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

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

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

Date of Report (Date of earliest event reported): **February 2, 2021**

Mohawk Group Holdings, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**001-38937**	**83-1739858**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

Mohawk Group Holdings, Inc.
37 East 18th Street, 7th Floor
New York, NY 10003
(Address of Principal Executive Offices)(Zip Code)

(347) 676-1681
(Registrant's telephone number, including area code)

N/A
(Former Name, or Former Address, if Changed Since Last Report)

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

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

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

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

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.0001 par value	MWK	The Nasdaq Stock Market LLC

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

Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Explanatory Note

On February 3, 2021, Mohawk Group Holdings, Inc. ("Mohawk") filed with the Securities and Exchange Commission a Current Report on Form 8-K (the "Initial Form 8-K") to report, among other things, Mohawk's acquisition (the "Acquisition") on February 2, 2021 of certain assets (the "Healing Solutions Assets") of Healing Solutions, LLC (the "Seller") related to Seller's retail and ecommerce business under the brands Healing Solutions, Tarvol, Sun Essential Oils and Artizen (among others), which is conducted through certain physical locations, virtual channels or websites, including amazon.com and healingsolutions.com. This Amendment No. 1 on Form 8-K/A (this "Amendment No. 1") amends the Initial Form 8-K to include financial information required under Item 9.01, which was not previously filed with the Initial Form 8-K and which is permitted to be filed by amendment no later than 71 calendar days after the date on which the Initial Form 8-K was required to be filed. Except as stated in this Explanatory Note, no other information contained in the Initial Form 8-K is changed.

Item 9.01. Financial Statements and Exhibits.

(a) Financial statements of businesses acquired.

The financial statements required by Item 9.01(a) of Form 8-K are filed as Exhibit 99.2 to this Amendment No. 1 and are incorporated herein by reference.

(b) Pro forma financial information.

The pro forma financial information required by Item 9.01(b) of Form 8-K is filed as Exhibit 99.3 to this Amendment No. 1 and is incorporated herein by reference.

(d) Exhibits

23.1	Consent of Mayer Hoffman McCann P.C.
99.2	Audited financial statements of Healing Solutions, LLC as of and for the year ended December 31, 2020.
99.3	Unaudited pro forma condensed combined financial information of Mohawk Group Holdings, Inc. and Healing Solutions, LLC for the year ended December 31, 2020.

SIGNATURES

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

MOHAWK GROUP HOLDINGS, INC.

Date: April 20, 2021

By: /s/ Yaniv Sarig
Name: Yaniv Sarig
Title: *President and Chief Executive Officer*

Exhibit 23.1 - Consent of Mayer Hoffman McCann P.C.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference of our independent auditors' report dated April 13, 2021, relating to the financial statements of Healing Solutions, LLC appearing in this Current Report on Form 8- K of Mohawk Group Holdings, Inc.

/s/ Mayer Hoffman McCann P.C.
Phoenix, Arizona
April 20, 2021

HEALING SOLUTIONS, LLC

FINANCIAL STATEMENTS

Year Ended December 31, 2020

HEALING SOLUTIONS, LLC

FINANCIAL STATEMENTS

Year Ended December 31, 2020

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Member of

HEALING SOLUTIONS, LLC

We have audited the accompanying financial statements of ***Healing Solutions, LLC*** (the "Company"), which comprise the balance sheet as of December 31, 2020, and the related statements of operations and changes in member's equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ***Healing Solutions, LLC*** as of December 31, 2020, and the results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, ***Healing Solutions, LLC*** changed its method of accounting for revenue from contracts with customers effective January 1, 2020 under the modified retrospective method. Our opinion is not modified with respect to this matter.

/s/ Mayer Hoffman McCann P.C.
Phoenix, Arizona
April 13, 2021

HEALING SOLUTIONS, LLC

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2020

ASSETS

CURRENT ASSETS	
Cash	$ 126,840
Accounts receivable	776,798
Inventories	14,430,759
Prepaid expenses	1,202,984
TOTAL CURRENT ASSETS	16,537,381
PROPERTY AND EQUIPMENT, net	843,441
OTHER ASSETS	61,135
TOTAL ASSETS	$ 17,441,957

LIABILITIES AND MEMBER'S EQUITY

CURRENT LIABILITIES	
Accounts payable	$ 2,268,382
Accrued expenses	969,296
Current portion of deferred rent	37,024
Due to parent company	1,179,230
TOTAL CURRENT LIABILITIES	4,453,932
DEFERRED RENT	31,066
TOTAL LIABILITIES	4,484,998
COMMITMENTS AND CONTINGENCIES	
MEMBER'S EQUITY	12,956,959
TOTAL LIABILITIES AND MEMBER'S EQUITY	$ 17,441,957

See Notes to Financial Statements

STATEMENT OF OPERATIONS AND CHANGES IN MEMBER'S EQUITY

NET SALES	$ 77,703,881
COSTS OF GOODS SOLD	29,703,349
GROSS PROFIT	48,000,532
OPERATING EXPENSES	
Advertising expenses	3,568,046
Direct selling expenses	28,613,469
General and administrative expenses	7,922,866
TOTAL OPERATING EXPENSES	40,104,381
INCOME FROM OPERATIONS	7,896,151
OTHER EXPENSES	
Other expense	7,922
Interest expense	94,836
TOTAL OTHER EXPENSES	102,758
NET INCOME	7,793,393
MEMBER'S EQUITY, BEGINNING OF YEAR	6,607,727
CONTRIBUTIONS FROM MEMBER	3,056,000
DISTRIBUTIONS TO MEMBER	(4,500,161)
MEMBER'S EQUITY, END OF YEAR	$ 12,956,959

See Notes to Financial Statements

HEALING SOLUTIONS, LLC

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2020

STATEMENT OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	$ 7,793,393
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation expense	519,738
Changes in operating assets and liabilities	
(Increase) decrease in:	
Accounts receivable	(17,556)
Inventories	(8,293,395)
Prepaid expenses	(1,202,984)
Other assets	40,934
Increase (decrease) in:	
Accounts payable	1,594,601
Accrued expenses	593,242
Deferred rent	(3,435)
Net cash provided by operating activities	1,024,538
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(332,249)
Net cash used in investing activities	(332,249)
CASH FLOWS FROM FINANCING ACTIVITIES	
Increase in due to parent	1,179,230
Payments on long-term debt	(927,965)
Contributions from member	3,056,000
Distributions to member	(4,500,161)
Net cash used in financing activities	(1,192,896)
NET CHANGE IN CASH	(500,607)
CASH, BEGINNING OF YEAR	627,447
CASH, END OF YEAR	$ 126,840

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid for interest	$ 94,836

See Notes to Financial Statements

(1) Nature of operations and basis of presentation

Nature of operations – ***Healing Solutions, LLC*** (the “Company”) is a distributor of essential oils and other products that markets directly to the customer. The Company operates through online retail and eCommerce channels as well as through wholesale sales to brick and mortar outlets. The Company is a Delaware limited liability company and 100% of the Company’s outstanding membership interest is held by Super Transcontinental Holdings, LLC (the “Parent”).

The Company has 100% beneficial interest in the following limited liability companies, collectively known as the Subsidiaries: Best Filter, LLC, Choice Traders, LLC, Heavens Purity, LLC, Optimum Trading Company, LLC, Sun Organic, LLC, Targe, LLC, Taylor & Pappy, LLC, Artizen Oils, LLC, and Prime Time Commerce, LLC. Yellow Dog Sales, LLC is 100% beneficially owned by Prime Time Commerce, LLC. These subsidiaries were formed for the purposes of distributing essential oils under the specific Company brand names.

Basis of accounting – The financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (“US GAAP”). The Financial Accounting Standards Board (“FASB”) sets US GAAP to ensure consistent reporting. References to US GAAP are to the *FASB Accounting Standards Codification* (“ASC”).

Principles of consolidation – The accompanying financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated upon consolidation. These subsidiaries had no significant activity for the year ended December 31, 2020.

(2) Summary of significant accounting policies

Use of estimates – The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash – Cash consists of cash on hand with financial institutions. At times, the Company maintains deposits at financial institutions in excess of federally insured limits. The Company performs periodic evaluations of the relative credit standing of all of the aforementioned institutions.

Inventories – Inventories are stated at the lower of cost or net realizable value with costs determined using the average cost method. Inventories consist primarily of finished goods and raw materials. Costs include the amounts paid to manufacturers for product, tariffs and duties associated with transporting product across national borders, and freight costs associated with transporting the product from manufacturer to warehouse, as applicable. Management estimates the amount of excess and obsolete inventory based on current market trends and average days’ sales of inventory.

(2) Summary of significant accounting policies (continued)

Property and equipment – Property and equipment are stated at cost and depreciated over the estimated useful life of each asset. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the improvements. Annual depreciation is primarily computed using the straight-line method over the following estimated useful lives.

	Estimated useful life
Equipment	3 years
Leasehold improvements	Shorter of remaining life of lease or useful life
Furniture and fixtures	3 - 5 years

Impairment of long-lived assets – The Company accounts for long-lived assets in accordance with FASB ASC 360, *Property, Plant and Equipment.* FASB ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment charges were recorded during the year ended December 31, 2020.

Income taxes – The Company is a limited liability company. This type of organization typically provides that no member is liable for any acts, debts, or liabilities beyond the member's capital contribution. Therefore the Company's taxable income and credits are passed through to the Company's member and no provision or liability for income taxes has been included in the financial statements.

The Company follows the provisions of FASB ASC 740-10, pertaining to the accounting for uncertainty in income taxes. This requires a more likely-than not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in the Company's tax returns.

The Company evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts. At December 31, 2020, management of the Company does not believe it has any uncertain tax positions. The Company's policy is to classify income tax penalties and interest as income tax expense in its financial statements. During the year ended December 31, 2020, the Company did not recognize any such interest or penalties. The Company's tax returns are subject to examination by the Internal Revenue Service generally for three years after they were filed and by state jurisdictions generally for four years after they were filed.

Revenue recognition and adoption of Topic 606 – In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of the new guidance is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized.

(2) Summary of significant accounting policies (continued)

Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. Additionally, the guidance requires disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized. The Company adopted the amendments in ASU 2014-09 ("Topic 606"), as further amended in accordance with ASU 2020-05, effective January 1, 2020, using a modified retrospective method. The adoption of ASU 2014-09 did not have a material impact on the Company's financial statements as the Company's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. The Company's adoption of ASU 2014-09 included the election of certain practical expedients.

The Company derives its revenue from the sale of consumer products. The Company sells its products directly to consumers through online retail channels and through wholesale channels. For direct to consumer sales, the Company considers customer order confirmations to be a contract with the customer. Customer confirmations are executed at the time an order is placed through third party online channels. For wholesale sales, the Company considers the customer purchase order to be the contract. For all of the Company's sales and distribution channels, revenue is recognized when control of the product is transferred to the customer (i.e., when the Company's performance obligation is satisfied), which typically occurs at shipment date. As a result, the Company has a present and unconditional right to payment and records the amount due from the customer in accounts receivable.

While unit prices are generally fixed, the Company provides variable consideration for certain customers, typically in the form of rights of refund, allowances, and early pay discounts (generally 1-2%) for invoices paid within 10 days of delivery. In these instances, the Company reduces the amount recognized as contract revenue by the amount of the discount at the time the discount is taken. The Company utilizes the most likely method to estimate the effect of uncertainty on the amount of variable consideration to which the Company would be entitled, under product sales containing the right of refund. The most likely method is based upon historical experience and periodically evaluated by management for accuracy. Refunds have historically not been material to the financial statements as a whole.

A performance obligation is a promise in a contract to transfer a distinct good to the customer and is the unit of account in ASC Topic 606. A contract's transaction price is recognized as revenue when the performance obligation is satisfied. Each of the Company's contracts have a single distinct performance obligation, which is the promise to transfer individual goods.

For consumer product sales, the Company has elected to treat shipping and handling as fulfillment activities, and not a separate performance obligation. Accordingly, the Company recognizes revenue for the single performance obligation related to product sales at the time control of the merchandise passes to the customer, which is generally at the time of shipment. Shipping and handling expenses were $2,751,596 for the year ended December 31, 2020, which are included in the statement of operations and member's equity under costs of goods sold.

For certain shipping expenses incurred through fulfillment of sales by online merchants, the Company is reimbursed for a portion of these shipping expenses. The shipping credits received for online order fulfillments are recorded net of the related shipping expenses in the statement of operations and member's equity.

The Company collects sales tax, when applicable, on behalf of various taxing authorities. The Company elected the practical expedient for taxes collected from customers and remitted to government authorities, related to the sales of the Company's products, to be excluded from revenues. As such, sales tax amounts are not included in revenue.

(2) Summary of significant accounting policies (continued)

For each contract, the Company considers the promise to transfer products to be the only identified performance obligation. In determining the transaction price, the Company evaluates whether the price is subject to refund or adjustment to determine the net consideration to which the Company expects to be entitled. All of the Company’s revenues as reflected on the statement of operations and member’s equity for the year ended December 31, 2020 are recognized at a point in time.

Selling costs incurred to sell orders through online sales channels generally include merchant and fulfillment fees, which are included under operating expenses in the statement of operations and member’s equity.

Accounts receivable – All online sales are completed and settled at the time of order, with no credit terms offered to customers. Cash settled from these sales is generally remitted to the Company within two weeks subsequent to the date of sale. Accounts receivable from retail customers are stated at the amount billed to customers less an allowance for doubtful accounts, if an allowance is considered necessary. Accounts receivable from retail customers are ordinarily due 30 days after the issuance of the invoice. The period between invoicing and when payment is due is not significant.

Management determines which accounts are past due on a case-by-case basis. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. The Company does not require collateral to support its accounts receivable. Accounts receivable of the Company at December 31, 2020 are considered by management to be collectible in full; therefore, no allowance for doubtful accounts is considered necessary.

Advertising – Costs associated with the Company’s advertising and sales promotion are expensed as incurred and are included in operating expenses. For the year ended December 31, 2020, the Company incurred $3,568,046 for advertising costs, which consists primarily of online advertising expense.

Recent accounting pronouncements – In February 2016, the FASB issued ASU No. 2016-02 – *Leases (Topic 842).* ASU 2016-02 requires that a lease liability and related right-of-use-asset representing the lessee’s right to use or control the asset be recorded on the balance sheet upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statements of operations and the statements of cash flows will be substantially unchanged from the existing lease accounting guidance. The original effective date of ASU 2016-02 was delayed twice pursuant to ASU 2019-10 and ASU 2020-05. The effective date for the Company is now fiscal year ending December 31, 2022, with early adoption permitted. The Company is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

(2) Summary of significant accounting policies (continued)

Subsequent events – The Company has evaluated subsequent events through April 13, 2021, which is the date the financial statements were available to be issued.

On February 2, 2021, the Parent company entered into an asset purchase agreement ("APA") with a third party for the sale of certain assets and assumed liabilities of Healing Solutions, LLC for a total cash purchase price of approximately $15,300,000, plus shares of the third party's common stock and certain earn-out shares. The total purchase price also included the assignment of certain registered intellectual property, customer and supplier agreements, and eCommerce accounts.

There were no liabilities noted as of December 31, 2020 that were assumed by the buyer in the transaction. Total assets acquired that are included in the accompanying balance sheet as of December 31, 2020, consist of the following:

Inventory	$ 7,600,000
Prepaid expenses - deposits on inventory	1,200,000
Total acquired assets	$ 8,800,000

Under the terms of the APA, the buyer also has the right of first refusal on all potential sales of a certain class of finished goods that were not acquired as part of the sale. At the buyer's option, this inventory can be purchased at fixed agreed-to prices which are currently below the Company's related inventory costs. As of December 31, 2020, total such inventory included in the accompanying balance sheet subject to the right of first refusal was approximately $6,720,000. If the buyer were to elect the right of first refusal under the terms of the APA on these inventory items which existed at December 31, 2020, the total potential write down of this related inventory class approximates $3,580,000.

(3) Inventories

Inventories consisted of the following at December 31, 2020:

Inventory on hold	
Raw materials	$ 2,825,746
Finished goods	12,189,531
Total costs	15,015,277
Less: Reserve for obsolescence	(584,518)
Total inventories - net	$ 14,430,759

(4) Property and equipment

Property and equipment consisted of the following at December 31, 2020:

Cost:	
Equipment	$ 1,552,418
Leasehold improvements	144,419
Furniture and fixtures	185,979
Total cost	1,882,816
Accumulated depreciation and amortization	(1,039,375)
Net property and equipment	$ 843,441

Depreciation expense was $519,738 for the year ended December 31, 2020.

(5) Long-term debt

In November 2019, the Company entered into a working capital loan agreement with a third party in the amount of $1,000,000, maturing after 12 months, payable in bi-weekly installments of approximately $45,000, and bearing interest at a rate of 14.72% per annum. The loan was repaid in full during the year ended December 31, 2020. Interest expense incurred under the loan during the year ended December 31, 2020 was $94,836.

(6) Due to Parent

In May 2020, the Parent transferred unsecured borrowings to the Company of approximately $1,200,000, the proceeds of which were largely used to cover the cost of payroll and other operating expenses. The borrowings are due on demand and the Company expects the outstanding balance as of December 31, 2020 to be repaid within the next twelve months as of the report date.

(7) Operating leases

The Company leases office and storage facilities as well as various equipment and vehicles under operating lease agreements that expire in various years through May 2024. The Company's building lease agreements also include provisions for the Company to pay a proportional share of operating expenses and taxes. Minimum future rental commitments for all non-cancellable operating leases having original or remaining lease terms in excess of one year at December 31, 2020 are as follows:

Years Ending December 31,	
2021	$ 351,600
2022	335,600
2023	91,900
2024	22,700
Total minimum future rental commitments	$ 801,800

Total rent expense, including the Company's proportionate share of operating expenses and taxes, for the year ended December 31, 2020 was approximately $607,000. Certain lease agreements include escalating rent payments and the Company has recognized a deferred rent liability of $68,090 as a result of the straight-line rental expense exceeding the payments made.

(8) <u>401(k) plan</u>

The Company maintains a 401(k) defined contribution benefit plan that covers employees who meet specified age and service requirements. The Company made a matching contribution for the year ended December 31, 2020 of approximately $102,000.

(9) <u>Concentrations</u>

Major contracts – During 2020, the Company had a service contract with a third party that allows the Company's products to be marketed and sold on the third party's online platform. The third party provides inventory management and storage, performance metrics tools, fulfillment, advertising, and customer return services in exchange for a percentage of revenue. During the year ended December 31, 2020, the accompanying statement of operations and member's equity includes recognized revenues with this party of approximately $69,000,000 and paid merchant fees of approximately $28,000,000. Loss of this contract could adversely impact the Company's operations.

Major suppliers – During 2020, the Company purchased 15% of its inventory from one vendor. As of December 31, 2020, accounts payable due to this vendor was approximately 13% of the total accounts payable in the accompanying balance sheet.

(10) <u>Commitments</u>

During the year ended December 31, 2020, the Company pre-paid approximately $653,000 and $531,000 for non-refundable deposits on expected inventory purchases, and inventory purchases that were only partially received by December 31, 2020, respectively. The purchase orders are generally noncancellable and the amounts are reflected under prepaid assets in the accompanying balance sheet. For deposits on future inventory purchases, the remaining amounts owed under the purchase orders are due upon the supplier's shipment of the goods.

During the ordinary course of business, the Company will enter into agreements for the purchase of inventory. There are no required spending or minimum commitments. Purchase orders entered into during the year ended December 31, 2020 for expected inventory purchases to be recognized and paid upon delivery of the goods total to approximately $1,800,000. The Company expects these orders to be delivered in the upcoming twelve months as of the report date.

(11) <u>Contingencies, risks and uncertainties</u>

General contingencies – In the ordinary course of conducting its business, the Company may periodically be liable for certain business-related items including litigation, taxes or other matters. Any probable and estimable loss contingencies in excess of amounts covered by business liability insurance are included in accrued expenses. It is the best judgment of management that neither the financial position nor results of operations of the Company will be materially affected by the final outcome of these business-related items.

In December 2015, the Company made certain purchases from a supplier located in China for certain products including duties owed on those purchases, and received a complaint from the United States Department of Commerce that the Company failed to use the correct rate code on the purchases. The Company estimates the potential penalties for this matter are in the range of $650,000 to $750,000. As of December 31, 2020, the Company has recorded a loss contingency of approximately $600,000 which is included in accrued expenses in the accompanying balance sheet.

Other – On March 11, 2020 the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The operations of the Company may be significantly impacted by the pandemic and could result in material changes in the Company's results of operations and financial position. As of the date of the financial statements, the Company's operations have not been significantly negatively impacted, however, demand for the Company's products may significantly decrease and could result in lost revenue, additional costs or impairment, or delays in collection of accounts receivable. The extent of the impact of the pandemic are highly uncertain and cannot be predicted.

Exhibit 99.3

MOHAWK GROUP HOLDINGS, INC.

UNAUDITED PRO FORMA CONDENSED, CONSOLIDATED, AND COMBINED FINANCIAL INFORMATION

Unaudited Pro Forma Condensed, Consolidated, and Combined Financial Information as of and for the Year-Ended December 31, 2020.

On February 3, 2021, Mohawk Group Holdings, Inc. (the "Company", "Mohawk" or "MGHI") filed with the Securities and Exchange Commission (the "SEC") a Current Report on Form 8-K (the "Initial Form 8-K") to report, among other things, Mohawk's acquisition (the "Acquisition") on February 2, 2021 of certain assets (the "Healing Solutions Assets") of Healing Solutions, LLC (the "Seller" or "Healing") related to Seller's retail and ecommerce business under the brands Healing Solutions, Tarvol, Sun Essential Oils and Artizen (among others), which is conducted through certain physical locations, virtual channels or websites, including amazon.com.

The following unaudited pro forma condensed, consolidated, and combined financial statements of MGHI and Healing("Healing") (the "pro forma financial statements") include an unaudited pro forma condensed, consolidated, and combined balance sheet (the "pro forma balance sheet") as of December 31, 2020 as if the Acquisition had occurred on such date. The unaudited pro forma condensed, consolidated, and combined statement of income and loss for the year-ended December 31, 2020 (the "pro forma statement of income and loss") has been prepared as if the Acquisition had occurred on January 1, 2020.

The pro forma financial information has been prepared by MGHI in accordance with Article 11 of Regulation S-X, in accordance with SEC Final Rule Release No. 33-10786, Amendments to Financial Disclosures About Acquired and Disposed Businesses. The pro forma financial information reflects transaction related adjustments management believes are necessary to present fairly MGHI's pro forma results of operations and financial position following the closing of the Acquisition as of and for the period indicated. The transaction-related adjustments are based on currently available information and assumptions management believes are, under the circumstances and given the information available at this time, reasonable, and reflective of adjustments necessary to report MGHI's financial condition and results of operations as if the Acquisition was completed on the assumed dates.

The pro forma financial statements are for informational purposes only and are not intended to represent or to be indicative of the actual results of operations or financial position that the combined MGHI and Healing would have reported had the Acquisition been completed as of the dates set forth in the pro forma financial statements and should not be taken as being indicative of MGHI's future consolidated results of operations or financial position.

The pro forma financial statements have been derived from, and should be read in conjunction with, the accompanying notes to the pro forma financial statements included herein and the historical consolidated financial statements and related notes of MGHI as of and for the applicable periods, which can be found, along with the annual, quarterly and current reports of MGHI, on the SEC's website at http://www.sec.gov. The historical consolidated financial statements and related notes of Healing as of and for the applicable period have been filed with the SEC as an exhibit to Amendment No. 1 on Form 8-K/A, which amends the Initial Form 8-K.

UNAUDITED PRO FORMA CONDENSED, CONSOLIDATED, AND COMBINED BALANCE SHEET

As of December 31, 2020

	December 31, 2020 (in thousands, except share data)						
	MGHI	Healing Solutions LLC	Acquisition Adjustments		Financing Adjustments		Pro Forma Combined
ASSETS							
CURRENT ASSETS:							
Cash	$ 26,718	$ 127	$ (15,407)	A	$ 12,929	P	$ 24,367
Accounts receivable—net	5,747	777	(777)	B	—		5,747
Inventory	31,582	14,431	(5,049)	C	—		40,964
Prepaid and other current assets	11,111	1,203	(1,000)	D	—		11,314
Total current assets	75,158	16,538	(22,233)		12,929		82,392
PROPERTY AND EQUIPMENT—net	169	843	$ (843)	E	—		169
GOODWILL AND OTHER INTANGIBLES—net	78,778	—	61,707	F	—		140,485
OTHER NON-CURRENT ASSETS	3,349	61	$ (61)	G	—		3,349
TOTAL ASSETS	$ 157,454	$ 17,442	$ 38,570		$ 12,929		$ 226,395
LIABILITIES AND STOCKHOLDERS' EQUITY							
CURRENT LIABILITIES:							
Credit facility	$ 12,190	$ —	$ —		$ —		$ 12,190
Accounts payable	14,856	2,269	(2,269)	H	—		14,856
Term loan	21,600	—	—		—		21,600
Seller notes	16,231	—	5,285	I	—		21,516
Contingent earn-out liability	1,515	—	11,273	J	—		12,788
Due to parent company		1,179	(1,179)	K	—		—
Accrued and other current liabilities	8,340	1,007	(1,007)	L	—		8,340
Total current liabilities	74,732	4,455	12,103		—		91,290
OTHER LIABILITIES	1,841	31	(31)	M	—		1,841
CONTINGENT EARN-OUT LIABILITY	21,016	—	—		—		21,016
TERM LOANS	36,483	—	—		12,833	P	49,316
Total liabilities	134,072	4,486	12,072		12,833		163,463
COMMITMENTS AND CONTINGENCIES (Note 12)							
STOCKHOLDERS' EQUITY:							
Common stock, par value $0.0001 per share—500,000,000 shares authorized and 27,074,791 shares outstanding at December 31, 2020	3	—	—		—		3
Additional paid-in capital	216,305	—	39,454	N	—		255,759
Accumulated (deficit)/members equity	(192,935)	12,956	(12,956)	O	—		(192,935)
Accumulated other comprehensive income	9	—	—		—		9
Total stockholders' equity	23,382	12,956	26,498		—		62,836
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 157,454	$ 17,442	$ 38,570		$ 12,833		$ 226,299

See accompanying notes to unaudited pro forma condensed, consolidated, and combined financial information.

UNAUDITED PRO FORMA CONDENSED, CONSOLIDATED, AND COMBINED STATEMENT OF INCOME AND LOSS

For the Year-Ended December 31, 2020

	Year-Ended December 31, 2020 (in thousands, except share and per share data)								
	MGHI	Healing Solutions LLC	Reclassification		Acquisition Adjustments		Financing Adjustments		Pro Forma Combined
NET REVENUE	$ 185,704	$ 77,703	$ —		$ —		$ —		$ 263,407
COST OF GOODS SOLD	100,958	29,703	—		3,803	B	—		134,464
GROSS PROFIT	84,746	48,000	—		(3,803)		—		128,943
OPERATING EXPENSES:									
Research and development	8,130	—	—		—		—		8,130
Sales and distribution	68,005	32,181	2,755	A	—		—		102,941
General and administrative	30,631	7,923	(2,755)	A	2,200	C	—		37,999
Change in fair value of contingent earn-out liabilities	12,731	—	—		—		—		12,731
TOTAL OPERATING EXPENSES:	119,497	40,104	—		2,200		—		161,801
OPERATING (LOSS) INCOME	(34,751)	7,896	—		(6,003)		—		(32,858)
INTEREST EXPENSE, NET:									
Interest expense, net	4,979	95	—		—		5,704	E	10,778
Loss on extinguishment of debt	2,037	—	—		—		—		2,037
Change in fair market value of warrant liability	21,338	—	—		—		—		21,338
TOTAL INTEREST EXPENSE, NET:	28,354	95	—		—		5,704		34,153
OTHER (INCOME) EXPENSE— net	(27)	8	—		—		—		(19)
(LOSS) INCOME BEFORE INCOME TAXES	(63,078)	7,793	—		(6,003)		(5,704)		(66,992)
PROVISION FOR INCOME TAXES	48	—	—		—	D	—		48
NET (LOSS) INCOME	$ (63,126)	$ 7,793	$ —		$ (6,003)		$ (5,704)		$ (67,040)
Net (loss) income per share, basic and diluted	$ (3.68)	$ —	$ —		$ —		$ —		$ (3.61)
Weighted-average number of shares outstanding, basic and diluted	17,167,999	—	—		1,387,759	F	—		18,555,758

See accompanying notes to unaudited pro forma condensed, consolidated, and combined financial information.

Note 1—Basis of Presentation

The accompanying pro forma financial statements were prepared in accordance with Article 11 of Regulation S-X and present the pro forma balance sheet and pro forma statement of loss of MGHI based upon the historical financial statements of MGHI and Healing after giving effect to the Acquisition and are intended to reflect the impact of the Acquisition on MGHI's financial statements.

The pro forma financial information has been prepared by MGHI in accordance with Article 11 of Regulation S-X, in accordance with SEC Final Rule Release No. 33-10786, Amendments to Financial Disclosures About Acquired and Disposed Businesses. The pro forma financial information reflects transaction related adjustments management believes are necessary to present fairly MGHI's pro forma results of operations and financial position following the closing of the Acquisition as of and for the period indicated. The transaction-related adjustments are based on currently available information and assumptions management believes are, under the circumstances and given the information available at this time, reasonable, and reflective of adjustments necessary to report MGHI's financial condition and results of operations as if the Acquisition was completed on the assumed dates.

The pro forma financial statements were prepared using the acquisition method of accounting with MGHI considered the accounting acquirer of Healing. Under the acquisition method of accounting, the purchase price is allocated to the underlying tangible and intangible assets acquired and liabilities assumed based on their respective fair values at the acquisition date, with any excess purchase price allocated to goodwill. These preliminary estimates and assumptions are subject to change during the measurement period (up to one year from the acquisition date) as the Company finalizes the valuations of the tangible and intangible assets acquired and liabilities assumed from the Acquisition. These potential changes could be material.

Certain changes to line item descriptions, groupings, and other reclassifications were made to Healing's financial statements to conform to MGHI's financial statement presentation and accounting policies. The reclassification adjustments related to the statement of income of Healing (to conform to MGHI's presentation) include the reclassification of $2.8 million of "Selling and distribution expenses" from the "General and administrative expenses" line item.

At the time of preparing the pro forma financial statements, the Company is not aware of any other accounting policy differences requiring adjustment that would have a material impact. MGHI's management's assessment of Healing's accounting policies is ongoing, and, upon completion, further differences may be identified that could have a material impact on the pro forma financial statements.

Note 2—Purchase Price Allocation

On February 2, 2021 (the "Closing Date"), Mohawk entered into and closed, an Asset Purchase Agreement with Healing, Jason R. Hope, and only for the purposes of certain sections thereof, Super Transcontinental Holdings LLC, a Delaware limited liability company (the "Asset Purchase Agreement"). Pursuant to the Asset Purchase Agreement, Mohawk purchased and acquired certain of Healings assets related to its retail and ecommerce business under the brands Healing Solutions, Tarvol, Sun Essential Oils and Artizen (among others), which sells essential oils primarily through amazon.com (the "Asset Purchase"). As consideration for the Asset Purchase, Mohawk (i) paid to the Seller $15.3 million in cash (the "Cash Purchase Price"), and (ii) issued 1,387,759 shares of common stock of the Company, par value $0.0001 per share ("Common Stock"), to the Seller, the cost basis of which was the closing price per share of the Common Stock on the closing date. At the closing (the "Closing"), Mohawk withheld $1.9 million of the Cash Purchase Price to serve as collateral for the Seller's payment of certain overdue trade payables to be released to the Seller in accordance with the terms of the Asset Purchase Agreement. This amount was paid by Mohawk within 60 days of closing.

In addition, Healing will also be entitled to receive 170,042 shares of Common Stock (up to a maximum of 280,000 shares pursuant to certain terms and valuation at the measurement date) in respect of certain inventory. The shares will be issued to Healing following the final determination of inventory values pursuant to the terms of the Asset Purchase Agreement, which determination is expected to occur approximately nine to ten months following the Closing Date and such shares will be subject to vesting restrictions which will lapse on the date that is the one year anniversary after the Closing Date.

Pursuant to the terms of the Asset Purchase Agreement, the Seller is required to use its commercially reasonable efforts to identify one or more suppliers (other than the Seller) of finished goods inventory of all SKUs that constitute assets acquired in the Asset Purchase ("New Suppliers") and to initiate discussions with such New Suppliers for the purpose of negotiating new supply agreements between MGHI or its affiliates, on the one hand, and the New Supplier, on the other hand, for the purchase of such SKUs following the Closing on terms acceptable to MGHI in its sole discretion, acting reasonably. If, on or before the date that is 15 months after the Closing Date, an Earn-Out Consideration Event (as defined below) has occurred, then the Seller will be entitled to receive up to a maximum of 528,670 shares of Common Stock (the "Earn-Out Shares"), which number of shares is subject to reduction in accordance with the terms of the Asset Purchase Agreement based on the time period within which the Earn-Out Consideration Event occurs (if it occurs at all). An "Earn-Out Consideration Event" means the later to occur of (i) MGHI having entered into supplier agreements with New Suppliers in respect of each SKU that constitutes an asset acquired in the Asset Purchase, and (ii) MGHI having terminated each of the services provided to MGHI under a transition services agreement that Truweo, LLC, a subsidiary of MGHI, entered into with Healing as of the Closing Date, such that no services are being provided thereunder.

The aggregate maximum number of shares of Common Stock that are issuable to the Seller under the Asset Purchase Agreement (inclusive of the 1,387,759 shares of Common Stock issued at the Closing) is 2,196,429 shares.

The tables below sets forth the purchase consideration and the preliminary allocation to estimated fair value of the tangible and intangible net assets acquired (in thousands):

		Amount allocated (in thousands)
Cash purchase price	$	15,280
1,387,759 shares of Common Stock issued at the Closing		39,454
Seller note for inventory		5,285
Estimated earnout liability		11,273
Total consideration to be paid	$	71,292

		Total (in thousands)
Inventory	$	9,383
Working Capital		202
Trademarks (10 year useful life)		22,000
Goodwill		39,707
Net assets acquired	$	71,292

For the purposes of the preliminary purchase price allocation, the reported values of the assets acquired and liabilities assumed as of December 31, 2020, approximate their fair value, except for the intangible assets acquired. The Company's preliminary valuation of the fair values of assets acquired and liabilities assumed is based on preliminary estimates and assumptions and is subject to change materially upon the finalized valuation. Goodwill is expected to be deductible for tax purposes. The goodwill is attributable to expected synergies resulting from integrating the Healing products into the Company's existing sales channels.

The identifiable intangible assets acquired in the Acquisition consist of trademarks with estimated useful lives of 10 years. The estimated fair values of these identifiable intangible assets is $22.0 million. The preliminary estimated fair value of $22.0 million was determined by the relief from royalty method. The final valuation may be materially different and may result in the identification of additional intangible assets as additional information becomes available and certain valuation analyses are completed.

Refer to Note 4 for additional information on how the adjustments described above have been reflected in the pro forma balance sheet.

Note 3—Financing Adjustments

Contemporaneously with the closing of the Acquisition, MGHI entered into a Securities Purchase Agreement (the “Securities Purchase Agreement”) with an accredited investor (the “Investor”), pursuant to which, among other things, MGHI issued and sold to the Investor, in a private placement transaction (the “Private Placement”), in exchange for the payment by the Investor of $14.0 million, less applicable expenses as set forth in the Securities Purchase Agreement, (i) a 0% coupon senior secured promissory note in an aggregate principal amount of $16.5 million (the “Note”) that would mature on February 1, 2023, and (ii) a warrant (the “Warrant”) to purchase up to an aggregate of 469,931 shares of Common Stock with an exercise price of $25.10 per share.

MGHI utilized the Monte-Carlo Simulation model to determine the fair value of the Warrant. As of February 2, 2021, the initial fair value of the Warrant on issuance was estimated to be $7.7 million, which has been recorded as a debt discount against the Note.

The Warrant is classified as a liability on the consolidated balance sheet as the Warrant contains certain change of control provisions that would benefit the holder as it relates to the calculation of the value of the warrant under certain circumstances.

The Company incurred approximately $1.2 million in debt issuance costs which has been offset against the debt and will expense over the term of the High Trail Loan.

Long-term debt was recorded on the proforma balance sheet as of December 31, 2020:

		December 31, 2020
		(in thousands)
The Note	$	16,500
Less: deferred debt issuance costs		(1,192)
Less: discount associated with issuance of warrants		(7,740)
Less: discount associated with original issuance of loan		(2,475)
The Warrant		7,740
Total Note		12,833
Less-current portion		—
Term loan-non current portion	$	12,833

During the twelve months ended December 31, 2020, the following amounts were recorded into interest expense on the pro forma statement of income and loss:

		December 31, 2020
		(in thousands)
Deferred debt issuance costs	$	1,192
Amortization included in interest (over 24 months - the term of the loan)		(596)
Remainder deferred debt issuance costs	$	596

		December 31, 2020
		(in thousands)
Discount associated with issuance of warrants	$	7,740
Amortization included in interest (over 24 months - the term of the loan)		(3,870)
Remainder discount associated with issuance of warrants	$	3,870

	December 31, 2020
	(in thousands)
Discount associated with original issuance of loan	$ 2,500
Amortization included in interest (24 months from issuance)	(1,250)
Remainder discount associated with original issuance of loan	$ 1,250

Note 4—Pro Forma Adjustments - Balance Sheet

The pro forma adjustments included in the pro forma balance sheet as of December 31, 2020 are as follows (in thousands):

A) *Cash* was adjusted as follows*:*

	December 31, 2020
	(in thousands)
To record cash consideration paid to acquire Healing	$ (15,280)
To eliminate Healing's cash not acquired	(127)
Total cash adjustments	$ (15,407)

B*) Accounts Receivable, net were adjusted as follows:*

	December 31, 2020
	(in thousands)
To eliminate Healing's account receivables, net not acquired	$ (777)
Total account receivables, net adjustments	$ (777)

C) Inventory was adjusted as follows:

	December 31, 2020
	(in thousands)
To eliminate certain of Healing's inventory as of December 31, 2020	$ (14,431)
'To record net inventory value of acquired inventory	5,579
To record inventory step-up valuation	3,803
Total inventory adjustments	$ (5,049)

D) Prepaids and other current assets were adjusted as follows:

	December 31, 2020
	(in thousands)
To eliminate certain of Healing's prepaid and other current assets not acquired	$ (1,000)
Total prepaid and other current assets adjustments	$ (1,000)

E) Property and Equipment, net were adjusted as follows:

		December 31, 2020
		(in thousands)
To eliminate certain Healing's property and equipment, net not acquired	$	(843)
Total property and equipment, net adjustments	$	(843)

F) Goodwill and Intangibles, as described in Note 2.

		December 31, 2020
		(in thousands)
To record goodwill recognized as a result of the Acquisition (see Note 2)	$	39,707
To record intangible assets, net recognized as a result of the Acquisition (see Note 2)		22,000
Total goodwill and intangible, net adjustments	$	61,707

G) Other Assets was adjusted as follows:

		December 31, 2020
		(in thousands)
To eliminate certain of Healing's other assets not acquired	$	(61)
Total other assets adjustments	$	(61)

H) Accounts Payable were adjusted as follows.

		December 31, 2020
		(in thousands)
To eliminate certain Healing's accounts payable not acquired	$	(2,269)
Total accounts payable adjustments	$	(2,269)

I) Seller notes, as described in Note 2.

J) Contingent earn-out liability as described in Note 2.

K) Due to parent company was adjusted as follows:

		December 31, 2020
		(in thousands)
To eliminate Healing's liabilities due to parent not acquired	$	(1,179)
Total due to parent adjustments	$	(1,179)

L) Accrued and other current liabilities was adjusted as follows:

		December 31, 2020
		(in thousands)
To eliminate Healing's accrued and other current liabilities not acquired	$	(1,007)
Total accrued and other current liabilities adjustments	$	(1,007)

M) Other liabilities was adjusted as follows:

		December 31, 2020
		(in thousands)
To eliminate Healing's other liabilities not acquired	$	(31)
Total other liabilities adjustments	$	(31)

N) Additional paid in capital as described in Note 2.

O) Retained earnings was adjusted as follows:

		December 31, 2020
		(in thousands)
To eliminate Healing's members equity not acquired	$	(12,956)
Total retained earnings adjustments	$	(12,956)

P) Financing impacts as described in Note 3

Note 5—Pro Forma Adjustments - Statement of Income and Loss

The pro forma adjustments included in the pro forma statement of income and loss are as follows (in thousands):

A) Reclassifications as described in Note 1

B) *Cost of goods sold* was adjusted as follows:

		December 31, 2020
		(in thousands)
Amortization of inventory step-up from valuation of inventory	$	3,803
Total impacts to Cost of goods sold	$	3,803

C) General and administrative expenses were adjusted as follows:

		December 31, 2020
		(in thousands)
Amortization of intangibles (See Note 2)	$	2,200
Total impacts to General and administrative expenses	$	2,200

D) No tax provision was recorded as part of this proforma statement of income and loss as Mohawk has a full valuation allowance related to its income tax position, as such a proforma adjustment would not be realized and thus would not impact proforma results.

E) Interest expense was adjusted as described in Note 3.

F) Basic and weighted average shares from common share consideration issued as described in Note 2.

Note 6—Pro Forma Adjustments – Other information

Non-GAAP Financial Measures

We have presented Adjusted EBITDA, a non-GAAP measure, to assist investors in understanding our core net operating results on an on-going basis. This non-GAAP financial measures may also assist investors in making comparisons of our core operating results with those of other companies.

As used herein, EBITDA represents net loss plus depreciation and amortization, interest expense, net and income tax expense. As used herein, Adjusted EBITDA represents EBITDA plus stock-based compensation expense, changes in fair-market value of earn-outs, amortization of inventory step-up from acquisitions (included in cost of goods sold), changes in fair-market value of warrant liability, professional fees related to acquisitions, the Seller’s owner compensation, restructuring expense not acquired, litigation expense of Healing in which such litigation rights were retained by the Seller, obsolescence expense related to inventory not acquired, loss from extinguishment of debt and other expenses, net.

We present EBITDA and Adjusted EBITDA because we believe each of these measures provides an additional metric to evaluate our operations and, when considered with both our GAAP results and the reconciliation to net loss, provides useful supplemental information for investors. We use EBITDA and Adjusted EBITDA, together with financial measures prepared in accordance with GAAP, such as sales and gross margins, to assess our historical and prospective operating performance, to provide meaningful comparisons of operating performance across periods, to enhance our understanding of our operating performance and to compare our performance to that of our peers and competitors.

We believe EBITDA and Adjusted EBITDA are useful to investors in assessing the operating performance of our business without the effect of non-cash items. EBITDA and Adjusted EBITDA should not be considered in isolation or as alternatives to net loss, loss from operations or any other measure of financial performance calculated and prescribed in accordance with GAAP. Neither EBITDA nor Adjusted EBITDA should be considered a measure of discretionary cash available to us to invest in the growth of our business. Our EBITDA and Adjusted EBITDA may not be comparable to similar titled measures in other organizations because other organizations may not calculate EBITDA or Adjusted EBITDA in the same manner as we do.

Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by the expenses that are excluded from such terms or by unusual or non-recurring items.

We recognize that EBITDA, and Adjusted EBITDA, have limitations as analytical financial measures. For example, neither EBITDA nor Adjusted EBITDA reflects:

- our capital expenditures or future requirements for capital expenditures or mergers and acquisitions;
- the interest expense or the cash requirements necessary to service interest expense or principal payments, associated with indebtedness;
- depreciation and amortization, which are non-cash charges, although the assets being depreciated and amortized will likely have to be replaced in the future, or any cash requirements for the replacement of assets;
- changes in cash requirements for our working capital needs; or
- changes in fair value of contingent earn-out liabilities, warrant liabilities, and amortization of inventory step-up from acquisitions (included in cost of goods sold).

Additionally, Adjusted EBITDA excludes non-cash expense for stock-based compensation, which is and is expected to remain a key element of our overall long-term incentive compensation package.

The following table provides a reconciliation of pro forma EBITDA and Adjusted EBITDA to pro forma net loss, which is the most directly comparable financial measure presented in accordance with GAAP (in thousands, except percentages):

	Year-Ended December 31, 2020				
	MGHI	Healing Solutions LLC	Acquisition Adjustments	Financing Adjustments	2020 Pro Forma Combined
Net income (loss)	$ (63,126)	$ 7,793	$ (6,003)	$ (5,704)	$ (67,040)
Add (deduct)					
Provision for income taxes	48	—	—	—	48
Interest expense	4,979	95	—	5,704	10,778
Depreciation and amortization	552	520	2,200	—	3,272
EBITDA	(57,547)	8,408	(3,803)	—	(52,942)
Other (income) expense, net	(27)	8	—	—	(19)
Loss on extinguishment of debt	2,037	—	—	—	2,037
Change in fair value of contingent earn-out liabilities	12,731	—	—	—	12,731
Amortization of inventory step-up from acquisitions (included in cost of goods sold)	583	—	3,803	—	4,386
Restructuring expense recorded by the Seller not paid by MGHI	—	378	—	—	378
Obsolescence expense related to hand sanitizer inventory not acquired	—	958	—	—	958
Owner salary paid to owner of Healing and not part of the acquired business	—	1,445	—	—	1,445
Litigation expense of Healing in which the Seller retains rights to such continued litigation	—	237	—	—	237
Change in fair market value of warrant liability	21,338	—	—	—	21,338
Professional fees related to acquisitions	663	—	—	—	663
Stock-based compensation	22,716	—	—	—	22,716
Adjusted EBITDA	$ 2,494	$ 11,434	$ —	$ —	$ 13,928