployees in accordance with ASU 2018-07 Topic 718. Stock-based compensation is measured at the grant date, based on the fair value of the award, and is recognized as expense over the stipulated vesting period (if any). The Company estimates the fair value of stock-based payments using the Black-Scholes option-pricing model for common stock options and warrants, and the closing price of the Company's common stock for common share issuances.

RECLASSIFICATIONS

Certain prior period amounts have been reclassified to conform to current period presentation.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers which is to be effective for reporting periods beginning after December 15, 2017. The Company adopted ASC 606 effective January 1, 2018 and the adoption had no impact on the Company's financial position, operations or cash flows.

In February 2016, the FASB issued ASC 842 Leases which is to be effective for reporting periods beginning after December 15, 2018. The Company adopted the pronouncement effective January 1, 2019. In accordance with the transition guidance of ASC 842, such arrangements are included in our balance sheet as of January 1, 2019. All other leases are short-term leases for which out of practical expediency the Company has elected to not recognize lease assets and lease liabilities. As a result of the adoption of ASC 842, the Company has recorded lease assets of $585,251 and a related lease liability of $598,917 as of December 31, 2019.

On June 20, 2018, the FASB issued Accounting Standards Update (ASU) 2018-07, which simplifies the accounting for share-based payments granted to nonemployees for goods and services. Under the ASU, most of the guidance on such payments to nonemployees would be aligned with the requirements for share-based payments granted to employees. The Company adopted the pronouncement effective January 1, 2019 and the adoption did not have a material impact on the Company's financial position, operations or cash flows.

NOTE 3 – ASC Topic 606, Revenue from Contracts with Customers

The Company recognizes revenue in accordance with ASC Topic 606, Revenue from Contracts with Customers, which was adopted on January 1, 2018 using the modified retrospective method. Revenues are recognized when control of the promised goods or services is transferred to the customer in an amount that reflects the consideration the Company expects to be entitled to receive in exchange for transferring those goods or services. Revenue is recognized based on the following five step model:

1. Identification of the contract with a customer
2. Identification of the performance obligations in the contract
3. Determination of the transaction price
4. Allocation of the transaction price to the performance obligations in the contract
5. Recognition of revenue when, or as, the Company satisfies a performance obligation

Details of this five-step process are as follows:

Identification of the contract with a customer
Customer purchase orders are generally considered to be contracts under ASC 606. Purchase orders typically identify specific terms of products to be delivered, create the enforceable rights and obligations of both parties, and result in commercial substance. No other forms of contract revenue recognition, such as the completed contract or percentage of completion methods, were utilized by the Company in either 2018 or 2019.

Performance obligations
The Company's performance obligation is generally limited to delivery of the requested items to its customers at the agreed upon quantities and prices.

Determination and allocation of the transaction price
The Company has established prices for its products. These prices are effectively agreed to when customers place purchase orders with the Company. Rebates and discounts, if any, are recognized in full at the time of sale as a reduction of net revenue. Allocation of transaction prices is not necessary where one performance obligation exists.

Recognition of revenue as performance obligations are satisfied
Product revenues are recognized when the products are delivered, and title passes to the customer.

Disaggregation of Revenue
Revenue streams from product sales and royalties are summarized below for the twelve months ended December 31, 2019 and 2018. All revenue was generated in the United States; therefore, no geographical disaggregation is necessary.

	Successor		Predecessor
	Twelve Months Ended December 31, 2019	August 28, 2018- December 31, 2018	January 1, 2018- August 27, 2018
Product sales revenue	$ 11,607,638	$ 3,006,320	$ 5,639,552
Royalty revenue	159,125	-	134,000
Total Revenue	$ 11,766,763	$ 3,006,320	$ 5,773,552

The Company recognizes royalty revenue from a licensing agreement between BioStructures, LLC and the Company. The Company records revenue each calendar quarter as earned per the terms of the agreement which stipulates the Company will receive quarterly royalty payments of at least $50,250. Under the terms of the development and license agreement the Company executed with BioStructures, LLC in 2011, royalties of 2.0% are recognized on sales of products containing the Company's patented resorbable bone hemostasis. The minimum annual royalty due to the Company is $201,000 per year throughout the life of the patent which expires in 2023. These royalties are payable in quarterly installments of $50,250. To date, royalties related to this licensing agreement have not exceeded the annual minimum of $201,000 ($50,250 per quarter).

NOTE 4 – OTHER SIGNIFICANT TRANSACTIONS

Private Placement Offering

On October 15, 2019, Sanara MedTech Inc. (the "Company") closed a private placement offering of 1,204,820 shares of its common stock at a price of $8.30 per share. All shares were sold by the Company as newly issued shares. The purchasers in the offering consist of related party entities to three members of the Company's Board of Directors. The transaction was approved by all of the disinterested Directors of the Company. The price per share was determined by a special committee of the Board comprised of disinterested Directors who considered an independent third-party valuation of the offering price and other relevant information.

The $10 million of cash proceeds of the offering are expected to be used to fund milestone payments under current and future product license agreements, repayment of indebtedness under the Company's bank line of credit, and operating expenditures, including clinical studies and continued expansion of the Company's sales force.

The shares of common stock sold in the transaction were not registered under the Securities Act of 1933. The Company relied on the exemption from registration in Section 4(a)(2) of the Securities Act of 1933, a transaction not involving a public offering. The Company sold the shares of common stock, without general solicitation or advertising, to three accredited investors who represented themselves as being fully informed, with the knowledge and experience to be capable of evaluating the merits and risks of the transaction, and with no present intention of selling or distributing the shares.

Cellerate, LLC

Effective August 28, 2018, the Company consummated definitive agreements that continued operations to market the Company's principal products, CellerateRX® Hydrolyzed Collagen (CellerateRX), through a 50% ownership interest in a newly formed Texas limited liability company, Cellerate, LLC. The remaining 50% ownership interest was held by an affiliate of The Catalyst Group Inc. (Catalyst), which acquired an exclusive license to distribute CellerateRX products. Cellerate, LLC conducts operations with an exclusive sublicense from a Catalyst affiliate to distribute CellerateRX products into the wound care and surgical markets in the United States, Canada and Mexico.

While the Company had significant influence over the operations of Cellerate, LLC, the Company did not have a controlling interest. Catalyst had the controlling vote in the event of a deadlocked vote by the Board of Managers of Cellerate, LLC. Therefore, the Company reported its investment in Cellerate, LLC using the equity method of accounting in the Company's Quarterly Report on Form 10-Q filed November 14, 2018, and in the Company's Annual Report on Form 10-K filed on April 1, 2019.

On March 15, 2019, the Company acquired Catalyst's 50% interest in Cellerate, LLC. See Note 2 for more information regarding this acquisition.

The definitive agreements related to the Cellerate, LLC transaction are summarized below. The full agreements are attached as exhibits to the Company's Quarterly Report on Form 10-Q filed on November 14, 2018.

Contribution Agreement

WCI, LLC ("WCI"), a wholly owned subsidiary of the Company, transferred to Cellerate, LLC all of its existing inventories and certain trademarks and UPC numbers in exchange for its 50% ownership interest in Cellerate, LLC. The inventories had a net book value of $448,511 at the time of closing. Additionally, as part of the transaction, the Company issued a 30-month promissory note to Catalyst in the principal amount of $1,500,000, bearing interest at a 5% annual interest rate, compounded quarterly. Interest is payable quarterly, but may be deferred at the Company's election to the maturity of the Note. Outstanding principal and interest are convertible at Catalyst's option into shares of the Company's common stock at a conversion price of $9.00 per share.

Catalyst transferred to Cellerate, LLC in exchange for its 50% ownership interest an exclusive sublicense to distribute CellerateRX into the wound care and surgical markets in the United States, Canada and Mexico. The term of the sublicense extends through August 2028, with automatic one-year renewals through December 31, 2049, subject to termination at the end of any renewal term by Catalyst or WCI on six-months' notice.

Operating Agreement

Cellerate, LLC's Operating Agreement provides for the business and affairs of Cellerate, LLC to be managed by a Board of Managers consisting of two persons. Catalyst and WCI each has the right to appoint one person to the Board of Managers who serve indefinite terms until their resignation, removal or death. The Board of Managers act by a vote of the Managers, but in the event of a deadlocked vote, the vote of the Catalyst designated manager will be controlling, except (i) in the case of a transaction with a related party or affiliate (other than Cellerate, LLC) of the Catalyst designee or (ii) Catalyst transfers any portion of its ownership interest in Cellerate, LLC to a third party or more that 50% of Catalyst's ownership is transferred to a third party. The initial Board of Managers is Mr. Ron Nixon as the Catalyst designee, and Mr. Michael Carmena as the WCI designee. The Board of Managers manages the general operations of Cellerate, LLC, subject however to a vote by members of Cellerate, LLC holding two-thirds of the membership interests in Cellerate, LLC to approve major actions of Cellerate, LLC.

The Operating Agreement contains restrictions on transfer of ownership interests with customary rights of first refusal, co-sale and buy/sell provisions applicable to each owner.

Sublicense Agreement

Cellerate, LLC has an exclusive sublicense to distribute CellerateRX® Activated Collagen® products into the wound care and surgical markets in the United States, Canada and Mexico. The wound care market comprises the care for external wounds, including the treatment of external, tunneled or undermined wounds. This would include pressure ulcers (Stages I-IV), venous stasis ulcers, diabetic ulcers, ulcers resulting from arterial insufficiency, surgical wounds, traumatic wounds, first and second-degree burns, superficial wounds, cuts, scrapes, skin tears, skin flaps and skin grafts. The term of the sublicense extends through August 2028, with automatic one-year renewals through December 31, 2049, subject to termination at the end of any renewal term by either party on six-months' notice. Cellerate, LLC pays specified royalties based on Cellerate, LLC's annual net sales of CellerateRX.

The foregoing summary of the Sublicense Agreement does not purport to be complete and is qualified in its entirety by reference to the Sublicense Agreement.

Professional Services Agreement

The Company and Catalyst agreed to provide Cellerate, LLC with certain professional services needed to conduct the affairs of Cellerate, LLC through December 31, 2019. The Company and Catalyst were reimbursed on a monthly basis by Cellerate, LLC for services performed, consistent with historical costs to provide the services. The Company also received reimbursement for office lease and other overhead costs dedicated to supporting Cellerate, LLC's activities. These reimbursements from Cellerate, LLC were recognized by the Company as reductions of selling, general and administrative expenses.

Promissory Note

As part of the transaction to form Cellerate, LLC, the Company issued a 30-month convertible promissory note to Catalyst in the principal amount of $1,500,000, bearing interest at a 5% annual interest rate, compounded quarterly. Interest is payable quarterly, but may be deferred at the Company's election to the maturity of the Note. Outstanding principal and interest are convertible at Catalyst's option into shares of Sanara common stock at a conversion price of $9.00 per share. On February 7, 2020, Catalyst converted 100% of the promissory note (including accrued but unpaid interest) into 179,101 shares of common stock.

NOTE 5 – NOTES PAYABLE

CONVERTIBLE NOTES PAYABLE – RELATED PARTIES

In August 27, 2018, as part of the partnership transaction with Catalyst to form Cellerate, LLC, the Company issued a 30-month unsecured promissory note to Catalyst in the principal amount of $1,500,000, bearing interest at a 5% annual interest rate, compounded quarterly. Interest is payable quarterly but may be deferred at the Company's election to the maturity of the Note. Outstanding principal and interest are convertible at Catalyst's option into shares of Sanara MedTech common stock at a conversion price of $9.00 per share.

The table below summarizes amounts due to related parties, including accrued interest separately recorded, as of December 31, 2019 and 2018:

		Principal Amount		Accrued Interest	
Note Payable	**Terms of the agreement**	**2019 Successor**	**2018 Successor**	**2019 Successor**	**2018 Successor**
August 27, 2018 Promissory Note	A $1,500,000 note payable (i) interest accrues at 5% per annum and compounds quarterly (ii) original maturity date of March 1, 2021	**$ 1,500,000**	**$ -**	**$ 103,557**	**$ -**
Total		**$ 1,500,000**	**$ -**	**$ 103,557**	**$ -**

NOTE 6 – INTANGIBLE ASSETS

The carrying values of the Company's finite-lived intangible assets are as follows:

	Successor As of December 31, 2019			Successor As of December 31, 2018		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Product Licenses	$ 1,500,000	$ (48,876)	$ 1,451,124	-	-	-
Patent	510,310	(510,310)	-	$ -	$ -	$ -
Software & Other	64,464	(44,394)	20,070	-	-	-
Total	**$ 2,074,774**	**$ (603,580)**	**$ 1,471,194**	**$ -**	**$ -**	**$ -**

Cash expenditures for intangible assets acquired in 2019 totaled $1,522,485. This included product licenses of $1,000,000 for BIAKŌS™ Antimicrobial Wound Gel and Antimicrobial Skin and Wound Cleanser, and $500,000 for BIAKŌS™ Antimicrobial Barrier Film and Curashield™ No Sting Skin Protectant. The Company amortizes its intangible assets on a straight-line basis over the useful life of the respective assets. Product licenses are amortized over the lives of the related patents. The BIAKŌS™ patents expire in December 2031 and October 2033. Other expenditures in 2019 for intangible assets included $22,485 for website development and computer software. Intangible assets also include a patent acquired in 2009 with a historical cost of $510,310. The patent was amortized over its estimated useful life of 10 years using the straight-line method. Amortization expense related to intangible assets was $90,011, $0 and $43,349 for the year ended December 31, 2019 (Successor), and for the periods August 28, 2018 through September 30, 2018 (Successor) and January 1, 2018 through August 27, 2018 (Predecessor), respectively.

The following table outlines the estimated amortization expense related to intangible assets held at December 31, 2019:

Year Ending December 31,	Amount
2020	$ 122,998
2021	122,998
2022	120,583
2023	115,503
2024	115,503
Thereafter	873,609
Total	**$ 1,471,194**

NOTE 7 – CUSTOMERS AND SUPPLIERS

The Company had one customer which accounted for approximately 10% Company's sales in 2019, and one customer that accounted for 10% of the outstanding accounts receivable at the end of 2019. The Company had one customer that accounted for 12% of the outstanding accounts receivable at the end of 2018. The loss of the sales or collections generated by these customers could have a significant effect on the operations of the Company.

The Company purchases all raw materials inventory for its principal product from one vendor. If this vendor became unable to provide materials in a timely manner and the Company was unable to find alternative vendors, the Company's business, operating results and financial condition would be materially adversely affected.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

LICENSE AGREEMENTS AND ROYALTIES

CellerateRX® Activated Collagen®

The Company has an exclusive sublicense to distribute CellerateRX® Activated Collagen® products into the wound care and surgical markets in the United States, Canada and Mexico. The Company pays specified royalties to Applied Nutritionals, LLC based on annual net sales of CellerateRX. The term of the sublicense extends through August 2028, with automatic one-year renewals through December 31, 2049, subject to termination at the end of any renewal term by either party on six months' notice. The Company pays royalties based on its annual net sales of CellerateRX consisting of 3% of all collected net sales each year up to $12,000,000, 4% of all collected net sales each year that exceed $12,000,000 up to $20,000,000, and 5% of all collected net sales each year that exceed $20,000,000. Minimum royalties of $400,000 per year are payable for the first five years of the sublicense agreement.

BIAKŌS™ Antimicrobial Barrier Film and Curashield™ No Sting Skin Protectant

On October 1, 2019, the Company executed an additional license agreement with Rochal Industries, LLC ("Rochal") whereby the Company acquired an exclusive world-wide license to market, sell and further develop certain antimicrobial barrier film and skin protectant products for use in the human health care market utilizing certain Rochal patents and pending patent applications (the "ABF License Agreement"). Currently, the products covered by the ABF License Agreement are BIAKŌS™ Antimicrobial Barrier Film and Curashield™ No Sting Skin Protectant. The Executive Chairman of the Company is also a director of Rochal, and indirectly a significant shareholder of Rochal, and through the potential exercise of warrants a majority shareholder of Rochal. Another Company director is also a director and significant shareholder of Rochal.

Key terms of the ABF License Agreement include:

1. In consideration for the license, the Company paid Rochal $500,000 in October 2019.
2. Subject to the occurrence of specified Company financing conditions in 2020, Sanara will also pay Rochal $500,000, which at Rochal's option may be in cash or the Company's Common Stock; or a combination of cash and Sanara Common Stock.
3. The Company will pay Rochal a royalty of:
   a. 4% of net sales of licensed products in countries in which patents are registered
   b. 2% of net sales of licensed products in countries without patent protection.

   The minimum annual royalty due to Rochal will be $50,000 beginning with the first full calendar year following the year in which first commercial sales of the products occur (the "First Revenue Year"). The annual minimum royalty will increase by 10% each subsequent calendar year up to a maximum amount of $75,000.
4. Beginning with the First Revenue Year, the Company will pay an additional royalty based on specific net profit targets related to the licensed products. Net profits for the licensed products are defined as net sales, less cost of goods sold (including royalties) and direct marketing and selling expenses. The additional royalty will be 25% of the amount of actual net profits in excess of the established net profit targets, subject to a maximum of $500,000 for any calendar year. The established net profit targets for each calendar year are:
   a. First Revenue Year - $1,500,000
   b. Second revenue year - 2021 - $5,000,000
   c. Third revenue year - $8,000,000
   d. Fourth revenue year - $10,000,000
   e. Fifth revenue year - $15,000,000
   f. Beginning with the sixth revenue year and for each calendar year thereafter, net profit targets will be equal to the immediately preceding calendar year's net profit target incremented by the greater of (1) 50% of the U.S. dollar growth in the amount of net profit in the current year over net profit in the immediately preceding calendar year, or (2) the percentage of overall growth of the market for the category by which the licensed products are generally described.

Unless previously terminated or extended by the parties, the ABF License Agreement will terminate upon expiration of the last U.S. patent in October 2033.

The foregoing summary of the ABF License Agreement does not purport to be complete and is qualified in its entirety by reference to the ABF License Agreement. The Company filed a copy of the ABF License Agreement as an exhibit to its Quarterly Report on Form 10-Q filed on November 14, 2019.

BIAKŌS™ Antimicrobial Wound Gel and BIAKŌS™ Antimicrobial Skin and Wound Cleanser

On July 8, 2019, the Company executed a license agreement with Rochal Industries, LLC ("Rochal") whereby the Company acquired an exclusive world-wide license to market, sell and further develop antimicrobial products for the prevention and treatment of microbes on the human body utilizing certain Rochal patents and pending patent applications (the "License Agreement"). Currently, the products covered by the License Agreement are BIAKŌS™ Antimicrobial Wound Gel, and FDA cleared BIAKŌS™ Antimicrobial Skin and Wound Cleanser. The Executive Chairman of the Company is also a director of Rochal, and indirectly a significant shareholder of Rochal, and through the potential exercise of warrants a majority shareholder of Rochal. Another Company director is also a director and significant shareholder of Rochal.

Key terms of the License Agreement include:

1. In consideration for the license, the Company paid to Rochal $1,000,000 and agreed to pay an additional $500,000 upon FDA clearance of the BIAKŌS™ Antimicrobial Wound Gel product for sale within the United States.
2. The Company will pay Rochal a royalty of:
   a. 4% of net sales of licensed products in countries in which patents are registered
   b. 2% of net sales of licensed products in countries without patent protection.

   The minimum annual royalty due to Rochal will be $100,000 beginning with calendar year 2020. The annual minimum royalty will increase by 10% each subsequent calendar year up to a maximum amount of $150,000.
3. Beginning with the 2020 calendar year, the Company will pay an additional royalty based on specific net profit targets related to the licensed products. Net profits for the licensed products are defined as net sales, less cost of goods sold (including royalties) and direct marketing and selling expenses. The additional royalty will be 25% of the amount of actual net profits in excess of the established net profit targets, subject to a maximum of $1,000,000 for any calendar year. The established net profit targets for each calendar year are:
   a. 2020 - $1,500,000
   b. 2021 - $5,000,000
   c. 2022 - $8,000,000
   d. 2023 - $10,000,000
   e. 2024 - $15,000,000
   f. Beginning in 2025 and for each calendar year thereafter, net profit targets will be equal to the immediately preceding calendar year's net profit target incremented by the greater of (1) 50% of the U.S. dollar growth in the amount of net profit in the current year over net profit in the immediately preceding calendar year, or (2) the percentage of overall growth of the market for the category by which the licensed products are generally described.

Unless previously terminated by the parties, the License Agreement will expire with the related patents in December 2031.

The foregoing summary of the License Agreement does not purport to be complete and is qualified in its entirety by reference to the License Agreement. The Company filed a copy of the License Agreement as an exhibit to its Quarterly Report on Form 10-Q filed on August 14, 2019.

Resorbable Bone Hemostat

The Company acquired a patent in 2009 for a resorbable bone hemostat and delivery system for orthopedic bone void fillers. This patent is not part of the Company's long-term strategic focus. The Company subsequently licensed the patent to a third party to market a bone void filler product for which the Company receives a 3% royalty on product sales over the life of the patent, which expires in 2023 with annual minimum royalties of $201,000. The Company pays two unrelated third parties a combined royalty equal to eight percent (8%) of the Company's net revenues or minimum royalties generated from products that utilize the Company's acquired patented bone hemostat and delivery system. To date, royalties received by the Company related to this licensing agreement have not exceeded the annual minimum of $201,000 ($50,250 per quarter). Therefore, the Company's annual royalty obligation under the terms of the license agreement has been $16,080 ($4,020 per quarter).

OPERATING LEASES

The Company has two operating leases: an office space lease with a remaining lease term of 54 months and a copier lease with a remaining lease term of 19 months as of December 31, 2019. In accordance with the transition guidance of ASC 842, such arrangements are included in our balance sheet as of January 1, 2019. All other leases are short-term leases for which out of practical expediency the Company has elected to not recognize lease assets and lease liabilities.

In March 2017, and as amended in March 2018, the Company executed a new office lease effective April 1, 2019 for office space located at 1200 Summit Ave., Suite 414, Fort Worth, TX 76102. On July 1, 2019, the Company amended the office lease agreement which became effective on August 22, 2019 upon completion by landlord of certain leasehold improvements (the “Commencement Date). Under the terms of the amended lease agreement, the Company leased an additional 1,682 rentable square feet of office space which brought the total square footage leased to 5,877. The amended lease agreement extends the original term of the lease for a period of 36 months through June 30, 2024. Upon the Commencement Date of the amended lease, the monthly base rental payments are as follows:

From	Through	Monthly Base Rental
Commencement Date	June 30, 2020	$ 12,243.75
July 1, 2020	June 30, 2021	$ 12,488.63
July 1, 2021	June 30, 2022	$ 12,488.63
July 1, 2022	June 30, 2023	$ 12,733.50
July 1, 2023	June 30, 2024	$ 12,978.38

As the implicit rate in the leases is not determinable, the discount rate applied to determine the present value of lease payments is the Company’s incremental borrowing rate of 6.25%. The office space lease agreement contains no renewal terms, so no lease liability is recorded beyond the termination date. The copier lease can be automatically renewed but no lease liability is recorded beyond the initial termination date as exercising this option is not reasonably certain.

In accordance with the transition guidance of ASC 842, such arrangements are included in our balance sheet as of January 1, 2019. All other leases are short-term leases for which out of practical expediency the Company has elected to not recognize lease assets and lease liabilities. As a result of the adoption of ASC 842, the Company has recorded lease assets of $585,251 and a related lease liability of $598,917 as of December 31, 2019. Cash paid for amounts included in measurement of operating lease liabilities as of December 31, 2019 was $95,530

OTHER COMMITMENTS

At the time of the formation of Sanara Pulsar, it and WCS entered into a supply agreement whereby Sanara Pulsar became the exclusive distributor in the United States of certain wound care products that utilize intellectual property developed and owned by WCS. In 2019, the Company advanced to WCS $200,000 and recorded the payment as a reduction of non-controlling interests. All distributions made by Sanara Pulsar to its members, not including tax distributions, will be made exclusively to Cellerate, LLC until such time as Cellerate, LLC has received an amount of distributions equal to such advances. In the event WCS’s Form K-l from Sanara Pulsar for the year 2020 does not allocate to WCS net income of at least $200,000 ("Target Net Income"), then Cellerate. LLC will, within 30 days after such determination, pay WCS the amount of funds representing the difference between Target Net Income and the actual amount of net income shown on WCS’s Form K-1 for the year 2020. For the years 2021 through 2024 Target Net Income will increase by 10% each year and in the event WCS’s Form K-1 for any of those years does not allocate to WCS net income in an amount at least equal to Target Net Income for such year, then Cellerate, LLC will, within 30 days after such determination, pay WCS the amount of funds representing the difference between Target Net Income and the actual amount of net income shown on WCS’s Form K-1 for the applicable year.

NOTE 9 – STOCKHOLDERS’ EQUITY

PREFERRED STOCK

On October 11, 2013, the Company filed a Certificate of Designations, Number, Voting Power, Preferences and Rights of Series C Convertible Preferred Stock, under which it designated 100,000 shares of Series C Preferred Stock, par value $10.00. The Series C Preferred Stock is entitled to accruing dividends (payable, at the Company’s options, in either cash or stock) of 5% per annum until October 10, 2016, and 3% per annum until October 10, 2018. The Series C Preferred Stock was senior to the Company’s common stock and any other then issued series of the Company’s preferred stock upon liquidation and entitled to a liquidation preference per share equal to the original issuance price of such shares of Series C Preferred Stock together with the amount of all accrued but unpaid dividends thereon. Each of the Series C Shares was convertible at the option of the holder into 10 shares of common stock as provided in the Certificate. Additionally, each holder of Series C Preferred Stock was entitled to vote on all matters submitted for a vote of the holders of Common Stock a number of votes equal to the number of full shares of Common Stock into which such holder’s Series C shares could then be converted.

During February and March 2018, the Company issued 1,005,677 shares of Common Stock for the conversion of 85,561 shares of Series C Convertible Preferred Stock and $1,050,468 of related Series C dividends. Dividends were converted at $7.00 per share. The Series C preferred stock earned dividends of $0 and $28,061 for the years ended December 31, 2019 and December 31, 2018, respectively. As an inducement to encourage the Series C Preferred Stock shareholders to convert their Series C Preferred Stock to Common Stock prior to October 10, 2018, the Company offered to apply the full dividend, (accelerated to October 10, 2018) upon the shareholders exercise of their conversion. The fair value of the extra shares of Common Stock issued to Series C Stock shareholders was $103,197 for dividends that would have accrued from the date of their conversion through October 10, 2018. There were no Series C Shares issued or outstanding as of December 31, 2019 and 2018, and all accrued dividends were converted to Common Stock.

On March 13, 2019, the Company established a new series of preferred stock consisting of 1,200,000 shares of Series F Convertible Preferred Stock, par value of $10.00 per share. After proportionally adjusting to reflect a subsequent 1 for 100 reverse stock split of the Common Stock, each share of Series F Convertible Preferred Stock is convertible at the option of the holder, at any time, into 2 shares of Common Stock. Additionally, each holder of Series F Convertible Preferred Stock is entitled to vote on all matters submitted for a vote of the Company's shareholders with votes equal to the number of shares of Common Stock into which such holder's Series F Preferred shares could then be converted. The Series F Convertible Preferred Stock is senior to the Company's Common Stock as to the payment of dividends (if any) and the distribution of assets. Upon liquidation of the Company, holders of Series F Convertible Preferred Stock are entitled to a liquidation preference of $5 per share. As of December 31, 2019, there were 1,136,815 shares of the Series F Preferred stock issued and outstanding.

The Company evaluated the Series F Preferred Stock under FASB ASC 815 and determined that they do not qualify as derivative liabilities. The Company then evaluated the Series F Preferred Stock for beneficial conversion features under FASB ASC 470-30 and determined that none existed.

COMMON STOCK

On March 6, 2018, the Company issued 226,514 shares of Common Stock for the conversion of $1,200,000 in convertible debt held by related parties and $385,594 in accrued interest. In February and March 2018, the Company issued 1,005,677 shares of Common Stock for the conversion of 85,561 shares of Series C Convertible Preferred Stock and $1,050,468 of related Series C Preferred Stock dividends.

On May 10, 2019 the Company effected a 1-for-100 reverse stock split of the Company's issued and outstanding shares of Common Stock. Concurrent with the reverse stock split, the Company changed its corporate name from Wound Management Technologies, Inc. to Sanara MedTech Inc.

The reverse stock split was previously approved by a majority of shareholders of the Company's outstanding voting stock on March 21, 2019. On May 10, 2019, the Company's Common Stock began trading on the OTCQB market under the symbol "WNDMD" and traded under that symbol until June 6, 2019, at which time the Company changed its trading symbol to "SMTI". The post-split Common Stock is traded under a new CUSIP number 79957L100. In connection with the reverse stock split, the Company also made a corresponding adjustment to the Company's authorized capital stock to reduce the authorized Common Stock to 20,000,000 shares and the authorized preferred stock to 2,000,000 shares, effective May 10, 2019.

The reverse stock split did not change a shareholder's ownership percentage of the Company's Common Stock, except for the small effect where the reverse stock split would result in a shareholder owning a fractional share. No fractional shares were issued as a result of the reverse split. Shareholders who were otherwise entitled to receive a fractional share received a cash payment based on the market price of a share of the common stock on May 13, 2019.

On October 15, 2019, Sanara MedTech Inc. (the "Company") closed a private placement offering of 1,204,820 shares of its common stock at a price of $8.30 per share. All shares sold by the Company were newly issued shares. The purchasers in the offering were related party entities to three members of the Company's Board of Directors. See **Note 4** for more information regarding the private placement transaction.

WARRANTS

There were no warrants outstanding at December 31, 2019 and December 31, 2018.

STOCK OPTIONS

On December 31, 2017, the Company granted a total of 11,500 options to five employees. The aggregate fair value of the awards was determined to be $61,322 and was to be expensed over a three-year vesting period. On April 13, 2018, the Company granted a total of 2,000 options to one employee and one contractor. The aggregate fair value of the awards was determined to be $8,943 and was to be expensed over a three-year vesting period.

The Company's stock option agreements include a provision whereby all outstanding options vest immediately if the Company consummates a transaction resulting in a change in control of the Company, as defined in the stock option agreements. The Cellerate Acquisition on March 15, 2019 (see Note 1 for more information) represented a change in control of the Company for purposes of the stock option agreements. Accordingly, all outstanding stock options fully vested on March 15, 2019. No option expense is reflected in the consolidated statements of operations in 2019.

The following tables summarize the outstanding options as of December 31, 2019 and December 31, 2018 for Successor:

	Successor As of December 31, 2019			Successor As of December 31, 2018		
	Options	Weighted Average Exercise Price	Weighted Average Remaining Contract Life	Options	Weighted Average Exercise Price	Weighted Average Remaining Contract Life
Outstanding at beginning of period	13,500	$ 6.00		-	$ -	
Granted	-	-		-	-	
Exercised	-	-		-	-	
Forfeited	(2,000)	$ 6.00		-	$ -	
Expired	-	-		-	-	
Outstanding at End of Period	11,500	$ 6.00	3.14	-	$ -	-
Exercisable at End of Period	11,500	$ 6.00	3.14	-	$ -	-

NOTE 10 – INCOME TAXES

The Company accounts for income taxes in accordance with ASC Topic No. 740, "Income Taxes." This standard requires the Company to provide a net deferred tax asset or liability equal to the expected future tax benefit or expense of temporary reporting differences between book and tax accounting and any available operating loss or tax credit carry forwards.

After applying the provisions of Section 382 of the Internal Revenue Code, the unexpired net operating loss carry forward at December 31, 2019 is approximately $8,934,000, with a portion expiring every year from 2020 through the 2038 tax year if not used.

As a limited liability company in 2018, the Successor (Cellerate, LLC) was taxed as a partnership for federal income tax purposes and therefore had no federal tax asset or liability as of December 31, 2018. The non-current deferred tax asset is summarized below:

	2019 Successor	2018 Successor
Net operating loss carry forwards, (21% as of December 31, 2019)	$ 1,876,114	$ -
Valuation allowance	(1,876,114)	-
Net non-current deferred tax asset	$ -	$ -

A 100% valuation allowance has been provided for all deferred tax assets, as the ability of the Company to generate sufficient taxable income in the future is uncertain.

Reconciliations of the expected federal income tax benefit based on the statutory income tax rate of 21% to the actual benefit for the years ended December 31, 2019 and 2018 are listed below. As a limited liability company in 2018, the Successor (Cellerate, LLC) was taxed as a partnership, therefore, no reconciliation of federal income tax benefit to actual benefit is presented for 2018.

	2019 Successor	2018 Successor
Expected federal income tax benefit	$ 605,767	$ -
Goodwill amortization	65,957	-
Change in valuation allowance	(294,050)	-
NOL carryover reduced by expiration	(302,134)	-
Pass through entity income allocation	(94,151)	-
Reserve for bad debt	(29,741)	-
Stock-based compensation	48,352	-
Income tax expense (benefit)	$ -	$ -

All tax years starting with 2016 are open for examination.

NOTE 11 – DEBT AND CREDIT FACILITIES

In December 2018, Cellerate, LLC executed agreements with Cadence Bank, N.A. (“Cadence”) which provided Cellerate, LLC access to a revolving line of credit up to a maximum principal amount of $1,000,000. The line of credit supports short-term working capital requirements of Cellerate, LLC. The line of credit is secured by substantially all of the assets of Cellerate, LLC. The interest rate per annum under this loan is the “Prime Rate” as it varies from time to time and designated in the “Money Rates” section of the Wall Street Journal plus 0.75%.

On June 21, 2019, the Company modified the Cadence revolving line of credit to increase the maximum principal amount from $1,000,000 to $2,500,000. Most terms of the modification agreement, including security and interest rate, were unchanged from the original loan agreement. Significant changes under the terms of the modification agreement include extending the maturity date from December 16, 2019 to June 19, 2020, and the addition of a financial covenant requiring the Company to sell additional equity securities in an amount of at least $5,000,000 no later than December 31, 2019.

The total outstanding line of credit balance was $2,200,000 at October 15, 2019. On October 16, 2019, the Company paid down the entire balance of the revolving line of credit with cash proceeds received through a private placement stock offering. See Note 4 for more information regarding the private placement offering.

NOTE 12 - PAYABLES TO RELATED PARTIES

As of December 31, 2019, and 2018, the Company had outstanding payables to related parties totaling $68,668 and $36,203, respectively. The payables are unsecured, bear no interest and are due on demand.

NOTE 13 -- SUBSEQUENT EVENTS

In accordance with applicable accounting standards for the disclosure of events that occur after the balance sheet date but before the financial statements are issued, all significant events or transactions that occurred after December 31, 2019, are outlined below:

On February 7, 2020, The Catalyst Group, Inc., through its affiliates (collectively, “Catalyst”), converted its entire holdings of Sanara MedTech Inc.’s 30-month $1,500,000 convertible promissory note and Series F Convertible Preferred Stock into shares of Sanara Common Stock. The Company issued an aggregate of 2,452,731 shares of Common Stock in the conversions. After the conversions, Catalyst controls the voting of a total of 3,416,587 shares of Common Stock, which represents 56.7% of the 6,023,732 shares of Common Stock currently outstanding.

Catalyst’s managing partner, Ronald Nixon who is executive chairman of the Company’s Board of Directors, is the only Catalyst appointment to the Company’s Board. Catalyst has informed the Company that it does not presently intend to change the composition of the Board other than in the course of adding additional value-added Board members, and notes that the current direction of the Company was developed by the existing management and Board of Directors. The Company understands that Catalyst believes that its objectives for the Company are in line with the plans and future direction for the Company being put in place by the Company’s management.

On February 21, 2020, the Company filed a Form S-8 registration statement which registered an aggregate of 2,000,000 shares of common stock, par value $0.001 per share (the "Common Stock"), that may be issued under the Sanara MedTech Inc. 2014 Omnibus Long-Term Incentive Plan. Pursuant to Rule 416 of the Securities Act of 1933, as amended, this registration statement also covers such additional and indeterminate number of securities as may become issuable pursuant to the provisions of the plan relating to adjustments for changes resulting from a share dividend, share split or similar change.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

In accordance with Exchange Act Rules 13a-15(e), we carried out an evaluation, under the supervision and with the participation of management, including our Principal Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on the evaluation, our Principal Executive Officer and Chief Financial Officer concluded that, due to the small size of the Company and limited segregation of duties, our disclosure controls and procedures were not effective as of December 31, 2019.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external reporting purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness of internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate over time.

Management believes that our policies and procedures provide reasonable assurance that our operations are conducted with a high standard of business ethics. In management's opinion, our financial statements present fairly, in all material respects, our financial position, results of operations, and cash flows. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives. Management applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

The Company's management, specifically its Principal Executive Officer and Chief Financial Officer, has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2019 using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework (2013) and SEC guidance on conducting such assessments. Based on this assessment, management has concluded that as of December 31, 2019, internal control over financial reporting was not effective due to the small size of the Company and limited segregation of duties. Management is currently evaluating the steps that would be necessary to eliminate this material weakness.

No Attestation Report of Registered Public Accounting Firm

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

ITEM 9B. OTHER INFORMATION

On March 10, 2017, the Company and John Siedhoff, the chairman of the Company's Board of Directors, entered into an amendment to the Consulting Agreement, dated April 25, 2016, by and between the Company and Mr. Siedhoff (the "Amendment"). The Amendment: (i) changes the name of the consultant under the Consulting Agreement from John Siedhoff to Twin Oaks Equities, LLC (an entity controlled by Mr. Siedhoff), and (ii) increases the monthly compensation payable under the Consulting Agreement from $15,000 to $20,000, effective as of January 1, 2017. On January 31, 2019 the existing Consulting Agreement was terminated and the Company re-engaged Mr. Siedhoff to provide certain consulting services under a new agreement. The new agreement: (i) commences on February 1, 2019 and continues until December 31, 2020, (ii) compensation for 2019 is $20,000 per month plus cash reimbursement of health insurance premium of $1,947 (iii) compensation for 2020 is $10,000 per month.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Board of Directors

The following table sets forth the names, ages, and positions of the current directors of the Company.

NAME	AGE	POSITION	YEAR FIRST ELECTED
Ronald T. Nixon	64	Executive Chairman	2019
James W. Stuckert	82	Director	2015
S. Oden “Denny” Howell Jr.	80	Director	2015
J. Michael Carmena	64	Vice Chairman	2019
Ann Beal Salamone	69	Director	2019
Kenneth E. Thorpe	63	Director	2019

Ronald T. Nixon, age 64, has been a director of the Company since March 2019 and has served as Executive Chairman of the Board since May 2019. As Executive Chairman, he has been involved in strategy planning, execution and identifying prospective partnerships and acquisitions opportunities for the Company. Mr. Nixon is the Founder and has served as Managing Partner of The Catalyst Group, Inc. since 1990. Mr. Nixon serves on the board of directors of LHC Group, Inc. as well as a number of private companies, including Trilliant Surgical, LLC, Rochal Industries, LLC, and Triad Life Sciences, Inc. Mr. Nixon holds a Bachelor’s degree in Mechanical Engineering from the University of Texas at Austin and is a registered professional engineer in Texas.

James W. Stuckert, age 82, has been a director of the Company since September 2015. Mr. Stuckert has been retired since 2016. Mr. Stuckert served as Chairman and Chief Executive Officer of J.J.B. Hilliard, W.L. Lyons, LLC from December 1995 until December 2003, prior to which he served in executive and broker positions from 1963. J.J.B. Hilliard, W.L. Lyons, LLC is a full-service financial asset management firm headquartered in Louisville, Kentucky. Mr. Stuckert was an initial investor and served 24 years on the board of directors of Royal Gold, Inc. He previously has served as chairman of SenBanc Fund; a director of DataBeam, Inc.; a board member of the Securities Industry Association and chairman of its regional firms committee; and a past member of the nominating committee of the New York Stock Exchange. Mr. Stuckert has served as a member of the board of trustees of the University of Kentucky and as chairman of its Finance Committee and as chairman of its Presidential Search Committee. He has also served as chairman of a local hospital’s investment committee. Mr. Stuckert earned a Bachelor’s degree in Mechanical Engineering and a Master of Business Administration degree from the University of Kentucky.

S. Oden “Denny” Howell, Jr., age 80, has been a director of the Company since September 2015. From 1972 to 2020 he served as president of Howell & Howell Contractors, Inc., a renovation and industrial/commercial painting contractor. Mr. Howell has been a private investor since 1975 with an emphasis in pharmaceutical and medical device companies. He has previously served as a director of a pharmaceutical company and as a member of board of trustees of Lindsey Wilson College in Columbia, Kentucky.

Ann Beal Salamone, M.S., age 69, has been a director of the Company since August 2019. Ms. Salamone is a co-founder of Rochal and has served as its chairman since September 2019, prior to which she served as its president from 1986 to September 2019. She is one of the principal inventors of Rochal’s liquid bandages, antimicrobial compositions and skin regeneration products for burn and wound treatment, and she has participated in the development of products for electronics, water purification, personal care and healthcare. Ms. Salamone has co-founded six companies and invested in and served on the board of directors of several private entrepreneurial companies. Ms. Salamone is a member of the National Academy of Engineering and The Academy of Medicine, Engineering & Science of Texas.

Kenneth E. Thorpe, Ph.D., age 63, has been a director of the Company since August 2019. He has been the Robert W. Woodruff Professor and Chair of the Department of Health Policy & Management of the Rollins School of Public Health of Emory University in Atlanta, Georgia since 1999. From 1983 to 1999 he held faculty positions in the public health departments at Tulane University, the University of North Carolina at Chapel Hill, Harvard University and Columbia University. Since 2007 Dr. Thorpe has served as Chairman of the Partnership to Fight Chronic Disease. He served on the Board of Directors of LHC Group, Inc. in 2010; was a consultant in the Governor's Office and Legislature of West Virginia in 2011; and was Co-Chair of the Partnership for the Future of Medicare in 2013. From 1993 to 1995, Dr. Thorpe served as Deputy Assistant Secretary for Health Policy in the U.S. Department of Health and Human Services where he coordinated all financial estimates and program impacts of the Clinton administration's healthcare reform proposals. In 1991 he was awarded the Young Investigator Award as the most promising health services researcher in the country under age 40 by the Association for Health Services Research. He has authored multiple articles and books on healthcare financing, insurance and healthcare reform. Dr. Thorpe received his Bachelor of Arts degree from the University of Michigan, Master of Arts degree from Duke University, and Ph.D. from the Rand Graduate School.

J. Michael Carmena, age 64, has served as Vice Chairman of the Board and Principal Executive Officer of the Company since May 2019, and served as Chief Executive Officer from February 2018 to May 2019. He served as Chief Financial Officer from December 2016 to April 2018. Prior to joining the Company, Mr. Carmena served as Senior Director, Business & Sales Operations of Smith and Nephew plc (successor to Healthpoint Biotherapeutics) from 2010 to 2013. He served as Senior Director, Finance & Administration of Healthpoint Biotherapeutics from 2008 to 2010 and as Controller from 1998 to 2008, prior to which he held senior financial positions in a company engaged in oil and gas exploration and production, ranching and financial asset management. Mr. Carmena began his professional career in 1978 with Arthur Andersen & Co. and became a CPA in 1981. Mr. Carmena earned a Bachelor of Business Administration degree from Texas Christian University.

Executive Officers

The following table sets forth the names, ages and positions of the executive officers of the Company.

NAME	AGE	POSITION
Zachary B. Fleming	45	Co-Chief Operating Officer and President, Surgical
Shawn M. Bowman	44	Co-Chief Operating Officer and President, Wound Care
Michael D. McNeil	54	Chief Financial Officer
J. Michael Carmena	64	Principal Executive Officer

Zachary B. Fleming was appointed to the position of President, Surgical Division on May 28, 2019, and was named Co-Chief Operating Officer on January 28, 2020. Mr. Fleming joined the Company as Vice President of Sales in November 2017 and was promoted to Vice President, Surgical in September 2018. Mr. Fleming will be responsible for the continued expansion and management of the surgical sales force as well as new product introductions. Mr. Fleming has spent over fourteen years in the medical industry with Healthpoint Biotherapeutics, Smith & Nephew and Sanara MedTech. Mr. Fleming earned a Bachelor of Science from Indiana University.

Shawn M. Bowman, age 44, has served as President, Wound Care Division since May 2019, and was named Co-Chief Operating Officer on January 28, 2020. Mr. Bowman previously served as the Company's Vice President and General Manager, Wound Care since September 2018. Mr. Bowman will be responsible for leading the strategic expansion of the Company's wound care division. Mr. Bowman has over eighteen years of experience in the medical device, biologics and pharmaceutical industries. Prior to joining Sanara MedTech, Mr. Bowman built two successful teams as Senior Vice President of Wellsense, and as a National Sales Director for Smith & Nephew's Advanced Wound Management Division. Mr. Bowman earned a Bachelor of Science in Marketing from the University of Connecticut.

Michael D. McNeil, age 54, has served as Chief Financial Officer since April 2018. Prior to joining the Company, Mr. McNeil served as Controller for Smith and Nephew's U.S. Advanced Wound Management Division from 2012 to 2018. Mr. McNeil previously served as Controller and Assistant Controller with Healthpoint Biotherapeutics from 1999 to 2012. Prior to his employment at Healthpoint, Mr. McNeil held several finance and internal audit positions with Burlington Resources, Snyder Oil Corporation, and Union Pacific Corporation. Mr. McNeil earned his Bachelor of Science in Business Administration from the University of Nebraska and is a Texas certified public accountant.

J. Michael Carmena has served as an executive officer of the Company since December 2016 as described above as a director of the Company.

Indebtedness of Directors and Executive Officers

None of our directors or officers or their respective associates or affiliates is indebted to us.

Family Relationships

There are no family relationships among our directors or executive officers.

Delinquent Section 16(a) Reports

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "*Exchange Act*") requires our directors, executive officers, and persons who own more than 10% of a registered class of our equity securities to file reports with the SEC of ownership and changes in ownership of our common stock and other equity securities of the Company. Based solely on a review of the Section 16(a) forms filed with the SEC and the representations made by the reporting persons to us, during the fiscal year ended December 31, 2019, two of our directors, Kenneth E. Thorpe and Ann Beal Salamone, and two officers, Zachary B. Fleming and Shawn M. Bowman, each filed late a single form, the Initial Statement of Beneficial Ownership, due to an oversight by Company counsel. Family Alignment, LLC and Catalyst Group, Inc. filed a late amendment to the Form 3 filing of FA Sanara, LLC in order to become a group for filing purposes with FA Sanara, LLC due to a delay in receiving EDGAR filing codes from the SEC. All transactions of our directors and officers were timely reported.

Meetings and Committees of the Board

Our business is managed under the direction of the Board of Directors (the "Board"). The Board meets on a regular basis, at least quarterly, to review significant developments affecting the Company and to act on matters requiring the approval of the Board. In addition to regularly scheduled meetings, the Board also holds special meetings when the Company faces a matter requiring attention or action by the Board. The Board does not currently have a standing audit, compensation, nominating or governance committee. The entire Board currently performs the functions of each such committee, participating in all relevant decisions thereof.

Nominations

The existing directors work to identify qualified candidates to serve as nominees for director. When identifying director nominees, the Board may consider, among other factors, the potential nominee's reputation, integrity, independence from the Company, skills and business, government or other professional acumen, bearing in mind the composition of the Board and the current state of the Company and the industry generally. The Board may also consider the number of other public companies for which the person serves as director and the availability of the person's time and commitment to the Company. In the case of current directors being considered for re-nomination, the Board will also consider the director's tenure as a member of the Board, the director's history of attendance at meetings of the Board and the director's preparation for and participation in such meetings.

Shareholders seeking to nominate director candidates may do so in compliance with the Company's Bylaws. Any recommendation must be in writing to the Corporate Secretary of the Company and provide the recommended candidate's name, biographical data and qualifications.

Following identification of the need to add or re-elect a director to the Board, and consideration of the above criteria and any shareholder recommendations, the Board submits its recommended nominees to the shareholders for election at a meeting of shareholders. The Board utilizes this process, rather than a formal nominations committee, because the directors have found that, for the Company the functions of a nominations committee are more than adequately fulfilled by this process.

Board Leadership Structure

The Board believes its leadership structure is appropriate for the Company given the size and scope of our business, the experience and active involvement of our directors, and our corporate governance practices, which include regular communication with and interaction between and among the Executive Chairman, the Co-Chief Operating Officers, the Principal Executive Officer, the Chief Financial Officer, and the directors.

Risk Management

The Board is responsible for overseeing the Company's management and operations. The Board serves in the role of an audit committee, fulfilling its responsibilities for general oversight of the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the independent auditor's qualifications and independence, and risk assessment and management. We believe that the Board provides effective oversight of risk management functions. On a regular basis we perform a risk review wherein the management team evaluates the risks we expect to face in the upcoming year and over a longer-term horizon. Plans are then developed to address the risks identified. In addition, members of our management team periodically present to the Board the strategies, issues and plans for the areas of our business for which they are responsible. While the Board oversees risk management, our management team is responsible for the Company's day-to-day risk management processes. Additionally, the Board requires that management raise exceptional issues to the Board. We believe this division of responsibilities is the most effective approach for addressing the risks we face and that the Board leadership structure supports this approach.

Meeting Attendance

During the fiscal year ended December 31, 2019, there were sixteen board meetings. During 2019, each director attended all board meetings.

Code of Ethics

The Company adopted a Code of Ethics applicable to all directors, officers and employees. The Code of Ethics can be found on the Company's website at http://sanaramedtech.com under the Investors Relations tab.

Shareholder Communications with the Board

Any Company shareholder or other interested party who wishes to communicate with the non-management directors as a group may direct such communications by writing to the:

Corporate Secretary
Sanara MedTech Inc.
1200 Summit Avenue, Suite 414
Fort Worth, TX 76102

The communication must be clearly addressed to the Board of Directors or to a specific director. If a response is desired, the individual should also provide contact information such as name, address and telephone number.

All such communications will be reviewed initially by the Corporate Secretary, who will forward to the appropriate director(s) all correspondence, except for items of the following nature:

- advertising;
- promotions of a product or service;
- patently offensive material; and
- matters completely unrelated to the Board's functions, Company performance, Company policies or that could not reasonably be expected to affect the Company's public perception.

The Corporate Secretary will prepare a periodic summary report of all such communications for the Board. Correspondence not forwarded to the Board will be retained by the Company and will be made available to any director upon such director's request.

ITEM 11. EXECUTIVE COMPENSATION

The following table and the accompanying notes provide summary information for each of the last two fiscal years concerning cash and non-cash compensation awarded to, earned by or paid to executive officers (or those acting in a similar capacity).

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards (a)	Non-equity incentive compensation	Non-qualified deferred compensation earnings	All other compen-sation	Total
		($)	($)	($)	($)	($)	($)	($)	($)
Zachary B. Fleming, Co-Chief Operating Officer and President, Surgical	2019	205,667	90,000	-	-	-	-	-	295,667
	2018	161,452	68,000	-	-	-	-	-	229,452
Shawn M. Bowman, Co-Chief Operating Officer and President, Wound Care	2019	205,667	80,000	-	-	-	-	-	285,667
	2018	58,833	37,000	-	-	-	-	-	95,833
J. Michael Carmena, Principal Executive Officer	2019	209,600	75,000	-	-	-	-	-	284,600
	2018	207,107	60,000	-	-	-	-	-	267,107
Michael D. McNeil, Chief Financial Officer	2019	169,500	63,000	-	-	-	-	-	232,500
	2018	123,625	45,300	-	4,472	-	-	-	173,197

NOTES TO SUMMARY COMPENSATION TABLE

(a) The value of option awards represents the grant date fair value of the stock options, determined in accordance with FASB ASC Topic 718. The grant date value was based on the closing price of the stock on the grant date and determined under the Black Scholes valuation model. The following assumptions on the date of grant were used in the grant date fair value: (i) option exercise price equal to the fair market value of the common stock; (ii) expected option life of 5 years; (iii) dividend yield of 0%;(iv) risk free rate of return of 2.67% for options granted in 2018; and (v) volatility of 145.77% for options granted in 2018.

Employment Agreements

Effective June 1, 2019, the Company entered into employment agreements with two of its executive officers, Shawn M. Bowman and Zachary B. Fleming. Each agreement provides for an initial two-year term, with automatic one-year renewals unless either party gives prior notice to the other party of its desire to terminate the agreement. Each agreement provides for an initial base salary of $225,000, a one-time bonus payment of $25,000, an annual bonus opportunity equal to 50% of base salary, and an initial stock grant equal to $112,500. The initial stock grant vests in one-third increments for each year completed after the date of issuance. In the event the executive is terminated by the Company without cause, the executive shall be entitled to receive a severance package which will include one year of base salary following the effective date of termination, paid in twelve equal monthly installments, and continued participation in any health care benefits provided by the Company to its employees, provided the executive delivers to the Company an executed release of claims.

No executive officer is entitled to payments as a result of a change in control of the Company.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

The following table provides information concerning outstanding equity awards as of December 31, 2019, for our named executive officers. Market values were determined using the last sale price of our Common Stock on December 31, 2019. No stock awards or performance awards have been made under the Company's equity incentive plan, Those columns have been omitted from the following table.

	OPTION AWARDS			
Name	**Number of Securities Underlying Unexercised Options (Exercisable)**	**Number of Securities Underlying Unexercised Options (Unexercisable)**	**Option Exercise Price ($)**	**Option Expiration Date**
J. Michael Carmena	5,000	-	6.00	12/31/2022
Michael D. McNeil	1,000	-	6.00	4/13/2023
Zachary B. Fleming	2,000	-	6.00	12/31/2022
	8,000	-		

2019 DIRECTOR COMPENSATION

We reimburse each director for reasonable travel expenses related to such director's attendance at Board and committee meetings. During 2019, the Company did not pay cash or equity compensation to the members of its Board for their service as directors.

The Company does not sponsor a pension benefits plan, a non-qualified deferred compensation plan or a non-equity incentive plan for its directors.

Retirement Plans

The Company sponsors a 401(k) tax deferred savings plan, whereby the Company matches a portion of employees' contributions in cash. Participation in the plan is voluntary and all employees of the Company who are 18 years of age are eligible to participate. The Company matches employee contributions dollar-for-dollar on the first 4% of an employee's pre-tax earnings, subject to individual IRS limitations.

The Company does not sponsor any pension benefit plans and none of the named executive officers contribute to such a plan.

Non-Qualified Deferred Compensation

The Company does not sponsor any non-qualified defined compensation plans or other non-qualified deferred compensation plans and none of the named executive officers contribute to any such plans.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table provides information as of December 31, 2019, as adjusted for the 1-for-100 reverse stock split which became effective May 10, 2019, regarding shares of common stock that may be issued under the Company's existing equity compensation plans:

Plan Category	Number of shares to be issued upon the exercise of outstanding options	Weighted average exercise price of outstanding options	Number of shares remaining available for future issuance under equity compensation plans (excluding shares reflected in the 2nd column)
Equity compensation plans approved by shareholders	11,500	$ 6.00	1,988,500
Equity compensation plans not approved by shareholders	—	—	—

The following table sets forth, as of February 21, 2020, the number and percentage of outstanding shares of our common stock owned by: (a) each person who is known by us to be the beneficial owner of more than 5% of our outstanding shares of common stock; (b) each of our directors; (c) the named executive officers as defined in Item 402 of Regulation S-K; and (d) all current directors and executive officers, as a group. As of February 21, 2020, there were 6,023,732 shares of common stock issued and outstanding and no shares of Preferred Stock issued and outstanding.

Beneficial ownership has been determined in accordance with Rule 13d-3 under the Exchange Act. Under this rule, certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire shares (for example, upon exercise of an option or warrant) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the number of shares is deemed to include the number of shares beneficially owned by such person by reason of such acquisition rights. As a result, the percentage of shares beneficially owned by a person as shown in the following table does not necessarily reflect the person’s actual voting power at any particular date.

	Common Stock	
OFFICERS AND DIRECTORS:	**Number of Shares Beneficially Owned**	**Beneficial Ownership Percentage**
Ronald T. Nixon (1)	3,416,587	56.7%
James W Stuckert (2)	941,584	15.6%
S. Oden “Denny” Howell Jr. (3)	481,165	8.0%
J. Michael Carmena (4)	5,000	0.1%
Zachery Fleming (5)	2,000	0.0%
Michael D. McNeil (6)	1,000	0.0%
All directors and executive officers as a group (6 persons)	**4,847,336**	**80.5%**

(1) Ronald T. Nixon is a director of the Company and a manager of Catalyst Rochal, LLC, which owns 100% of the equity interest of CGI Cellerate RX, LLC which owns 2,452,731 shares of the Company’s common stock. FA Sanara, LLC owns 963,856 shares of the Company’s common stock. FA Sanara, LLC is managed by Family Alignment, LLC, which is managed by Catalyst Group, Inc. of which Mr. Nixon is President. Mr. Nixon, through a relationship of control of CGI Cellerate RX, LLC and FA Sanara, LLC, may be deemed to share beneficial ownership of the shares of common stock beneficially owned by CGI Cellerate RX, LLC and FA Sanara, LLC. Mr. Nixon has shared power to vote and dispose 3,416,587 shares

(2) Mr. James W. Stuckert may be deemed to beneficially own 39,004 shares held by Diane V. Stuckert and 69,004 shares owned by Ten Grand Ltd. Mr. Stuckert has the sole power to vote and dispose 941,584 shares.

(3) Mr. Denny Howell, Jr is a director of the Company. Mr. Howell has the sole power to vote and dispose 481,165 shares.

(4) Mr. Carmena is an executive officer of the Company and holds stock options currently exercisable for the purchase of 5,000 shares of Common Stock. Mr. Carmena has the sole power to vote and dispose all shares he beneficially owns.

(5) Mr. Fleming is an executive officer of the Company and holds stock options currently exercisable for the purchase of 2,000 shares of Common Stock. Mr. Fleming has the sole power to vote and dispose all shares he beneficially owns.

(6) Mr. McNeil is an executive officer of the Company and holds stock options currently exercisable to purchase of 1,000 shares of Common Stock. Mr. McNeil has the sole power to vote and dispose all shares he beneficially owns.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The Company was a participant in the following transactions with related parties during fiscal years 2019 and 2018.

Mr. Howell and Mr. Stuckert each held a convertible note from the Company payable in the principle amount of $600,000 and accrued interest of $192,797 as of February 18, 2018. On February 19, 2018, each convertible note and $192,797 of accrued interest were converted to 113,257 common shares of the Company's Stock.

The Company paid Catalyst and a Catalyst affiliate a total of $229,356 in 2019. The payments were related to professional services provided to Cellerate, LLC by Catalyst and its affiliate under the terms of the Professional Services agreement between the Catalyst affiliate and the Company which was executed upon the formation of Cellerate, LLC. Amounts due to Catalyst and its affiliate totaled $36,790 at December 31, 2019. The Sanara Executive Chairman is the Founder and Managing Partner of Catalyst.

The Company paid Rochal Industries (“Rochal”) a total of $1,663,073 in 2019, and $12,000 in 2018. In 2019, the Company paid $1,500,000 to Rochal under two separate new product license agreements whereby the Company obtained worldwide rights to market and sell certain FDA cleared products developed by Rochal. Other amounts were paid to Rochal in 2019 primarily for finished goods inventory of the licensed products. The Company will pay Rochal royalties on the licensed products at the rate of 4% of net sales during the term of the licenses. Amounts due to Rochal totaled $31,878 at December 31, 2019.

On October 1, 2019, the Company executed a license agreement with Rochal whereby the Company acquired an exclusive world-wide license to market, sell and further develop certain antimicrobial barrier film and skin protectant products for use in the human health care market utilizing certain Rochal patents and pending patent applications (the “ABF License Agreement”). Currently, the products covered by the ABF License Agreement are BIAKŌS™ Antimicrobial Barrier Film and Curashield™ No Sting Skin Protectant.

On July 8, 2019, the Company executed a license agreement with Rochal whereby the Company acquired an exclusive world-wide license to market, sell and further develop antimicrobial products for the prevention and treatment of microbes on the human body utilizing certain Rochal patents and pending patent applications (the “License Agreement”). Currently, the products covered by the License Agreement are BIAKŌS™ Antimicrobial Wound Gel, and FDA cleared BIAKŌS™ Antimicrobial Skin and Wound Cleanser.

Ronald T. Nixon, Executive Chairman of the Company, is also a director of Rochal, and indirectly a significant shareholder of Rochal, and through the potential exercise of warrants a majority shareholder of Rochal. Anne Beal Salamone, a director of the Company, is a shareholder, the former president and current Chairman of the Board of Rochal.

John C. Siedhoff was a director of the Company during 2018 and resigned that position January 31, 2019. During that period Mr. Siedhoff received compensation in the amount of $260,000 in consulting fees as a consultant to the Company. On January 31, 2019, Mr. Siedhoff entered into a consulting agreement with the Company that terminates December 31, 2020. Under the agreement Mr. Siedhoff earned consulting fees in the amount of $21,947 per month through December 31, 2019. For the period January 1, 2020 through December 31, 2020, Mr. Siedhoff will earn $10,000 per month.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Audit Fees. We engaged MaloneBailey, LLP to conduct annual our audits and review of quarterly financial statements for the years ended December 31, 2019 and December 31, 2018. Audit fees for services performed were $88,000 and $68,303, respectively.

Tax Fees. We engaged Haynie & Company as our accountants for tax-related services for the years ended December 31, 2019 and December 31, 2018, and paid $24,951 and $20,903, respectively.

All Other Fees. We paid no other fees to independent public accountants.

Consideration of Non-audit Services Provided by the Independent Auditors. We paid no other fees to Malone Bailey, LLP for non-audit services.

Audit Committee Pre-Approval Policy

The policy of the Board, in its capacity as the Company's audit committee, is to pre-approve all audit, audit-related and non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, and other services. The Board approved all of the fees described above. The Board may also pre-approve particular services on a case-by-case basis. The independent public accountants are required to periodically report to the Board regarding the extent of services provided by the independent public accountants in accordance with such pre-approval. The Board may also delegate pre-approval authority to one or more of its members. Such member(s) must report any decisions to the Board at the next scheduled Board meeting.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Exhibit No.	Description
2.1	Share Exchange Agreement between Catalyst CellerateRX, LLC and WNDM Medical Inc. (Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated March 21, 2019).
3.1	Articles of Incorporation of Sanara MedTech Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-1 filed April 11, 2008).
3.1.1	Amendment to Articles of Incorporation of Sanara MedTech Inc. (incorporated by reference to Exhibit A to the Registrant's Information Statement filed with the Commission on May 13, 2008).
3.1.2	Amendment to Articles of Incorporation of Sanara MedTech Inc., effective February 20, 2015 (incorporated by reference to Exhibit 4.4 to the Registrant's Registration Statement on Form S-8, filed with the Commission February 21, 2020).
3.1.3	Amendment to Articles of Incorporation of Sanara MedTech Inc. effective May 10, 2019 (incorporated by reference to Exhibit 4.4 to the Registrant's Registration Statement on Form S-8, filed with the Commission February 21, 2020).
3.2	Bylaws (Incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1 filed April 11, 2008)
4.1	Certificate of Designations, of Series F Convertible Preferred Stock (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed March 21, 2019)
10.1 †	Wound Management Technologies, Inc. 2010 Omnibus Long-Term Incentive Plan dated March 12, 2010 effective subject to shareholder approval on or before March 11, 2011 (Incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q filed August 16, 2010)
10.2 *†	Employment Agreement dated June 1, 2019 between Sanara MedTech Inc. and Shawn M. Bowman
10.3 *†	Employment Agreement dated June 1, 2019 between Sanara MedTech Inc. and Zachary B. Fleming
10.4	Contribution Agreement dated August 27, 2018 between Wound Care Innovations, LLC and Catalyst Cellerate RX, LLC (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed November 14, 2018)
10.5	Operating Agreement dated August 27, 2018 between Wound Care Innovations, LLC and Catalyst Cellerate RX, LLC (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed November 14, 2018)
10.6	Sublicense Agreement dated August 27, 2018 between Catalyst Cellerate RX, LLC and Cellerate, LLC (Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed November 14, 2018)

10.7	Professional Services Agreement dated August 27, 2018 between Wound Management Technologies, Inc., Catalyst Cellerate RX, LLC and Cellerate, LLC (Incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed November 14, 2018)
10.8	Convertible Promissory Note to Catalyst Cellerate RX, LLC (Incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed November 14, 2018)
10.9	Product License Agreement dated July 8, 2019 between Sanara MedTech Inc. and Rochal Industries, LLC (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 14, 2019)
10.10	Product License Agreement dated October 1, 2019 between Sanara MedTech Inc. and Rochal Industries, LLC (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on November 14, 2019)
21.1*	List of Subsidiaries*
31.1*	Certification of Principal Executive Officer in accordance with 18 U.S.C. Section 1350, as adopted by Section 302 of the Sarbanes-Oxley Act of 2002*
31.2*	Certification of Principal Financial Officer in accordance with 18 U.S.C. Section 1350, as adopted by Section 302 of the Sarbanes-Oxley Act of 2002*
32.1*	Certification of Principal Executive Officer in accordance with 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002*
32.2*	Certification of Principal Financial Officer in accordance with 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002*
101	Interactive Data Files pursuant to Rule 405 of Regulation S-T

* Filed herewith
† Identifies a management contract or compensatory plan

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

SANARA MEDTECH INC.

March 26, 2020

By: /s/ Michael McNeil
Michael McNeil
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ J. Michael Carmena J. Michael Carmena	PEO (Principal Executive Officer)	March 26, 2020
/s/ Michael McNeil Michael McNeil	Chief Financial Officer (Principal Financial and Accounting Officer)	March 26, 2020
/s/ James W. Stuckert James W. Stuckert	Director	March 26, 2020
/s/ Ronald T. Nixon Mr. Ronald T. Nixon	Chairman	March 26, 2020
/s/ Kenneth E. Thorpe Kenneth E. Thorpe	Director	March 26, 2020
/s/ Ann Beal Salamone Ann Beal Salamone	Director	March 26, 2020
/s/ Oden Howell, Jr. Oden Howell, Jr.	Director	March 26, 2020

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement"), executed to be effective as of June 1, 2019 (the "Effective Date"), is entered into by and between **Sanara MedTech Inc.**, a Texas corporation ("Employer" or the "Company"), and **Shawn M. Bowman**, an individual residing in **Texas** ("Employee"). Employer and Employee may be referred to singularly as "Party" or collectively as "Parties".

W I T N E S S E T H:

1. Employment Term. Employee's employment and the initial term of this Agreement shall commence on the date hereof and continue through May 31, 2021; provided, however, the Agreement shall automatically renew or extend for consecutive terms of twelve (12) months, unless either Party gives prior written notice to the other Party of its desire to terminate the Agreement at least thirty (30) days prior to the expiration of the initial term or any renewal term (collectively, the "Term"). Termination of this Agreement for any reason whatsoever by any Party shall have no effect on the continued enforceability of Sections 9 and 13 through 31 of this Agreement, which shall survive the expiration or termination of this Agreement, except as otherwise provided herein. Employee accepts such employment and agrees to perform the services specified herein, all upon the terms and conditions hereinafter stated.

2. Duties. Employee shall serve in the position of **President-Wound Care Division** of the Company (the "Division") and shall report to and be subject to the general direction and control of the Executive Chairman of the Board (the "Executive Chairman"), as well as collaboratively with the Vice Chairman of the Board, (collectively, the "Executive Team"). Employee is responsible for (i) providing strategic leadership for the Division and the Company by working with the Executive Team to establish long-range goals, strategies, and plans, (ii) collaborate with the Executive Team to develop the policies and direction of the organization, (iii) develop and implement strategies and set the overall direction of the Division, (iv) ensure the Company's Board of Directors (the "Board") has the information necessary to perform their fiduciary duties and other governance responsibilities, (v) direct staff, including organizational structure, professional development, motivation, performance evaluation, discipline, compensation, personnel policies, and procedures, and (vi) shall perform such duties consistent with Employee's position, as well as other duties from time to time assigned to Employee by the Executive Team. Employee further agrees to perform such other services for the Company, and for any parent, subsidiary or affiliate companies of the Company and any partnerships in which the Company may from time to time have an interest (collectively, the "Affiliates"), as the Executive Team shall from time to time specify, if such services are of the nature commonly associated with a position similar to that of Employee's position with a company engaged in activities similar to the activities engaged in by the Company. The terms "Company" and "Employer" as used in this Agreement shall be deemed to include and refer to all such Affiliates.

3. Extent of Service. Employee shall devote his full time, attention, and energy to the business of the Company, and shall not be engaged in any other business activity during the Term of this Agreement. The foregoing shall not be construed as preventing Employee from making passive investments in other businesses or enterprises, if (i) such investments will not require services on the part of Employee which would in any material way impair the performance of his

duties under this Agreement, (ii) such other businesses or enterprises are not engaged in any business competitive with the business of the Company, and (iii) Employee has complied with Sections 12, 13, 14 and 15 of this Agreement with respect to such passive investment.

4. Compensation. As payment for the services to be rendered by Employee hereunder during the Term of this Agreement, Employee shall be entitled to receive the following:

(a) An annual base salary ("Base Salary") in the gross amount of **$225,000**, payable in accordance with Employer's standard payroll practice. The Compensation Committee of the Board (the "Compensation Committee") will periodically review the Base Salary for market adjustments. Any such adjustments may be made at the sole discretion of the Compensation Committee.

(b) During the first year of this Agreement Employee shall receive a Stock grant ("Initial Awarded Stock"). Such number of shares of Initial Awarded Stock shall be determined by dividing **$112,500** by the Initial Stock Price and shall vest at the rate of one-third (1/3) for each completed year after the Effective Date, so long as Employee remains employed by Employer. The Initial Awarded Stock will be granted within thirty (30) days after the earlier to occur of the Public Offering Date or October 31, 2019.

(c) Employee will be eligible for additional grants of Stock each subsequent year commencing on each anniversary date of employment as determined by the Board ("Additional Awarded Stock"). Such number of shares of Additional Awarded Stock shall be determined based on the Average Stock Price and shall vest at the rate of one-third (1/3) for each completed year after the date of issuance, which shall be dated as of the anniversary Effective Date, so long as Employee remains employed by Employer. Any Additional Awarded Stock will be granted within thirty (30) days after each anniversary date from the Effective Date commencing with June 1, 2020 and is contingent on Employee remaining employed by Employer during the entire year from such date.

(d) A one-time payment in the gross amount of $25,000 (the "Payment for Past Services") for past services rendered shall be made within thirty (30) days of the earlier to occur of:

(i) Thirty (30) days after the Public Offering Date; or

(ii) December 31, 2019.

Notwithstanding anything to the contrary contained herein, in the event Employee is not employed by Employer as a result of being terminated for Cause or voluntary resignation at the time the Payment for Past Services is scheduled to be paid, then in such event the Payment for Past Services will not be paid.

(e) A discretionary annual bonus of up to **50%** of Employee's Base Salary associated with the Company's and Employee's performance as determined in the sole discretion of the Compensation Committee based upon the achievement of certain performance milestones set by the Company (the "Discretionary Bonus") as follows:

(i) 40% of the Discretionary Bonus shall be based on strategy implementation; and

(ii) 60% of the Discretionary Bonus shall be based on EBITDA performance.

5. Expenses. During the Term of this Agreement, Employer shall pay or reimburse Employee for all reasonable business related out-of-pocket expenses, including airfare, rental cars and other hired vehicles, meals, hotel accommodations, and similar items incurred by him in connection with the Business of the Company or incurred in accordance with the travel and reimbursement policies of Employer as the same shall be in effect from time to time, upon submission by him of an appropriate statement documenting such expenses as required by the Internal Revenue Code, as amended from time to time.

6. Auto Allowance. During the Term of this Agreement, Employer shall pay Employee an auto allowance of $900 per month, payable monthly with the last payroll payment for each month. A portion of or the entire allowance will be included or excluded from Employee's taxable income in accordance with then current Internal Revenue Service Guidelines.

7. Employee Benefits. During the Term of this Agreement, Employee shall be entitled to participate in all employee benefit plans that are from time to time made generally available to the other employees of Employer, including any retirement plan, group life plan, health or accident insurance, or other employee benefit plans as the same shall be maintained in effect, as determined by the Compensation Committee from time to time; provided, however, the foregoing shall not require Employer to continue or put into effect any plan, practice, policy, or program.

8. Vacation. During the Term of this Agreement, Employee shall be entitled to paid vacation equal to **four (4) weeks per annum**, (accrued 6.15 hours per semi-monthly pay period), such vacation to be subject to Employer's then existing Employee Policy Manual. Employee shall be required to obtain approval from Employer before scheduling any vacation and shall only be entitled to take up to a maximum of ten (10) consecutive days at any one time with the prior approval of the Executive Team.

9. Covenants of Employee. For and in consideration of the employment herein contemplated and the consideration paid or promised to be paid by Employer, Employee does hereby covenant, agree, and promise that during the Term hereof and for a period thereafter to the extent specifically provided in this Agreement as follows:

(a) Employee will not actively engage, directly or indirectly, in any other business if such involvement would (i) interfere with his duties as set forth herein, or (ii) violate the provisions of Section 12 hereunder.

(b) Employee will not engage, directly or indirectly, in any activity that is directly competitive with the business of the Company. This prohibition shall include the ownership, management, operation, control of, employment by, participation in, in any manner, any business of the type that is competitive with the business of Company. Notwithstanding the

foregoing, Employee may make or maintain an investment not to exceed five percent (5%) of the capital stock of any publicly traded company.

(c) Employee will truthfully and accurately make, maintain, and preserve all records and reports that Employer may from time to time request or require.

(d) Employee will fully account for all money, records, goods, wares and merchandise, or other property belonging to Employer of which Employee has custody, and will promptly pay over and deliver the same whenever and however Employee may be reasonably directed to do so.

(e) Employee will obey all rules, regulations, and special instructions applicable to him, including but not limited to, those set forth in the then existing Employee Manual or Handbook of Employer, if any, and will be loyal and faithful to the Company at all times, constantly endeavoring to improve his ability and knowledge of the business in an effort to increase the value of his services for the mutual benefit of the Parties.

(f) Employee agrees that upon termination of his employment hereunder, he will immediately surrender and turn over to Employer all books, records, forms, specifications, formulae, data, processes, papers and writings related to the business of Employer and all other property belonging to Employer, together with all copies of the foregoing, it being understood and agreed that the same are the sole property of Employer.

(g) Employee agrees that all ideas, concepts, processes, discoveries, devices, machines, tools, materials, designs, improvements, inventions, and other things of value (collectively, "Intangible Rights"), whether patentable or not, which are conceived, made, invented, or suggested either by Employee alone or in collaboration with others during the Term of his employment which pertain to the Business (as defined in Section 13 hereunder), and whether or not during regular working hours, shall be promptly disclosed in writing to Employer and shall be the sole and exclusive property of Employer. Employee hereby assigns all of his right, title, and interest in and to all such Intangible Rights to Employer, and Employer's successors or assignees. In the event that any of said Intangible Rights are deemed by Employer to be patentable or otherwise registerable under any federal, state, or foreign law, Employee further agrees that at the expense of Employer, he will execute all documents and do all things necessary, advisable, or proper to obtain patents therefor or registration thereof, and to vest in Employer full title thereto.

10. Mutual Covenants of Employer and Employee. For and in consideration of the employment herein contemplated and the compensation, covenants, conditions, and promises herein recited, Employer and Employee do hereby mutually agree to the following:

(a) Employee shall not, by reason of this Agreement, have any vested interest in, or right, title or claim to, any land, buildings, equipment, machinery, processes, systems, products, contracts, goods, wares, merchandise, business assets, or other things of value belonging to or which may hereafter be acquired, owned or leased from Employee by Employer, without the prior written consent of the Board.

(b) Complete control of the Company, including, but not limited to, their plans, properties, contracts, methods, and policies, shall be established by the Employer and Employee shall not, by reason of anything contained in this Agreement, either express or implied, have any control over such matters, and Employer may, in their sole and absolute discretion, give, sell, assign, transfer or otherwise dispose of any or all of their assets or business in whole or in part, to any person, firm, or corporation, whether or not such person, firm, or corporation is in any manner owned by, associated with, or affiliated with Employer.

(c) Employee acknowledges that the nature of his position with the Company may mandate that Employee perform such duties and render such services as are required of him hereunder.

11. Termination. This Agreement may be terminated as follows:

(a) Termination by Employer for Cause. Employer may terminate the employment of Employee if Employee engages in any of the following conduct (termination for "Cause"):

(i) breaching any material provision of this Agreement;

(ii) misappropriating funds or property of the Company;

(iii) securing any personal profit not thoroughly disclosed to and approved by the Board in connection with any transaction entered into on behalf of the Company;

(iv) engaging in conduct, even if not in connection with the performance of Employee's Duties hereunder, which might be reasonably expected to result in any effect materially adverse to the interests of the Company, such as fraud, dishonesty, indictment or conviction for (or pleading *nolo contendere* to) any felony or a misdemeanor involving moral turpitude, or the indictment for any felony or misdemeanor involving moral turpitude;

(v) failing to fulfill and perform the Duties in accordance with the terms hereof, except for disability or death of Employee, as defined below; or

(vi) failing to comply with corporate policies of the Company that are promulgated from time to time , including, but not limited to, those policies set forth in Section 28.

Notwithstanding anything contained in this Section 11 to the contrary, if any of the provisions of 11(a)(i)-(vi) are of such a nature that the Employer reasonably determines they are curable by Employee, such actions or omissions must remain uncured thirty (30) days after the Employer first provided Employee written notice of the obligation to cure such actions or omissions for Employer to be able to terminate Employee for Cause.

(b) Termination by Employer without Cause. Employer may terminate this Agreement without Cause at any time upon written notice to Employee.

(c) Termination by Employer upon Death or Disability of Employee. Employer may terminate this Agreement upon the Death or Disability of Employee. "Disability" or "Disabled" shall mean the continuous inability, whether mental or physical, of Employee to perform his normal job functions as determined by at least two medical physicians. For purposes of such determination, Employee or his designee shall be entitled to appoint one physician, Employer shall be entitled to appoint one physician.

12. Payment upon Termination.

(a) In the event this Agreement is terminated by Employer for Cause, or by Employee for any reason whatsoever, Employee shall be entitled to receive his Base Salary earned and accrued through the effective date of termination, plus reimbursement for any approved expenses incurred but unpaid as of such date, and no other compensation or benefits whatsoever except as may be required by law. The foregoing payments shall constitute the full and total amount of liquidated damages that Employee shall be entitled to receive from Employer and its Affiliates, and Employee releases any and all other contract or tort claims arising out of his employment relationship with Employer.

(b) In the event this Agreement is terminated by Employer without Cause, Employee shall be entitled to receive a severance package which will include one (1) year of base pay following the effective date of termination, paid in twelve (12) equal monthly installments, and continued participation in any health care benefits provided by Employer to its employees; provided Employee executes and delivers to Employer a release in substantially the form attached hereto as Exhibit A. Any and all amounts received by Employee pursuant to this Section 11(b) shall constitute the full and total amount of liquidated damages that Employee shall be entitled to receive from the Company and its Affiliates, and Employee releases any and all other contract or tort claims arising out of his employment relationship with Employer.

(c) In the event this Agreement is terminated by Employer due to Employee's death or Disability, Employee or Employee's beneficiaries shall be entitled to receive his Base Salary earned and accrued through the effective date of termination, plus reimbursement for any approved expenses incurred but unpaid as of such date, all of which shall constitute the full and total amount of liquidated damages that Employee shall be entitled to receive from the Company and its Affiliates, and Employee releases any and all other contract or tort claims arising out of his employment relationship with Employer.

(d) All amounts due and owing to either Employee or Employer under this Agreement shall be subject to offset to the extent permitted by law by the amount of actual damages, if any, caused to either Party by any breach of this Agreement.

(e) Upon the termination of employment or whenever requested by Employer, Employee shall immediately deliver to Employer all property (including, but not limited to, Employer Confidential Information) in Employee's possession or under Employee's control belonging to Employer.

13. Covenant Not to Compete. Employee recognizes that the Company has business goodwill and other legitimate business interests which must be protected in connection with and in addition to the "Confidential Information" as defined in Section 15 below, and therefore, in exchange for access to the Confidential Information, Employer's agreement to employ Employee on the terms and conditions set forth within this Agreement, the eligibility to participate in the Plan, and the promotion and advertisement by Employer of Employee's skills, abilities, and value in the Company's Business, Employee agrees and covenants that during the Term hereof and for (12) months following the effective date of termination for any reason (the "Restricted Period"), subject to the provisions contained hereinbelow, as follows:

(a) Agreement Not to Compete. Employee will not, either directly or indirectly, (a) for himself, or (b) as a shareholder, owner, partner, joint venturer, promoter, consultant, manager, independent contractor, agent, or in some similar capacity, participate in a Competing Business (as defined below) within the Territory (as defined below).

(b) Agreement Not to Solicit Customers. Employee will not, either directly or indirectly, on his own behalf or in the service of or on behalf of others, solicit or attempt to divert to a Competing Business or to any third party any person, concern, or entity who is or was, or in the future will be (at the time of solicitation), a Customer of the Business (each term as defined below) or of Company (or any Customer of any of the foregoing) whether within or without the Territory, and further, Employee will not, either directly or indirectly, on his own behalf or in the service of or on behalf of others, initiate a call upon any person, concern or entity who is, or was, or in the future will be (at the time of solicitation), a Customer of the Business or of Company for the purpose of diverting or appropriating business to a Competing Business or to any third party, and further, if any such Customers initiate a call upon Employee, then Employee shall not entertain any such call without first receiving approval from Employer.

(c) Agreement Not to Solicit Employees. Employee will not, either directly or indirectly, on his own behalf or in the service of or on behalf of others, solicit, divert, or recruit any employee of Employer to leave such employment or otherwise terminate his or her employment, nor shall Employee hire or otherwise offer employment to any such employee of Employer, whether or not such employment is pursuant to a written contract or at will.

Business means providing, selling or manufacturing wound and skin care and soft tissue repair related products of the type or nature of those provided, sold or manufactured by Company. Wound dressings and adhesives technology and business activities are specifically excluded from this definition.

Competing Business means any person, concern or entity which is engaged in, and to the extent engaged in, a business that is wholly or partially the same as the Business.

Customer means a person or entity which sells to, and/or buys the Company's products or services.

Territory means the United States, including the Louisiana parishes listed on Exhibit B, and any additional countries in which the Company engages in business in any material manner.

(d) Acknowledgment of Enforceability.

(i) Employee expressly acknowledges and agrees that Employee's experience and abilities are such that Employee's observance of the covenants and restrictive agreements contained herein are reasonable as to scope, location and duration and that such observation shall not cause Employee any undue hardship or unreasonably interfere with Employee's ability to earn a livelihood. Employee has been provided with an opportunity to consult with legal counsel of Employee's selection for the meaning of the covenants and restrictions, which have been explained to Employee's satisfaction. Employee hereby agrees that the limitations set forth above are reasonable and necessary for the protection of the Business and the Company. In this regard, Employee specifically agrees that such limitation as to the period of time, geographic area and types and scope of restrictions on his activities are reasonable and necessary to protect the goodwill and other business interests of the Business and the Company.

(ii) Notwithstanding anything contained in this Section 13 to the contrary:

(A) Section 13(a) shall not apply in the states of California, North Dakota and Oklahoma.

(B) Employee shall not be prohibited from working for an entity with a division or subsidiary that competes with the Business and/or the Company, provided: (x) Employee is not directly involved in the provision of services to such division or subsidiary; and (y) such division or subsidiary does not comprise more than ten percent (10%) of the total business activities of the overall entity.

(e) Revision. It is mutually understood and agreed that if any of the provisions relating to the scope, time, or Territory of this Agreement are more extensive than is enforceable under applicable laws or are broader than necessary to protect the goodwill and legitimate business interests of the Business and/or the Purchaser, then the Parties agree that they will reduce the degree and extent of such provisions by whatever minimal amount is necessary to bring such provisions within the ambit of enforceability under applicable law.

(f) Remedies. The invalidity or non-enforceability of this Section 13 in any respect shall not affect the validity or enforceability of any other provisions of this Agreement. The Parties agree that the limitations contained in this Section with respect to time, geographical area and scope of activity are reasonable. In the event that any provision of this Section shall be held invalid or unenforceable by a court of competent jurisdiction by reason of the geographic or business scope or the duration thereof, such invalidity or unenforceability shall attach only to the scope or duration of such provision and shall not affect or render invalid or unenforceable any other provision of this Agreement, and, to the fullest extent permitted by law, this Agreement shall be construed as if the geographic or business scope or the duration of such provision had been more narrowly drafted so as not to be invalid or unenforceable. Each Restricted Person acknowledges that Employer's remedy at law for any breach or threatened breach of the provisions of this Section 13 may be insufficient and may be inadequate and that Employer shall be entitled

to equitable relief, including by way of temporary and permanent injunction, without any requirement to post bond or other security therefor, in addition to any remedies Employer may have at law.

14. Business Opportunities. For as long as Employee shall be employed by Employer and thereafter with respect to any business opportunities learned about during the time of Employee's employment by Employer, Employee agrees that with respect to any future business opportunity or other new and future business proposal which is offered to, or comes to the attention of, Employee during the Term of this Agreement or any renewal term thereof, and which is specifically related to, or connected with, the Business, the Company shall have the right to take advantage of such business opportunity or other business proposal for its own benefit. Employee agrees to promptly deliver notice to Employer in writing of the existence of such opportunity or proposal, and Employee may not take advantage of such opportunity regardless of whether the Company elects to exercise its right to take advantage of such opportunity.

15. Confidential Information. Employee acknowledges that in the course of his employment with Employer, he may receive certain trade secrets, know-how, lists of customers, employee records and other confidential information and knowledge concerning the Business ("Confidential Information"), which Employer desires to protect. Employee understands that such Confidential Information is confidential and agrees not reveal such Confidential Information to anyone outside Employer. Employee further agrees not to use such Confidential Information during the term of this Agreement and thereafter to compete with Employer. Upon termination of this Agreement, Employee shall surrender to Employer all papers, documents, writings, and other property produced by him or coming into his possession by or through this Agreement and relating to the information referred to in this Section 15, which are not general knowledge in the industry, and Employee agrees that all such materials will at all times remain the property of Employer.

16. Ownership and Assignment of Employee-Created Work.

(a) If, during Employee's employment by Employer, Employee creates any original work of authorship fixed in any tangible medium of expression which is the subject matter of copyright or patent (such as videotapes, written presentations, computer programs, drawings, models, manuals, brochures, or the like) relating to Employer's or its Affiliates' business, products, or services, whether such work is created solely by Employee or jointly with others (whether during business hours or otherwise and whether on Employer's premises or otherwise), Employee shall disclose such work to Employer. Employer shall be deemed the author of such work if the work is prepared by Employee in the scope of Employee's employment; or, if the work is not prepared by Employee within the scope of Employee's employment but is specially ordered by Employer as a contribution to a collective work, as a translation, as a supplementary work, as a compilation, or as an instructional text, then the work shall be considered to be work made for hire and Employer shall be the author of the work. If such work is neither prepared by Employee within the scope of Employee's employment nor a work specially ordered and is deemed to be a work made for hire, then Employee hereby agrees to assign, and by these presents does assign, to Employer all of Employee's worldwide right, title, and interest in and to such work and all rights of copyright therein.

(b) Both during the period of Employee's employment by Employer and thereafter, Employee shall assist Employer and its nominee, at any time, in the protection of Employer's worldwide right, title, and interest in and to information, ideas, concepts, improvements, discoveries, and inventions, and its copyrighted works, including without limitation, the execution of all formal assignment documents requested by Employer or its nominee and the execution of all lawful oaths and applications for patents and registration of copyright in the United States and foreign countries.

17. Notices. All notices, requests, consents, demands, or other communications required or permitted to be given pursuant to this Agreement shall be deemed sufficiently given when delivered either (i) personally with a written receipt acknowledging delivery, or (ii) within three (3) business days after the posting thereof by United States first class, registered or certified mail, return receipt requested, with postage fee prepaid and addressed to the following:

If to Employer:	Sanara MedTech Inc. Attn: Ron Nixon, Executive Chairman 1200 Summit Ave, Suite 414 Fort Worth, Texas 76102
with a copy to:	Ewing & Jones, PLLC Attn: Randolph Ewing 6363 Woodway, Suite 1000 Houston, TX 77057
If to Employee:	Shawn Bowman 1010 Deer Hollow Blvd. Southlake, TX 76092

Any Party, at any time, may designate additional or different addresses for subsequent notices or communication by furnishing notice to the other Party in the manner described above.

18. Specific Performance. Employee & Employer acknowledges that a remedy at law for any breach or threatened breach of Sections 13, 14, 15 or 16 of this Agreement will be inadequate and that each Party may be entitled to specific performance, injunctive relief, and any other remedies available to it for such breach or threatened breach. If a bond is required to be posted in order for either Party to secure an injunction, then the Parties stipulate that a bond in the amount of One Thousand and No/100 Dollars ($1,000) will be sufficient and reasonable in all circumstances to protect the rights of the Parties.

19. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provisions shall be ineffective to the extent of such provision or invalidity only, without invalidating the remainder of such provision or any remaining provisions of this Agreement.

20. Assignment. This Agreement may not be assigned by Employee. Neither Employee, his spouse, nor their estates shall have any right to encumber or dispose of any right to receive payments under this Agreement, it being understood that such payments and the right thereto are non-assignable and nontransferable.

21. Binding Effect. Subject to the provisions of Section 19 above, this Agreement shall be binding upon and inure to the benefit of the Parties hereto, Employee's heirs and personal representatives, and the successors and assignees of Employer.

22. Prior Employment Agreements. Employee represents and warrants to Employer that he has fulfilled all of the terms and conditions of all prior employment agreements to which he may be a party or have been a party, and that at the time of execution of this Agreement, Employee is not a party to any other employment agreement, non-solicitation agreement, non-competition covenant or confidentiality agreement. Employee represents and warrants that nothing contained in any agreement that he has with any parties shall preclude Employee from performing all of his duties, obligations and covenants as contained in this Agreement.

23. Waiver. Any waiver to be enforceable must be in writing and executed by the Party against whom the waiver is sought to be enforced.

24. Governing Law; Arbitration. This Agreement shall be construed and enforced in accordance with and governed by the laws of the state of Texas without regard to conflict of laws rules thereof. Each Party agrees that upon the written demand of the other Party, whether made before or after the institution of any legal proceedings, but prior to the rendering of any judgment in that proceeding, all disputes, claims and controversies between them, whether individual, joint, or class in nature, arising from this Agreement, or any document, instrument, or agreement executed in connection herewith, including without limitation contract disputes and tort claims, shall be resolved by binding arbitration pursuant to the Arbitration Rules of the American Arbitration Association ("AAA"). The arbitration shall be conducted by one (1) arbitrator who shall be selected using a listing process whereby the AAA administrator shall provide each party with a list of proposed arbitrators who are generally familiar with the underlying subject matter made the basis of the dispute. Thereafter, each Party shall be given ten (10) days to strike any unacceptable names from the list and number the remaining names in order of mutual preference. The arbitration shall be conducted in Tarrant County, Texas. The language of the arbitration shall be in English. This arbitration provision shall not limit the right of either Party during any dispute, claim or controversy to seek, use, and employ ancillary, or preliminary rights and/or remedies, judicial or otherwise, for the purposes of realizing upon, preserving, or protecting any rights of either Party, and any such action shall not be deemed an election of remedies. Such remedies include, without limitation, obtaining injunctive relief or a temporary restraining order, obtaining a writ of attachment or imposition of a receivership, or exercising any rights relating to personal property, in which event, the Party seeking such equitable relief can file an action in court notwithstanding this arbitration provision. In the event such a court action becomes necessary, each Party agrees to submit to the personal jurisdiction of the federal and state courts located in Tarrant County, Texas. Any disputes, claims or controversies concerning the lawfulness or reasonableness of an act, or exercise of any right or remedy, including any claim to rescind, reform, or otherwise modify this Agreement, shall also be arbitrated; provided, however, that no arbitrator shall have the right or the power to enjoin or restrain any act of either Party. It is understood and

agreed that the arbitrator shall have no authority to award punitive or other damages not measured by the prevailing Party's actual damages, except as may be required by statute. Judgment upon any award rendered by any arbitrator may be entered in any court having jurisdiction. The statute of limitations, estoppel, waiver, laches and similar doctrines which would otherwise be applicable in an action brought by a Party shall be applicable in any arbitration proceeding, and the commencement of an arbitration proceeding shall be deemed the commencement of any action for these purposes. The Federal Arbitration Act (Title 9 of the United States Code) shall apply to the construction, interpretation, and enforcement of this arbitration provision. Each Party shall bear its own costs and expenses and an equal share of the arbitrator's and administrative fees of arbitration.

25. Attorneys' Fees. If any litigation is instituted to enforce or interpret the provisions of this Agreement or the transactions described herein, the prevailing Party in such action shall be entitled to recover its reasonable attorneys' fees from the other Party or Parties hereto.

26. Drafting. Each of the Parties hereto acknowledges that each Party was actively involved in the negotiation and drafting of this Agreement and that no law or rule of construction shall be raised or used in which the provisions of this Agreement shall be construed in favor or against any Party hereto because one is deemed to be the author thereof.

27. Multiple Counterparts. This Agreement may be executed in multiple counterparts, each of which shall have the force and effect of an original, and all of which shall constitute one and the same agreement.

28. Conflict of Interest Policy. It is the express policy of the Company to conduct their affairs in strict compliance with the letter and spirit of the law and to adhere to the highest principles of business ethics. Accordingly, all officers, employees and independent contractors must avoid activities that are in conflict, or give the appearance of being in conflict, with these principles and with the interests of the Company.

The following are potentially compromising situations that must be avoided. Any exceptions must be reported to the President and written approval for continuation must be obtained.

(a) Revealing or misusing confidential information to outsiders. Unauthorized divulging of information is a violation of this policy whether or not for personal gain and whether or not harm to the Company is intended.

(b) Accepting or offering substantial gifts, excessive entertainment, favors, or payments which may be deemed to constitute undue influence or otherwise be improper or embarrassing to the Company.

(c) Accepting or offering consulting or freelance employment for any outside firm or entity, unless otherwise set forth herein.

(d) Initiating or approving any form of personal or sexual harassment of the employees of the Company or its Affiliates.

(e) Investing or holding outside directorships in suppliers, customers, or competing companies, including financial speculation, where such investment or directorship might influence in any manner a decision or course of action by the Company; provided, however, that Employee may own up to five percent (5%) of a publicly traded company that engages in a Competing Business.

(f) Borrowing from or lending to employees, customers, or suppliers.

(g) Improperly using or disclosing to the Company any proprietary information or trade secrets of any former or concurrent employer or other person or entity with whom obligations of confidentiality exist.

(h) Unlawfully discussing prices, costs, customers, sales, or markets with competing companies or their employees.

(i) Making unlawful agreements with competitors with respect to prices.

(j) Engaging in any conduct which is not in the best interest of the Company.

29. Reconstruction of Agreement. Should a court of competent jurisdiction or an arbitrator having jurisdiction declare any of the provisions of this Agreement unenforceable due to any unreasonable restriction of time, geographical area, scope of activity, or otherwise, in lieu of declaring such provision unenforceable, the court, to the extent permissible by law, shall, at Employer's request, revise or reconstruct such provisions in a manner sufficient to cause them to be enforceable.

30. COUNSEL. EMPLOYEE ACKNOWLEDGES THAT HE IS EXECUTING A LEGAL DOCUMENT THAT CONTAINS CERTAIN DUTIES, OBLIGATIONS AND RESTRICTIONS AS SPECIFIED HEREIN. EMPLOYEE FURTHERMORE ACKNOWLEDGES THAT HE HAS BEEN ADVISED OF HIS RIGHT TO RETAIN LEGAL COUNSEL, AND THAT HE HAS EITHER BEEN REPRESENTED BY LEGAL COUNSEL PRIOR TO HIS EXECUTION HEREOF OR HAS KNOWINGLY ELECTED NOT TO BE SO REPRESENTED.

31. Definitions.

Additional Awarded Stock shall mean such number of shares of Stock granted to Employee pursuant to Section 4(c) subject to the vesting requirements contained therein.

Average Stock Price shall mean the average of the closing trading price of the Stock on the Company's then current stock exchange based on the most recent twenty (20) trading days prior to each applicable year for the issuance of the Stock pursuant to Sections 4(b) and 4(c).

Employee Policy Manual shall mean that certain then existing Employee Policy Manual of the Employer, a copy of which has been given to Employee, and which may be amended from time to time by the Employer.

Initial Average Stock Price shall mean the average of the closing trading price of the Employer's stock on the OTSMKTS based on the most recent twenty (20) trading days through October 31, 2019.

Initial Awarded Stock shall mean such number of shares of Stock granted to Employee pursuant to Section 4(b) subject to the vesting requirements contained therein.

Initial Stock Price means the opening price of the Stock if the Public Offering is successfully consummated on or before October 31, 2019, or in the event the Public Offering is not successfully consummated on or before October 31, 2019, shall be the Initial Average Stock Price.

Public Offering shall mean the successful consummation of a sale of new equity securities by the Employer in the gross aggregate amount of at least $5,000,000, consummated in one or a multitude of transactions over no greater than a six (6) month time period.

Public Offering Date shall mean the date that the Public Offering is successfully funded.

Stock shall mean the common stock of the Employer, par value $.001 per share.

By signing below, Employee acknowledges that he has received, read, and agrees to adhere to the terms and conditions contained within this Agreement for confidentiality requirements, assignment of inventions, and conflict of interest guidelines.

Signature Page Follows

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the day and year first above written.

EMPLOYER:

SANARA MEDTECH INC.

M Carmena

By:_____
Its: Vice Chairman

EMPLOYEE:

7/16/19

SHAWN M. BOWMAN

Exhibit A

FORM OF RELEASE[1]

As used in this General Release, the term "claims" shall include all claims, covenants, warranties, promises, undertakings, actions, suits, causes of action, obligations, debts, attorneys' fees, accounts, judgments, losses and liabilities, of whatsoever kind or nature, in law, equity or otherwise.

For and in consideration of the payments described in Section 11 of the Employment Agreement, and other good and valuable consideration, you, for and on behalf of yourself and your heirs, administrators, executors, and assigns, effective as of the Effective Date (as defined herein below), do fully and forever release, remise and discharge Employer, its direct and indirect parents, subsidiaries and affiliates, together with their respective officers, directors, partners, shareholders, members, managers, employees and agents (collectively, the "Group") from any and all claims which you had, may have had, or now have against Employer or any other member of the Group, for or by reason of your employment or the termination of your employment with Employer, including but not limited to claims of breach of contract, wrongful termination, unjust dismissal, defamation, libel or slander, or under any federal, state or local law dealing with discrimination based on age, race, sex, national origin, handicap, religion, disability or sexual preference. This release of claims includes, but is not limited to, all claims arising under the Age Discrimination in Employment Act, Title VII of the Civil Rights Act, the Americans with Disabilities Act, the Civil Rights Act of 1991, the Equal Pay Act, and all other federal, state and local labor and anti-discrimination laws, the common law and any other purported restriction on an employer's right to terminate the employment of employees. You specifically release all claims under the Age Discrimination in Employment Act (the "ADEA") relating to your employment and its termination.

You represent that you have not filed or permitted to be filed against the Group, individually or collectively, any charges, complaints or lawsuits arising out of your employment with Employer and the termination thereof and you covenant and agree that you will not file or permit to be filed any lawsuits at any time hereafter with respect to the subject matter of this General Release and claims released pursuant to this General Release (including, without limitation, any claims relating to the termination of your employment), except as may be necessary to enforce this General Release or to seek a determination of the validity of the waiver of your rights under the ADEA. Nothing in this General Release shall be construed to prohibit you from filing a charge with or participating in any investigation or proceeding conducted by the Equal Employment Opportunity Commission ("EEOC") or a comparable state or local agency. Notwithstanding the foregoing, you agree to waive your right to recover monetary damages in any charge, complaint, or lawsuit filed by you or by anyone else on your behalf. Except as otherwise provided in this paragraph, you will not voluntarily participate in any judicial proceeding of any nature or description against any member of the Group that in any way involves the allegations and facts that you could have raised against any member of the Group as of the Effective Date.

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1 SUBJECT TO CHANGES BASED UPON CHANGES IN LAW AND FACT; FORM OF RELEASE TO BE INCORPORATED INTO A SEPARATION AGREEMENT.

You are specifically agreeing to the terms of this release because Employer has agreed to pay you money and other benefits to which you were not otherwise entitled and has provided such other good and valuable consideration as specified herein. Employer has agreed to provide this money and other benefits because of your agreement to accept it in full settlement of all possible claims you might have or ever had, and because of your execution of this General Release.

You acknowledge that you have read this General Release in its entirety, fully understand its meaning and are executing this General Release voluntarily and of your own free will with full knowledge of its significance. You acknowledge and warrant that you have had the opportunity to consider for twenty-one (21) days the terms and provisions of this General Release and that you have been advised by Employer to consult with an attorney prior to executing this General Release. You may execute this General Release prior to the conclusion of the twenty-one (21) day period, and if you elect to do so, you acknowledge that you have done so voluntarily. You shall have the right to revoke this General Release for a period of seven (7) days following your execution of this General Release, by giving written notice of such revocation to Employer in accordance with Section 16 of the Employment Agreement. This General Release shall not become effective until the eighth (8^{th}) day following your execution of it.

EXHIBIT B

Parishes in the state of Louisiana that are within the Territory

Acadia Parish	East Baton Rouge Parish	Madison Parish	St. Landry Parish
Allen Parish	East Carroll Parish	Morehouse Parish	St. Martin Parish
Ascension Parish	East Feliciana Parish	Natchitoches Parish	St. Mary Parish
Assumption Parish	Evangeline Parish	Orleans Parish	St. Tammany Parish
Avoyelles Parish	Franklin Parish	Ouachita Parish	Tangipahoa Parish
Beauregard Parish	Grant Parish	Plaquemines Parish	Tensas Parish
Bienville Parish	Iberia Parish	Pointe Coupee Parish	Terrebonne Parish
Bossier Parish	Iberville Parish	Rapides Parish	Union Parish
Caddo Parish	Jackson Parish	Red River Parish	Vermilion Parish
Calcasieu Parish	Jefferson Davis Parish	Richland Parish	Vernon Parish
Caldwell Parish	Jefferson Parish	Sabine Parish	Washington Parish
Cameron Parish	Lafayette Parish	St. Bernard Parish	Webster Parish
Catahoula Parish	Lafourche Parish	St. Charles Parish	West Baton Rouge Parish
Claiborne Parish	LaSalle Parish	St. Helena Parish	West Carroll Parish
Concordia Parish	Lincoln Parish	St. James Parish	West Feliciana Parish
DeSoto Parish	Livingston Parish	St. John Parish	Winn Parish

Exhibit 10.3

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement"), executed to be effective as of June 1, 2019 (the "Effective Date"), is entered into by and between **Sanara MedTech Inc.**, a Texas corporation ("Employer" or the "Company"), and **Zachary B. Fleming**, an individual residing in **Texas** ("Employee"). Employer and Employee may be referred to singularly as "Party" or collectively as "Parties".

W I T N E S S E T H:

1. Employment Term. Employee's employment and the initial term of this Agreement shall commence on the date hereof and continue through May 31, 2021; provided, however, the Agreement shall automatically renew or extend for consecutive terms of twelve (12) months, unless either Party gives prior written notice to the other Party of its desire to terminate the Agreement at least thirty (30) days prior to the expiration of the initial term or any renewal term (collectively, the "Term"). Termination of this Agreement for any reason whatsoever by any Party shall have no effect on the continued enforceability of Sections 9 and 13 through 31 of this Agreement, which shall survive the expiration or termination of this Agreement, except as otherwise provided herein. Employee accepts such employment and agrees to perform the services specified herein, all upon the terms and conditions hereinafter stated.

2. Duties. Employee shall serve in the position of **President-Surgery Division** of the Company (the "Division") and shall report to and be subject to the general direction and control of the Executive Chairman of the Board (the "Executive Chairman"), as well as collaboratively with the Vice Chairman of the Board, (collectively, the "Executive Team"). Employee is responsible for (i) providing strategic leadership for the Division and the Company by working with the Executive Team to establish long-range goals, strategies, and plans, (ii) collaborate with the Executive Team to develop the policies and direction of the organization, (iii) develop and implement strategies and set the overall direction of the Division, (iv) ensure the Company's Board of Directors (the "Board") has the information necessary to perform their fiduciary duties and other governance responsibilities, (v) direct staff, including organizational structure, professional development, motivation, performance evaluation, discipline, compensation, personnel policies, and procedures, and (vi) shall perform such duties consistent with Employee's position, as well as other duties from time to time assigned to Employee by the Executive Team. Employee further agrees to perform such other services for the Company, and for any parent, subsidiary or affiliate companies of the Company and any partnerships in which the Company may from time to time have an interest (collectively, the "Affiliates"), as the Executive Team shall from time to time specify, if such services are of the nature commonly associated with a position similar to that of Employee's position with a company engaged in activities similar to the activities engaged in by the Company. The terms "Company" and "Employer" as used in this Agreement shall be deemed to include and refer to all such Affiliates.

3. Extent of Service. Employee shall devote his full time, attention, and energy to the business of the Company, and shall not be engaged in any other business activity during the Term of this Agreement. The foregoing shall not be construed as preventing Employee from making passive investments in other businesses or enterprises, if (i) such investments will not require services on the part of Employee which would in any material way impair the performance of his

duties under this Agreement, (ii) such other businesses or enterprises are not engaged in any business competitive with the business of the Company, and (iii) Employee has complied with Sections 12, 13, 14 and 15 of this Agreement with respect to such passive investment.

4. Compensation. As payment for the services to be rendered by Employee hereunder during the Term of this Agreement, Employee shall be entitled to receive the following:

(a) An annual base salary ("Base Salary") in the gross amount of **$225,000**, payable in accordance with Employer's standard payroll practice. The Compensation Committee of the Board (the "Compensation Committee") will periodically review the Base Salary for market adjustments. Any such adjustments may be made at the sole discretion of the Compensation Committee.

(b) During the first year of this Agreement Employee shall receive a Stock grant ("Initial Awarded Stock"). Such number of shares of Initial Awarded Stock shall be determined by dividing **$112,500** by the Initial Stock Price and shall vest at the rate of one-third (1/3) for each completed year after the Effective Date, so long as Employee remains employed by Employer. The Initial Awarded Stock will be granted within thirty (30) days after the earlier to occur of the Public Offering Date or October 31, 2019.

(c) Employee will be eligible for additional grants of Stock each subsequent year commencing on each anniversary date of employment as determined by the Board ("Additional Awarded Stock"). Such number of shares of Additional Awarded Stock shall be determined based on the Average Stock Price and shall vest at the rate of one-third (1/3) for each completed year after the date of issuance, which shall be dated as of the anniversary Effective Date, so long as Employee remains employed by Employer. Any Additional Awarded Stock will be granted within thirty (30) days after each anniversary date from the Effective Date commencing with June 1, 2020 and is contingent on Employee remaining employed by Employer during the entire year from such date.

(d) A one-time payment in the gross amount of $25,000 (the "Payment for Past Services") for past services rendered shall be made within thirty (30) days of the earlier to occur of:

(i) Thirty (30) days after the Public Offering Date; or

(ii) December 31, 2019.

Notwithstanding anything to the contrary contained herein, in the event Employee is not employed by Employer as a result of being terminated for Cause or voluntary resignation at the time the Payment for Past Services is scheduled to be paid, then in such event the Payment for Past Services will not be paid.

(e) A discretionary annual bonus of up to **50%** of Employee's Base Salary associated with the Company's and Employee's performance as determined in the sole discretion of the Compensation Committee based upon the achievement of certain performance milestones set by the Company (the "Discretionary Bonus") as follows:

(i) 40% of the Discretionary Bonus shall be based on strategy implementation; and

(ii) 60% of the Discretionary Bonus shall be based on EBITDA performance.

5. Expenses. During the Term of this Agreement, Employer shall pay or reimburse Employee for all reasonable business related out-of-pocket expenses, including airfare, rental cars and other hired vehicles, meals, hotel accommodations, and similar items incurred by him in connection with the Business of the Company or incurred in accordance with the travel and reimbursement policies of Employer as the same shall be in effect from time to time, upon submission by him of an appropriate statement documenting such expenses as required by the Internal Revenue Code, as amended from time to time.

6. Auto Allowance. During the Term of this Agreement, Employer shall pay Employee an auto allowance of $900 per month, payable monthly with the last payroll payment for each month. A portion of or the entire allowance will be included or excluded from Employee's taxable income in accordance with then current Internal Revenue Service Guidelines.

7. Employee Benefits. During the Term of this Agreement, Employee shall be entitled to participate in all employee benefit plans that are from time to time made generally available to the other employees of Employer, including any retirement plan, group life plan, health or accident insurance, or other employee benefit plans as the same shall be maintained in effect, as determined by the Compensation Committee from time to time; provided, however, the foregoing shall not require Employer to continue or put into effect any plan, practice, policy, or program.

8. Vacation. During the Term of this Agreement, Employee shall be entitled to paid vacation equal to **four (4) weeks per annum**, (accrued 6.15 hours per semi-monthly pay period), such vacation to be subject to Employer's then existing Employee Policy Manual. Employee shall be required to obtain approval from Employer before scheduling any vacation and shall only be entitled to take up to a maximum of ten (10) consecutive days at any one time with the prior approval of the Executive Team.

9. Covenants of Employee. For and in consideration of the employment herein contemplated and the consideration paid or promised to be paid by Employer, Employee does hereby covenant, agree, and promise that during the Term hereof and for a period thereafter to the extent specifically provided in this Agreement as follows:

(a) Employee will not actively engage, directly or indirectly, in any other business if such involvement would (i) interfere with his duties as set forth herein, or (ii) violate the provisions of Section 12 hereunder.

(b) Employee will not engage, directly or indirectly, in any activity that is directly competitive with the business of the Company. This prohibition shall include the ownership, management, operation, control of, employment by, participation in, in any manner, any business of the type that is competitive with the business of Company. Notwithstanding the

foregoing, Employee may make or maintain an investment not to exceed five percent (5%) of the capital stock of any publicly traded company.

(c) Employee will truthfully and accurately make, maintain, and preserve all records and reports that Employer may from time to time request or require.

(d) Employee will fully account for all money, records, goods, wares and merchandise, or other property belonging to Employer of which Employee has custody, and will promptly pay over and deliver the same whenever and however Employee may be reasonably directed to do so.

(e) Employee will obey all rules, regulations, and special instructions applicable to him, including but not limited to, those set forth in the then existing Employee Manual or Handbook of Employer, if any, and will be loyal and faithful to the Company at all times, constantly endeavoring to improve his ability and knowledge of the business in an effort to increase the value of his services for the mutual benefit of the Parties.

(f) Employee agrees that upon termination of his employment hereunder, he will immediately surrender and turn over to Employer all books, records, forms, specifications, formulae, data, processes, papers and writings related to the business of Employer and all other property belonging to Employer, together with all copies of the foregoing, it being understood and agreed that the same are the sole property of Employer.

(g) Employee agrees that all ideas, concepts, processes, discoveries, devices, machines, tools, materials, designs, improvements, inventions, and other things of value (collectively, "Intangible Rights"), whether patentable or not, which are conceived, made, invented, or suggested either by Employee alone or in collaboration with others during the Term of his employment which pertain to the Business (as defined in Section 13 hereunder), and whether or not during regular working hours, shall be promptly disclosed in writing to Employer and shall be the sole and exclusive property of Employer. Employee hereby assigns all of his right, title, and interest in and to all such Intangible Rights to Employer, and Employer's successors or assignees. In the event that any of said Intangible Rights are deemed by Employer to be patentable or otherwise registerable under any federal, state, or foreign law, Employee further agrees that at the expense of Employer, he will execute all documents and do all things necessary, advisable, or proper to obtain patents therefor or registration thereof, and to vest in Employer full title thereto.

10. Mutual Covenants of Employer and Employee. For and in consideration of the employment herein contemplated and the compensation, covenants, conditions, and promises herein recited, Employer and Employee do hereby mutually agree to the following:

(a) Employee shall not, by reason of this Agreement, have any vested interest in, or right, title or claim to, any land, buildings, equipment, machinery, processes, systems, products, contracts, goods, wares, merchandise, business assets, or other things of value belonging to or which may hereafter be acquired, owned or leased from Employee by Employer, without the prior written consent of the Board.

(b) Complete control of the Company, including, but not limited to, their plans, properties, contracts, methods, and policies, shall be established by the Employer and Employee shall not, by reason of anything contained in this Agreement, either express or implied, have any control over such matters, and Employer may, in their sole and absolute discretion, give, sell, assign, transfer or otherwise dispose of any or all of their assets or business in whole or in part, to any person, firm, or corporation, whether or not such person, firm, or corporation is in any manner owned by, associated with, or affiliated with Employer.

(c) Employee acknowledges that the nature of his position with the Company may mandate that Employee perform such duties and render such services as are required of him hereunder.

11. Termination. This Agreement may be terminated as follows:

(a) Termination by Employer for Cause. Employer may terminate the employment of Employee if Employee engages in any of the following conduct (termination for "Cause"):

(i) breaching any material provision of this Agreement;

(ii) misappropriating funds or property of the Company;

(iii) securing any personal profit not thoroughly disclosed to and approved by the Board in connection with any transaction entered into on behalf of the Company;

(iv) engaging in conduct, even if not in connection with the performance of Employee's Duties hereunder, which might be reasonably expected to result in any effect materially adverse to the interests of the Company, such as fraud, dishonesty, indictment or conviction for (or pleading *nolo contendere* to) any felony or a misdemeanor involving moral turpitude, or the indictment for any felony or misdemeanor involving moral turpitude;

(v) failing to fulfill and perform the Duties in accordance with the terms hereof, except for disability or death of Employee, as defined below; or

(vi) failing to comply with corporate policies of the Company that are promulgated from time to time , including, but not limited to, those policies set forth in Section 28.

Notwithstanding anything contained in this Section 11 to the contrary, if any of the provisions of 11(a)(i)-(vi) are of such a nature that the Employer reasonably determines they are curable by Employee, such actions or omissions must remain uncured thirty (30) days after the Employer first provided Employee written notice of the obligation to cure such actions or omissions for Employer to be able to terminate Employee for Cause.

(b) Termination by Employer without Cause. Employer may terminate this Agreement without Cause at any time upon written notice to Employee.

(c) Termination by Employer upon Death or Disability of Employee. Employer may terminate this Agreement upon the Death or Disability of Employee. "Disability" or "Disabled" shall mean the continuous inability, whether mental or physical, of Employee to perform his normal job functions as determined by at least two medical physicians. For purposes of such determination, Employee or his designee shall be entitled to appoint one physician, Employer shall be entitled to appoint one physician.

12. Payment upon Termination.

(a) In the event this Agreement is terminated by Employer for Cause, or by Employee for any reason whatsoever, Employee shall be entitled to receive his Base Salary earned and accrued through the effective date of termination, plus reimbursement for any approved expenses incurred but unpaid as of such date, and no other compensation or benefits whatsoever except as may be required by law. The foregoing payments shall constitute the full and total amount of liquidated damages that Employee shall be entitled to receive from Employer and its Affiliates, and Employee releases any and all other contract or tort claims arising out of his employment relationship with Employer.

(b) In the event this Agreement is terminated by Employer without Cause, Employee shall be entitled to receive a severance package which will include one (1) year of base pay following the effective date of termination, paid in twelve (12) equal monthly installments, and continued participation in any health care benefits provided by Employer to its employees; provided Employee executes and delivers to Employer a release in substantially the form attached hereto as Exhibit A. Any and all amounts received by Employee pursuant to this Section 11(b) shall constitute the full and total amount of liquidated damages that Employee shall be entitled to receive from the Company and its Affiliates, and Employee releases any and all other contract or tort claims arising out of his employment relationship with Employer.

(c) In the event this Agreement is terminated by Employer due to Employee's death or Disability, Employee or Employee's beneficiaries shall be entitled to receive his Base Salary earned and accrued through the effective date of termination, plus reimbursement for any approved expenses incurred but unpaid as of such date, all of which shall constitute the full and total amount of liquidated damages that Employee shall be entitled to receive from the Company and its Affiliates, and Employee releases any and all other contract or tort claims arising out of his employment relationship with Employer.

(d) All amounts due and owing to either Employee or Employer under this Agreement shall be subject to offset to the extent permitted by law by the amount of actual damages, if any, caused to either Party by any breach of this Agreement.

(e) Upon the termination of employment or whenever requested by Employer, Employee shall immediately deliver to Employer all property (including, but not limited to, Employer Confidential Information) in Employee's possession or under Employee's control belonging to Employer.

13. Covenant Not to Compete. Employee recognizes that the Company has business goodwill and other legitimate business interests which must be protected in connection with and in addition to the "Confidential Information" as defined in Section 15 below, and therefore, in exchange for access to the Confidential Information, Employer's agreement to employ Employee on the terms and conditions set forth within this Agreement, the eligibility to participate in the Plan, and the promotion and advertisement by Employer of Employee's skills, abilities, and value in the Company's Business, Employee agrees and covenants that during the Term hereof and for (12) months following the effective date of termination for any reason (the "Restricted Period"), subject to the provisions contained hereinbelow, as follows:

(a) Agreement Not to Compete. Employee will not, either directly or indirectly, (a) for himself, or (b) as a shareholder, owner, partner, joint venturer, promoter, consultant, manager, independent contractor, agent, or in some similar capacity, participate in a Competing Business (as defined below) within the Territory (as defined below).

(b) Agreement Not to Solicit Customers. Employee will not, either directly or indirectly, on his own behalf or in the service of or on behalf of others, solicit or attempt to divert to a Competing Business or to any third party any person, concern, or entity who is or was, or in the future will be (at the time of solicitation), a Customer of the Business (each term as defined below) or of Company (or any Customer of any of the foregoing) whether within or without the Territory, and further, Employee will not, either directly or indirectly, on his own behalf or in the service of or on behalf of others, initiate a call upon any person, concern or entity who is, or was, or in the future will be (at the time of solicitation), a Customer of the Business or of Company for the purpose of diverting or appropriating business to a Competing Business or to any third party, and further, if any such Customers initiate a call upon Employee, then Employee shall not entertain any such call without first receiving approval from Employer.

(c) Agreement Not to Solicit Employees. Employee will not, either directly or indirectly, on his own behalf or in the service of or on behalf of others, solicit, divert, or recruit any employee of Employer to leave such employment or otherwise terminate his or her employment, nor shall Employee hire or otherwise offer employment to any such employee of Employer, whether or not such employment is pursuant to a written contract or at will.

Business means providing, selling or manufacturing wound and skin care and soft tissue repair related products of the type or nature of those provided, sold or manufactured by Company. Wound dressings and adhesives technology and business activities are specifically excluded from this definition.

Competing Business means any person, concern or entity which is engaged in, and to the extent engaged in, a business that is wholly or partially the same as the Business.

Customer means a person or entity which sells to, and/or buys the Company's products or services.

Territory means the United States, including the Louisiana parishes listed on Exhibit B, and any additional countries in which the Company engages in business in any material manner.

(d) Acknowledgment of Enforceability.

(i) Employee expressly acknowledges and agrees that Employee's experience and abilities are such that Employee's observance of the covenants and restrictive agreements contained herein are reasonable as to scope, location and duration and that such observation shall not cause Employee any undue hardship or unreasonably interfere with Employee's ability to earn a livelihood. Employee has been provided with an opportunity to consult with legal counsel of Employee's selection for the meaning of the covenants and restrictions, which have been explained to Employee's satisfaction. Employee hereby agrees that the limitations set forth above are reasonable and necessary for the protection of the Business and the Company. In this regard, Employee specifically agrees that such limitation as to the period of time, geographic area and types and scope of restrictions on his activities are reasonable and necessary to protect the goodwill and other business interests of the Business and the Company.

(ii) Notwithstanding anything contained in this Section 13 to the contrary:

(A) Section 13(a) shall not apply in the states of California, North Dakota and Oklahoma.

(B) Employee shall not be prohibited from working for an entity with a division or subsidiary that competes with the Business and/or the Company, provided: (x) Employee is not directly involved in the provision of services to such division or subsidiary; and (y) such division or subsidiary does not comprise more than ten percent (10%) of the total business activities of the overall entity.

(e) Revision. It is mutually understood and agreed that if any of the provisions relating to the scope, time, or Territory of this Agreement are more extensive than is enforceable under applicable laws or are broader than necessary to protect the goodwill and legitimate business interests of the Business and/or the Purchaser, then the Parties agree that they will reduce the degree and extent of such provisions by whatever minimal amount is necessary to bring such provisions within the ambit of enforceability under applicable law.

(f) Remedies. The invalidity or non-enforceability of this Section 13 in any respect shall not affect the validity or enforceability of any other provisions of this Agreement. The Parties agree that the limitations contained in this Section with respect to time, geographical area and scope of activity are reasonable. In the event that any provision of this Section shall be held invalid or unenforceable by a court of competent jurisdiction by reason of the geographic or business scope or the duration thereof, such invalidity or unenforceability shall attach only to the scope or duration of such provision and shall not affect or render invalid or unenforceable any other provision of this Agreement, and, to the fullest extent permitted by law, this Agreement shall be construed as if the geographic or business scope or the duration of such provision had been more narrowly drafted so as not to be invalid or unenforceable. Each Restricted Person acknowledges that Employer's remedy at law for any breach or threatened breach of the provisions of this Section 13 may be insufficient and may be inadequate and that Employer shall be entitled

to equitable relief, including by way of temporary and permanent injunction, without any requirement to post bond or other security therefor, in addition to any remedies Employer may have at law.

14. Business Opportunities. For as long as Employee shall be employed by Employer and thereafter with respect to any business opportunities learned about during the time of Employee's employment by Employer, Employee agrees that with respect to any future business opportunity or other new and future business proposal which is offered to, or comes to the attention of, Employee during the Term of this Agreement or any renewal term thereof, and which is specifically related to, or connected with, the Business, the Company shall have the right to take advantage of such business opportunity or other business proposal for its own benefit. Employee agrees to promptly deliver notice to Employer in writing of the existence of such opportunity or proposal, and Employee may not take advantage of such opportunity regardless of whether the Company elects to exercise its right to take advantage of such opportunity.

15. Confidential Information. Employee acknowledges that in the course of his employment with Employer, he may receive certain trade secrets, know-how, lists of customers, employee records and other confidential information and knowledge concerning the Business ("Confidential Information"), which Employer desires to protect. Employee understands that such Confidential Information is confidential and agrees not reveal such Confidential Information to anyone outside Employer. Employee further agrees not to use such Confidential Information during the term of this Agreement and thereafter to compete with Employer. Upon termination of this Agreement, Employee shall surrender to Employer all papers, documents, writings, and other property produced by him or coming into his possession by or through this Agreement and relating to the information referred to in this Section 15, which are not general knowledge in the industry, and Employee agrees that all such materials will at all times remain the property of Employer.

16. Ownership and Assignment of Employee-Created Work.

(a) If, during Employee's employment by Employer, Employee creates any original work of authorship fixed in any tangible medium of expression which is the subject matter of copyright or patent (such as videotapes, written presentations, computer programs, drawings, models, manuals, brochures, or the like) relating to Employer's or its Affiliates' business, products, or services, whether such work is created solely by Employee or jointly with others (whether during business hours or otherwise and whether on Employer's premises or otherwise), Employee shall disclose such work to Employer. Employer shall be deemed the author of such work if the work is prepared by Employee in the scope of Employee's employment; or, if the work is not prepared by Employee within the scope of Employee's employment but is specially ordered by Employer as a contribution to a collective work, as a translation, as a supplementary work, as a compilation, or as an instructional text, then the work shall be considered to be work made for hire and Employer shall be the author of the work. If such work is neither prepared by Employee within the scope of Employee's employment nor a work specially ordered and is deemed to be a work made for hire, then Employee hereby agrees to assign, and by these presents does assign, to Employer all of Employee's worldwide right, title, and interest in and to such work and all rights of copyright therein.

(b) Both during the period of Employee's employment by Employer and thereafter, Employee shall assist Employer and its nominee, at any time, in the protection of Employer's worldwide right, title, and interest in and to information, ideas, concepts, improvements, discoveries, and inventions, and its copyrighted works, including without limitation, the execution of all formal assignment documents requested by Employer or its nominee and the execution of all lawful oaths and applications for patents and registration of copyright in the United States and foreign countries.

17. Notices. All notices, requests, consents, demands, or other communications required or permitted to be given pursuant to this Agreement shall be deemed sufficiently given when delivered either (i) personally with a written receipt acknowledging delivery, or (ii) within three (3) business days after the posting thereof by United States first class, registered or certified mail, return receipt requested, with postage fee prepaid and addressed to the following:

If to Employer:	Sanara MedTech Inc. Attn: Ron Nixon, Executive Chairman 1200 Summit Ave, Suite 414 Fort Worth, Texas 76102
with a copy to:	Ewing & Jones, PLLC Attn: Randolph Ewing 6363 Woodway, Suite 1000 Houston, TX 77057
If to Employee:	Zach Fleming 208 Manor Place Southlake, TX 76092

Any Party, at any time, may designate additional or different addresses for subsequent notices or communication by furnishing notice to the other Party in the manner described above.

18. Specific Performance. Employee & Employer acknowledges that a remedy at law for any breach or threatened breach of Sections 13, 14, 15 or 16 of this Agreement will be inadequate and that each Party may be entitled to specific performance, injunctive relief, and any other remedies available to it for such breach or threatened breach. If a bond is required to be posted in order for either Party to secure an injunction, then the Parties stipulate that a bond in the amount of One Thousand and No/100 Dollars ($1,000) will be sufficient and reasonable in all circumstances to protect the rights of the Parties.

19. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provisions shall be ineffective to the extent of such provision or invalidity only, without invalidating the remainder of such provision or any remaining provisions of this Agreement.

20. Assignment. This Agreement may not be assigned by Employee. Neither Employee, his spouse, nor their estates shall have any right to encumber or dispose of any right to receive payments under this Agreement, it being understood that such payments and the right thereto are non-assignable and nontransferable.

21. Binding Effect. Subject to the provisions of Section 19 above, this Agreement shall be binding upon and inure to the benefit of the Parties hereto, Employee's heirs and personal representatives, and the successors and assignees of Employer.

22. Prior Employment Agreements. Employee represents and warrants to Employer that he has fulfilled all of the terms and conditions of all prior employment agreements to which he may be a party or have been a party, and that at the time of execution of this Agreement, Employee is not a party to any other employment agreement, non-solicitation agreement, non-competition covenant or confidentiality agreement. Employee represents and warrants that nothing contained in any agreement that he has with any parties shall preclude Employee from performing all of his duties, obligations and covenants as contained in this Agreement.

23. Waiver. Any waiver to be enforceable must be in writing and executed by the Party against whom the waiver is sought to be enforced.

24. Governing Law; Arbitration. This Agreement shall be construed and enforced in accordance with and governed by the laws of the state of Texas without regard to conflict of laws rules thereof. Each Party agrees that upon the written demand of the other Party, whether made before or after the institution of any legal proceedings, but prior to the rendering of any judgment in that proceeding, all disputes, claims and controversies between them, whether individual, joint, or class in nature, arising from this Agreement, or any document, instrument, or agreement executed in connection herewith, including without limitation contract disputes and tort claims, shall be resolved by binding arbitration pursuant to the Arbitration Rules of the American Arbitration Association ("AAA"). The arbitration shall be conducted by one (1) arbitrator who shall be selected using a listing process whereby the AAA administrator shall provide each party with a list of proposed arbitrators who are generally familiar with the underlying subject matter made the basis of the dispute. Thereafter, each Party shall be given ten (10) days to strike any unacceptable names from the list and number the remaining names in order of mutual preference. The arbitration shall be conducted in Tarrant County, Texas. The language of the arbitration shall be in English. This arbitration provision shall not limit the right of either Party during any dispute, claim or controversy to seek, use, and employ ancillary, or preliminary rights and/or remedies, judicial or otherwise, for the purposes of realizing upon, preserving, or protecting any rights of either Party, and any such action shall not be deemed an election of remedies. Such remedies include, without limitation, obtaining injunctive relief or a temporary restraining order, obtaining a writ of attachment or imposition of a receivership, or exercising any rights relating to personal property, in which event, the Party seeking such equitable relief can file an action in court notwithstanding this arbitration provision. In the event such a court action becomes necessary, each Party agrees to submit to the personal jurisdiction of the federal and state courts located in Tarrant County, Texas. Any disputes, claims or controversies concerning the lawfulness or reasonableness of an act, or exercise of any right or remedy, including any claim to rescind, reform, or otherwise modify this Agreement, shall also be arbitrated; provided, however, that no arbitrator shall have the right or the power to enjoin or restrain any act of either Party. It is understood and

agreed that the arbitrator shall have no authority to award punitive or other damages not measured by the prevailing Party's actual damages, except as may be required by statute. Judgment upon any award rendered by any arbitrator may be entered in any court having jurisdiction. The statute of limitations, estoppel, waiver, laches and similar doctrines which would otherwise be applicable in an action brought by a Party shall be applicable in any arbitration proceeding, and the commencement of an arbitration proceeding shall be deemed the commencement of any action for these purposes. The Federal Arbitration Act (Title 9 of the United States Code) shall apply to the construction, interpretation, and enforcement of this arbitration provision. Each Party shall bear its own costs and expenses and an equal share of the arbitrator's and administrative fees of arbitration.

25. Attorneys' Fees. If any litigation is instituted to enforce or interpret the provisions of this Agreement or the transactions described herein, the prevailing Party in such action shall be entitled to recover its reasonable attorneys' fees from the other Party or Parties hereto.

26. Drafting. Each of the Parties hereto acknowledges that each Party was actively involved in the negotiation and drafting of this Agreement and that no law or rule of construction shall be raised or used in which the provisions of this Agreement shall be construed in favor or against any Party hereto because one is deemed to be the author thereof.

27. Multiple Counterparts. This Agreement may be executed in multiple counterparts, each of which shall have the force and effect of an original, and all of which shall constitute one and the same agreement.

28. Conflict of Interest Policy. It is the express policy of the Company to conduct their affairs in strict compliance with the letter and spirit of the law and to adhere to the highest principles of business ethics. Accordingly, all officers, employees and independent contractors must avoid activities that are in conflict, or give the appearance of being in conflict, with these principles and with the interests of the Company.

The following are potentially compromising situations that must be avoided. Any exceptions must be reported to the President and written approval for continuation must be obtained.

(a) Revealing or misusing confidential information to outsiders. Unauthorized divulging of information is a violation of this policy whether or not for personal gain and whether or not harm to the Company is intended.

(b) Accepting or offering substantial gifts, excessive entertainment, favors, or payments which may be deemed to constitute undue influence or otherwise be improper or embarrassing to the Company.

(c) Accepting or offering consulting or freelance employment for any outside firm or entity, unless otherwise set forth herein.

(d) Initiating or approving any form of personal or sexual harassment of the employees of the Company or its Affiliates.

(e) Investing or holding outside directorships in suppliers, customers, or competing companies, including financial speculation, where such investment or directorship might influence in any manner a decision or course of action by the Company; provided, however, that Employee may own up to five percent (5%) of a publicly traded company that engages in a Competing Business.

(f) Borrowing from or lending to employees, customers, or suppliers.

(g) Improperly using or disclosing to the Company any proprietary information or trade secrets of any former or concurrent employer or other person or entity with whom obligations of confidentiality exist.

(h) Unlawfully discussing prices, costs, customers, sales, or markets with competing companies or their employees.

(i) Making unlawful agreements with competitors with respect to prices.

(j) Engaging in any conduct which is not in the best interest of the Company.

29. Reconstruction of Agreement. Should a court of competent jurisdiction or an arbitrator having jurisdiction declare any of the provisions of this Agreement unenforceable due to any unreasonable restriction of time, geographical area, scope of activity, or otherwise, in lieu of declaring such provision unenforceable, the court, to the extent permissible by law, shall, at Employer's request, revise or reconstruct such provisions in a manner sufficient to cause them to be enforceable.

30. COUNSEL. EMPLOYEE ACKNOWLEDGES THAT HE IS EXECUTING A LEGAL DOCUMENT THAT CONTAINS CERTAIN DUTIES, OBLIGATIONS AND RESTRICTIONS AS SPECIFIED HEREIN. EMPLOYEE FURTHERMORE ACKNOWLEDGES THAT HE HAS BEEN ADVISED OF HIS RIGHT TO RETAIN LEGAL COUNSEL, AND THAT HE HAS EITHER BEEN REPRESENTED BY LEGAL COUNSEL PRIOR TO HIS EXECUTION HEREOF OR HAS KNOWINGLY ELECTED NOT TO BE SO REPRESENTED.

31. Definitions.

Additional Awarded Stock shall mean such number of shares of Stock granted to Employee pursuant to Section 4(c) subject to the vesting requirements contained therein.

Average Stock Price shall mean the average of the closing trading price of the Stock on the Company's the current stock exchange based on the most recent twenty (20) trading days prior to each applicable year for the issuance of the Stock pursuant to Sections 4(b) and 4(c).

Employee Policy Manual shall mean that certain then existing Employee Policy Manual of the Employer, a copy of which has been given to Employee, and which may be amended from time to time by the Employer.

Initial Average Stock Price shall mean the average of the closing trading price of the Employer's stock on the OTSMKTS based on the most recent twenty (20) trading days through October 31, 2019.

Initial Awarded Stock shall mean such number of shares of Stock granted to Employee pursuant to Section 4(b) subject to the vesting requirements contained therein.

Initial Stock Price means the opening price of the Stock if the Public Offering is successfully consummated on or before October 31, 2019, or in the event the Public Offering is not successfully consummated on or before October 31, 2019, shall be the Initial Average Stock Price.

Public Offering shall mean the successful consummation of a sale of new equity securities by the Employer in the gross aggregate amount of at least $5,000,000, consummated in one or a multitude of transactions over no greater than a six (6) month time period.

Public Offering Date shall mean the date that the Public Offering is successfully funded.

Stock shall mean the common stock of the Employer, par value $.001 per share.

By signing below, Employee acknowledges that he has received, read, and agrees to adhere to the terms and conditions contained within this Agreement for confidentiality requirements, assignment of inventions, and conflict of interest guidelines.

Signature Page Follows

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the day and year first above written.

EMPLOYER:

SANARA MEDTECH INC.

M Carmena

By:_____

Its: Vice Chairman

EMPLOYEE:

ZACHARY B. FLEMING

Exhibit A

FORM OF RELEASE[1]

As used in this General Release, the term "claims" shall include all claims, covenants, warranties, promises, undertakings, actions, suits, causes of action, obligations, debts, attorneys' fees, accounts, judgments, losses and liabilities, of whatsoever kind or nature, in law, equity or otherwise.

For and in consideration of the payments described in Section 11 of the Employment Agreement, and other good and valuable consideration, you, for and on behalf of yourself and your heirs, administrators, executors, and assigns, effective as of the Effective Date (as defined herein below), do fully and forever release, remise and discharge Employer, its direct and indirect parents, subsidiaries and affiliates, together with their respective officers, directors, partners, shareholders, members, managers, employees and agents (collectively, the "Group") from any and all claims which you had, may have had, or now have against Employer or any other member of the Group, for or by reason of your employment or the termination of your employment with Employer, including but not limited to claims of breach of contract, wrongful termination, unjust dismissal, defamation, libel or slander, or under any federal, state or local law dealing with discrimination based on age, race, sex, national origin, handicap, religion, disability or sexual preference. This release of claims includes, but is not limited to, all claims arising under the Age Discrimination in Employment Act, Title VII of the Civil Rights Act, the Americans with Disabilities Act, the Civil Rights Act of 1991, the Equal Pay Act, and all other federal, state and local labor and anti-discrimination laws, the common law and any other purported restriction on an employer's right to terminate the employment of employees. You specifically release all claims under the Age Discrimination in Employment Act (the "ADEA") relating to your employment and its termination.

You represent that you have not filed or permitted to be filed against the Group, individually or collectively, any charges, complaints or lawsuits arising out of your employment with Employer and the termination thereof and you covenant and agree that you will not file or permit to be filed any lawsuits at any time hereafter with respect to the subject matter of this General Release and claims released pursuant to this General Release (including, without limitation, any claims relating to the termination of your employment), except as may be necessary to enforce this General Release or to seek a determination of the validity of the waiver of your rights under the ADEA. Nothing in this General Release shall be construed to prohibit you from filing a charge with or participating in any investigation or proceeding conducted by the Equal Employment Opportunity Commission ("EEOC") or a comparable state or local agency. Notwithstanding the foregoing, you agree to waive your right to recover monetary damages in any charge, complaint, or lawsuit filed by you or by anyone else on your behalf. Except as otherwise provided in this paragraph, you will not voluntarily participate in any judicial proceeding of any nature or description against any member of the Group that in any way involves the allegations and facts that you could have raised against any member of the Group as of the Effective Date.

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1 SUBJECT TO CHANGES BASED UPON CHANGES IN LAW AND FACT; FORM OF RELEASE TO BE INCORPORATED INTO A SEPARATION AGREEMENT.

You are specifically agreeing to the terms of this release because Employer has agreed to pay you money and other benefits to which you were not otherwise entitled and has provided such other good and valuable consideration as specified herein. Employer has agreed to provide this money and other benefits because of your agreement to accept it in full settlement of all possible claims you might have or ever had, and because of your execution of this General Release.

You acknowledge that you have read this General Release in its entirety, fully understand its meaning and are executing this General Release voluntarily and of your own free will with full knowledge of its significance. You acknowledge and warrant that you have had the opportunity to consider for twenty-one (21) days the terms and provisions of this General Release and that you have been advised by Employer to consult with an attorney prior to executing this General Release. You may execute this General Release prior to the conclusion of the twenty-one (21) day period, and if you elect to do so, you acknowledge that you have done so voluntarily. You shall have the right to revoke this General Release for a period of seven (7) days following your execution of this General Release, by giving written notice of such revocation to Employer in accordance with Section 16 of the Employment Agreement. This General Release shall not become effective until the eighth (8^{th}) day following your execution of it.

EXHIBIT B

Parishes in the state of Louisiana that are within the Territory

Acadia Parish	East Baton Rouge Parish	Madison Parish	St. Landry Parish
Allen Parish	East Carroll Parish	Morehouse Parish	St. Martin Parish
Ascension Parish	East Feliciana Parish	Natchitoches Parish	St. Mary Parish
Assumption Parish	Evangeline Parish	Orleans Parish	St. Tammany Parish
Avoyelles Parish	Franklin Parish	Ouachita Parish	Tangipahoa Parish
Beauregard Parish	Grant Parish	Plaquemines Parish	Tensas Parish
Bienville Parish	Iberia Parish	Pointe Coupee Parish	Terrebonne Parish
Bossier Parish	Iberville Parish	Rapides Parish	Union Parish
Caddo Parish	Jackson Parish	Red River Parish	Vermilion Parish
Calcasieu Parish	Jefferson Davis Parish	Richland Parish	Vernon Parish
Caldwell Parish	Jefferson Parish	Sabine Parish	Washington Parish
Cameron Parish	Lafayette Parish	St. Bernard Parish	Webster Parish
Catahoula Parish	Lafourche Parish	St. Charles Parish	West Baton Rouge Parish
Claiborne Parish	LaSalle Parish	St. Helena Parish	West Carroll Parish
Concordia Parish	Lincoln Parish	St. James Parish	West Feliciana Parish
DeSoto Parish	Livingston Parish	St. John Parish	Winn Parish

EXHIBIT 21.1

Subsidiaries of Sanara MedTech Inc.

1. Wound Care Innovations, LLC, a Nevada limited liability company
2. Cellerate, LLC, a Texas a limited liability company
3. Sanara Pulsar, LLC, a Texas limited liability company

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
IN ACCORDANCE WITH 18 U.S.C. SECTION 1350,
AS ADOPTED BY SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, J. Michael Carmena, certify that:

1. I have reviewed this Annual report on Form 10-K of Sanara MedTech Inc. for the fiscal year ended December 31, 2019;

2. Based on my knowledge, this Annual 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. As the registrant's sole certifying officer, I am 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 my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries is made known to me 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 my 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 my 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my 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 controls 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: March 26, 2020

/s/ J. Michael Carmena
J. Michael Carmena, Principal Executive Officer

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
IN ACCORDANCE WITH 18 U.S.C. SECTION 1350,
AS ADOPTED BY SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael McNeil, certify that:

1. I have reviewed this Annual report on Form 10-K of Sanara MedTech Inc. for the fiscal year ended December 31, 2019;

2. Based on my knowledge, this Annual 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. As the registrant's sole certifying officer, I am 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 my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries is made known to me 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 my 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 my 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my 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 controls 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: March 26, 2020

/s/ Michael McNeil
Michael McNeil, Chief Financial Office

EXHIBIT 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
IN ACCORDANCE WITH 18 U.S.C. SECTION 1350,
AS ADOPTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Sanara MedTech Inc. on Form 10-K for the period ending December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof, I, J. Michael Carmena, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 26, 2020

/s/ J. Michael Carmena
J. Michael Carmena, Principal Executive Officer

EXHIBIT 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
IN ACCORDANCE WITH 18 U.S.C. SECTION 1350,
AS ADOPTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Sanara MedTech Inc. on Form 10-K for the period ending December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof, I, Michael McNeil, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 26, 2020

/s/ Michael McNeil
Michael McNeil, Chief Financial Officer