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DELTA REPORT

10-K

ROSECLIFF ACQUISITION COR

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	9157
CHANGES	20
DELETIONS	5017
ADDITIONS	4120

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2022 December 31, 2023

Or

Or

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

For the transition period from to

To

To

Commission File No. 001-40058

SPECTRAL AI, INC.

ROSECLIFF ACQUISITION CORP I

(Exact name of registrant as specified in its charter)

Delaware	**85-3987148**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
767 5th 2515 McKinney Avenue, 34th Floor New York, New York Suite 1000 Dallas, Texas	10153 (Zip Code) 75201
(Address of Principal Executive Offices)	(Zip Code)

(212) 492-3000

(972) 499-4934

(Registrant's telephone number, including area code)

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

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Units, each consisting of one Common stock, par value $0.0001 per share of Class A common stock and one-third of one redeemable warrant	RCLFU MDAI	The Nasdaq Stock Market LLC
Class A common stock, par value $0.0001 per share	RCLF	The Nasdaq Stock Market LLC
Redeemable warrants, each whole warrant exercisable for one share of Class A common stock Common Stock at an exercise price of $11.50	RCLFW MDAIW	The Nasdaq Stock Market LLC

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

None

None

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

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the Registrant’s Class A common stock Common Stock outstanding held by non-affiliates of the Registrant, computed as of June 30, 2022 September 12, 2023 (the last business day date of completion of the registrants most recently completed second fiscal quarter) registrant’s Business Combination (as defined below)) was approximately $248,193,000. $81,000,000.

As of March 30, 2023 March 25, 2024, there were 458,716 17,466,871 shares of Class A common stock, $0.0001 par value and 6,325,000 shares of Class B common stock, Common Stock, $0.0001 par value per share, issued and outstanding.

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ROSECLIFF ACQUISITION CORP I

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SPECTRAL AI, INC.
FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2022 2023

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND RISK FACTOR SUMMARY

This Annual Report on Form 10-K contains statements that are forward-looking and as such are not historical facts. This includes, without limitation, statements under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding our financial position, business strategy and the plans and objectives of management for future operations. These statements constitute projections, forecasts and forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words "anticipate," "believe," "continue," "could," "estimate," "expect," "intends," "may," "might," "plan," "possible," "potential," "predict," "project," "should," "will," "would" and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking.

The forward-looking statements contained in this Annual Report on Form 10-K are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, the following risks, uncertainties and other factors:

- We have incurred significant losses since inception and may not be able to achieve significant revenues or profitability.
- We are devoting substantially all of our efforts towards research and development of our DeepView System.
- We depend on government funding, which if lost or reduced, could have a material adverse effect on our research and development activities and our ability to commercialize our DeepView technology. Our largest contract is with Biomedical Advanced Research and Development Authority ("BARDA") and is the largest single source of revenue for us. Our BARDA contract is not guaranteed to be completed or extended.
- The regulatory review process is expensive, time-consuming, and uncertain and we may be unable to obtain clearance, approval, De Novo classification, or certification for our DeepView technology.
- We may experience significant delays in completing clinical trials, which could prevent or significantly delay our targeted product launch timeframe and impair our viability and business plan.
- New legislation and regulations and legislative and regulatory reforms may make it more difficult and costly for us to obtain regulatory clearance, approval, De Novo classification, or certification of our DeepView System, or to manufacture, market and distribute our device after clearance, approval, or classification is obtained.
- Disruptions at the FDA and foreign regulatory agencies caused by funding shortages or global health concerns could hinder their ability to hire and retain key leadership and other personnel, or otherwise prevent new products and services from being developed or commercialized in a timely manner, which could negatively impact our business.
- The ongoing labor shortage may limit our ability or the investigators' ability to find and retain medical staff that are needed to conduct the clinical studies.
- Modifications to our DeepView System may require new clearances, approvals, De Novo classifications, certifications, or new or amended certifications, and may require us to cease marketing or to recall the modified device until clearances, approvals, De Novo classifications, or the relevant certifications are obtained.
- Quality problems and product liability claims could lead to recalls or safety alerts, reputational harm, adverse verdicts or costly settlements, and could have a material adverse effect on our business, results of operations, financial condition, and cash flows.
- We must comply with anti-kickback, fraud and abuse, false claims, transparency, and other healthcare laws and regulations.
- If our manufacturers fail to comply with the regulatory quality system regulations or any applicable equivalent regulations, our proposed operations could be interrupted, and our operating results would suffer.
- Actual or perceived failure to comply with data protection, privacy and security laws, regulations, standards and other requirements could negatively affect our business, financial condition or results of operations.
- As the regulatory framework for AI technology evolves, our business, financial condition and results of operation may be adversely affected.
- If we are unable to establish sales, marketing and distribution capabilities either on our own or in collaboration with third parties, we may not be successful in commercializing our DeepView System, if approved.
- We may not be able to achieve or maintain satisfactory pricing and margins for our DeepView technology.

our being a company with no operating history and no operating revenues;

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our ability to select an appropriate target business or businesses;

our expectations around the performance of a prospective target business or businesses;

- We will depend upon third-party suppliers, including contract manufacturers and single and sole source suppliers, making us vulnerable to supply shortages and price fluctuations that could negatively affect our business, financial condition and results of operations.

our success in retaining or recruiting, or changes required in, our officers, key employees or directors following our initial Business Combination;

- We may encounter difficulties in managing our growth, which could disrupt our operations.

our directors and officers allocating their time to other businesses and potentially having conflicts of interest with our business or in approving our initial Business Combination;

- We are highly dependent on our senior management, directors and key personnel, and our business could be harmed if we are unable to attract and retain personnel necessary for our success.

our potential ability to obtain additional financing to complete our initial Business Combination;

- The use of artificial intelligence, including machine learning, in our analytics platforms may result in reputational harm or liability.

our pool of prospective target businesses;

- Product liability suits, whether or not meritorious, could be brought against us due to an alleged defective product or for the misuse of our DeepView System. These suits could result in expensive and time-consuming litigation, payment of substantial damages, and an increase in our insurance rates.

our ability to maintain listing on the Nasdaq;

- The success of our algorithms depends on our significant repository of proprietary DFU and burn data.

our ability to consummate an initial Business Combination due to the uncertainty resulting from the COVID-19 pandemic and other events (such as terrorist attacks, natural disasters, global hostilities, or a significant outbreak of other infectious diseases);

- Changes in patent law or its interpretation could diminish the value of patents in general, thereby impairing our ability to protect our existing and future products.

the ability of our directors and officers to generate potential Business Combination opportunities;

- Our patent rights and other intellectual property may be subject to priority, ownership or inventorship disputes, interferences, and similar proceedings and we may not be able to enforce our intellectual property rights throughout the world.

our public securities' potential liquidity and trading;

- Nasdaq may delist our securities from trading on its exchange, which could limit investors' ability to make transactions in our securities and subject us to additional trading restrictions.

the lack of a market for our securities;

- As a newly listed Nasdaq company, we will incur increased costs as a result of operating as a public company, and the Company's management will be required to devote substantial time to new compliance and investor relations initiatives.

the use of proceeds not held in the Trust Account (as defined below) or available to us from interest income on the Trust Account balance;

- The price of our Common Stock and Warrants may be volatile.

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the Trust Account not being subject to claims of third parties;

- Changes in laws, regulations or rules, or a failure to comply with any laws, regulations or rules, may adversely affect our business, investments and results of operations.

our financial performance; and

- If we fail to maintain proper and effective internal controls over financial reporting, our ability to produce accurate and timely financial statements could be impaired, investors may lose confidence in our financial reporting and the trading price of our Common Stock may decline.

the other risk and uncertainties discussed in "Item 1A. Risk Factors," elsewhere in this Annual Report on Form 10-K and in our other filings with the Securities and Exchange Commission (the "SEC").

- Certain existing stockholders purchased, or may purchase, securities in the Company at a price below the current trading price of such securities and may experience a positive rate of return based on the current trading price. Future investors in the Company may not experience a similar rate of return.
- Warrants may become exercisable for Common Stock, which would increase the number of shares eligible for resale in the public market and result in dilution to our stockholders.
- The other risk and uncertainties discussed in "Item 1A. Risk Factors," elsewhere in this Annual Report on Form 10-K and in our other filings with the Securities and Exchange Commission (the "SEC").

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

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PART I.

References in this Annual Report on Form 10-K (this "Annual Report") to "we," "us," "our" or the "Company" are to Rosecliff Acquisition Corp I, a blank check company incorporated as Spectral AI, Inc., a Delaware corporation. References to our "management" or our "management team" refer to our officers and directors, directors.

Item 1. Business. Overview

We are an AI company focused on predictive medical diagnostics. Our DeepView System uses proprietary AI algorithms to distinguish between fully damaged, partially damaged and references healthy human tissue characters invisible to the "Sponsor" refer naked eye, at the initial time point of wound presentation. The DeepView System delivers a binary prediction on the wounds capacity to Rosecliff Acquisition Sponsor I LLC, heal or not-heal by a Delaware limited liability company. References specified time point in the future. Our DeepView System's output is specifically engineered to assist the physician in making a more accurate, timely and informed decision regarding the treatment of the patient's wounds. Our focus from 2013 through 2021 was on the burn indication. In 2022, we expanded our focus to include the DFU indication.

We were notified that our DeepView System, comprised of the multispectral imaging ("MSI") component integrated with the predictive AI-Burn® software component received United Kingdom Conformity Assessed (UKCA) marking for use in the United Kingdom for burn indications on February 22, 2024. The UKCA marking registration was fully completed on March 7, 2024. We anticipate that our full DeepView System may achieve Class II medical device designation in the with the United States Food and Drug Administration (FDA) via a De Novo application. Subject to our "initial stockholders" refer receipt of additional necessary market authorization, our business will have two revenue streams, a SaaS model component predicated on utilizing the regulatory method, SaMD (software as a medical device), and the imaging device component. The SaaS component will feature a software licensing fee that includes maintenance, image hosting, and access to our Sponsor algorithm updates. The proprietary imaging device acquires the images for the AI algorithms and each is a universal platform to house multiple clinical applications including burn and DFU. Pricing for these components will be evaluated and strategically set per country and site-of-service for heightened customer adoption.

The MSI imaging technology, which comprises one part of our independent directors.

Item 1. Business.

Overview

Our management team believes that recent years have brought a the DeepView System, consists of patented proprietary multi-spectral optics and sensors, capturing injured tissue images ranging from near UV lights, through the human visible wavelengths, all the way into the near infrared range (NIR). The broad wavelength ranges go beyond what the human eyes can see and capture what medical professionals cannot observe with their naked eyes. This wide range of wavelength images contains wound tissue physiology and captures the viability of various biomarkers within the skin and from the injured tissue spectral signatures. The imaging technology extracts appropriate clinical data, processes the image data to provide the injured tissue spectral signatures to the AI model and algorithms. The AI algorithm classifies various severities of the injuries as (i) full damaged (non-healing), (ii) partially damaged or (iii) healthy tissue (healing) and displays a comparison of the original image next to an image with a color overlay of the non-healing portions of the wound. The image acquisition takes 0.2 seconds, and all image processing and AI model classification takes approximately 20 to 25 seconds. Our DeepView System's proprietary optics can extract millions of pixels of data or AI model features from each group of raw images. This information is then used to build and continually improve the AI model, which is trained and tested against a

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proprietary and clinically validated database of approximately 340 billion pixels of DFU and burn data as of December 31, 2023. The DeepView-AI Burns® software is used with the DeepView SnapShot® imaging device, and it is intended to be used as an adjunctive tool to aid health care providers in the assessment of burn wound healing potential by differentiating non-healing from healing burned tissue within an image.

Below at Figure 1 is an example of the DeepView System technological process.

Figure 1 — DeepView Imaging technology

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To our knowledge, there are no digital wound healing assessment in predictive medical diagnostic products that provide clinicians with an objective and immediate assessment of a wound's future healing potential and that benefit from the application of AI. Currently, healthcare professionals rely on their experience and subjective assessments to determine if wounds, such as burn injuries and DFUs, will heal under routine care after a period of time, typically several weeks, or are in need of advanced wound care products and procedures including surgical interventions. Our DeepView System allows health care professionals to make a "Day One" assessment of a wound's healing potential over time.

We have received substantial support from the U.S. government for our DeepView System's application for burn wounds, including from agencies such as BARDA, which is part of the HHS Office of the Assistant Secretary for Preparedness and Response ("ASPR") in the United States, established to aid in securing the United States from chemical, biological, radiological, and nuclear threats, as well as from pandemic influenza and emerging infectious diseases. We have also received funding from the National Science Foundation ("NSF"), National Institute of Health ("NIH") and the DHA an agency within the Department of Defense ("DoD"). Since 2013, we have been awarded approximately $279.6 million in funding from government contracts, substantially all of which is from BARDA, which accounts for $272.9 million. This has allowed us to develop our technology and further our clinical trials. On September 27, 2023, the Company executed a new contract with BARDA, providing the Company with additional funding of up to $150.0 million, including an initial award of approximately $54.9 million to support the clinical validation and application for FDA De Novo status of our DeepView AI – Burn software. This will include the distribution of up to 30 DeepView Systems in various emergency rooms and burn centers to support the clinical validation study. The contract also includes options, similar to our prior BARDA contracts, with an additional total value of approximately $95.1 million which can be exercised for additional product development, procurement and the expanded deployment of DeepView Systems at emergency rooms, trauma and burn centers. These deployments will enable the Company to conduct health economic and outcome research to support the broader clinical adoption of the DeepView System. This grant funding is non-dilutive to our stockholders, and we believe it validates the important nature of our mission and technology.

Subject to our receipt of the necessary regulatory market authorizations, we intend to initially sell the DeepView System throughout the United States and the UK for its burn and its DFU indication. Given our receipt of the UKCA authorization for our burn indication we anticipate initial sales in UK in the second half of 2024. The sales channel for these two indications are different. We expect that our burn indication will be supported by existing and future governmental contracts, primarily from agencies such as BARDA and the DHA, while the DFU indication will be an add-on to the burn indication sales channel and will have its own separate sales channel to penetrate the podiatric and wound care clinics. In the United States, there are approximately 100 burn centers, 700 trauma centers and 5,400 federal and community hospitals with Emergency Rooms where the burn patients are most likely to visit upon injuries. The DeepView System provides a quick clinical decision tool to the emergency rooms, so it can be decided quickly whether patients need routine care or should be transferred to trauma centers or burn centers for advanced care, and for quick and accurate surgical planning. In the burn centers, the DeepView System provides an advanced guidance on the non-healing areas of a burns, Therefore, we plan to target our sales efforts to these facilities through our highly-trained technical breakthroughs sales support staff that we plan to hire given the nature of DeepView as a truly disruptive AI driven predictive assistance tool. For the DeepView System's burn application and following receipt of any future contract awards, we plan to partner with the U.S. governmental agency sponsors to implement the distribution of our DeepView System throughout the United States into key regions to support the United Stats' mass casualty countermeasure directives, with the goal of making our country better prepared for mass casualty events and saving scarce healthcare resources.

Subject to our receipt of the necessary market authorizations, we plan to begin our commercial sales efforts of the DeepView System's DFU application in the UK through key clinical sites and related networks. We expect to engage contract sales organizations to distribute our DeepView System throughout the UK as well as eventually in the Netherlands, Germany, Italy and Spain ("EU4"). Preliminary discussions with distributors occurred during 2023 to determine which organizations possess the key relationships and insights for selling diagnostic systems within their respective countries. We intend to focus our commercial strategy initially in the UK, which we are targeting for mid-2024, with the EU4 to follow in 2026, subject to CE mark approval for our technologies. Similar to the United States, the primary customer base for the DFU application in Europe will be outpatient wound centers and secondary sites of care that have fundamentally shifted a high-volume of DFU patients. We also expect to engage internal and/or third party resources to help us navigate the frontiers various regional tender and contracting entities within each country. In the United States, subject to our receipt of possibility the necessary regulatory market authorization, we anticipate initially distributing the DeepView Systems using our DFU indication in hospitals' emergency rooms and trauma centers. We will then build in additional indications, given that we can run multiple indications on the same imaging devices. In addition, wound care centers are typically the first line of specialty care for DFUs in the ways United States. Vascular and cardiology companies and outpatient podiatry practices also treat wounds. We will need to grow our distribution network to support the expanded sales efforts for the DFU indication to these facilities by initially focusing on management companies that have multiple podiatric and/or wound care centers under their management. In this way, we live believe we can build a mature sales model, pricing structure, and work. Innovations customer instructions, to enable us to further grow our distribution networks with third-parties and other sales channel sources.

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As noted above, subject to our receipt of the necessary regulatory market authorizations, our business is expected to have two revenue streams, a SaaS model component predicated on utilizing the regulatory method, SaMD (software as diverse a medical device), and an imaging device component. The SaaS component will feature a software licensing fee that includes maintenance, image hosting, and access to algorithm updates. The capital sale component will be competitively priced for acceptance into independent practices and clinics.

In 2018, the FDA designated our earlier version of the DeepView System with BDD status for its burn indication. The FDA's designation as cloud a Breakthrough Device ("BDD") allows for prioritized reviews and mobile computing, artificial intelligence, machine learning a dedicated line of communication with reviewing members of the FDA. In the first quarter of 2021, the Health Products Regulatory Authority of Ireland (HPRA) provided a medical device classification recommendation of IIa for our DeepView System. We have enrolled subjects in our DFU studies in clinical and cybersecurity, catalyzed by corresponding hardware innovations, academic sites across the United States and Ireland. In 2022, we completed our first DFU clinical training study with 100 adult subjects in the United States at five well-known medical facilities. In the third quarter of 2022, we extended the AI training study with an additional 100 adult subjects. We completed this study in January 2023, providing us with a much-improved DFU AI prediction performance at 86%. In April 2023, we commenced our validation study with an additional 200 adult subjects at 10 well-known medical facilities. This study is expected to be completed in 2024. We have unlocked accelerated cycles of change, radically impacting industries also signed with international partners, including well-respected institutions in the field and business models globally. have partnered with leading wound care physicians. We believe that we will be able to leverage these relationships to access other institutions and individuals, which should increase awareness and early adoption of our technology in the transformative effects United States, the UK and the EU. U.S. adoption will also benefit from the potential future BARDA funding of these innovations have reshaped both large and small industries across technology placement for burns applications. Our focus will be on the world. We also believe that because continued development of the impact of COVID-19, there are attractive businesses that may have additional capital needs over DFU AI model as we progress through the next few years, which could further increase the pipeline of potential opportunities. validation study.

Our objective is to generate attractive returns for stockholders by actively supporting the next-generation of exceptional public companies.

We expect to target companies complete the validation studies for the DFU regulatory application in the United States in 2024, while targeting for the FDA's grant of our De Novo petition in early 2025.

Subject to our receipt of the necessary regulatory market authorization, we would expect to leverage results from the U.S. study for a simultaneous conformity assessment procedure in the EU to obtain the CE marking of conformity ("CE Mark"), and we would expect to commence post-market studies in the UK and Germany. Subject to our receipt of the necessary regulatory market authorization, we would expect to initiate commercialization in the United States during 2025 and intend to submit for FDA review of the burn application in 2025 in accordance with certain the projected timeline for our BARDA contract.

Burn Indication

We began conducting our validation study for burn in the early 2024, where we plan to enroll an additional 240 adult and pediatric subjects at up to 20 clinical sites.

In adult participants, the DeepView GEN3 System has shown 92% accuracy, with cross-validation from the AI model for identification of non-healing burn regions. This represents a significant improvement above the diagnostic accuracy of burn physicians assessing the same adult burn patients, and above 50% to 75% accuracy, according to industry literature. In addition, in head-to-head clinical trial evaluations, our DeepView System provided higher accuracy on "Day One" to "ground truth" determined on day 21 on burn wound analysis than the accuracy of burn specialists, reporting at 70 – 80% accuracy, and business characteristics, non-burn specialist physicians, reporting at 50 – 60% accuracy. We have conducted three large clinical studies with multiple sites across the United States, enrolling 413 patients, including long term growth prospects, 329 adult burn patients and 84 pediatric patients. Through these studies we were able to determine burn assessment accuracy in both healing and non-healing wounds.

In pediatric patients, the AI performance of the DeepView System showed 88% accuracy, underlining how the AI technology is responding with significant reliability to variability in the study population. Based on these strong management team, high barriers results, we have bolstered our infrastructure to facilitate the expansion of the study to additional sites and have begun enrollment in a larger study in order to complete the AI algorithm's development.

As of December 31, 2023, our proprietary and clinically validated database for burns is comprised of approximately 340 billion pixels of DFU and burn data. This database presents both a significant barrier to entry opportunities to would-be competitors in wound care healing assessment, and a potential additional commercial opportunity for consolidation, strong recurring revenues, sustainable operating margins us to develop further in the future.

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DFU Indication

We made substantial progress in our U.S. DFU Clinical Validation Study (the "US DFU Clinical Study") in 2023. The endpoint that we are pursuing in the clinical study is to predict on "Day One" whether the DFU wound will reduce in size by 50% by week four. Our DeepView System showed improvement of the AI diagnostic accuracy to 86%.

The data collected from the US DFU Clinical Study will be used to augment our existing proprietary and attractive free cash flow characteristics. clinically validated database of DFU data and healthcare matrix information; and to validate the DeepView DFU AI algorithm as we prepare for U.S. regulatory submission in 2024.

In the first half of 2023, we continued to enroll subjects in the US DFU Clinical Study to finalize our admission goal. Additionally, we increased investment in the DFU indication in 2023 to drive our commercialization strategy. We intend to submit for U.K. Conformity Assessment ("UKCA") regulatory evaluations in mid-2024. We are currently targeting to receive the required UKCA certificates in 2024, and to receive FDA marketing authorization in 2025, although these authorizations cannot be guaranteed, and may take longer than expected.

In February 2023, we also initiated a blank check company incorporated clinical study in Delaware the EU with the Royal College of Surgeons in Ireland conducted at Connolly Hospital in Dublin, Ireland. The EU clinical study will collect data from DFU patients monitored for up to 12 weeks. The intention of the clinical study is to further develop the DeepView AI algorithm to support our regulatory submissions for UKCA, FDA, and EU CE Mark. The imaging system that makes up our DeepView System recently received United Kingdom Conformity Assessed (UKCA) marking for use in the United Kingdom and has Class I medical device classification with the United States Food and Drug Administration (FDA), while we anticipate that the DeepView System as a whole, including the AI component, may achieve Class II classification in the US via a De Novo application.

Other DeepView Programs in Development

Funding from the U.S. government has also allowed us to develop additional "Horizon" indication uses of our DeepView System, including DeepView Snapshot M, DeepView AI 3-D wound measurement technology, and other indications. We believe that our DeepView System's use in emergency rooms, trauma and burn centers and other would care facilities should be expanded to provide greater utility of the DeepView System in such settings.

DeepView SnapShot M

In addition to our DeepView System, our primary additional technology is the DeepView SnapShot® M, a fully handheld, portable, wireless diagnostic tool based on November 17, 2020. We were formed the DeepView System's AI platform. The DeepView SnapShot M provides a potential enhanced and expanded use for the purpose U.S. government and emergency care, first responders and potentially home health care professionals. On June 23, 2021, we were awarded a two-year, $1.1 million, Sequential Phase II STTR contract by the DHA within the U.S. Department of effecting Defense. This funding enables us to research and develop the DeepView SnapShot M product primarily for military and combat settings. In April 2023, we were awarded a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar Business Combination $4.0 million grant from the Medical Technology Enterprise Consortium ("MTEC"), a 501I(3) biomedical technology consortium working in partnership with one or more businesses (the "Business Combination") the Department of Defense, to develop our DeepView SnapShot M device in a Phase III feasibility and commercialization study. This grant was increased by over $500,000 on March 12, 2024. These grants, along with prior awards from DHA, bring our funding total for our DeepView SnapShot® M to over $6.0 million. The funding will be used to support military battlefield burn evaluation using DeepView SnapShot M.

3-D Wound Measurement Technology

We are not limited to a particular industry or sector for purposes of consummating a Business Combination. Our Sponsor is Rosecliff Acquisition Sponsor I LLC, a Delaware limited liability company.

Our registration statement also currently developing 3-D software-based wound measurement technology for our Initial Public Offering (the "Initial Public Offering" DeepView System. This technology will produce rapid, accurate and easy-to-use wound size measurement images to produce an accurate 3-D tissue representation from a single image snapshot enabling distance, area and volume measurements with sub-millimetric accuracy without reference to any attendant markers or manually placed stickers or multiple images. We believe this is a significant improvement over current wound size measurement technologies which are limited in their ability to measure all three wound dimensions (distance, area and volume) or are otherwise cumbersome, requiring reference markers/stickers or multiple images to determine would size measurements. Our 3D wound measurement technology calculates the total body surface area ("TBSA") was declared

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effective on February 11, 2021. On February 17, 2021, we consummated of a wound. This technology will be integrated into our Initial Public Offering DeepView System and applies the "rule of 25,300,000 units (the "Units" nines"; a method that divides the body's surface area into percentages to calculate the size of a burn or wound. For example, the front and with respect back of the head and neck equal 9% of the body's surface area and the front and back of each arm and hand equal 9% of the body's surface area. This technology enhancement will not only generate the TBSA measurement, but will also indicate the "healthy" versus "unhealthy" tissue for advanced treatment applications to be applied to the Class A common stock included burn or wound area. This is a critical step in assuring that these alternative medical solutions will be successful in-patient applications. The 3-D wound size measurement tool has completed the proof-of-concept phase. We are currently developing this technology in cooperation with BARDA.

Business Focus and Milestones

Our current focus is categorized in two parts: (1) we will continue to fulfill our contractual obligations and meet milestones under our BARDA PBS contract (described in further detail below); and (2) we will pursue the commercialization of the DFU application in the Units sold, UK, United States and EU4. Our near-term goals related to the "Public Shares") BARDA PBS contract are to deliver on the current phase of the contract (Phase 1a), which includes and to complete the remaining phases of the BARDA PBS contract. Completion of these contractual phases support our long-term goal of entering into a federal procurement contract with BARDA.

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We intend to submit a De Novo application to the FDA for market authorization of the burn application in early 2025. In 2023, we received our ISO 13485:2016 certification for Medical Devices. The certification audit is expected to occur in the first quarter of 2024. In parallel, we are in the process of scheduling the DeepView System Technical Documentation audit necessary to obtain the CE Mark and UKCA certificates to allow market access in the EU and UK, respectively. In March, Spectral completed its UKCA Mark registration for the full exercise by the underwriter DeepView System for our burn indication. Figure 2 below provides a summary of its over-allotment option our key anticipated regulatory submissions. There can be no assurance that we will be able to obtain market authorization in the amount US, UK or EU of 3,300,000 Units, our DeepView GEN 3 System with AI on our projected timeline, or at $10.00 per Unit, generating gross proceeds all.

Figure 2 — Summary of $253,000,000, key regulatory submissions

DeepView in Practice

DeepView is a predictive analytics platform that combines AI algorithms and incurring transaction costs MSI imaging for an assessment of approximately $14,373,127, including approximately $8,855,000 in deferred underwriting fees.

Simultaneously wound healing potential. It is non-invasive, non-radiation, non-laser and does not require the use of injectable dye. This integration can be characterized into four distinct components: DeepView imaging, data extraction, AI model building and AI wound healing potential assessment. The DeepView AI®- Burn software is used with the closing DeepView SnapShot® imaging device, and it is intended to be used as an adjunctive tool to aid health care providers in the assessment of burn wound healing potential by differentiating non-healing from healing burned tissue within an image.

- The DeepView technology consists of patented proprietary multi-spectral optics and sensors that can classify wound tissue physiology and capture the viability of various biomarkers within the skin.
- The imaging technology extracts appropriate clinical data, processes the image and displays a comparison of the original image next to an image with a color overlay of the non-healing portions of the wound. The image acquisition takes 0.2 seconds and the output takes approximately 20 to 25 seconds.
- DeepView's proprietary optics can extract millions of pixels of data or AI model features from each raw image. This information is then used to build and continually improve the AI model, which is trained and tested against a proprietary and clinically validated database of approximately 340 billion pixels of DFU and burn data as of December 31, 2023.

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- The AI algorithm then seeks to produce an objective, accurate, and immediate binary wound healing assessment. This assessment would be graphically represented to the clinician through a colored overlay of the original image that annotates the portion of the wound that is predicted to be non-healing over a specified period of time – 21 days (See Figure 4 below).

Figure 3 — Illustration of DeepView's binary decision assist output where the colored region marks the predicted non-healing portion of the Initial Public Offering, wound.

The DeepView System is designed to assist clinicians in making accurate, timely, and informed decisions regarding the treatment of the patient's wound. In the case of DFUs, an assessment that the wound will not heal over time would provide the health care professional with the appropriate justification to use an advanced wound care therapy on "Day One" as opposed to waiting 30 days using standard of care and potentially losing the patient to follow-up or risking patient non-compliance with standard wound therapy. The current clinical accuracy of DeepView in ongoing clinical trials is 86% for DFUs compared with current physician accuracy as low as 50%. Subject to FDA market authorization of the product, for burn wounds, the clinician could make an immediate and objective determination for appropriate candidates for surgery as well as determining what specific areas of the burn wound will require skin grafting. In ongoing clinical trials, DeepView's current accuracy for burn wounds non-healing predictions is 92%, compared with current physician accuracy of 50 to 75%, according to industry literature. In addition, in head-to-head clinical trial evaluations, when compared to "ground truth" our DeepView System provided higher accuracy of burn wound analysis than the accuracy of burn specialists, reporting at 70 – 80% accuracy, and non-burn specialist physicians, reporting at 50 – 60% accuracy, when comparing "Day One" analysis to "ground truth" determined on day 21. We have conducted three large clinical studies with multiple sites across the United States, enrolling 413 patients, including 329 adult burn patients and 84 pediatric burn patients. Through these studies, we consummated were able to determine burn assessment accuracy in both surgery and non-surgical treatment.

See the sale table below for an analysis of 4,706,667 warrants (each, the current DeepView System's benefits to patient care:

	Burn	**DFU**
Current Time to Decision	21 Days	30 Days
DeepView® Time to Decision	Day 1	Day 1
Current Clinical Accuracy	50 – 75%	50%
DeepView® Accuracy in Ongoing Clinical Trials	92%	86%
DeepView® Estimated Cost savings	~$24,000 per stay	~$63,100 per stay

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Key Strengths

We believe the following key strengths will help us to maintain and grow our business going forward:

Market Leading Technology

We have developed proprietary AI algorithms and imaging technology to assist clinicians to make more accurate and efficient treatment decisions in managing patient's wounds. This technology is the result of 13 years of research and development, thousands of hours of user feedback, and most importantly, the continual commitment to ensuring that the output from DeepView answers a "Private Placement Warrant" clinical question that is to meaningful physicians. We own and collectively, control the "Private Placement Warrants"), at a price entirety of $1.50 per Private Placement Warrant our data pipeline. We only rely images and data that the DeepView System collects in a private placement (the "Private Placement") controlled clinical environment and do not rely on stock images or databases for our algorithms. All optical technology has been developed in-house and is specifically engineered to the Sponsor generating gross proceeds of $7,060,000.

Following the closing collect this imaging data. A current image of our Initial Public Offering cart-based DeepView System appears below in Figure 8.

Figure 4 — DeepView Generation 3 System

Unmet Clinical Need

The biggest unmet need for clinicians treating DFU and burn wounds is the lack of a diagnostic tool that provides an objective wound healing determination on February 17, 2021, an amount "Day One." While burns and DFUs appear to be very different types of $253,000,000 ($10.00 per Unit) wounds, they are in fact similar from the net proceeds perspective of assessment and diagnosis. The treatment pathways for each of these wounds can be generally characterized by a subjective initial assessment from the sale physician followed by multiple weeks of clinical observation to assess whether or not the Units wound responded to treatment. Both are primarily staged by their penetration depth into the skin and involvement of tissues below the skin in severe cases. Both DFUs and burns are diagnosed by expert clinical opinion without the aid of objective diagnostic tools that provide a wound healing prediction. Furthermore, the current methods of diagnosis rely on a "wait and see" approach that result in prolonged hospital stays and costly delays in the Initial Public Offering delivery of definitive treatment. Our goal is to eliminate these costly delays between initial screening and the sale delivery of a definitive treatment through the Private Placement Warrants was use of AI algorithms applied to our proprietary multispectral wound images.

Significant Market Opportunity

Geography— DeepView has the potential to service a large total addressable market. We estimate that there are over 57,000 sites of clinical care in which the technology could be placed in a Trust Account (the "Trust Account"), located in the United States and over 20,000 sites across the UK and EU4. For all geographies, these sites include both acute inpatient hospitals and outpatient sites of care, in order to include physician offices. As we expand from the United States into the UK and EU4, we will be invested only in consider follow-on markets for commercial expansion, including the Middle East, among others.

Pipeline Applications— Though we are currently focused on the DFU and burn applications for DeepView, there are other pipeline applications that we are considering for future commercialization. As noted above, we have already received U.S. government securities, within funding for the meaning set forth development of our DeepView SnapShot® M fully handheld device for use in Section 2(a)(16) combat, military and home health care uses. In connection with our BARDA contract, we are working on expanding the indication usage of the Investment Company Act, with DeepView System to incorporate a maturity wound and burn measurement tool for clinicians. We have also explored the technology's potential for the assessment of 185 days critical limb ischemia, level of lower limb amputation selection, post-operative perfusion assessment for peripheral interventions, and military applications. For all future pipeline applications, we believe that the technology would remain constant, in that we will leverage our data analytics algorithms to improve predictive analyses. With any new application, we would need to conduct one or less more clinical studies to collect enough patient data to appropriately support algorithm development for each new application. These new algorithms could easily be uploaded to existing machines in the future. From a regulatory perspective, we believe that these follow-on applications would all follow a 510(k) clearance process although in some cases, we may need to follow the De Novo classification or in money market funds meeting certain conditions under Rule 2a-7 premarket approval pathway if we are not able to identify a predicate, or if use of the Investment device for a new indication is classified as a Class III device.

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Existing and future revenue base from long term U.S. Government Contracts — BARDA

On September 27, 2023, the Company Act, which invest only in direct U.S. government treasury obligations, as determined by us, until executed a new contract with BARDA, providing the earlier of: (i) Company with additional funding of up to $150.0 million, including an initial award of approximately $54.9 million to support the completion clinical validation and application for FDA De Novo status of a Business Combination and (ii) our DeepView System. This will include the distribution of up to 30 DeepView Systems in various emergency rooms and burn centers to support the funds held clinical validation study. The contract also includes options, similar to our prior BARDA contracts, with an additional total value of approximately $95.1 million which can be exercised for additional product development, procurement and the expanded deployment of DeepView Systems at emergency rooms, trauma and burn centers. These deployments will enable the Company to conduct health economic and outcome research to support the broader clinical adoption of the DeepView System. This grant funding is non-dilutive to our stockholders, and we believe it validates the important nature of our mission and technology.

Significant Wound Data Repository from Artificial Neural Network

As of December 31, 2023, approximately 340 billion pixels of proprietary DFU and burn data have been acquired and utilized for the deep learning algorithms training. This presents a significant barrier to entry to would-be competitors in wound care healing assessments. The data collection to clinical output, the flow, quality and control of the data pipeline is managed entirely by us. Our DeepView System uses deep learning on its wound data repository to recognize patterns and correlations of injured tissue spectral signatures to produce reliable and reasonable assessment for clinicians to make accurate and faster treatment decisions. We believe that our strategic partnerships with various leading medical institutions and healthcare providers in the Trust Account, United States and Europe will enable us to access high quality image data and build the world's leading wound biopsy tissue database. Our AI algorithms are designed and trained to the clinical "ground truth" that has been verified and vetted by various U.S. government agencies and leading clinicians in their respective fields. They have not yet been reviewed or cleared by FDA.

Strategic Partnerships

We have developed strategic partnerships with multiple clinical and academic partners. In the United States, we are currently engaged with leading research hospitals that are enrolling subjects for our Burn AI training study. In the EU and UK, we have partnered with the Royal College of Surgeons Ireland, as described below well as key opinion leaders to provide us with greater knowledge in the wound care sector. Our partnerships with these institutions provide us with the opportunity to collaborate with leading wound care providers to develop effective early stage wound assessment technology. We utilize these strategic partnerships to support the ongoing clinical validation studies we are using to develop our algorithmic model. Each of our clinical study/trials include certain protocol requirements to ensure a uniform testing process for our technology.

Proven Experienced Management Team

Our board of directors and senior management team have significant experience in the technology and healthcare sectors, with a track record of successful entrepreneurship, operational acumen, strategic relationships and the ability to understand and navigate the complexities of healthcare. Our directors also bring significant expertise from previous public company experience along with financial, governance and technical oversight.

Respected Advisory Board

We have established an Advisory Board composed of industry experts and opinion leaders that will raise our profile. Its members provide us with external, industry-specific perspectives and technical support.

Competition

To our knowledge, no other predictive wound-healing diagnostic imaging technology is available to clinicians who treat wounds. DeepView's competitive advantage is that it is the only AI-enabled wound imaging technology that translates raw physiological data/images into an output that is directly correlated to predictive wound healing.

Several companies have developed wound imaging systems for burn injuries and DFUs; however, these systems incorporate technology such as spatial frequency domain imaging, thermal imaging, photographic documentation, hyperspectral imaging, and near-infrared imaging that provide physiologic data to the physician. Ultimately, this physiologic data appears to only provide an indirect linkage to wound healing and does not display a binary result of "healing vs. non-healing." Furthermore, the majority of systems in the wound care space are merely documentation tools that record measurements of the wound for health record purposes and still rely upon subjective clinician opinion for treatment decisions. The advent of a novel technology such as the DeepView System not only has the potential to disrupt the therapeutic pathway within the wound care market, but also to create a new diagnostic market for wound care that did not exist previously for clinics and physicians, subject to successful development of the device and FDA marketing authorization. As noted above, although our previous DeepView Systems received 510(k) clearance, and we have received FDA BDD clearance for our DeepView GEN 3 System, there can be no assurance that we will be able to obtain market authorization in the US, UK or EU.

Commercialization and Revenue Strategy

We intend to pursue the complete development of our DeepView System and, if marketing authorization is obtained, to commercialize it on our own, or potentially with a partner, in the United States and other regions. We currently have no sales, marketing or commercial product distribution capabilities and have no experience as a company commercializing products. However, if necessary, we intend to hire appropriately to build the necessary infrastructure and capabilities over time for the United States, and potentially other regions, following further advancement of our DeepView System.

Our management has broad discretion

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United States

Subject to our receipt of the necessary regulatory marketing authorization, we intend to market our DeepView System using internal and third party resources to inpatient and outpatient sites of care throughout the United States. Wound Care Centers are typically the first line of specialty care for DFUs in the United States, but vascular and cardiology groups and outpatient podiatry practices also treat wounds. Sales will initially target wound care centers and podiatry practices presiding in areas with high prevalence of diabetes such as the south and southeastern areas of the United States. As noted above, subject to our receipt of the necessary regulatory marketing authorization, our business is expected to have two revenue streams, a SaaS model component predicated on utilizing the regulatory method, SaMD (software as a medical device), and an imaging device component. The SaaS component will feature a software licensing fee that includes maintenance, image hosting, and access to algorithm updates. The capital sale component will be competitively priced for acceptance into independent practices and clinics.

Given our recent receipt of the UKCA mark for our burn indication, commercial sales are expected to commence in 2024 for the burn indication in the UK and in 2025 for DFU indication. In the United States, the Company will continue to perform under its new BARDA contract with respect to the specific application burn indication and will receive significant governmental funding prior to seeking FDA clearance of the net proceeds DeepView System in late 2025.

Reimbursement

We expect to utilize our post-market clinical evidence and health economic impact analysis to submit to NHS for reimbursement for its Burn indication in the United Kingdom. Upon more market penetration, we will apply for NICE certification. In the United States, we expect the DeepView System will be used in both inpatient and outpatient sites of service. The process of reimbursement varies greatly between the Initial Public Offering two. The DeepView burn indication will be used both in EDs and Burn Centers. As clinical evidence is developed and utilization increases over the next several years, we plan to apply for CPT® codes.

Adoption

We view our DeepView technology as disruptive by nature and there will be those who will be slow to adopt it. This emphasizes the importance of having the right strategic partnerships, institutions, and physician key opinion leaders as early adopters. We plan to engage in relationships that can act as key opinion leaders to share their experience on why they adopted the DeepView technology. The adoption will be supported by a team of field clinical educators and digital marketing campaigns.

Manufacturing Arrangements

We currently outsource all of our manufacturing to a Contract Manufacturer. Cobalt Product Solutions (“Cobalt”), located in Plano, Texas, is involved with manufacturing the current generation DeepView System and we anticipate that they will continue to do so for the foreseeable future.

In addition to Cobalt, we partner with several other highly specialized contract manufacturers in the areas of optics, technology design, and electronics. We employ experienced regulatory and quality control personnel to ensure that our manufacturing processes and quality management systems are in compliance with FDA and EU regulations and standards. As we expand into the European market, we will most likely consider manufacturing devices in the EU in preparation for commercialization. We do not have any plans to develop our own manufacturing facility at this time.

Intellectual Property

We strive to protect and enhance the proprietary technologies that we believe are important to our business by seeking patents to cover our technology. We also rely on trade secrets to protect aspects of our business that are not amenable to, or that we do not consider appropriate for, patent protection.

Our technology is protected with issued and/or allowed patents across nine families of active patents:

- Burn/Wound Classification on MSI and PPG;
- Tissue classification on MSI and PPG;
- Amputation site analysis on MSI, ML and healthcare matrix;
- DFU healing potential prediction and wound assessment on MSI, ML and healthcare matrix;

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- High-precision, multi-aperture, MSI snapshot imaging;
- Wound assessment based on MSI;
- Burn/histology assessment based on MSI and ML;
- High-precision, single-aperture MSI snapshot imaging; and
- Topological characterization and assessment of tissues using MSI and ML

We have 10 issued and allowed U.S. patents with 5 U.S. patent applications pending. We have 10 issued and allowed international patents with 29 foreign and international patent applications pending.

In addition, we support the development of our brand and product offerings through trademark protection at the United States Patent and Trademark Office. As of December 31, 2023, we maintain a portfolio of 64 trademarks and nine trademark applications pending relating to our DeepView System product offerings. Our trademarks and pending trademark applications are spread over nine jurisdictions mostly in the UK the EU and China. It is our intention to maintain these registrations indefinitely and to expand the number of jurisdictions in which we have registered trademarks as deemed necessary to protect our freedom to use the marks and/or block competitors in additional markets. We will continue to look to protect our intellectual property in the United States, UK and the sale EU as those are the first commercial markets for our products and rely on third party experts to assist in doing this.

Facilities

Our corporate headquarters is located in Dallas, Texas, where we occupy approximately 11,000 square feet of Private Placement Warrants, although substantially all space under a lease agreement. The lease agreement for our corporate headquarters expires in in December 2024 with an additional three monthly extensions through March 31, 2025.

Human Capital Resources and Employees

We employ a growing and highly skilled employee base, including our sales force, and promote a culture of innovation to continuously iterate and enhance our products, systems and commercial footprint. Our human capital objectives include, as applicable, identifying, recruiting, retaining, incentivizing and integrating our existing and additional employees.

We anticipate the net proceeds are intended expansion of our business in 2024 as we continue to be applied generally toward consummating build a Business Combination. We must complete one or more initial Business Combinations with one or more operating businesses or assets that together have a fair market value equal to at least 80% of the assets held focused and highly skilled team. At December 31, 2023 had 78 full-time employees in the Trust Account (excluding any deferred underwriting commissions United States and taxes payable on the income earned on the Trust Account). We will only complete a Business Combination if the post-transaction company owns or acquires 50% or more of the outstanding voting securities of the target or otherwise acquires a controlling interest in the target business sufficient for it not to be required to register as an investment company under the Investment Company Act of 1940, as amended (the “Investment Company Act”).

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We intend to effectuate a Business Combination using the proceeds from the Initial Public Offering and Private Placement, and from additional issuances of, if any, our capital stock and our debt, or a combination of cash, stock and debt. We have not engaged in, and UK. In 2024, we will not engage in, any operations until we complete a Business Combination, and we have not generated any operating revenue to date. All activity for the period from November 17, 2020 (inception) through December 31, 2022 related to our formation and Initial Public Offering, subsequent to the Initial Public Offering, identifying a target company for a Business Combination. We will not generate any operating revenues until after the completion of our initial Business Combination, at the earliest. We will generate non-operating income in the form of interest income from the proceeds derived from the Initial Public Offering. Based on our business activities, we are a “shell company” as defined under the Exchange Act of 1934, as amended (the “Exchange Act”), because we have no operations and nominal assets consisting almost entirely of cash.

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We will provide the holders of the outstanding Public Shares (the "Public Stockholders") with the opportunity to redeem all or a portion of their Public Shares upon the completion of a Business Combination either (i) in connection with a stockholder meeting called to approve the Business Combination or (ii) by means of a tender offer. The decision as to whether we will seek stockholder approval of a Business Combination or conduct a tender offer anticipate new hires will be made by us. The Public Stockholders in all areas, in particular in operations, sales, marketing, and government contracts. This will be entitled further enable us to redeem their Public Shares for meet our technology, IP, clinical, regulatory, and commercial goals in 2024 and beyond.

We have designed and implemented our cash and stock compensation programs to attract, motivate, and retain our employees. We regularly review our compensation structure to ensure that we remain competitive, reward top performance, and ensure internal equity, while maintaining proper fiscal governance. Our compensation packages are designed based on market benchmarks. We offer robust benefits package including health (medical, dental and vision) insurance, paid time off, paid parental leave, a pro rata portion of the amount then held in the Trust Account (initially $10.00 per Public Share, plus any pro rata interest then in the Trust Account, net of taxes payable). There will be no redemption rights upon the completion of a retirement plan and life and disability coverage.

Business Combination with respect to our warrants. The per-share amount to be distributed to Public Stockholders who redeem their Public Shares will not be reduced

On September 11, 2023, we consummated the business combination (the "Business Combination") contemplated by the deferred underwriting commissions we pay to the underwriters of the Initial Public Offering.

We will have until February 17, 2024 to complete a Business Combination (the "Expiration Date"), which was extended from February 17, 2023 by one year at a special meeting of stockholders on December 21, 2022. If we have not completed a Business Combination by the Expiration Date, we will (i) cease all operations except for the purpose of winding up, (ii) as promptly as reasonably possible but not more than ten business days thereafter, redeem the Public Shares, at a per-share price, payable in cash, equal to the aggregate amount then on deposit in the Trust Account, including interest earned on the funds held in the Trust Account and not previously released to pay taxes (less up to $100,000 of interest to pay dissolution expenses), divided by the number of then outstanding Public Shares, which redemption will completely extinguish Public Stockholders' rights as stockholders (including the right to receive further liquidating distributions, if any), and (iii) as promptly as reasonably possible following such redemption, subject to the approval of our remaining stockholders and our board of directors, dissolve and liquidate, subject in each case to our obligations under Delaware law to provide for claims of creditors and the requirements of other applicable law. There will be no redemption rights or liquidating distributions with respect to our warrants, which will

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expire worthless if we fail to complete a Business Combination by the Expiration Date.

Termination of the Previously Announced Business Combination Agreement

On March 11, 2022, the Company, GT Gettaxi Listco, GT Gettaxi Limited, GT Gettaxi SPV, GT Merger Sub 1, Gett Merger Sub, Inc., and Dooboo Holding Limited, and Merger Sub entered into a Termination of the that certain Business Combination Agreement, pursuant dated as of April 11, 2023, by and among Rosecliff Acquisition Corp I ("RCLF"), Ghost Merger Sub I, Inc. ("Merger Sub I"), Ghost Merger Sub II, LLC ("Merger Sub II"), and Spectral MD Holdings, Ltd. ("Legacy Spectral"), whereby Merger Sub I merged with and into Legacy Spectral (the "First Merger"), with Legacy Spectral surviving the First Merger as a wholly owned subsidiary of RCLF and RCLF changed its name to which "Spectral AI, Inc.", and, immediately following the parties mutually agreed First Merger, Legacy Spectral merged with and into Merger Sub II (the "Second Merger"), with Merger Sub II surviving the Second Merger as a wholly owned subsidiary of RCLF (collectively, the "Merger"). For additional information, please refer to terminate the Business Combination Agreement, effective immediately. As per the Company's Current Report our final prospectus, as amended, on Form 8-K S-4, filed with the SEC on November 11, 2021, August 10, 2023.

Available Information

Our internet address is www.spectral-ai.com. Our website and the Company requested that the target's management undertake a thorough analysis information contained therein or linked thereto are not part of its financial projections. Following the conclusion this Annual Report. We make available free of that process, charge through our internet website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, registration statements and extensive mutual efforts amendments to negotiate an appropriate valuation adjustment, both parties agreed to terminate the Business Combination Agreement.

As a result of the termination of the Business Combination Agreement, the Business Combination Agreement is of no further force and effect, and certain transaction agreements entered into in connection with the Business Combination Agreement, including, but not limited those reports filed or furnished pursuant to the Investors' Rights Agreement, dated Exchange Act as of November 9, 2021, and to be effective soon as of the closing of the Business Combination, by and among the Company, a Delaware limited liability company, and certain holders, will either be terminated reasonably practicable after we electronically file such material with, or no longer be effective, as applicable, in accordance with their respective terms.

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The Company intends to continue to pursue the consummation of a Business Combination with an appropriate target.

Effecting a Business Combination

Our Business Strategy

We are focused on creating sustainable long-term value for our stockholders by identifying potential opportunities that can generate outsized returns. We believe our exceptional network and deep ties across the technology ecosystem will create a competitive advantage in sourcing attractive opportunities. We plan to identify and complete our initial Business Combination with a technology company that complements the experience of our management team and can benefit from its operational expertise and deal sourcing network. We have identified the following general criteria that we believe are important in evaluating prospective partner businesses for our initial Business Combination. We intend to use the following criteria in evaluating acquisition opportunities, but we may decide to enter into our initial Business Combination with a partner business that does not meet these criteria:

- **Focus: We intend to seek companies in the technology industry. We have an accomplished track record of investing in this industry and expect to focus on businesses that engage with technology to serve customers in a novel and transformational manner. We believe our management team's expertise and understanding of innovative businesses will be paramount in identifying and assessing an initial Business Combination candidate.**
- **People driven: Serial entrepreneurs, visionary leaders and trusted partners - we intend to seek management teams with whom we would be proud to partner for the next decade or more and who we believe have the vision, energy and execution capability to deliver on our high expectations for growth and franchise value. This is the standard against which Rosecliff Ventures Management, LLC, a Delaware limited liability company, and its affiliated entities, excluding our Company and Sponsor ("Rosecliff Ventures"), measures all of the management teams with whom it partners, whether they are running public or private companies.**
- **Growth: We intend to invest in businesses that are on, or have the potential to be on, what we believe to be a promising growth path. We believe that these businesses, in particular, will benefit from access to incremental capital and over the long term, will benefit from consistent access to public markets. We will seek businesses that we believe have a sustainable competitive advantage and will support and sustain our expectations of their growth.**
- **Significant addressable market relative to current company size: We intend to seek companies that we believe have a clear runway for sustained growth in their existing core businesses, well beyond our expected investment horizon.**
- **Sustainable competitive differentiation: We believe that identifying and deeply dissecting the "moat" around a company is the most critical element of understanding that company, as true differentiation can provide years of durable, compounding growth and expanding margins.**

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- **Economic model: Ultimately, a business must have the ability to generate high levels of cashflow over time, even if it chooses to use that cash to reinvest for the future. We expect to spend significant time evaluating a company's financial model and unit economics to seek to discern the trajectory of its margin profile in the coming years. We will seek to acquire a business that has historically generated, or that we believe has the near-term potential to generate, strong and sustainable free cash flow.**
- **Appropriate valuations: We are rigorous, disciplined, and valuation-centric investors, with a keen understanding of market value, upside and potential downside risks.**

These criteria are not intended to be exhaustive. Any evaluation relating to the merits of a particular initial Business Combination may be based, to the extent relevant, on these general criteria as well as other considerations and factors that our management team may deem relevant. In the event that we decide to enter into our initial Business Combination with a target business that does not meet the above criteria, we will disclose that the target business does not meet the above criteria in our stockholder communications related to our initial Business Combination, which would be in the form of proxy solicitation materials or tender offer documents, as applicable, that we would file with the SEC. In evaluating a prospective target business, we expect to conduct a due diligence review which may encompass, among other things, meetings with incumbent management and employees, document reviews, interviews of customers and suppliers, inspections of facilities, as well as reviewing financial and other information which will be made available to us.

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We are not prohibited from pursuing an initial Business Combination with a company that is affiliated with our Sponsor, directors or officers, or making the acquisition through a joint venture or other form of shared ownership with our Sponsor, directors or officers.

Each of the members of our Sponsor, our directors and officers will, directly or indirectly, own Founder Shares and/or Private Placement Warrants and, accordingly, may have a conflict of interest in determining whether a particular target business is an appropriate business with which to effectuate our initial Business Combination. Further, such officers and directors may have a conflict of interest with respect to evaluating a particular Business Combination if the retention or resignation of any such officers and directors was included by a target business as a condition to any agreement with respect to our initial Business Combination.

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Past experience or performance of Rosecliff Ventures, or any of its funds, investments or portfolio companies, or our Sponsor, directors or management team or their respective affiliates is not a guarantee of either (1) our ability to successfully identify and execute a transaction or (2) success with respect to any Business Combination that we may consummate. You should not rely on the historical record of Rosecliff Ventures, or any of its funds, investments or portfolio companies, or our Sponsor, directors or management team or their respective affiliates as indicative of future performance. See "Risk Factors - Past performance by Rosecliff Ventures, or any of its funds, investments or portfolio companies, or our Sponsor, directors or management team or their respective affiliates may not be indicative of future performance of an investment in the Company."

Each of our officers and directors presently has, and any of them in the future may have additional, fiduciary or contractual obligations to other entities pursuant to which such officer or director is or will be required to present a Business Combination opportunity to such entity subject to his or her fiduciary duties. As a result, if any of our officers or directors becomes aware of a Business Combination opportunity which is suitable for an entity to which he or she has then-current fiduciary or contractual obligations, he or she will need to honor such fiduciary or contractual obligations to present such Business Combination opportunity to such entity, before we can pursue such opportunity. If these other entities decide to pursue any such opportunity, we These materials may be precluded from pursuing obtained electronically by accessing the same. However, we do not expect these duties to materially affect our ability to complete our initial Business Combination. Our amended and restated certificate of incorporation provides that we renounce our interest in any Business Combination opportunity offered to any director or officer unless such opportunity is expressly offered to such person solely in his or her capacity as a director or officer of the Company and it is an opportunity that we are able to complete on a reasonable basis. SEC's website at www.sec.gov.

In addition, our officers or directors may be investors, or have other direct or indirect interests, in a business with which we may enter into a Business Combination agreement and/or in certain funds or other persons that purchased shares in our Initial Public Offering or that may otherwise purchase shares of our Class A common stock in the public market.

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Our officers, directors and any of their respective affiliates may sponsor or form, or, in the case of individuals, serve as a director or officer of, other blank check companies similar to ours during the period in which we are seeking an initial Business Combination. Any such companies may present additional conflicts of interest in pursuing an acquisition target. However, we do not believe that any such potential conflicts would materially affect our ability to complete our initial Business Combination.

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Rosecliff Ventures may become aware of a potential Business Combination opportunity that may be an attractive opportunity for our Company. However, Rosecliff Ventures is not under any obligation to source any potential opportunities for our initial Business Combination or refer any such opportunities to our Company or provide any other services to our Company. Rosecliff Ventures' role with respect to our Company is expected to be primarily passive and advisory in nature. Rosecliff Ventures may have fiduciary and/or contractual duties to its investment vehicles and to companies in which Rosecliff Ventures has invested. As a result, Rosecliff Ventures may have a duty to offer Business Combination opportunities to certain Rosecliff Ventures funds, other investment vehicles or other entities before other parties, including our Company. Additionally, certain companies in which Rosecliff Ventures has invested may enter into transactions with, provide goods or services to, or receive goods or services from an entity with which we seek to complete our initial Business Combination. Transactions of these types may present a conflict of interest because Rosecliff Ventures may directly or indirectly receive a financial benefit as a result of such transaction.

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We believe that any such potential conflicts of interest of Rosecliff Ventures and our officers and directors will be naturally mitigated by the differing nature of targets that Rosecliff Ventures typically considers most attractive for its venture capital activities and the types of initial Business Combination opportunities that we expect to be most attractive for our Company.

Our directors and officers are not required to commit any specified amount of time to our affairs, and, accordingly, will have conflicts of interest in allocating management time among various business activities, including identifying potential Business Combinations and monitoring the related due diligence. See "Risk Factors - Certain of our directors and officers are now, and all of them may in the future become, affiliated with entities engaged in business activities similar to those intended to be conducted by us and, accordingly, may have conflicts of interest in determining to which entity a particular business opportunity should be presented."

Initial Business Combination

Nasdaq listing rules require that our initial Business Combination must be with one or more operating businesses or assets with a fair market value equal

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to at least 80% of the assets held in the Trust Account (excluding the deferred underwriting commissions and taxes payable on the income earned on the Trust Account). We refer to this as the 80% fair market value test. We do not currently intend to purchase multiple businesses in unrelated industries in conjunction with our initial Business Combination, although there is no assurance that will be the case.

We anticipate structuring our initial Business Combination so that the post-transaction company in which our Public Stockholders own shares will own or acquire 100% of the issued and outstanding equity interests or assets of the target business or businesses. We may, however, structure our initial Business Combination such that the post-transaction company owns or acquires less than 100% of such interests or assets of the target business in order to meet certain objectives of the target management team or stockholders or for other reasons, but we will only complete such Business Combination if the post-transaction company owns or acquires 50% or more of the issued and outstanding voting securities of the target or otherwise acquires a controlling interest in the target business sufficient for it not to be required to register as an investment company under the Investment Company Act. Even if the post-transaction company owns or acquires 50% or more of the voting securities of the target, our stockholders prior to our initial Business Combination may collectively own a minority interest in the post-transaction company, depending on valuations ascribed to the target and us in our initial Business Combination transaction. For example, we could pursue a transaction in which we issue a substantial number of new shares in exchange for all of the issued and outstanding capital stock, shares or other equity securities of a target business or issue a substantial number of new shares to third-parties in connection with financing our initial Business Combination. In this case, we would acquire a 100% controlling interest in the target. However, as a result of the issuance of a substantial number of new shares, our stockholders immediately prior to our initial Business Combination could own less than a majority of our issued and outstanding shares subsequent to our initial Business Combination. If less than 100% of the equity interests or assets of a target business or businesses are owned or acquired by the post-transaction company, the portion of such business or businesses that is owned or acquired is what will be valued for purposes of the 80% fair market value test. If our initial Business Combination involves more than one target business, the 80%

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fair market value test will be based on the aggregate value of all of the target businesses. Notwithstanding the foregoing, if we are not then listed on Nasdaq for whatever reason, we would no longer be required to meet the foregoing 80% fair market value test.

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Competition

We expect to encounter intense competition from other entities having a business objective similar to ours, including private investors (which may be individuals or investment partnerships), other blank check companies and other entities, domestic and international, competing for the types of businesses we intend to acquire. Many of these individuals and entities are well established and have extensive experience in identifying and effecting, directly or indirectly, acquisitions of companies operating in or providing services to various industries. Many of these competitors possess greater technical, human and other resources or more local industry knowledge than we do and our financial resources will be relatively limited when contrasted with those of many of these competitors. Additionally, the number of blank check companies looking for Business Combination targets has increased compared to recent years and many of these blank check companies are sponsored by entities or persons that have significant experience with completing Business Combinations. While we believe there are numerous target businesses we could potentially acquire with the net proceeds of our Initial Public Offering and the sale of the Private Placement Warrants, our ability to compete with respect to the acquisition of certain target businesses that are sizable will be limited by our available financial resources. This inherent competitive limitation gives others an advantage in pursuing the acquisition of certain target businesses. Furthermore, in the event we seek stockholder approval of our initial Business Combination and we are obligated to pay cash for our shares of Class A common stock, it will potentially reduce the resources available to us for our initial Business Combination. Any of these obligations may place us at a competitive disadvantage in successfully negotiating a Business Combination. If we have not completed our initial Business Combination within the required time period, our Public Stockholders may receive only approximately $10.00

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per share, or less in certain circumstances, on the liquidation of our Trust Account and our warrants will expire worthless.

Human Capital Management

We currently have three officers and do not intend to have any full-time employees prior to the completion of our initial Business Combination. Members of our management team are not obligated to devote any specific number of hours to our matters but they intend to devote as much of their time as they deem necessary to our affairs until we have completed our initial Business Combination. The amount of time that any such person will devote in any time period will vary based on the status of the proposed Business Combination and, if the proposed Business Combination, is not consummated whether a different target business has been selected for our initial Business Combination and the current stage of the Business Combination process.

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Item 1.A. Risk Factors.

Item 1.A. Risk Factors.

An investment

Investing in our securities involves a high degree of risk. You should consider carefully all of the risks described below, together with the other information contained in this Annual Report, including our financial statements and related notes, before making risks. Before you make a decision to invest buy our securities, in our securities. addition to the risks and uncertainties discussed above under "Cautionary Note Regarding Forward-Looking Statements," you should carefully consider the specific risks set forth herein. If any of the following events these risks actually occur, it may materially harm our business, financial condition, liquidity and operating results may be materially adversely affected. In that event, of operations. As a result, the trading market price of our securities could decline, and you could lose all or part of your investment. The Additionally, the risks and uncertainties described below in this prospectus or any prospectus supplement are not the only ones we face. Additional risks and uncertainties that we face. We may face additional risks and uncertainties that are unaware of, not presently known to us, or that we currently believe are not material, deem immaterial, which may also become important factors that adversely affect impair our business, prospects, financial condition and or operating results. The following discussion should be read in conjunction with our financial statements and the financial statements of the Company and notes to the financial statements included herein.

Risks Relating Related to Our Search for, Financial Condition and Consummation of or Inability to Consummate, a Business Combination Capital Requirements

Our Public Stockholders may not be afforded an opportunity to vote on our proposed initial Business Combination, which means we may complete our initial Business Combination even though a majority of our Public Stockholders do not support such a combination.

We may not hold a stockholder vote to approve our initial Business Combination unless the Business Combination would require stockholder approval under applicable law or stock exchange rules or if we decide to hold a stockholder vote for business or other reasons. For instance, Nasdaq listing rules currently allow us to engage in a tender offer in lieu of a stockholder meeting, but would still require us to obtain stockholder approval if we were seeking to issue more than 20% of our then issued have incurred significant losses since inception and outstanding shares to a target business as consideration in any Business Combination. Therefore, if we were structuring a Business Combination that required us to issue more than 20% of our issued and outstanding shares, we would seek stockholder approval of such Business Combination. However, except as required by applicable law or stock exchange rules, the decision as to whether we will seek stockholder approval of a proposed Business Combination or will allow stockholders to sell their shares to us in a tender offer will be made by us, solely in our discretion, and will be based on a variety of factors such as the timing of the transaction and whether the terms of the transaction would otherwise require us to seek stockholder

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approval. Accordingly, we may consummate our initial Business Combination even if holders of a majority of the issued and outstanding shares of common stock do not approve of the Business Combination we consummate.

If we seek stockholder approval of our initial Business Combination, our initial stockholders, directors and officers have agreed to vote in favor of such initial Business Combination, regardless of how our Public Stockholders vote.

Unlike many other blank check companies in which the initial stockholders agree to vote their Founder Shares in accordance with the majority of the votes cast by the Public Stockholders in connection with an initial Business Combination, our initial stockholders, directors and officers have agreed (and their permitted transferees will agree), pursuant to the terms of a letter agreement entered into with us, to vote their Founder Shares and any Public Shares held by them in favor of our initial Business Combination. Our initial stockholders own shares representing approximately 91.32% (as of December 31, 2022) of our outstanding shares of common stock. Accordingly, if we seek stockholder approval of our initial Business Combination, it is more likely that the necessary stockholder approval will be received than would be the case if our initial stockholders agreed to vote their Founder Shares in accordance with the majority of the votes cast by our Public Stockholders.

Your only opportunity to affect the investment decision regarding a potential Business Combination will be limited to the exercise of your right to redeem your shares from us for cash, unless we seek stockholder approval of such Business Combination.

Since our board of directors may complete a Business Combination without seeking stockholder approval, Public Stockholders may not have the right or opportunity to vote on the Business Combination, unless we seek such stockholder approval. Accordingly, if we do not seek stockholder approval, your only opportunity to affect the investment decision regarding a potential Business Combination may be limited to exercising your redemption rights within the period of time (which will be at least 20 business days) set forth in our tender offer documents mailed to our Public Stockholders in which we describe our initial Business Combination.

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The ability of our Public Stockholders to redeem their shares for cash may make our financial condition unattractive to potential Business Combination targets,

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which may make it difficult for us to enter into a Business Combination with a target.

We may seek to enter into a Business Combination transaction agreement with a prospective target that requires as a closing condition that we have a minimum net worth or a certain amount of cash. If too many Public Stockholders exercise their redemption rights, we would not be able to meet such closing condition achieve significant revenues or profitability.

We have incurred substantial net losses since our inception. For the year ended December 31, 2023 and the year ended December 31 2022, on a consolidated basis, we incurred a net loss of $20.9 million and $2.9 million, respectively, and on a consolidated basis our cash balance at December 31, 2023 was $4.8 million. We had an accumulated deficit of $32.8 million as a result, would not be able to proceed with the Business Combination. The amount of the deferred underwriting commissions payable to the underwriters will not be adjusted for any shares that are redeemed December 31, 2023. Our losses have resulted primarily from costs incurred in connection with our design, manufacturing and development activities, research and development activities, building our commercial infrastructure, legal, and general and administrative expenses associated with our operations.

On September 27, 2023, the Company executed a Business Combination and such amount new contract with BARDA, providing the Company with additional funding of deferred underwriting discount is not available for us up to use as consideration in $150.0 million, including an initial Business Combination. If we are award of approximately $54.9 million to support the clinical validation and FDA clearance of our DeepView System. The Company will utilize its existing cash balance and the initial award from BARDA for its near-term liquidity and operating needs. The Company believes that it has sufficient cash and revenue from its BARDA contract to support its operations until it is able to consummate an initial Business Combination, the per-share value of shares held by non-redeeming stockholders will reflect our obligation obtain equity or debt investments on terms acceptable to pay and the payment of the deferred underwriting commissions. Our amended and restated certificate of incorporation does not provide a limitation that the Company may to meet its expected operating cash-flow needs for its burn, DFU and other indication research and development.

We do not redeem public shares to the extent that such redemption would result in the Company having net tangible assets (as determined in accordance with Rule 3a51-1(g)(1) of the Securities Exchange Act of 1934, as amended) of less than $5,000,001 (the "Redemption Limitation") in order to allow us to redeem shares of Class A common stock irrespective of know whether such redemption would exceed the Redemption Limitation. It's possible or when we will not be able become profitable. Our ability to generate revenue and achieve profitability will depend upon our ability, alone or with others, to complete the initial Business Combination unless we are able development of our DeepView System, including receipt of the necessary regulatory clearances, approvals, or classifications and thereafter to obtain a sufficient amount of successfully commercialize our DeepView System. We may be unable to achieve these goals. We may also encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors and risks frequently experienced by medical device companies in rapidly evolving fields. In addition, the Company's ability to develop its DeepView System for multiple indications requires research and development costs that may exceed the Company's current cash balance. The Company may need to seek additional equity financing or debt investments to meet its projected operating costs for the net tangible asset test. There can be timely development of the DeepView System. To the extent additional capital is necessary, there are no assurance assurances that we will be able to do so. Prospective targets will be aware of these risks and, thus, may be reluctant to enter into a Business Combination transaction with us.

The ability of our Public Stockholders to exercise redemption rights with respect to a large number of our shares may not allow us to complete the most desirable Business Combination or optimize our raise additional capital structure.

At the time we enter into an agreement for our initial Business Combination, we will not know how many stockholders may exercise their redemption rights and, therefore, we will need to structure the transaction based on our expectations as to the number of shares that will be submitted for redemption. If our initial Business Combination agreement requires us to use a portion of the cash in the Trust Account to pay the purchase price, or requires us to have a minimum amount of cash at closing, we will need to reserve a portion of the cash in the Trust Account to meet such requirements, or arrange for third-party financing. In addition, if a larger number of shares is submitted for redemption than we initially expected, we may need to restructure the

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transaction to reserve a greater portion of the cash in the Trust Account or arrange for third-party financing. Raising additional third-party financing may involve dilutive equity issuances or the incurrence of indebtedness at higher than desirable levels. The above considerations may limit our ability to complete the most desirable Business Combination available to us or optimize our capital structure.

The ability of our Public Stockholders to exercise redemption rights with respect to a large number of our shares could increase the probability that our initial Business Combination would be unsuccessful and that you would have to wait for liquidation in order to redeem your shares.

If our initial Business Combination agreement requires us to use a portion of the cash in the Trust Account to pay the purchase price, or requires us to have a minimum amount of cash at closing, the probability that our initial Business Combination would be unsuccessful increases. If our initial Business Combination is unsuccessful, you would not receive your pro rata portion of the Trust Account until we liquidate the Trust Account. If you are in need of immediate liquidity, you could attempt to sell your shares in the open market; however, at such time our shares may trade at a discount to the pro rata amount per share in the Trust Account. In either situation, you may suffer a material loss on your investment or lose the benefit of funds expected in connection with our redemption until we liquidate or you are able to sell your shares in the open market.

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The requirement that we complete our initial Business Combination within the prescribed time frame may give potential target businesses leverage over us in negotiating a Business Combination and may limit the time we have in which to conduct due diligence on potential Business Combination targets, in particular as we approach our dissolution deadline, which could undermine our ability to complete our initial Business Combination on favorable terms that would produce value for our stockholders.

Any potential target business with which we enter into negotiations concerning a Business Combination will be aware that we must complete our initial Business Combination by the Expiration Date. Consequently, such target business may obtain leverage over us in negotiating a Business Combination,

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knowing that if we do not complete our initial Business Combination with that particular target business, we may be unable to complete our initial Business Combination with any target business. This risk will increase as we get closer to the end of the timeframe described above. In addition, we may have limited time to conduct due diligence and may enter into our initial Business Combination on terms that we would have rejected upon a more comprehensive investigation. In July 2021, the SEC charged a special purpose acquisition company for misleading disclosures, which could have been corrected with more adequate due diligence, and obtained substantial relief against the special purpose acquisition company and its Sponsor. Although we will invest in due diligence efforts and commit management time and resources to such efforts, there can be no assurance that our due diligence will unveil all potential issues with a target business and that we or our Sponsor will not become subject to regulatory actions related to such efforts.

We may not be able to complete our initial Business Combination within the prescribed time frame, in which case we would cease all operations except for the purpose of winding up and we would redeem our Public Shares and liquidate, in which case our Public Stockholders may receive only $10.00 per share, or less than such amount in certain circumstances, and our warrants will expire worthless.

Our amended and restated certificate of incorporation provides that we must complete our initial Business Combination by the Expiration Date. We may not be able to find a suitable target business and complete our initial Business Combination within such time period. Our ability to complete our initial Business Combination may be negatively impacted by general market conditions, volatility in the equity and debt markets and the other risks described herein, including as a result of terrorist attacks, natural disasters, global hostilities, or a significant outbreak of infectious diseases. For example, the effects of the coronavirus pandemic ("COVID-19") continues both in the U.S. and globally and, while the extent of the impact of the outbreak on us will depend on future developments, it could limit our ability to complete our initial Business Combination, including as a result of increased market volatility, decreased market liquidity and third-party financing being unavailable on terms acceptable to us or at all. Additionally, the COVID-19 pandemic all, and other events (such as terrorist attacks, natural disasters, global hostilities or a significant outbreak of other infectious diseases) may negatively impact

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businesses we may seek to acquire. It may also have the effect of heightening many of the other risks described in this "Risk Factors" section, such as those related to the market for our securities and cross-border transactions.

If we have not completed our initial Business Combination by the Expiration Date or during any extension period, we will: (1) cease all operations except for the purpose of winding up; (2) as promptly as reasonably possible but not more than ten business days thereafter, redeem the Public Shares, at a per-share price, payable in cash, equal to the aggregate amount then on deposit in the Trust Account, including interest (less up to $100,000 of interest to pay dissolution expenses and which interest shall be net of taxes payable), divided by the number of then issued and outstanding Public Shares, which redemption will completely extinguish Public Stockholders' rights as stockholders (including the right to receive further liquidating distributions, if any); and (3) as promptly as reasonably possible following such redemption, subject to the approval of our remaining stockholders and our board of directors, liquidate and dissolve, subject in each case to our obligations under Delaware law to provide for claims of creditors and the requirements of other applicable law. In such case, our Public Stockholders may receive only $10.00 per share, or less than $10.00 per share, on the redemption of their shares, and our warrants will expire worthless. Please see "- If third parties bring claims against us, the proceeds held in the Trust Account could be reduced and the per-share redemption amount received by stockholders may be less than $10.00 per share" and other risk factors herein.

Our search for a Business Combination, and any target business with which we ultimately consummate a Business Combination, may be materially adversely affected by the continuing COVID-19 pandemic, as well as other events such as terrorist attacks, natural disasters, global or regional hostilities or a significant outbreak of other infectious diseases, and the state of debt and equity markets.

Events such as the COVID-19 pandemic have affected, and other events (such as terrorist attacks, natural disasters, global or regional hostilities or a significant outbreak of other infectious diseases) could adversely affect, economies and financial markets worldwide, business operations and the conduct of commerce generally, and the business of any potential target business with which we consummate a Business Combination with could be, or may already have been, materially and adversely affected. Furthermore, we

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may be unable to complete a Business Combination if concerns relating to these events restrict travel or limit the ability to have meetings with potential investors, or the target company's personnel, vendors and services providers are unavailable to negotiate and consummate a transaction in a timely manner. The extent to which these events impact our search for a Business Combination will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning these events. If the disruptions posed by these events continue for a prolonged period of time, our ability to consummate a Business Combination, or the operations of a target business with which we ultimately consummate a Business Combination, may be materially adversely affected.

In addition, our ability to consummate a transaction may be dependent on the ability to raise equity and debt financing. Any ability to raise financing will be dependent on the state of the equity and debt markets at the time, which may be impacted by the events described above as well as by market volatility. In the event of continued or increased market volatility and/or decreased market liquidity, third-party financing may be unavailable on terms acceptable to us or at all.

Finally, events such as the COVID-19 pandemic and other events (such as terrorist attacks, natural disasters, global hostilities or a significant outbreak of other infectious diseases) may also have the effect of heightening many of the other risks described in this "Risk Factors" section, such as those related to the market for our securities and cross-border transactions.

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Our search for a Business Combination, and any target business with which we may ultimately consummate a Business Combination, may be materially adversely affected by the geopolitical conditions resulting from the invasion of Ukraine by Russia and subsequent sanctions against Russia, Belarus and related individuals and entities and the status of debt and equity markets, as well as protectionist legislation in our target markets.

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United States and global markets are experiencing volatility and disruption following the escalation of geopolitical tensions and the invasion of Ukraine by Russia in February 2022. In response to such invasion, the North Atlantic Treaty Organization ("NATO") deployed additional military forces to eastern Europe, and the United States, the United Kingdom, the European Union and other countries have announced various sanctions and restrictive actions against Russia, Belarus and related individuals and entities, including the removal of certain financial institutions from the Society for Worldwide Interbank Financial Telecommunication (SWIFT) payment system. Certain countries, including the United States, have also provided and may continue to provide military aid or other assistance to Ukraine during the ongoing military conflict, increasing geopolitical tensions with Russia. The invasion of Ukraine by Russia and the resulting measures that have been taken, and could be taken in the future, by NATO, the United States, the United Kingdom, the European Union and other countries have created global security concerns that could have a lasting impact on regional and global economies. Although the length and impact of the ongoing military conflict in Ukraine is highly unpredictable, the conflict could lead to market disruptions, including significant volatility in commodity prices, credit and capital markets, as well as supply chain interruptions. Additionally, Russian military actions and the resulting sanctions could adversely affect the global economy and financial markets and lead to instability and lack of liquidity in capital markets.

Any of the above-mentioned factors, or any other negative impact on the global economy, capital markets or other geopolitical conditions resulting from the Russian invasion of Ukraine and subsequent sanctions, could adversely affect our search for a Business Combination and any target business with which we may ultimately consummate a Business Combination. The extent and duration of the Russian invasion of Ukraine, resulting sanctions and any related market disruptions are impossible to predict, but could be substantial, particularly if current or new sanctions continue for an extended period of time or if geopolitical tensions result in expanded military operations on a global scale. Any such disruptions may also have the effect of heightening many of the other risks described in this "Risk Factors" section. If these disruptions or other matters of global concern continue for an extensive period of time, our ability to consummate a Business Combination, or the operations of a target business

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with which we may ultimately consummate a Business Combination, may be materially adversely affected.

In addition, the invasion of Ukraine by Russia, and the impact of sanctions against Russia and the potential for retaliatory acts from Russia, could result in increased cyber-attacks against U.S. companies.

If we seek stockholder approval of our initial Business Combination, our Sponsor, directors, officers, advisors or any of their respective affiliates may elect to purchase shares or warrants from Public Stockholders or warrant holders, which may influence a vote on a proposed Business Combination and reduce the public "float" of our securities.

If we seek stockholder approval of our initial Business Combination and we do not conduct redemptions in connection with our initial Business Combination pursuant to the tender offer rules, our Sponsor, directors, officers, advisors or any of their respective affiliates may purchase Public Shares or warrants in privately negotiated transactions or in the open market either prior to or following the completion of our initial Business Combination.

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Any such price per share may be different than the amount per share a public stockholder would receive if it elected to redeem its shares in connection with our initial Business Combination. Additionally, at any time at or prior to our initial Business Combination, subject to applicable securities laws (including with respect to material non-public information), our Sponsor, directors, officers, advisors or any of their respective affiliates may enter into transactions with investors and others to provide them with incentives to acquire Public Shares, vote their Public Shares in favor of our initial Business Combination or not redeem their Public Shares. However, our Sponsor, directors, officers, advisors or any of their respective affiliates are under no obligation or duty to do so and they have no current commitments, plans or intentions to engage in such transactions and have not formulated any terms or conditions for any such transactions. The purpose of such purchases could be to vote such shares in favor of our initial Business Combination and thereby increase the likelihood of obtaining stockholder approval of our initial Business Combination or to satisfy a closing condition in an agreement with a target that requires us to have a minimum net worth or a certain amount of cash at

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the closing of our initial Business Combination, where it appears that such requirement would otherwise not be met. The purpose of any such purchases of public warrants could be to reduce the number of public warrants outstanding or to vote such warrants on any matters submitted to the warrant holders for approval in connection with our initial Business Combination. This may result in the completion of our initial Business Combination that may not otherwise have been possible.

In addition, if such purchases are made, the public "float" of our securities and the number of beneficial holders of our securities may be reduced, possibly making it difficult to maintain or obtain the quotation, listing or trading of our securities on a national securities exchange.

If a stockholder fails to receive notice of our offer to redeem our Public Shares in connection with our initial Business Combination, or fails to comply with the procedures for tendering its shares, such shares may not be redeemed.

We will comply with the tender offer rules or proxy rules, as applicable, when conducting redemptions in connection with our initial Business Combination. Despite our compliance with these rules, if a stockholder fails to receive our tender offer or proxy materials, as applicable, such stockholder may not become aware of the opportunity to redeem its shares. In addition, the tender offer documents or proxy materials, as applicable, that we will furnish to holders of our Public Shares in connection with our initial Business Combination will describe the various procedures that must be complied with in order to validly tender or redeem Public Shares. For example, we may require our Public Stockholders seeking to exercise their redemption rights, whether they are record holders or hold their shares in "street name," to either tender their certificates to our transfer agent prior to the date set forth in the tender offer or proxy materials documents mailed to such holders, or up to two business days prior to the scheduled vote on the proposal to approve the initial Business Combination in the event we distribute proxy materials, or to deliver their shares to the transfer agent electronically. In the event that a stockholder fails to comply with these procedures, its shares may not be redeemed.

You are not entitled to certain protections afforded to investors of some other blank check companies.

We are exempt from certain rules promulgated by the SEC related to certain blank check companies, including Rule 419. Accordingly, investors are not afforded the benefits or protections of those rules. Among other things, this

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means our units were immediately tradable and that we will have a longer period of time to complete our initial Business Combination than those companies subject to Rule 419. Moreover, if the Initial Public Offering had been subject to Rule 419, that rule would prohibit the release of any interest earned on funds held in the trust account to us unless and until the funds in the trust account were released to us in connection with our completion of an initial Business Combination.

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If we seek stockholder approval of our initial Business Combination and we do not conduct redemptions pursuant to the tender offer rules, and if you or a "group" of stockholders are deemed to hold in excess of 15% of our Class A common stock, you will lose the ability to redeem all such shares in excess of 15% of our Class A common stock.

If we seek stockholder approval of our initial Business Combination and we do not conduct redemptions in connection with our initial Business Combination pursuant to the tender offer rules, our amended and restated certificate of incorporation provides that a public stockholder, together with any affiliate of such stockholder or any other person with whom such stockholder is acting in concert or as a "group" (as defined under Section 13 of the Exchange Act), will be restricted from redeeming its shares with respect to more than an aggregate of 15% of the shares sold in the Initial Public Offering, which we refer to as the "Excess Shares," without our prior consent. However, we would not be restricting our stockholders' ability to vote all of their shares (including Excess Shares) for or against our initial Business Combination. Your inability to redeem the Excess Shares will reduce your influence over our ability to complete our initial Business Combination and you could suffer a material loss on your investment in us if you sell Excess Shares in open market transactions. Additionally, you will not receive redemption distributions with respect to the Excess Shares if we complete our initial Business Combination. And as a result, you will continue to hold that number of shares exceeding 15% and, in order to dispose of such shares, would be required to sell your shares in open market transactions, potentially at a loss.

Because of our limited resources and the significant competition for Business Combination opportunities, it may be more difficult for us to complete our initial

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Business Combination. If we have not completed our initial Business Combination within the required time period, our Public Stockholders may receive only approximately $10.00 per share, or less in certain circumstances, on our redemption of their shares, and our warrants will expire worthless.

We expect to encounter intense competition from other entities having a business objective similar to ours, including private investors (which may be individuals or investment partnerships), other blank check companies and other entities, domestic and international, competing for the types of businesses we intend to acquire. Many of these individuals and entities are well established and have extensive experience in identifying and effecting, directly or indirectly, acquisitions of companies operating in or providing services to various industries. Many of these competitors possess greater technical, human and other resources or more local industry knowledge than we do and our financial resources will be relatively limited when contrasted with those of many of these competitors. Additionally, the number of blank check companies looking for Business Combination targets has increased compared to recent years and many of these blank check companies are sponsored by entities or persons that have significant experience with completing Business Combinations. While we believe there are numerous target businesses we could potentially acquire with the net proceeds of the Initial Public Offering and the sale of the Private Placement Warrants, our ability to compete with respect to the acquisition of certain target businesses that are sizable will be limited by our available financial resources. This inherent competitive limitation gives others an advantage in pursuing the acquisition of certain target businesses. Furthermore, in the event we seek stockholder approval of our initial Business Combination and we are obligated to pay cash for our shares of Class A common stock, it will potentially reduce the resources available to us for our initial Business Combination. Any of these obligations may place us at a competitive disadvantage in successfully negotiating a Business Combination. If we have not completed our initial Business Combination within the required time period, our Public Stockholders may receive only approximately $10.00 per share, or less in certain circumstances, on the liquidation of our Trust Account and our warrants will expire worthless. Please see "- If third parties bring claims against us, the proceeds held in the Trust Account could be reduced and the per-share redemption amount received by stockholders may be less than $10.00 per share" and other risk factors herein.

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Due to the number of special purpose acquisition companies, there may be more competition to find an attractive target for an initial Business Combination. This could increase the costs associated with completing our initial Business Combination and may result in our inability to find a suitable target for our initial Business Combination and/or complete our initial Business Combination.

In recent years, the number of special purpose acquisition companies that have been formed has increased substantially. Many companies have entered into Business Combinations with special purpose acquisition companies, and there are still many special purpose acquisition companies seeking targets for their initial Business Combination, as well as many additional special purpose acquisition companies currently in registration. As a result, at times, fewer attractive targets may be available, and it may require more time, effort and resources to identify a suitable target for an initial Business Combination and/or complete our initial Business Combination.

In addition, because there are more special purpose acquisition companies seeking to enter into an initial Business Combination with available targets, the competition for available targets with attractive fundamentals or business models may increase, which could cause target companies to demand improved financial terms. Attractive deals could also become scarcer for other reasons, such as economic or industry sector downturns, geopolitical tensions or increases in the cost of additional capital needed to close Business Combinations or operate targets post-Business Combination. This could increase the cost of, delay or otherwise complicate or frustrate our ability to find a suitable target for and/or complete our initial Business Combination.

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If the funds not being held in the Trust Account are insufficient to allow us to operate until at least the Expiration Date, we may be unable to complete our initial Business Combination.

The funds available to us outside of the Trust Account may not be sufficient to allow us to operate until at least the Expiration Date, assuming that our initial Business Combination is not completed during that time. We have incurred, and expect to incur significant costs in pursuit of our acquisition plans. Management's plans to address this need for capital through potential loans from certain of our affiliates are discussed in "Item **7. Management's**

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Discussion and Analysis of Financial Condition and Results of Operations." However, our affiliates are not obligated to make loans to us in the future, and therefore we may not be able to raise additional financing from unaffiliated parties necessary execute our business plan. In addition, as a U.S. public company, we incur significant legal, accounting and other expenses. Accordingly, we expect to fund our expenses. Any such event continue to incur significant operating losses for the foreseeable future and we cannot assure you that we will achieve profitability in the future may negatively impact the analysis regarding our ability to continue as a going concern at such time.

Of the funds available to us, we could use a portion of the funds to pay fees to consultants to assist us with our search for a target business. We could also use a portion of the funds as a down payment or to fund a "no-shop" provision (a provision in letters of intent or merger agreements designed to keep target businesses from "shopping" around for transactions with other companies or investors on terms more favorable to such target businesses) with respect to a particular proposed Business Combination, although that, if we do not have any current intention become profitable, we will sustain profitability. Our failure to do so. If we enter into a letter of intent or merger agreement where we paid for the right to receive exclusivity from a target business achieve and were subsequently required to forfeit such funds (whether as a result of our breach or otherwise), we might not have sufficient funds to continue searching for, or conduct due diligence with respect to, a target business. If we have not completed our initial Business Combination within the required time period, our Public Stockholders may receive only approximately $10.00 per share, or less in certain circumstances, on the liquidation of our Trust Account and our warrants will expire worthless. Please see "- If third parties bring claims against us, the proceeds held sustain profitability in the Trust Account could be reduced and the per-share redemption amount received by stockholders may be less than $10.00 per share" and other risk factors herein.

Changes in the market for directors and officers liability insurance could future will make it more difficult to finance the capital requirements needed to operate our business and more expensive for us to negotiate and complete an initial Business Combination.

Recently, the market for directors and officers liability insurance for special purpose acquisition companies has changed in ways adverse to us and accomplish our management team. Fewer insurance companies are

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offering quotes for directors and officers liability coverage, the premiums charged for such policies strategic objectives, which would have generally increased and the terms of such policies have generally become less favorable. These trends may continue into the future.

The increased cost and decreased availability of directors and officers liability insurance could make it more difficult and more expensive for us to negotiate and complete an initial Business Combination. In order to obtain directors and officers liability insurance or modify its coverage as a result of becoming a public company, the post-Business Combination entity might need to incur greater expense and/or accept less favorable terms. Furthermore, any failure to obtain adequate directors and officers liability insurance could have an adverse impact on the post-Business Combination's ability to attract and retain qualified officers and directors.

In addition, after completion of any initial Business Combination, our directors and officers could be subject to potential liability from claims arising from conduct alleged to have occurred prior to such initial Business Combination. As a result, in order to protect our directors and officers, the post-Business Combination entity may need to purchase additional insurance with respect to any such claims ("run-off insurance"). The need for run-off insurance would be an added expense for the post-Business Combination entity and could interfere with or frustrate our ability to consummate an initial Business Combination on terms favorable to our investors.

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If third parties bring claims against us, the proceeds held in the Trust Account could be reduced and the per-share redemption amount received by stockholders may be less than $10.00 per share.

Our placing of funds in the Trust Account may not protect those funds from third-party claims against us. Although we will seek to have all vendors, service providers (other than our independent registered public accounting firm), prospective target businesses and other entities with which we do business execute agreements with us waiving any right, title, interest or claim of any kind in or to any monies held in the Trust Account for the benefit of our Public Stockholders, such parties may not execute such agreements, or even if they execute such agreements they may not be prevented from bringing claims

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against the Trust Account, including, but not limited to, fraudulent inducement, breach of fiduciary responsibility or other similar claims, as well as claims challenging the enforceability of the waiver, in each case in order to gain advantage with respect to a claim against our assets, including the funds held in the Trust Account. If any third-party refuses to execute an agreement waiving such claims to the monies held in the Trust Account, our management will perform an analysis of the alternatives available to it and will enter into an agreement with a third-party that has not executed a waiver only if management believes that such third-party's engagement would be significantly more beneficial to us than any alternative.

Examples of possible instances where we may engage a third-party that refuses to execute a waiver include the engagement of a third-party consultant whose particular expertise or skills are believed by management to be significantly superior to those of other consultants that would agree to execute a waiver or in cases where we are unable to find a service provider willing to execute a waiver. In addition, there is no guarantee that such entities will agree to waive any claims they may have in the future as a result of, or arising out of, any negotiations, contracts or agreements with us and will not seek recourse against the Trust Account for any reason. Upon redemption of our Public Shares, if we have not completed our initial Business Combination within the required time period, or upon the exercise of a redemption right in connection with our initial Business Combination, we will be required to provide for payment of claims of creditors that were not waived that may be brought against us within the ten years following redemption. Accordingly, the per-share redemption amount received by Public Stockholders could be less than the $10.00 per Public Share initially held in the Trust Account, due to claims of such creditors.

Our Sponsor has agreed that it will be liable to us if and to the extent any claims by a third-party (other than our independent registered public accounting firm) for services rendered or products sold to us, or a prospective target business with which we have discussed entering into a transaction agreement, reduce the amount of funds in the Trust Account to below (1) $10.00 per Public Share or (2) such lesser amount per Public Share held in the Trust Account as of the date of the liquidation of the Trust Account due to reductions in the value of the trust assets, in each case net of interest which may be withdrawn to pay taxes, except as to any claims by a third-party who

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executed a waiver of any and all rights to seek access to the Trust Account and except as to any claims under our indemnity of the underwriters of the Initial Public Offering against certain liabilities, including liabilities under the Securities Act. Moreover, in the event that an executed waiver is deemed to be unenforceable against a third-party, our Sponsor will not be responsible to the extent of any liability for such third-party claims. We have not independently verified whether our Sponsor has sufficient funds to satisfy its indemnity obligations and believe that our Sponsor's only assets are securities of our Company. Our Sponsor may not have sufficient funds available to satisfy those obligations. We have not asked our Sponsor to reserve for such obligations, and therefore, no funds are currently set aside to cover any such obligations. As a result, if any such claims were successfully made against the Trust Account, the funds available for our initial Business Combination and redemptions could be reduced to less than $10.00 per Public Share. In such event, we may not be able to complete our initial Business Combination, and you would receive such lesser amount per share in connection with any redemption of your Public Shares. None of our directors or officers will indemnify us for claims by third parties including, without limitation, claims by vendors and prospective target businesses.

The failure of any bank in which we deposit our funds could have an material adverse effect on our business, financial condition. condition and results of operations, and cause the market price of our common stock to decline.

We deposit substantial funds in are devoting a significant portion of our efforts towards research and development of our DeepView System.

Our business, prospects, results of operations and financial institutions and may, from time condition depend upon our ability, alone or with others, to time, maintain cash balances at such financial institutions in excess complete the development of our DeepView System, including receipt of the Federal Deposit Insurance Corporation limit. necessary regulatory clearances, approvals, or classifications and thereafter to successfully commercialize our DeepView System. In recent weeks, addition, though we are currently focused on the DFU and burn applications for DeepView, there has been significant volatility and instability among banks and financial institutions. For example, on March 10, 2023, Silicon Valley Bank ("SVB") was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation, or the FDIC, as receiver, and for a period of time, customers of the bank did not have access to their funds and there was uncertainty as to when, if at all, customers would have access to funds in excess of the FDIC insured amounts. Although we did not maintain any funds at SVB, should one or more of the financial institutions at which deposits are maintained fail, there is no guarantee as to the extent that we would recover the funds deposited, whether through Federal Deposit Insurance Corporation coverage or otherwise, or the timing of any recovery.

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Our directors may decide not to enforce the indemnification obligations of our Sponsor, resulting in a reduction in the amount of funds in the Trust Account available for distribution to our Public Stockholders.

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In the event that the proceeds in the Trust Account are reduced below the lesser of (1) $10.00 per Public Share or (2) such lesser amount per share held in the Trust Account as of the date of the liquidation of the Trust Account due to reductions in the value of the trust assets, in each case net of interest which may be withdrawn to pay taxes, and our Sponsor asserts that it is unable to satisfy its obligations or that it has no indemnification obligations related to a particular claim, our independent directors would determine whether to take legal action against our Sponsor to enforce its indemnification obligations. While we currently expect that our independent directors would take legal action on our behalf against our Sponsor to enforce its indemnification obligations to us, it is possible that our independent directors in exercising their business judgment may choose not to do so in any particular instance. If our independent directors choose not to enforce these indemnification obligations, the amount of funds in the Trust Account available for distribution to our Public Stockholders may be reduced below $10.00 per share.

The securities in which we invest the funds held in the Trust Account could bear a negative rate of interest, which could reduce the value of the assets held in trust such that the per-share redemption amount received by Public Stockholders may be less than $10.00 per share.

The proceeds held in the Trust Account will be invested only in U.S. government treasury obligations with a maturity of 185 days or less or in money market funds meeting certain conditions under Rule 2a-7 under the Investment Company Act, which invest only in direct U.S. government treasury obligations. While short-term U.S. government treasury obligations currently yield a positive rate of interest, they have briefly yielded negative interest rates in recent years. Central banks in Europe and Japan pursued interest rates below zero in recent years, and the Open Market Committee of the Federal Reserve has not ruled out the possibility that it may in the future adopt similar policies in the United States. In the event other pipeline applications that we are unable to complete our initial Business Combination or make certain amendments to our amended and restated certificate of incorporation, our Public Stockholders are entitled to receive their pro-rata share of the proceeds held in the Trust Account, plus any interest income, net of taxes paid or payable (less, in the case we are unable to complete our initial Business Combination, $100,000 of interest). Negative interest rates could reduce the value of the assets held in trust such that the per-share redemption amount received by Public Stockholders may be less than $10.00 per

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share. Negative interest rates could also reduce the amount of funds we have available to complete our initial Business Combination.

If, after we distribute the proceeds in the Trust Account to our Public Stockholders, we file a winding-up or bankruptcy petition or an involuntary winding-up or bankruptcy petition is filed against us that is not dismissed, a bankruptcy court may seek to recover such proceeds, and the members of our board of directors may be viewed as having breached their fiduciary duties to our creditors, thereby exposing the members of our board of directors and us to claims of punitive damages.

If, after we distribute the proceeds in the Trust Account to our Public Stockholders, we file a winding-up or bankruptcy petition or an involuntary winding-up or bankruptcy petition is filed against us that is not dismissed, any distributions received by stockholders could be viewed under applicable debtor/creditor and/or bankruptcy laws as either a "preferential transfer" or a "fraudulent conveyance." As a result, a liquidator could seek to recover some or all amounts received by our stockholders. In addition, our board of directors may be viewed as having breached its fiduciary duty to our creditors and/or having acted in bad faith by paying Public Stockholders from the Trust Account prior to addressing the claims of creditors, thereby exposing itself and us to claims of punitive damages.

If, before distributing the proceeds in the Trust Account to our Public Stockholders, we file a winding-up or bankruptcy petition or an involuntary winding-up or bankruptcy petition is filed against us that is not dismissed, the claims of creditors in such proceeding may have priority over the claims of our stockholders and the per-share amount that would otherwise be received by our stockholders in connection with our liquidation may be reduced.

If, before distributing the proceeds in the Trust Account to our Public Stockholders, we file a winding-up or bankruptcy petition or an involuntary winding-up or bankruptcy petition is filed against us that is not dismissed, the proceeds held in the Trust Account could be subject to applicable insolvency law, and may be included in our liquidation estate and subject to the claims of third parties with priority over the claims of our stockholders. To the extent any liquidation claims deplete the Trust Account, the per-share amount that would otherwise be received by our Public Stockholders in connection with our liquidation would be reduced.

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If we are deemed to be an investment company under the Investment Company Act, considering for future commercialization. However, we may be required unable to institute burdensome compliance requirements achieve these goals. Approval or clearance from the FDA and comparable regulatory bodies may never be obtained. We also may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors and risks frequently experienced by medical device companies in rapidly evolving fields. Our failure to receive the necessary approvals and clearances and to successfully commercialize our activities may be restricted, which may make it difficult for us to complete DeepView System would have a material adverse effect on our initial Business Combination. business, prospects, results of operations and financial condition.

If we are deemed to be an investment company

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Further, our business plan and pipeline depend on, and, as further described below, funding under the Investment Company Act, our activities may be restricted, including:

- ***restrictions on the nature many of our investments; existing contracts depend on, and restrictions on the issuance of securities;***

each of which future contracts may make it difficult for us to complete our initial Business Combination.

In addition, we may have imposed upon us burdensome requirements, including:

- ***registration as an investment company with the SEC;***
- ***adoption of a specific form of corporate structure; and reporting, record keeping, voting, proxy and disclosure requirements and other rules and regulations that we are currently not subject to.***

We do not believe that our anticipated principal activities will subject us to the Investment Company Act. The proceeds held in the Trust Account may be invested by the trustee only in U.S. government treasury bills with a maturity of 185 days or less or in money market funds investing solely in U.S. Treasuries and meeting certain conditions under Rule 2a-7 under the Investment Company Act. Because the investment of the proceeds will be restricted to these instruments, we believe we will meet the requirements for the exemption provided in Rule 3a-1 promulgated under the Investment Company Act. If we were deemed to be subject to the Investment Company Act, compliance with these additional regulatory burdens would require additional expenses for which we have not allotted funds and may hinder our ability to complete a Business Combination. If we have not completed our initial Business Combination within the required time period, our Public Stockholders may receive only approximately $10.00 per share, or less in certain circumstances, on the liquidation of our Trust Account and our warrants will expire worthless.

Changes in laws or regulations or how such laws or regulations are interpreted or applied, or a failure to comply with any laws or regulations, may adversely affect our business, including our ability to negotiate and complete our initial Business Combination, and results of operations.

We are subject to laws and regulations enacted by national, regional and local governments. In particular, we are required to comply with certain SEC and other legal requirements, our Business Combination may be contingent also depend on, our ability to comply meet certain milestones or achieve certain timelines with certain laws our applications and regulations indications. Our ability to achieve these depends on numerous factors, including the factors described in this "Risk Factors" section, many of which may not be within our control. Our inability to

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achieve our milestones and any post-Business Combination company may be subject to additional laws timelines could have a material adverse impact on our business, prospects, results of operations and regulations. Compliance with, and monitoring of, applicable laws and regulations may be difficult, time consuming and costly. Those laws and regulations and their interpretation and application may also change from time to time, including as a result of changes in economic, political, social and financial condition.

We depend on government policies, and those changes funding, which if lost or reduced, could have a material adverse effect on our business, including research and development activities and our ability to negotiate commercialize our DeepView technology. Our largest contract is with BARDA and complete is the largest single source of revenue for us. Our BARDA contract is not guaranteed to be extended.

We have not made any commercial sales of our initial Business Combination, investments DeepView System. We receive almost all of our revenue from fees and costs payable by BARDA, and to a lesser extent the Defense Health Agency ("DHA") of the United States Department of Defense. We currently have agreements with each of BARDA and the DHA to support continued development of the next generation of our DeepView technology. While we believe we have very good working relationships with BARDA and DHA, the loss of one or both of our contracts with BARDA and DHA would have an adverse impact on our business, prospects, results of operations. In addition, operations and financial condition. While we expect diversification of customers in future years, assuming we are able to obtain the necessary regulatory clearances, approvals, De Novo classifications, or certifications (each of which cannot be guaranteed and may take longer than planned) to commercialize our product, for the time being we are substantially dependent on funding from BARDA and DHA.

Our BARDA contract is the largest single source of revenue for us. On September 27, 2023, the Company executed a new contract with BARDA, providing the Company with additional funding of up to $150.0 million, including an initial award of approximately $54.9 million to support the clinical validation and FDA clearance of our DeepView System, in place of the prior contract Option 2 award which was approximately $21.9 million. The contract also includes options, similar to our prior BARDA contracts, with an additional total value of approximately $95.1 million which can be exercised for additional product development, procurement and the expanded deployment of DeepView Systems at emergency rooms, trauma and burn centers. While we currently have no reason to believe that we will fail to achieve these contract milestones and decision gates or that these further options will not be exercised, and while the BARDA contract has been renewed or extended historically, there is no guarantee that the BARDA contract will be renewed or extended in the future, and there are no assurances that we will achieve the contract milestones and decision gates on a timely basis, or at all. As the BARDA contract is significant to us and is our largest single source of revenue, a decision by BARDA not to exercise further options would have a material adverse impact on our business, prospects, results of operations and financial condition.

Under the terms of the BARDA contract, the U.S. government has the right to terminate the contract for convenience or to terminate for default if we fail to meet our obligations as set forth in the contract. While the government has a right to terminate the BARDA contract for convenience, we believe that the government generally does not terminate funding awards unless there is reason, such as the funding contract becomes too costly, the agency seeks to avoid a dispute with another branch of government, or the agency decides to restructure its contractual arrangements and perform work in-house. We believe it is unlikely that BARDA will terminate its contract with us. However, there can be no guarantee that the BARDA contract will not be terminated.

If BARDA were to terminate its contract with us, we may be entitled to settlement costs for payment for work already performed, but not yet paid, including costs incurred in anticipation of performance, and costs arising from termination and settling the termination, for example. However, as the BARDA contract is critical to our business at this time, non-extension or termination of the BARDA contract would have a material adverse impact on our business, prospects, results of operations and financial condition.

We received a contract from the DHA within the U.S. Department of Defense, which enables us to research and develop a fully portable, handheld version of our DeepView solution and has been extended through the first quarter of 2024. We were previously awarded a $1.1 million, Sequential Phase II STTR contract by the DHA within the U.S. Department of Defense, which is paid to us monthly, as well as a STTR Phase I and initial Phase II contract from the DHA.

Though the Company has no reason to believe that it will not be offered a Phase III contract, and while DHA contracts have been renewed or extended historically, there is no guarantee that the contract will be extended after the current period or that we will be offered a Phase III contract. As this contract is a key contract for the Company, non-extension of the contract, or a failure to comply with applicable laws or regulations, as interpreted and applied, enter into a new contract, could have a material adverse effect impact on our the Company's business, including our ability to negotiate and complete our initial Business Combination, and prospects, results of operations.

On March 30, 2022, operations and financial condition. Under the SEC issued proposed rules that would, among other items, impose additional disclosure requirements in business combination transactions involving special purpose acquisition companies and private operating companies; amend terms of the financial statement requirements applicable DHA contract, the U.S. government

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has the right to business combination transactions involving such companies; update and expand guidance regarding terminate the general use of projections in SEC filings, as well as when projections are disclosed in connection with proposed business combination transactions; increase the potential liability of certain participants in proposed business combination transactions; and impact the extent contract for convenience or to which special purpose acquisition companies could become subject terminate for default if we fail to regulation under the Investment Company Act. These rules, if adopted, whether in the form proposed or in revised form, may materially adversely affect our business, including our ability to negotiate and complete our initial Business Combination and may increase the costs and time related thereto.

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If we have not completed our initial Business Combination by the Expiration Date or during any extension period, our Public Stockholders may be forced to wait beyond the Expiration Date before redemption from our Trust Account.

If we have not completed our initial Business Combination by the Expiration Date or during any extension period, we will distribute the aggregate amount then on deposit in the Trust Account, including interest (less up to $100,000 of interest to pay dissolution expenses and which interest shall be net of taxes payable), pro rata to our Public Stockholders by way of redemption and cease all operations except for the purposes of winding up of our affairs, as further described herein. Any redemption of Public Stockholders from the Trust Account shall be effected automatically by function of our amended and restated certificate of incorporation prior to any voluntary winding up. If we are required to windup, liquidate the Trust Account and distribute such amount therein, pro rata, to our Public Stockholders, as part of any liquidation process, such winding up, liquidation and distribution are subject in each case to meet our obligations under Delaware law to provide for claims of creditors and the requirements of other applicable law. In that case, investors may be forced to wait beyond the Expiration Date before the redemption proceeds of our Trust Account become available to them and they receive the return of their pro rata portion of the proceeds from our Trust Account. We have no obligation to return funds to investors prior to the date of our redemption or liquidation unless, prior thereto, we consummate our initial Business Combination or amend certain provisions of

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our amended and restated certificate of incorporation and then only in cases where investors have properly sought to redeem their shares of Class A common stock. Only upon our redemption or any liquidation will Public Stockholders be entitled to distributions if we have not completed our initial Business Combination within the required time period and do not amend certain provisions of our amended and restated certificate of incorporation prior thereto.

Our stockholders may be held liable for claims by third parties against us to the extent of distributions received by them upon redemption of their shares.

Under the Delaware General Corporation Law (the "DGCL"), stockholders may be held liable for claims by third parties against a corporation to the extent of distributions received by them in a dissolution. The pro rata portion of our Trust Account distributed to our Public Stockholders upon the redemption of our Public Shares in the event we do not complete our initial Business Combination within the required time period may be considered a liquidating distribution under Delaware law. If a corporation complies with certain procedures as set forth in Section 280 the contract.

We also are party to a Research Project Award agreement with the Advanced Technology International as Consortium Manager for MTEC. This agreement extends the DHA Phase II contract for the development of the DGCL intended to ensure that it makes reasonable provision for all claims against it, including a 60-day notice period during which any third-party claims can be brought against the corporation, a 90-day period during which the corporation may reject any claims brought, and an additional 150-day waiting period before any liquidating distributions are made to stockholders, any liability of stockholders with respect to a liquidating distribution is limited to the lesser of such stockholder's pro rata share handheld device of the claim or DeepView System. Under the amount distributed to the stockholder, and any liability terms of this agreement, MTEC will pay us a firm fixed fee based upon our achievement of certain milestones (such as development of the stockholder would be barred after image technology in the third anniversary handheld device, validation of the dissolution.

However, it is our intention to redeem our Public Shares as soon as reasonably possible following the 30th month design and development of a handheld device from the closing current cart based system, completion of the Initial Public Offering (or the end verification testing builds, and development of any extension period) in the event we do not complete our initial Business Combination and, therefore, we do not intend to comply with the foregoing procedures.

Because we do not intend to comply with Section 280, Section 281(b) of the DGCL requires us to adopt a plan, based on facts known to us at such time that will provide for our payment of all existing and pending claims or claims that may be potentially brought against us within the ten years following our dissolution. commercialization plan) through April 5, 2025. However, because we there are a blank check company, rather than an operating company, and our operations will be limited to searching for prospective target businesses to acquire, the only likely claims to arise would be from our vendors (such as lawyers, investment bankers, consultants, etc.) or prospective target businesses. If

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our plan of distribution complies with Section 281(b) of the DGCL, any liability of stockholders with respect to a liquidating distribution is limited to the lesser of such stockholder's pro rata share of the claim or the amount distributed to the stockholder, and any liability of the stockholder would likely be barred after the third anniversary of the dissolution. We cannot assure you no assurances *that we will properly assess all claims that may be potentially brought against us. As such, our stockholders* achieve the contract milestones on a timely basis, or at all. *Failure to receive the fee under the contract could potentially be liable for any claims to the extent of distributions received by them (but no more) and any liability of our stockholders may extend beyond the third anniversary of such date. Furthermore, if the pro rata portion of our Trust Account distributed to our Public Stockholders upon the redemption of our Public Shares in the event we do not complete our initial Business Combination within the required time period is not considered* have *a liquidating distribution under Delaware law and such redemption distribution is deemed to be unlawful, then pursuant to Section 174 of the DGCL, the statute of limitations for claims of creditors could then be six years after the unlawful redemption distribution, instead of three years, as in the case of a liquidating distribution.*

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We may not hold an annual stockholder meeting until after the consummation of our initial Business Combination. Our Public Stockholders will not have the right to elect or remove directors prior to the consummation of our initial Business Combination.

In accordance with Nasdaq corporate governance requirements, we are not required to hold an annual meeting until one year after our first fiscal year end following our listing on Nasdaq. We may not hold an annual meeting of stockholders until after we consummate our initial Business Combination and thus may not be in compliance with Section 211(b) of the DGCL, which requires an annual meeting of stockholders be held for the purposes of electing directors in accordance with a company's bylaws unless such election is made by written consent in lieu of such a meeting. Therefore, if our stockholders want us to hold an annual meeting prior to our consummation of our initial Business Combination, they may attempt to force us to hold one by submitting an application to the Delaware Court of Chancery in accordance with Section 211(c)

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of the DGCL. Until we hold an annual meeting of stockholders, Public Stockholders may not be afforded the opportunity to discuss Company affairs with management. In addition, prior to our initial Business Combination, (a) as holders of our Class A common stock, our Public Stockholders will not have the right to vote on the election of our directors, and (b) holders of a majority of the issued and outstanding shares of our Class B common stock may remove a member of our board of directors for any reason.

The grant of registration rights to our initial stockholders and their permitted transferees may make it more difficult to complete our initial Business Combination, and the future exercise of such rights may adversely affect the market price of our Class A common stock.

Pursuant to a registration rights agreement entered into in connection with the Initial Public Offering, at or after the time of our initial Business Combination, our initial stockholders and their permitted transferees can demand that we register the resale of their Founder Shares after those shares convert to shares of our Class A common stock. In addition, our Sponsor and its permitted transferees can demand that we register the resale of the Private Placement Warrants and the shares of Class A common stock issuable upon exercise of the Private Placement Warrants, and holders of warrants that may be issued upon conversion of working capital loans may demand that we register the resale of such warrants or the shares of Class A common stock issuable upon exercise of such warrants. We will bear the cost of registering these securities. The registration and availability of such a significant number of securities for trading in the public market may have an material adverse effect on the market price of our Class A common stock. In addition, the existence of the registration rights may make our initial Business Combination more costly or difficult to conclude. This is because the stockholders of the target business may increase the equity stake they seek in the combined entity or ask for more cash consideration to offset the negative impact on the market price Company's business, prospects, results of our Class A common stock that is expected when the shares of common stock owned by our initial stockholders or their permitted transferees, our Private Placement Warrants or warrants issued in connection with working capital loans are registered for resale. operations and financial condition.

Because we are not limited to a particular industry, sector or geography or any specific target businesses with which to pursue our initial Business Combination,

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you will be unable to ascertain the merits or risks of any particular target business's operations.

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We may seek need additional funding to complete a Business Combination with an operating company of any size (subject to finance our satisfaction of the 80% fair market value test) planned operations, and in any industry, sector or geography. However, we will not, under our amended and restated certificate of incorporation, be permitted to effectuate our initial Business Combination solely with another blank check company or similar company with nominal operations. To the extent we complete our initial Business Combination, we may be affected by numerous risks inherent in the business operations with which we combine. For example, if we combine with a financially unstable business or an entity lacking an established record of sales or earnings, we may be affected by the risks inherent in the business and operations of a financially unstable or development stage entity. Although our directors and officers will endeavor to evaluate the risks inherent in a particular target business, we cannot assure you that we will properly ascertain or assess all of the significant risk factors or that we will have adequate time to complete due diligence. Furthermore, some of these risks may be outside of our control and leave us with no ability to control or reduce the chances that those risks will adversely impact a target business. We also cannot assure you that an investment in our securities will not ultimately prove to be less favorable to our investors than a direct investment, if such opportunity were available, in a Business Combination target. Accordingly, any stockholder or warrant holder who chooses to remain a stockholder or warrant holder, respectively, following our initial Business Combination could suffer a reduction in the value of their securities. Such stockholders and warrant holders are unlikely to have a remedy for such reduction in value.

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We may seek acquisition opportunities in acquisition targets that may be outside of our management's areas of expertise.

We will consider a Business Combination outside of our management's areas of expertise if such Business Combination candidate is presented to us and we determine that such candidate offers an attractive acquisition opportunity for our Company. In the event we elect to pursue an acquisition outside of the areas of our management's expertise, our management's expertise may not be directly applicable to its evaluation or operation, and our management's expertise would not be relevant to an understanding of the business that we elect to acquire. As a result, our management may not be able to adequately ascertain raise capital when needed, which could force us to delay clinical trials necessary to market our products or assess all delay establishment of sales and marketing capabilities or other activities necessary to commercialize our products.

On December 26, 2023, the Company entered into a Common Stock Purchase Agreement (the "Purchase Agreement") with B. Riley Principal Capital II, LLC ("B. Riley"), pursuant to which, upon the terms and subject to the satisfaction of the significant risk factors relevant to such acquisition. Accordingly, any stockholders or warrant holders who choose to remain a stockholder or warrant holder following our initial Business Combination could suffer a reduction conditions contained in the value Purchase Agreement, the Company have the right to sell to B. Riley up to $10,000,000 of their securities. Such stockholders or warrant holders are unlikely shares of the Common Stock (subject to have certain limitations contained in the Purchase Agreement), from time to time during the term of the Purchase Agreement. Additionally, On March 20, 2024, the Company entered into the Standby Equity Purchase Agreement ("SEPA") with YA II PN, LTD, a remedy for such reduction Cayman Islands exempt limited partnership ("Yorkville") pursuant to which the Company has the right to sell to Yorkville up to $30,000,000 of its shares of Common Stock, subject to certain limitations and conditions set forth in value. the SEPA, from time to time during the term of the SEPA (such transaction, the "Yorkville Transaction"). In connection with the SEPA, and subject to the conditions set forth therein, Yorkville has agreed to advance to the Company in the form of convertible promissory notes (the "Convertible Notes") an aggregate principal amount of up to $12,500,000 (the "Pre-Paid Advance"), which will be paid in three tranches.

Although

Based on our current operating plan, we believe that our cash and cash equivalents, together with the remaining funding available to us under the Purchase Agreement, the BARDA contract, the MTEC Agreement, and the Yorkville financing will be sufficient to meet our capital requirements and fund our operations through at least the next 12 months from the release date of the consolidated financial statements included in this annual report. However, we have identified general criteria based these estimates on assumptions that may prove to be wrong, and guidelines that we believe are important in evaluating prospective target businesses, could utilize our available capital resources sooner than we currently expect. Changing circumstances could cause us to consume capital significantly faster than we currently anticipate, and we may enter into need to raise capital sooner or

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in greater amounts than currently expected because of circumstances beyond our initial Business Combination with a target that does not meet such criteria and guidelines, and as a result, the target business with which we enter into our initial Business Combination may not have attributes entirely consistent with our general criteria and guidelines. control.

Although we have identified general criteria and guidelines for evaluating prospective target businesses, it is possible that a target business with which we enter into our initial Business Combination will not have all of these positive attributes. If we complete our initial Business Combination with a target that does not meet some or all of these criteria and guidelines, such combination may not be as successful as a combination with a business that does meet all of our general criteria and guidelines. In addition, if we announce a prospective Business Combination with a target that does not meet our general criteria and guidelines, a greater number of stockholders may exercise their redemption rights, which may make it difficult for us to meet any closing condition with a target business that requires us to have a minimum net worth or a certain amount of cash. In addition, if stockholder approval of the transaction is required by applicable law or stock exchange listing requirements, or we decide to obtain stockholder approval for business or other reasons, it may be more difficult for us to attain stockholder approval of our initial Business Combination if the target business does not meet our general criteria and guidelines. If we have not completed our initial Business Combination within the required time period, our Public Stockholders may receive only approximately $10.00 per share, or less in certain circumstances, on the liquidation of our Trust Account and our warrants will expire worthless.

We may seek acquisition opportunities with an early-stage company, a financially unstable business require additional capital in the future to fund our operating expenses and to further our product development efforts, including seeking the necessary regulatory clearances, approvals, De Novo classifications, or an entity lacking an established record of revenue or earnings.

certifications (each which cannot be guaranteed and may take longer than planned) for our DeepView System and growing our sales and marketing organization. To the extent additional capital is necessary, there are no assurances that we complete our initial Business Combination with an early-stage company, a financially unstable business will be able to raise additional capital on favorable terms or an entity lacking an established record of sales or earnings, we may be affected by numerous risks inherent in the operations of the business with which we combine. These risks include investing in a business without a proven business model at all, and with limited historical financial data, volatile revenues or earnings, intense competition and difficulties in obtaining and retaining key personnel. Although our directors and officers will endeavor to evaluate the risks inherent in a particular target business, therefore we may not be able to properly

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ascertain execute our business plan. Our future funding requirements will depend on many factors, including:

- the cost of our research and development activities;
- the scope, rate of progress and cost of our clinical studies;
- the cost and timing of additional regulatory clearances, approvals, De Novo classifications, or certifications;
- the degree and rate of market acceptance of our DeepView System, assuming we receive the necessary regulatory clearances, approvals, De Novo classifications, or certifications (each of which cannot be guaranteed and may take longer than planned);
- the scope and timing of investment in our sales force and expansion of our commercial organization;
- the costs associated with manufacturing our DeepView System at increased production levels;
- the terms and timing of any collaborative, licensing and other arrangements that we may establish;
- the costs associated with any product recall that may occur;
- the costs of attaining, defending and enforcing our intellectual property rights;
- the emergence of competing new products or technologies or other adverse market developments; and
- the impact on our business from the global COVID-19 pandemic or any other pandemic, epidemic or outbreak of an infectious disease.

We may seek to raise additional capital through equity offerings or assess all of the significant risk factors debt financings and we such additional financing may not have adequate time be available to complete due diligence. Furthermore, some us on acceptable terms, or at all. In addition, any additional equity or debt financing that we raise may contain terms that are not favorable to us or our stockholders. For example, if we raise funds by issuing equity or equity-linked securities, the issuance of these risks such securities could result in dilution to our stockholders. Any equity securities issued may be outside also provide for rights, preferences or privileges senior to those of holders of our control and leave common stock. In addition, the issuance of additional equity securities by us, with no ability to control or reduce the chances that those risks will adversely impact a target business.

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We may engage the underwriters from our Initial Public Offering or any of their affiliates to provide additional services to us. The underwriters are entitled to receive deferred commissions that will be released from the trust only on a completion of an initial Business Combination. These financial incentives such issuance, may cause the underwriters market price of our common stock to have potential conflicts decline, and the price per share at which we sell additional shares of interest our common stock, or securities convertible into or exercisable or exchangeable for shares of our common stock, in rendering any future transactions may be higher or lower than the price per share paid by investors in this offering.

In addition, the terms of debt securities issued or borrowings could impose significant restrictions on our operations including restrictive covenants, such as limitations on our ability to incur additional services debt or issue additional equity, limitations on our ability to us after pay dividends, limitations on our ability to acquire or license intellectual property rights, and other operating restrictions that could adversely affect our ability to conduct our business. In the Initial Public Offering.

We event that we enter into collaborations or licensing arrangements to raise capital, we may engage the underwriters from our Initial Public Offering or any of their affiliates to provide additional services to us, including, for example, identifying potential targets, providing financial advisory services, acting as a

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placement agent in a private offering or arranging debt financing. We may pay the underwriters or any of their affiliates fair and reasonable fees or other compensation that would be determined at that time in an arm's length negotiation. The underwriters are also entitled to receive deferred commissions that are conditioned on the completion of an initial Business Combination. The fact that the underwriters or any of their affiliates' financial interests are tied to the consummation of a Business Combination transaction may give rise to potential conflicts of interest in providing any such additional services to us, including potential conflicts of interest in connection with the sourcing and consummation of an initial Business Combination.

We are not required to obtain an opinion from an independent investment banking firm accept unfavorable terms, such as relinquishment or from an independent accounting firm regarding fairness. Consequently, you may have no assurance from an independent source that the price we are paying for the business is fair to our Company from a financial point licensing of view.

Unless we complete our initial Business Combination with an affiliated entity, we are not required to obtain an opinion that the price we are paying is fair to our Company from a financial point of view. If no opinion is obtained, our stockholders will be relying on the judgment of our board of directors, who will determine fair market value based on standards generally accepted by the financial community. Such standards used will be disclosed in our tender offer documents or proxy solicitation materials, as applicable, certain rights related to our initial Business Combination. products or technologies that we otherwise would seek to develop or commercialize ourselves. In addition, we may be forced to work with a partner, which could lower the economic value of our programs to us.

Any due diligence in connection with an initial Business Combination

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If we are unable to obtain adequate financing on terms satisfactory to us when we require it, we may not reveal all relevant considerations be required to terminate or liabilities delay the development of a target our DeepView technology or any future products, delay clinical trials necessary to market our products, or delay establishment of sales and marketing capabilities or other activities necessary to commercialize our products. If this were to occur, our ability to grow and support our business and to respond to market challenges could be significantly limited, which could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Product Development and Regulatory Review

The regulatory review process is expensive, time-consuming, and uncertain and we may be unable to obtain clearance, approval, De Novo classification, or certification for our DeepView technology.

The research, design, testing, manufacturing, labeling, selling, marketing and distribution of medical devices are subject to extensive regulation by country-specific regulatory authorities, which regulations differ from country to country.

There is no guarantee that our DeepView System or any future products will receive the requisite market authorization, approval, or De Novo classification for clinical testing, manufacturing, or marketing. While preliminary results have been encouraging and indicative of the potential performance of our DeepView System, data already obtained, or obtained in the future, from clinical studies do not necessarily predict the results that will be obtained from later clinical studies. We will be required to incur significant costs in obtaining market authorization, or De Novo classifications for our DeepView System.

In the United States, before we can market a new medical device, or a new use of, new claim for or significant modification to an existing product, we must first receive 510(k) clearance, approval of a pre-market approval application ("PMA") or be granted De Novo classification pursuant to the Federal Food, Drug, and Cosmetic Act (the "FDCA"), unless an exemption applies. Oftentimes the length of the time and expense are prohibitively long and high, respectively, and it may be impractical or impossible to pursue the PMA regulatory route should our De Novo request be denied.

In order to sell our device in member states of the European Union ("EU"), the device must also comply with the general safety and performance requirements of the EU Medical Devices Regulation (Regulation (EU) No 2017/745). Compliance with these requirements is a prerequisite to be able to affix the CE mark to our device, without which it cannot be sold or marketed in the EU. All medical devices placed on the market in the EU must meet the general safety and performance requirements laid down in Annex I to the EU Medical Devices Regulation including the requirement that a medical device must be designed and manufactured in such a way that, during normal conditions of use, it is suitable for its intended purpose. Medical devices must be safe and effective and must not compromise the clinical condition or safety of patients, or the safety and health of users and — where applicable — other persons; *provided* that any risks which may be associated with their use constitute acceptable risks when weighed against the benefits to the patient and are compatible with a high level of protection of health and safety, taking into account the generally acknowledged state of the art.

In the United Kingdom ("UK"), post-Brexit, medical devices are regulated under the Medical Devices Regulations 2002 ("MDR 2002"), which implement the three EU Medical Devices Directives into UK law. The UK decided it would not give effect to the EU Medical Devices Regulation. Instead, the UK government and the Medical Devices and Healthcare Regulatory Authority ("MHRA") are currently considering amending the UK MDR. The device must comply with the MDR 2022 and any future UK MDR amendment in order to be sold of marketed in the UK.

Furthermore, market authorization, approval, De Novo classification, or certification by any regulatory authority does not ensure marketing authorization or similar registration, clearance, approval, or certification by regulatory authorities in other countries. However, failure to obtain or delay in obtaining authorization, registration, clearance, approval, or certification in one or more regulatory jurisdictions may have a negative effect on the regulatory process in others.

We may experience significant delays in completing clinical trials, which could prevent or significantly delay our targeted product launch timeframe and impair our viability and business plan.

The completion of any clinical trials of our DeepView System, or other studies that we may be required to undertake in the future, could be delayed, suspended or terminated for several reasons, including:

- we may fail to or be unable to conduct the clinical trials in accordance with regulatory requirements;
- selection and onboarding of clinical sites or a Contract Research Organization ("CRO") may take longer than anticipated;
- sites participating in a clinical trial may drop out of the trial, which may require us to engage new sites for an expansion of the number of sites that are permitted to be involved in the trial;
- patients may not enroll in, remain in or complete, clinical trials at the rates we expect;
- adverse events or unexpected developments may occur that affect the patients' safety;
- supply issues may prevent us from continuing to use our investigational devices in clinical evaluations; and
- clinical investigators may not perform our clinical trials on our anticipated schedule or consistent with the clinical trial protocol and good clinical practices.

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In addition, the FDA, applicable foreign regulatory entities or notified body can delay, limit or deny clearance, approval, De Novo classification, with regards to the US, or certification of a device for many reasons, including:

- our inability to demonstrate to the satisfaction of the FDA or the applicable regulatory entity or notified body that our products are (i) substantially equivalent, in the case of a 510(k) clearance, (ii) safe or effective for their intended uses, in the case of a PMA, or (iii) that general controls alone or general and special controls together provide reasonable assurance of safety and effectiveness for the intended use, in the case of De Novo classification;
- the disagreement of the FDA or the applicable foreign regulatory body with the design or implementation of our clinical trials (including, for purposes of the EU, clinical investigations) or the interpretation of data from pre-clinical studies or clinical trials, as applicable and to the extent required to support marketing authorization or certification;
- our inability to demonstrate that the clinical and other benefits of the device outweigh the risks;
- the manufacturing process or facilities we use may not meet applicable requirements;
- unanticipated discovery of issues that relate to safety or effectiveness of the device during or after the regulatory review process; and
- the potential for policies or regulations of the FDA or applicable foreign regulatory bodies to change significantly in a manner rendering our clinical data, as applicable, and/or regulatory filings insufficient for market authorization, De Novo classification, or certification.

If our clinical trials are delayed, it will take us longer to ultimately launch our DeepView System in the market and generate revenues. Moreover, our development costs will increase if we have material delays in our clinical trials or if we need to perform more or larger clinical trials than planned.

If the third parties on which we rely to conduct our clinical trials, to assist us with pre-clinical development or to prepare our regulatory submissions do not perform as contractually required or expected, we may not be able to obtain market authorization, De Novo classification, certification or other required regulatory authorizations or certifications to commercialize our products.

We do not have the ability to independently conduct all of our pre-clinical and clinical trials for our DeepView System and to prepare the associated regulatory submissions without the participation of third-party research hospitals, burn and wound centers. We must rely on third parties such as CROs, medical institutions and clinical investigators to conduct such trials. If these third parties do not successfully carry-out their contractual duties or comply with regulatory obligations, including compliance with Good Clinical Practice ("GCP") requirements or meet expected deadlines, if these third parties need to be replaced, if the quality or accuracy of the data they obtain is compromised due to a failure to adhere to our clinical protocols or regulatory requirements or for other reasons, or if the prepared regulatory submission does not meet the regulatory agencies' expectations or requirements, our pre-clinical development activities or clinical trials may be extended, delayed, suspended or terminated. Furthermore, our third-party clinical trial investigators may be delayed in conducting our clinical trials for reasons outside of their control, including the COVID-19 pandemic, or another pandemic, epidemic or outbreak of an infectious disease. In the event of such extensions, delays, suspensions or terminations, we may not be able to obtain market authorization, De Novo classification, certification or other required regulatory authorizations or certifications for, or successfully commercialize, our DeepView System on a timely basis, if at all, and our business, financial condition and results of operations may be adversely affected.

New legislation and regulations and legislative and regulatory reforms may make it more difficult and costly for us to obtain regulatory clearance, approval, De Novo classification, or certification of our DeepView System, or to manufacture, market and distribute our device after clearance, approval, or classification is obtained.

From time to time, legislation is drafted and introduced in the legislative bodies of the countries in which we intend to sell our DeepView System, assuming we receive the necessary market authorization. In addition, regulations and guidance are often revised or reinterpreted by the applicable competent authority in ways that may significantly affect our business and our products. For example, it is unclear the extent to which any proposals, if adopted, could impose additional regulatory requirements on us that could delay our ability to obtain new 510(k) clearances, increase the costs of compliance, or restrict our ability to maintain our current clearances, or otherwise create competition that may negatively affect our business.

The FDA regulations and guidance are often revised or reinterpreted by the FDA in ways that may significantly affect our business. Any new statutes or regulations or revisions or reinterpretations of existing statutes or regulations may impose additional costs or lengthen review times or make it more difficult to obtain market authorization for our DeepView System. We cannot determine what effect changes in regulations, statutes, legal interpretation or policies, when and if promulgated, enacted or adopted may have on our business. Such changes could, among other things, require: additional testing prior to obtaining marketing authorization; changes to manufacturing methods; recall, replacement or discontinuance of our products; or additional record keeping.

The FDA's and other regulatory authorities' policies may change and additional government regulations may be promulgated that could prevent, limit or delay regulatory clearance, approval, or De Novo classification of our DeepView System. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in the United States or abroad. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any marketing clearance, approval, or De Novo classification that we may have obtained and we may not achieve or sustain profitability.

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In addition, the landscape concerning medical devices in the EU has evolved in recent years.

In the United Kingdom ("UK"), post-Brexit, medical devices are regulated under the Medical Devices Regulations 2002 ("MDR 2002"), which implement the three EU Medical Devices Directives into UK law. The UK decided it would not give effect to the EU Medical Devices Regulation. Instead, the UK government and the Medical Devices and Healthcare Regulatory Authority ("MHRA") are currently considering amending the UK MDR. This new regulatory framework for medical devices in the UK is expected to become applicable as from July 2024. It is not clear to what extent the future UK regulatory framework will align with the EU Medical Devices Regulation, which may lead to duplicative or divergent requirements.

Any new regulations or revisions or reinterpretations of existing regulations may impose additional costs or lengthen review times of future products or limit our ability to sell to clinicians. It is impossible to predict whether legislative changes will be enacted or if regulations, guidance or interpretations will change and what the impact of such changes, if any, may be.

Disruptions at the FDA and foreign regulatory agencies caused by funding shortages or global health concerns could hinder their ability to hire and retain key leadership and other personnel, or otherwise prevent new products and services from being developed or commercialized in a timely manner, which could negatively impact our business.

The ability of the FDA, foreign regulatory agencies and the notified body, to review and clear, approve, certify, or grant De Novo classifications for new products can be affected by a variety of factors, including government budget and funding levels, ability to hire and retain key personnel and accept the payment of user fees and statutory, regulatory and policy changes. Average review times at these organizations have fluctuated in recent years as a result. In addition, government funding of other government agencies that oversee clearances and approvals and that fund research and development activities is subject to the political process, which is inherently fluid and unpredictable.

Disruptions at these agencies and bodies may slow the time necessary for new devices to be reviewed and/or cleared, approved or certified, which would adversely affect our business. For example, over the last several years, the U.S. government has shut down several times and certain regulatory agencies, such as the FDA, have had to furlough critical FDA employees and stop critical activities. It is possible that new COVID-19 variants or a new public health emergency will emerge in the future, further interrupting and affecting the agency's ability to carry out inspections in a timely manner. In such cases, regulatory authorities and certification bodies outside the United States may adopt similar restrictions, inspection priorities, or other policy measures in response to the COVID-19 or any other public health emergency or revert to relying on remote interactive evaluations, record requests or information from trusted regulatory partners if on-site inspections are not feasible.

In addition, the FDA reallocated its personnel and resources during the COVID-19 pandemic, including for reviewing applications for emergency use authorizations for certain medical devices that may be helpful in responding to the pandemic. If a prolonged government shutdown occurs in the future, or if future global health concerns prevent the FDA, and other foreign regulatory authorities and certification bodies from conducting their regular inspections, reviews, or other regulatory activities, it could significantly impact the ability of the FDA, and other regulatory authorities and certification bodies to timely review and process our regulatory submissions, which could have a material adverse effect on our business.

For instance, in the EU, notified bodies must be officially designated to certify products and services in accordance with the EU Medical Devices Regulation. While several notified bodies have been designated, the COVID-19 pandemic significantly slowed down their designation process and the current designated notified bodies are facing a large amount of requests with the new regulation, resulting in longer notified body review times. This situation could impact our ability to grow our business in the EU and EEA.

The ongoing labor shortage may limit our ability or the investigators' ability to find and retain medical staff that are needed to conduct the clinical studies

The COVID-19 pandemic has caused and, there still remains an ongoing shortage of labor force, including nurses, doctors, clinicians, and other medical personnel despite the changing economic and financial conditions. This shortage is causing medical institutions and other establishments to change their operations to accommodate the shortage, and in many cases, it results in increased personnel costs in finding and retaining the staff necessary to conduct the institutions' and establishments' operations. If the ongoing shortage continues or becomes worse, our ability to conduct clinical trials may be negatively affected, and we may need to modify or stop clinical trials, or expend greater resources in identifying and retaining the appropriate personnel necessary for the clinical investigations.

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Risks Related to Ongoing Government Regulation

Even if we receive market authorization, or even if the FDA grants our De Novo classification request, we will continue to be subject to extensive ongoing regulation. If we fail to maintain necessary clearances, approvals, classifications, or certifications from the FDA, other applicable foreign regulatory authorities and notified bodies; or if there are state, federal or international level regulatory changes, our commercial operations could be harmed.

If the FDA grants our market authorization or grants the De Novo classification for our DeepView technology, our technology will be subject to extensive ongoing regulation in the United States by the FDA and by corresponding state regulatory agencies and authorities. It will also be subject to extensive regulation by EU institutions as well as EU member states' regulatory authorities and notified bodies and the regulatory bodies of any other countries in which we receive the necessary regulatory approvals. These regulations pertain to the design, development, evaluation, manufacturing, testing, labeling, marketing, sale, advertising, promotion, distribution, shipping and servicing of products. These entities regulate and oversee record-keeping procedures, safety alerts, recalls, market withdrawals, removals and field corrective actions, post-market surveillance, including reporting of deaths or serious injuries and malfunctions that, if they were to reoccur, could lead to death or serious injury, and product import and export.

The regulations to which we will be subject are complex and have become more stringent over time. Regulatory changes could result in restrictions on our ability to carry on or expand our operations, higher than anticipated costs or lower than anticipated sales. Such regulations, and interpretations thereof, may limit our ability to market or prevent us from marketing our products. Further, the FDA, foreign regulatory agencies and U.S. state agencies have broad enforcement powers, and our failure to comply with state, federal and international regulations could lead to enforcement actions such as warning letters or untitled letters; the imposition of injunctions, suspensions or loss of regulatory clearance or approvals; product recalls; safety alerts; termination of distribution; product seizures; consent decrees; civil penalties; or import detentions, import refusals, or import alerts. In the most extreme cases, criminal sanctions, administrative sanctions (e.g., seizure), injunctions, or closure of our manufacturing facilities are possible.

Even after clearance, approval, or De Novo classification, under the FDCA and FDA regulations, the scope of marketing claims we can make about cleared or approved devices, or devices that were granted De Novo classification is limited to the indications that were previously reviewed and permitted by the FDA. Other countries also have similar laws and regulations restricting marketing to such indications. If a regulatory agency determines that any of our marketing claims exceed the scope of permitted indications in a particular country, we may be subject to enforcement action and/or we may be required to cease making the challenged marketing claims, issue corrective communications, pay fines or stop selling products until the incorrect claims have been corrected.

Sales of our DeepView System outside the United States, if approved, will be subject to foreign regulatory requirements that vary widely from country to country, and such regulatory requirements have been changing and increasing in some countries. Complying with international regulatory requirements can be an expensive and time-consuming process. We may be unable to obtain or maintain regulatory clearances, approvals, De Novo classifications, or certifications in these countries. We may incur significant costs in attempting to obtain, renew, or modify foreign regulatory clearances or approvals, De Novo classifications, or certifications. If we experience difficulties in receiving, maintaining, renewing or modifying necessary clearances, approvals, De Novo classifications, or certifications to market our products outside the United States, or if we fail to receive, renew, modify or maintain those clearances, approvals, De Novo classifications, or certifications, we may be unable to market our products or enhancements in certain international markets effectively, or at all.

Modifications to our DeepView GEN 3 System may require new clearances, approvals, De Novo classifications, certifications, or new or amended certifications, and may require us to cease marketing or to recall the modified device until clearances, approvals, De Novo classifications, or the relevant certifications are obtained.

In the United States, any modification to a 510(k)-cleared device that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, design, or manufacture, requires a new 510(k) clearance, or depending on the type and extent of the modification, a De Novo classification or a PMA. If we wish to market modified versions of DeepView System, we will need to make this determination before doing so and document our conclusion regarding the necessity of further regulatory review. The FDA may review such determinations and may not agree with our decisions regarding whether new 510(k), PMA, or De Novo classifications are necessary. If we are found to be marketing our products for off-label uses or indications for use that have not received the requisite clearances, approvals, De Novo classifications, or certifications, we might become subject to FDA and other competent authorities' enforcement action or have other resulting liability. In addition, if the FDA or the competent authorities in the EU member states and EEA countries determine that our promotional materials or training constitute promotion of a use which is unapproved, not cleared, not covered by the De Novo classification order, not covered by a CE mark, or not in compliance with other regulatory authorities' requirements, they could request that we modify our training or promotional materials or subject us to regulatory or enforcement actions, including the issuance of an untitled letter, a warning letter, an injunction, product seizures, consent decrees, civil fines, criminal penalties, import detention, import refusals, or import alerts.

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If our DeepView System is found to cause or contribute to adverse medical events, this could interrupt, delay, or prevent its continued development, or negatively affect the market authorization, De Novo classification, or certification. We may be required to report them to the FDA or comparable regulatory authority, and if we fail to do so, we could be subject to sanctions that could harm our reputation, business, financial condition and results of operations, and prospects.

become subject to further administrative and regulatory enforcement actions. The due diligence undertaken discovery of serious safety issues with respect our DeepView System, or a recall of our device either voluntarily or at the direction of the FDA or another governmental authority, could have a negative impact on us.

If our DeepView System is approved for commercialization, we will be subject to the FDA's medical device reporting regulations and similar foreign regulations, which require us to report to the FDA or comparable regulatory authorities when we receive or become aware of information that reasonably suggests that one or more of our products may have caused or contributed to a potential initial Business Combination may not reveal death or serious injury or malfunctioned in a way that, if the malfunction were to recur, it could cause or contribute to a death or serious injury. For investigational devices in clinical evaluation, investigators are required to submit a report of an unanticipated adverse device effect ("UADE") to the sponsor within 10 working days after becoming aware of the UADE. We, as the sponsor, must evaluate the UADE and report the result of the investigation to FDA, institutional review boards, and all relevant facts that participating investigators within 10 working days of receiving the notice of the UADE. In certain cases, we may be necessary required to evaluate such transaction terminate the clinical investigation. The timing of our obligation to report is triggered by the date when we receive the notice or when we otherwise become aware of the event, as well as the nature of the event. We may fail to formulate a business strategy. Furthermore, report within the information provided during due diligence prescribed timeframe events of which we become aware. The investigator in the clinical evaluation may not be adequate or accurate. As part aware of the due diligence reporting or notification requirements or may otherwise fail to report a UADE. We may also fail to recognize that a reportable event has occurred, especially if it is not reported to us as an adverse event or if it is an adverse event that is unexpected or removed in time from the use of the product. If we fail to comply with our reporting obligations, the FDA or comparable regulatory authorities could act, including warning letters, untitled letters, administrative actions, criminal prosecution, imposition of civil monetary penalties, delay or termination of clinical investigations, revocation of our marketing authorizations, seizure of our products or delay in obtaining marketing authorizations or certifications for our product candidates.

The FDA and in certain cases, equivalent foreign regulatory bodies, have the authority to require the recall of products in the event of material deficiencies or defects in design or manufacture of a product or in the event that a product poses an unacceptable risk to health. The FDA's authority to require a recall must be based on a finding that there is reasonable probability that the device could cause serious injury or death. We may also choose to voluntarily recall a product if we determine that such reasonable probability exists, or otherwise, if any material deficiency is found. Such recalls, whether government-mandated or voluntary, could occur as a result of an unacceptable risk to health, component failures, malfunctions, manufacturing defects, labeling or design deficiencies, packaging defects, or other deficiencies or failures to comply with applicable regulations. In addition, for investigational devices in development, non-compliance with the above or related requirements may have a negative effect on our application process, and the FDA or other foreign regulatory bodies may delay or refuse to clear, approve, issue the De Novo classification request, or issue a certification for our device.

Depending on the corrective action we will also make subjective judgments regarding take to redress a product's deficiencies or defects, the FDA or foreign regulatory authorities or bodies may require, or we may decide, that we need to obtain new clearances, approvals, De Novo classifications, or certifications for the device before we may market or distribute the corrected device. Seeking such clearances, approvals, De Novo classifications, or certifications may delay our ability to replace the recalled devices in a timely manner. Moreover, if we do not adequately address problems associated with our devices, we may face additional regulatory enforcement action, including FDA or foreign regulatory bodies' warning letters, product seizures, injunctions, administrative penalties or civil or criminal fines.

Quality problems and product liability claims could lead to recalls or safety alerts, reputational harm, adverse verdicts or costly settlements, and could have a material adverse effect on our business, results of operations, financial condition, and prospects cash flows.

Quality is extremely important to us and our customers due to the impact on patients, and the serious and potentially costly consequences of product failure. Our business exposes us to potential product liability risks that are inherent in the design, manufacture, and marketing of medical devices. Once commercialized, many of our products will be used in settings with seriously ill patients where the devices' failure may cause serious adverse effects on the patients. Component failures, manufacturing non-conformances, design defects, off-label or unapproved use, insufficient training of healthcare professionals, or inadequate disclosure of product-related risks or product-related information with respect to our products, if they were to occur, could result in an unsafe condition or injury to a patient. These problems could lead to recall of, or issuance of a potential initial Business Combination, safety alert relating to, our products, and these judgments could result in product liability claims and lawsuits, including class actions. If such problems occur during clinical investigations, FDA or other foreign regulatory agencies may refuse to grant market authorization or a De Novo classification request, or issue certifications for our products. In addition, negative publicity resulting from such problems may negatively affect or seriously hinder the sales of our products even after market authorization, De Novo classification, or certification. Any of the foregoing problems, including future product liability claims or recalls, regardless of their ultimate outcome, could harm our reputation and have a material adverse effect on our business, results of operations, financial condition and cash flows.

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The FDA and other regulatory enforcement agencies actively enforce the laws and regulations prohibiting the promotion of off-label or unapproved uses. If we are found to have improperly promoted off-label or unapproved uses, we may become subject to significant liability.

If we decide to market any of our products, our marketing practices must stay within the scope of the permitted claims under the market authorization or De Novo classification order that we may receive in the future. The FDA and other regulatory enforcement agencies strictly regulate the promotional claims that may be inaccurate.

Due diligence conducted in connection with an initial Business Combination made about medical devices. While we cannot restrict or dictate the healthcare professionals' use of our devices, we cannot market for any off-label uses, or any uses that FDA has not reviewed and permitted. The use of the DeepView System for indications other than those for which FDA cleared, approved, or granted De Novo classification requests, or otherwise were certified by a notified body or foreign regulatory enforcement authority, may not effectively diagnose conditions not referenced in product indications, which could harm our reputation in the marketplace among clinicians. If we are found to have promoted such off-label uses or unapproved uses, we may become subject to significant government fines and other related liability. For example, if the FDA or any foreign regulatory body determines that our promotional materials or training constitute promotion of an off-label use, it could request that we modify our training or promotional materials or subject us to regulatory or enforcement actions, including the issuance or imposition of an untitled letter, which is used for violators that do not necessitate a warning letter, injunction, seizure, civil fine, or criminal penalties, among others. It is also possible that other federal, state or foreign enforcement authorities might take action under other regulatory authority, such as false claims laws, if they consider our business activities to constitute promotion of an off-label use, which could result in significant penalties, including, but not limited to, criminal, civil and administrative penalties, damages, fines, disgorgement, exclusion from participation in government healthcare programs and the initial Business Combination being successful. curtailment of our operations. The federal government has levied large civil and criminal fines against companies for alleged improper promotion and has enjoined several companies from engaging in off-label promotion or promotion of unapproved uses. The FDA has also requested that companies enter into consent decrees or permanent injunctions under which specified promotional conduct is changed or curtailed.

In addition, clinicians may misuse our products or use improper techniques if they are not adequately trained, potentially leading to misdiagnosis, injury, and an increased risk of product liability. If the due diligence investigation fails our device is misused or used with improper technique, we may become subject to identify material information regarding an opportunity, costly litigation by clinicians or their patients. Even if we consider ultimately prevail, product liability claims could divert management's attention from our core business and be expensive to defend. If we do not prevail, such material risks claims may result in sizeable damages awards against us that may not be covered by insurance.

We must comply with anti-kickback, fraud and abuse, false claims, transparency, and other healthcare laws and regulations.

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If our DeepView System is approved for commercialization, our future operations will be subject to various federal and state healthcare laws and regulations. These laws will affect our sales, marketing and other promotional activities by limiting the kinds of financial arrangements, including sales programs, we may develop with hospitals, clinicians or other potential purchasers or users of medical devices and services. They also impose additional administrative and compliance burdens on us. In particular, these laws will influence, among other things, how we structure our sales, placement and rental offerings, including discount practices, clinician support, education and training programs and clinician consulting and other service arrangements. The laws that may affect our practices and arrangements include, but are not limited to:

- the U.S. federal Anti-Kickback Statute, which prohibits, among other things, persons or entities from knowingly and willfully soliciting, offering, receiving or paying any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, to induce or reward either the referral of an individual for, or the purchase, lease, order, or arranging for or recommending the purchase, lease or order of, any good or service, for which payment may be made, in whole or in part, under federal healthcare programs such as Medicare and Medicaid. The term "remuneration" has been broadly interpreted to include anything of value, and the government can establish a violation of the Anti-Kickback Statute without proving that a person or entity had actual knowledge of, or a specific intent to violate, the law. The Anti-Kickback Statute is subject to evolving interpretations and has been applied by government enforcement officials to a number of common business arrangements in the medical device industry. There are a number of statutory exceptions and regulatory safe harbors protecting some common activities from prosecution; however, those exceptions and safe harbors are drawn narrowly, and there is no exception or safe harbor for many common business activities. Failure to meet all of the requirements of a particular statutory exception or regulatory safe harbor does not make the conduct per se illegal under the Anti-Kickback Statute, but the legality of the arrangement will be evaluated on a case-by-case basis based on the totality of the facts and circumstances. Practices that involve remuneration to those who prescribe, purchase, or recommend medical device products, including discounts, or engaging individuals as speakers, consultants, or advisors, may be subject to scrutiny if they do not fit squarely within an exception or safe harbor. Our practices may not in all cases meet all of the criteria for safe harbor protection from anti-kickback liability;

- the U.S. federal civil False Claims Act, which prohibits any person from, among other things, knowingly presenting, or causing to be presented false or fraudulent claims for payment of government funds; knowingly making, using or causing to be made or used, a false record or statement material to an obligation to pay money to the government or knowingly and improperly avoiding, decreasing or concealing an obligation to pay money to the U.S. federal government. In addition, any claims submitted as a result of a violation of the federal Anti-Kickback Statute constitute false claims and are subject to enforcement under the False Claims Act. Actions under the False Claims Act may be brought by the government or as a qui tam action by a private individual in the name of the government and to share in any monetary recovery. Qui tam actions are filed under seal and impose a mandatory duty on the U.S. Department of Justice to investigate such allegations. False Claims Act liability is potentially significant in the healthcare industry because the statute provides for treble damages and significant mandatory penalties (adjusted annually for inflation) per false claim or statement for violations. Because of the potential for large monetary exposure, healthcare companies often resolve allegations without admissions of liability for significant and sometimes large settlement amounts to avoid the uncertainty of treble damages and per claim penalties that may be awarded in litigation proceedings. Many device manufacturers have resolved investigations of alleged improper activities, including causing false claims to be submitted as a result of the marketing of their products for unapproved and thus non reimbursable uses, and other interactions with prescribers and others including those that may have affected their billing or coding practices and submission to the federal government. Moreover, to avoid the risk of exclusion from federal healthcare programs as a result of a False Claims Act settlement, companies may enter into corporate integrity agreements with the government, which may impose substantial costs on companies to ensure compliance. There are also criminal penalties, including imprisonment and criminal fines, for making or presenting a false or fictitious or fraudulent claim or statement to the federal government;

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- criminal healthcare statutes that were added by the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) and its implementing regulations, which impose criminal and civil liability for, among other things, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, or knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement, in connection with the delivery of, or payment for healthcare benefits, items or services by a healthcare benefit program, which includes both government and privately funded benefits programs; similar to the U.S. federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate them in order to have committed a violation;
- the Eliminating Kickbacks in Recovery Act (“EKRA”), 18 U.S.C. § 220, makes it a federal crime for anyone, with respect to services covered by a health care benefit program, to knowingly and willfully solicit or receive any remuneration in return for referring a patient or patronage to a recovery home, clinical treatment facility, or laboratory; or to pay or offer any remuneration to induce a referral of an individual to a recovery home, clinical treatment facility, or laboratory; or in exchange for an individual using the services of that recovery home, clinical treatment facility, or laboratory. EKRA applies more broadly than the federal Anti-Kickback Statute, as “health care benefit program” includes not only state and federal health care programs, but also private health plans. EKRA also has fewer statutory safe harbors and no regulatory state harbors. Violations of this provision may result in substantial fines and/or imprisonment. Additional violations that may be imposed include sanctions, licensure revocations, or the exclusion from participating in governmental healthcare programs;
- the Physician Payments Sunshine Act (the “Sunshine Act”) and its implementing regulations, which requires certain manufacturers of drugs, devices, biologics and medical supplies that are reimbursable under Medicare, Medicaid, or the Children’s Health Insurance Program to report annually to the CMS information related to certain payments made in the preceding calendar year and other transfers of value to physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members. Beginning January 1, 2022, manufacturers will also be required to report payments and other transfers of value made during the prior calendar year to physician assistants, nurse practitioners, clinical nurse specialists, certified nurse anesthetists, and anesthesiology assistants; and
- foreign and state laws and regulations, including state payment reporting, anti-kickback and false claims laws, that may apply to items or services reimbursed by any third-party payor, including private insurers; foreign and state laws that require medical device companies to comply with the medical device industry’s voluntary compliance guidelines and the relevant compliance guidance promulgated by the U.S. federal government and other national governments, or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; and foreign and state laws and regulations that require drug and device manufacturers to report information related to payments and other transfers of value to dental practitioners and other healthcare providers or marketing expenditures, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts.

The scope and enforcement of these laws is substantial and subject to rapid change. The shifting compliance environment and the need to build and maintain robust compliance programs, systems, and processes to comply with different compliance and/or reporting requirements in multiple jurisdictions increase the possibility that we may run afoul of one or more of the requirements or that federal or state regulatory authorities might challenge our current or future activities under these laws. Additionally, we cannot predict the impact of any changes in these laws, whether or not retroactive. Because of the breadth of these laws and the narrowness of available statutory and regulatory exemptions or safe harbors, it is possible that some of our future activities could be subject to challenge under one or more of such laws. Any government investigation, even if we are able to successfully defend against it, will require the expenditure of significant resources, is likely to generate negative publicity, harm our reputation and potentially our financial condition and divert the attention of our management. Moreover, any investigation into our practices could cause adverse publicity and require a costly and time-consuming response. If our operations are found to be commercially acceptable relative in violation of any of these laws or any other governmental regulations that may apply to the opportunity, and we proceed with an initial Business Combination, our company may subsequently incur substantial impairment charges or other losses. In addition, following an initial Business Combination, us, we may be subject to significant previously undisclosed liabilities civil, criminal and administrative penalties, damages, fines, imprisonment of individuals, exclusion from government funded healthcare programs, such as Medicare and Medicaid, imposition of compliance obligations and monitoring, and the curtailment or restructuring of our operations. Any of the acquired foregoing consequences could seriously harm our business and our financial results.

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Healthcare reform measures could hinder or prevent the commercial success of our DeepView System.

In the United States, there have been, and we expect there will continue to be, a number of legislative and regulatory changes to the healthcare system in ways that may harm our future revenues and profitability and the demand for our DeepView System, if it receives the necessary market authorization. Federal and state lawmakers regularly propose and, at times, enact legislation that would result in significant changes to the healthcare system, some of which are intended to contain or reduce the costs of medical products and services. Current and future legislative and regulatory proposals to further reform healthcare or reduce healthcare costs may limit coverage of or lower reimbursement for the procedures associated with the use of our DeepView System. The cost containment measures that payors and providers are instituting and the effect of any healthcare reform initiative implemented in the future could impact our revenue from the sale of our DeepView System.

The continuing efforts of the government, insurance companies, managed care organizations and other payors of healthcare services to contain or reduce costs of healthcare may harm:

- our ability to set a price that we believe is fair for our DeepView System;
- our ability to generate revenue and achieve or maintain profitability; and
- the availability of capital.

We cannot predict what other laws and regulations will ultimately be enacted and implemented at the federal or state level or the effect of any future legislation or regulation in the United States on our business, financial condition, prospects and results of operations. Future changes in healthcare policy could increase our costs and subject us to additional requirements that may interrupt commercialization of our current and future solutions, decrease our revenue and impact sales of and pricing for our current and future products.

If our manufacturers fail to comply with the regulatory quality system regulations or any applicable equivalent regulations, our proposed operations could be interrupted, and our operating results would suffer.

We currently outsource all of our manufacturing to a contract manufacturer and as such we are not in direct control of the manufacture of our products and are, therefore, exposed to the risk of poor product quality, non-adherence to applicable standards, disruptions in supply chain, or other matters.

Our third-party manufacturers and suppliers will be required, to the extent of applicable regulation, to follow the quality system regulations of each jurisdiction in which we will seek to market our products and also will be subject to the regulations of these jurisdictions regarding the manufacturing processes. If our manufacturers or suppliers are found to be in significant non-compliance or fail to take satisfactory corrective action in response to adverse regulatory findings in this regard, regulatory agencies could take enforcement actions against such manufacturers or suppliers, which could impair or prevent our ability to produce our products in a cost-effective and timely manner in order to meet customers' demands. Accordingly, our operating results would suffer.

In order to mitigate these risks, we perform regularly scheduled visits with our contract manufacturer and routinely inspect the quality and performance of the device in accordance with federally mandated standards and certification standards of the International Organization for Standardization ("ISO"). Our current contract manufacturer, Cobalt Product Solutions is located within a short driving distance from our headquarters and allows our employees to have hands-on interaction and timely inspections of the device. However, a future pandemic, epidemic or other infectious disease outbreak could hinder or prevent continued hands-on and timely inspections of the device and the facilities.

Actual or perceived failure to comply with data protection, privacy and security laws, regulations, standards and other requirements could negatively affect our business, financial condition or results of operations.

We may be subject to federal, state, and foreign data protection laws and regulations (*i.e.*, laws and regulations that address privacy and data security). In the United States, numerous federal and state laws and regulations, including data breach notification laws, health information privacy laws, and consumer protection laws and regulations that govern the collection, processing, use, disclosure, and protection of health-related and other personal information could apply to our operations or the operations of our partners. For example, HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009 ("HITECH"), and the regulations implemented thereunder, or collectively, HIPAA, imposes obligations on "covered entities," including certain health care providers, health plans, and health care clearinghouses, and their respective "business associates" that create, receive, maintain or transmit individually identifiable health information ("PHI") for or on behalf of a covered entity, as well as their covered subcontractors with respect to safeguarding the privacy, security and transmission of individually identifiable health information. Entities that are found to be in violation of HIPAA, whether as the result of a breach of unsecured PHI, a complaint about privacy practices, or an audit by HHS may be subject to significant civil, criminal, and administrative fines and penalties and/or additional reporting and oversight obligations if required to enter into a resolution agreement and corrective action plan with HHS to settle allegations of HIPAA non-compliance. Depending on the facts and circumstances, we could be subject to penalties if we violate HIPAA.

Even when HIPAA does not apply, according to the Federal Trade Commission (the "FTC"), failing to take appropriate steps to keep consumers' personal information secure may constitute unfair acts or practices in or affecting commerce in violation of the Federal Trade Commission Act. The FTC expects a company's data security measures to be reasonable and appropriate in light of the sensitivity and volume of consumer information it holds, the size and complexity of its business, and the cost of available tools to improve security and reduce vulnerabilities. Individually identifiable health information is considered sensitive data that merits stronger safeguards.

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In addition, certain state laws govern the privacy and security of health-related and other personal information in certain circumstances, some of which may be more stringent, broader in scope or offer greater individual rights with respect to protected health information than HIPAA, many of which may differ from each other, thus, complicating compliance efforts. Such laws and regulations will be subject to interpretation by various courts and other governmental authorities, thus creating potentially complex compliance issues for us and our future customers and strategic partners. Failure to comply with these laws, where applicable, can result in the imposition of significant civil and/or criminal penalties and private litigation.

Foreign data protection laws, including the General Data Protection Regulation (the "GDPR"), which went into effect in May 2018, may also apply to our processing of health-related and other personal data regardless of where the processing in question is carried out. The GDPR imposes stringent requirements for controllers and processors of personal data of individuals within the European Economic Area (the "EEA"). The GDPR applies to any company established in the EEA as well as to those outside the EEA if they collect, process, and use personal data in connection with the offering of goods or services to individuals in the EEA or the monitoring of their behavior. The GDPR, together with national legislation, regulations and guidelines of the EEA countries governing the processing of personal data, impose strict obligations and restrictions on the ability to collect, analyze and transfer personal data, including health data from clinical trials and adverse event reporting. In particular, these obligations and restrictions involve the consent of the individuals to whom the personal data relates, the information provided to the individuals, the transfer of personal data out of the EEA to jurisdictions deemed to have inadequate, security breach notifications and confidentiality of the personal data and imposition of substantial potential fines for breaches of the data protection obligations. Companies that must comply with the GDPR face increased compliance obligations and risk, including more robust regulatory enforcement of data protection requirements and potential fines for noncompliance of up to €20 million or 4% of the annual global revenues of the noncompliant company, whichever is greater.

Among other requirements, the GDPR regulates transfers of personal data subject to the GDPR to third countries that have not been found to provide adequate protection to such personal data, including the United States, and the efficacy and longevity of current transfer mechanisms between the EU and the United States remains uncertain. If necessary, we will be required to implement revised standard contractual clauses, in relation to relevant existing contracts and certain additional contracts and arrangements, within the relevant time frames. There is some uncertainty around whether the revised clauses can be used for all types of data transfers, particularly whether they can be relied on for data transfers to non-EEA entities subject to the GDPR.

Further, from January 1, 2021, companies have to comply with the GDPR and also the UK GDPR, which, together with the amended UK Data Protection Act 2018, retains the GDPR in UK national law. The UK GDPR mirrors the fines under the GDPR (e.g., fines up to the greater of €20 million (£17.5 million) or 4% of global turnover). The European Commission has adopted an adequacy decision in favor of the United Kingdom, enabling data transfers from EU member states to the United Kingdom without additional safeguards. However, the United Kingdom adequacy decision will automatically expire in June 2025 unless the European Commission re-assesses and renews/extends that decision, and remains under review by the Commission during this period. The relationship between the UK and the European Union in relation to certain aspects of data protection law remains unclear, and it is unclear how UK data protection laws and regulations will develop in the medium to longer term, and how data transfers to and from the UK will be regulated in the long term. These changes will lead to additional costs and increase our overall risk exposure.

Implementing mechanisms that endeavor to ensure compliance with the GDPR and relevant local legislation in EEA countries and the UK, if necessary, may be onerous and may interrupt or delay our development activities, and adversely affect our business, financial condition, prospects and results of operations. While we have taken steps to comply with the GDPR where applicable, including by reviewing our security procedures, and entering into data processing agreements with relevant contractors, our efforts to achieve and remain in compliance may not be fully successful.

Compliance with applicable US and foreign data protection, privacy and security laws, regulations and standards could require us to take on more onerous obligations in our contracts, require us to engage in costly compliance exercises, restrict our ability to collect, use and disclose data, or in some cases, impact our or our partners' or suppliers' ability to operate in certain jurisdictions. Each of these constantly evolving laws can also be subject to varying interpretations. Any failure or perceived failure to comply could result in government investigations and enforcement actions (which could include civil or criminal penalties), fines, private litigation, and/or adverse publicity, and could negatively affect our operating results and business. Moreover, patients about whom we or our partners obtain information, as well as the providers who share this information with us, may contractually limit our ability to use and disclose the information. Claims that we have violated individuals' privacy rights, failed to comply with data protection laws, or breached our contractual obligations, even if we are not found liable, could be expensive and time-consuming to defend and could result in adverse publicity that could harm our business.

Our employees, collaborators, independent contractors and consultants may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements.

We are exposed to the risk that our employees, collaborators, independent contractors and consultants may engage in fraudulent or other illegal activity with respect to our business. Misconduct by these persons could include intentional, reckless and/or negligent conduct or unauthorized activity that violates:

- FDA requirements, including those laws requiring the reporting of true, complete and accurate information to the FDA authorities, such as reporting of UADEs during clinical investigations;
- GCP that relate to clinical investigations, including financial disclosure, informed consent and protection of human subjects, and requirements that relate to investigational device exemptions;
- manufacturing standards, such as FDA's Quality System Regulation ("QSR") requirements;
- federal and state healthcare fraud and abuse laws and regulations; or
- laws that require the true, complete and accurate reporting of financial information or data.

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In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, incentive programs and other business arrangements. Misconduct by these parties could also involve individually identifiable information, including, without limitation, the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. Any incidents or any other conduct that leads to an employee, contractor, or other agent, or our company, receiving an FDA debarment or exclusion by OIG could result in penalties, a loss of business from third parties, and severe reputational harm.

It is not always possible to identify and deter misconduct by our employees and other agents, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties; treble damages; monetary fines; disgorgement; imprisonment; possible exclusion from participation in Medicare, Medicaid and other federal healthcare programs; contractual damages; reputational harm; diminished profits and future earnings; additional reporting requirements and oversight if we become subject to a corporate integrity agreement or similar agreement to resolve allegations of non-compliance with these laws; and curtailment of our operations.

As the regulatory framework for AI technology evolves, our business, financial condition and results of operation may be adversely affected.

We utilize artificial intelligence, including machine learning, in our predictive analytics platforms. In recent years, the use of AI has come under increased regulatory scrutiny. The regulatory framework for AI technology is evolving and remains uncertain. It is possible that new laws and regulations will be adopted in the United States and in non-U.S. jurisdictions, where we intend to do business subject to our receipt of the necessary market authorizations, or that existing laws and regulations may be interpreted in new ways that would affect our operations and the ways in which we may use our AI technology. Specifically, such laws and regulations may limit our ability to use our AI models or require us to make changes to our technology that may decrease our operational efficiency, result in an increase to operating costs, or hinder our ability to provide our services. Further, the cost to comply with such laws, rules or regulations could be significant and would increase our operating expenses, which could adversely affect our business, financial condition and results of operation.

Any failure or perceived failure by us to comply with AI technology-related laws, rules and regulations could result in proceedings or actions against us by individuals, consumer rights groups, government agencies or others. We could incur significant costs in investigating and defending such claims and, if found liable, pay significant damages or fines or be required to make changes to our technology and business. Further, any such proceedings and any subsequent adverse outcomes may subject us to significant negative publicity. If any of these events were to occur, our business, results of operations and financial condition could be materially adversely affected.

We must comply with environmental and occupational safety laws.

Our research and development programs as well as our manufacturing operations involve the controlled use of hazardous materials. Accordingly, we are subject to federal, state and local laws, as well as the laws of foreign countries, governing the use, handling and disposal of these materials. In the event of an accident or failure to comply with environmental or occupational safety laws, we could be held liable for resulting damages, and any such liability could exceed our insurance coverage.

Risks Related to the Commercialization of our DeepView System

If approved, the commercial success of our DeepView System will depend upon the degree of market acceptance by clinicians.

Even if we receive the necessary regulatory approvals for commercialization, there is a risk that our DeepView System will not be accepted over competing products and that we will be unable to enter the marketplace or compete effectively. If the market for our DeepView System fails to develop or develops more slowly than expected, our business and operating results would be materially and adversely affected.

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We believe that our DeepView System will allow clinicians to make more accurate and efficient treatment decisions in the wound care sector. Whether clinicians choose to use our device over other market alternatives, however, is likely to be based on a determination that, among other things, our system is effective, safe, cost-effective and represents an acceptable method of diagnosis. Even if we can prove the effectiveness of our DeepView System through clinical trials, there may not be broad adoption and use of our device and clinicians may elect not to use our DeepView System for any number of reasons, including:

- lack of experience with our DeepView System and concerns that we are new to market;
- perceived liability risk generally associated with the use of our device;
- lack or perceived lack of (i) sufficient clinical evidence regarding our claims of superior diagnostic assessment and (ii) long-term data, supporting clinical benefits or the cost-effectiveness of our device over existing diagnostic alternatives;
- the failure of key opinion leaders to provide recommendations regarding our device, or to assure clinicians and healthcare payors of the benefits of our device as an attractive alternative to other diagnostic options;
- long-standing relationships with companies and distributors that sell other diagnostic products for wound care assessment;
- concerns over the capital investment required to purchase our DeepView System and perform the DeepView procedure;
- lack of availability of adequate third-party payor coverage or reimbursement;
- competitive response and negative selling efforts from providers of alternative technologies;
- failure to obtain favorable coverage decisions from payors, including, but not limited to, Medicare or Medicaid; and
- limitations or warnings contained in the labeling cleared or approved by the FDA, if approved, or approved or certified by other authorities or bodies.

We believe that educating notable industry key opinion leaders and clinicians about the merits and benefits of our DeepView System, including safety, performance, ease of use and efficiency will be critical for increasing the adoption of our device. Widespread adoption of new medical device technologies typically follows early adoption and promotion by key opinion and thought leaders in the relevant sectors. We have taken steps to address this by establishing strong relationships with leading U.S. hospitals around the country. The Company has enrolled subjects in its DFU studies in clinical and academic sites across the US and the EU across well-known medical facilities. The Company has also signed with international partners, including well-respected institutions in the field. We believe that we will be able to leverage these relationships to access other institutions and individuals, which should increase awareness and early adoption of our technology in the United States, UK and EU. U.S. adoption will also benefit from the potential future BARDA funding of technology placement for burns applications.

If clinicians do not adopt our DeepView System for any reason, including those listed above, our ability to execute our growth strategy will be impaired, and it will negatively affect our business, financial condition, prospects and results of operations. Even if our DeepView System achieves widespread market acceptance, it may not maintain such level of market acceptance over the long term if competing products or technologies, which are more cost-effective or received more favorably, are introduced. In addition, our limited commercialization experience makes it difficult to evaluate our current business and predict our future prospects. We cannot predict how quickly, if at all, clinicians will accept our DeepView System or, if accepted, how frequently it will be used. Failure to achieve or maintain market acceptance and/or market share could materially and adversely affect our ability to generate revenue and would have a material adverse effect on our business, financial condition and results of operations.

We have no experience in marketing and selling our DeepView System and we may provide inadequate training, fail to increase our sales and marketing capabilities, or fail to develop and maintain broad brand awareness in a cost-effective manner.

We have no experience marketing and selling our DeepView System. If our DeepView System is approved for commercialization, we expect to rely on a direct sales force to sell our product in targeted geographic regions and territories. Any failure to grow and maintain our direct sales force could harm our business. The members of our direct sales force will receive extensive training on our DeepView System and will possess technical expertise with respect to our technology. The members of our sales force will be at-will employees. The loss of these personnel to competitors, or otherwise, could materially harm our business. If we are unable to retain our direct sales force personnel or replace them when needed with individuals of comparable expertise and qualifications, or if we are unable to successfully instill such expertise in replacement personnel, our product sales, revenues and results of operations could be materially harmed.

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Identifying and recruiting qualified sales and marketing professionals and training them on our DeepView System, on applicable federal and state laws and regulations, and on our internal policies and procedures will require significant time, expense and attention. It may take several months or more before a sales representative is fully trained and productive. Our sales force may subject us to higher fixed costs than those of companies with competing products that can utilize independent third parties, placing us at a competitive disadvantage. Our business may be harmed if our efforts to train and grow our sales force do not generate significant product sales and revenue, and our higher fixed costs may slow our ability to reduce costs in the face of a sudden decline in demand for our technology. Any failure to hire, develop and retain talented sales personnel, to achieve desired productivity levels in a reasonable period of time or timely reduce fixed costs, could have a material adverse effect on our business, financial condition and results of operations.

If our DeepView System is approved for commercialization, our ability to achieve broader market acceptance of our device will depend, to a significant extent, on our sales, marketing and educational efforts. We plan to dedicate significant resources to our sales, marketing and educational programs. Our business may be harmed if these efforts and expenditures do not generate sufficient revenue. In addition, we believe that developing and maintaining broad awareness of our DeepView System in a cost-effective manner is critical to achieving broad acceptance of our device. Promotional and educational activities may not generate clinician awareness or generate sufficient revenue, and even if they do, any revenue generated may not offset the costs and expenses we incur. If we fail to successfully promote our DeepView System in a cost-effective manner, we may fail to attract or retain the market acceptance necessary to realize a sufficient return on our promotional and educational efforts, or to achieve broad adoption of our products.

If we are unable to establish sales, marketing and distribution capabilities either on our own or in collaboration with third parties, we may not be successful in commercializing our DeepView System, if approved.

We do not have any infrastructure currently in place for the sales, marketing or distribution of our DeepView System, or compliance functions related to such activities, and the cost of establishing and maintaining such an organization may exceed the cost-effectiveness of doing so. To market and successfully commercialize our DeepView System, if approved, we must build our sales, distribution, marketing, managerial, compliance, and other non-technical capabilities or make arrangements with third parties to perform these services. We expect to build a focused sales, distribution and marketing infrastructure to market the DeepView System, if approved. There are significant expenses and risks involved with establishing our own sales, marketing and distribution capabilities. Any failure or delay in the development of our internal sales, marketing, distribution and compliance capabilities could delay any product launch, which would adversely impact the commercialization of our product.

If third-party payors do not provide coverage and reimbursement for the use of our DeepView System, our business and prospects will be negatively impacted.

If we receive the necessary regulatory approval to commercialize our DeepView System, sales of our DeepView System will depend, in part, on the extent to which the use of our device is covered and reimbursed by third-party payors, including private insurers and government healthcare programs such as Medicare Advantage plans and plans purchased through the ACA marketplace. Where third-party payor coverage is not available, patients will be responsible for all of the costs associated with the use of our device. Even if a third-party payor covers a particular use of our device, the resulting reimbursement rate may not be adequate to cover a provider's cost to purchase our product or ensure such purchase is profitable for the provider.

Third-party payors, whether governmental or commercial, are developing increasingly sophisticated methods of controlling healthcare costs. In addition, in certain countries, no uniform policy of coverage and reimbursement for medical device products and services exists among third-party payors. Therefore, coverage and reimbursement for medical device products and services can differ significantly from payor to payor. In addition, payors continually review new technologies for possible coverage and can, without notice, deny coverage for these new products and procedures. As a result, the coverage determination process is often a time-consuming and costly process that will require us to provide scientific and clinical support for the use of our device to each payor separately, with no assurance that coverage and adequate reimbursement will be obtained, or maintained if obtained.

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Further, future coverage and reimbursement may be subject to increased restrictions, such as additional prior authorization requirements, both in the United States and in relevant international markets in which we plan to operate, assuming we receive the necessary approvals. Third-party coverage and reimbursement for procedures using our DeepView System may not be available or adequate in either the United States or international markets. If demand for our DeepView System is adversely affected by changes in third-party reimbursement policies and decisions, it could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to achieve or maintain satisfactory pricing and margins for our DeepView technology.

Manufacturers of medical devices have a history of price competition, and we can give no assurance that we will be able to achieve satisfactory prices for our DeepView System, if it is approved for commercialization. We will be subject to a number of factors on our ability to maintain satisfactory pricing and margins, including, but not limited to, payor reimbursement, sale pricing of our DeepView System, wide-spread adoption of the DeepView System at hospitals, clinics and burn centers, as well as production cost increases from third party suppliers and our contract manufacturers. For example, any decline in the amount that payors reimburse clinicians for our DeepView System could make it difficult for them to continue using, or to adopt, our device and could create additional pricing pressure for us. If we are forced to lower the price we charge for our DeepView System, our revenue and gross margins will decrease, which will adversely affect our ability to invest in and grow our business. If we are unable to maintain our sales or our prices, including during any international expansion, or if our costs increase and we are unable to offset such increase with an increase in our prices, our margins could erode. We will be subject to significant pricing pressure, which could negatively affect our business, financial condition and results of operations.

We will face competition from many sources, including larger companies, and we may be unable to compete successfully.

We operate in a highly competitive industry that is significantly affected by the introduction of new products and technologies and other activities of industry participants. Our DeepView System will compete directly against conventional methods of wound care assessment. We will compete with manufacturers and suppliers of devices, instruments and other supplies used in connection with such conventional diagnoses. The market for these devices and instruments is highly fragmented with primary supply chains concentrated across a few larger manufacturers and distributors, such as Cobalt Product Solutions, Sanmina Corporation and Plexus Manufacturing.

Many of our competitors have longer, more established operating histories, and significantly greater name recognition and financial, technical, marketing, sales, distribution and other resources, which may prevent us from achieving significant market penetration. These companies may enjoy several other competitive advantages, including established relationships with clinicians who are familiar with other alternatives for wound care assessment, additional lines of products, and the ability to offer rebates or bundle products to offer greater discounts or incentives to gain a competitive advantage and established sales, marketing and worldwide distribution networks.

We believe the primary competitive factors for companies that market new or alternative treatments and solutions in the wound care industry include acceptance by leading clinicians, patient outcomes and adverse event rates, patient experience and treatment time, ease-of-use and reliability, patient recovery time and level of discomfort, economic benefits and cost savings, intellectual property protection and the development of successful sales and marketing channels. One of the major hurdles to widespread adoption of our device will be overcoming established diagnostic patterns, which will require education of clinicians and their referral sources.

We may also compete with additional competitors and products outside the United States as well. Among other competitive advantages, such companies may have more established sales and marketing programs and networks, established relationships with clinicians and greater name recognition in such markets.

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In addition, our current and potential competitors have established, or may establish, financial and strategic relationships among themselves or with existing or potential customers or other third parties to increase the ability of their products to address customer needs. Accordingly, it is possible that new competitors or alliances among competitors could emerge and acquire a significant market share. Existing and/or increased competition could, therefore, adversely affect our market share and/or force us to reduce the price of our products, which could have an adverse impact on our business, prospects, results of operations and financial condition.

If we are unable to continue to innovate and improve our products and services, we could lose market share.

The markets for our products and services are characterized by changing technology and customer requirements. Changing customer requirements and the introduction of products or services or enhancements embodying new technology may render our existing DeepView System obsolete, unmarketable or competitively impaired and may exert downward pressures on the pricing of our device. One of our key competitive advantages is that we are currently the only AI-enabled wound imaging technology that translates raw physiological data/images into an output that is directly correlated to a wound healing assessment. We intend to continue to invest in technical developments in order to mitigate the impact of future competition.

It is critical to our success to be able to anticipate changes in technology or in industry standards, to successfully develop and introduce new, enhanced and competitive products on a timely basis, and to keep pace with technological change. This may place excessive strain on our capital resources, which may adversely impact our revenues and profitability. We cannot assure you that we will successfully develop new products or services or enhance and improve our existing products or services on a timely basis. Neither can we be certain that new products and enhanced and improved existing products will achieve market acceptance or that the introduction of new products or enhancing existing products by others, or changing customer requirements, will not render our products or services obsolete. Our inability to develop products or services that are competitive in technology and price and that meet client needs could have an adverse impact on our business, prospects, results of operations and financial condition.

We will depend upon third-party suppliers, including contract manufacturers and single and sole source suppliers, making us vulnerable to supply shortages and price fluctuations that could negatively affect our business, financial condition and results of operations.

If we receive the necessary regulatory approvals for commercialization, we will rely on third-party suppliers, including in some instances single or sole source suppliers, to provide us with certain components, sub-assemblies and finished products for our DeepView System. These components, sub-assemblies and finished products are critical and, for a small number of items, there are relatively few alternative sources of supply. For example, we primarily work with Cobalt Systems Product Solutions. We do not currently have long-term supply contracts with certain of the sole and single source suppliers of these key components, and there are no minimum purchase or payment requirements. Additionally, we believe we are not a major customer to many of our suppliers. Our suppliers may therefore give other customers' needs higher priority than ours, and we may not be able to obtain adequate supply in a timely manner or on commercially reasonable terms. These single or sole source suppliers may be unwilling or unable to supply the necessary materials and components or manufacture and assemble our product in a reliable manner and at the levels we anticipate or at levels adequate to satisfy demand for our product. While our suppliers have generally met our demand for their products and services on a timely basis in the past, we cannot guarantee that they will in the future be able to meet our demand for such products and services, either because of acts of nature, the nature of our agreements with those suppliers or our relative importance to them as a customer, and our suppliers may decide in the future to discontinue or reduce the level of business they conduct with us.

We have not been qualified or obtained necessary regulatory clearances for additional suppliers for most of these components, sub-assemblies and materials. While we currently believe that alternative sources of supply may be available, we cannot be certain whether they will be available if and when we need them, or that any alternative suppliers or providers would be able to provide the quantity and quality of components and materials that we would need to manufacture and ship our products if our existing suppliers and providers were unable to satisfy our requirements.

To utilize other sources, we would need to identify and qualify new providers to our quality standards and obtain any additional regulatory clearances or approvals required to change providers, which could result in manufacturing delays and increase our expenses.

Although we believe that we have stable relationships with our existing suppliers, we cannot assure you that we will be able to secure a stable supply of components or materials going forward. In the event that any adverse developments occur with our suppliers, in particular for those components that are single or sole sourced, or if any of our suppliers modifies any of the components they supply to us, our ability to supply our products may be temporarily or permanently interrupted. Obtaining substitute components could be difficult, time and resource-consuming and costly. Also, there can be no assurance that we will be able to secure a supply of alternative components at reasonable prices without experiencing interruptions in our business operations.

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Our dependence on third parties subjects us to a number of risks that could impact our ability to manufacture our products and harm our business, including:

- interruption of supply resulting from modifications to, or discontinuation of, a third party's operations;
- delays in product shipments resulting from uncorrected defects or errors, reliability issues or a third party's failure to produce components that consistently meet our quality specifications;
- price fluctuations due to a lack of long-term supply arrangements with our third parties for key components;
- inability to obtain adequate supply or services in a timely manner or on commercially reasonable terms;
- difficulty identifying and qualifying alternative third parties for the supply of components of our products in a timely manner;
- inability of third parties to comply with applicable provisions of the FDA's QSR or other applicable laws or regulations enforced by the FDA, state, local and global regulatory authorities;
- inability to ensure the quality of products manufactured by third parties;
- shipping and manufacture delays and interruptions caused by the ongoing COVID-19 crisis that we are not able to address, prepare for, or prevent;
- production delays related to the evaluation and testing of products and services from alternative third parties and corresponding regulatory qualifications;
- trends towards consolidation within the medical device manufacturing supplier industry; and
- delays in delivery by our suppliers and service providers.

In addition, quarantines, shelter-in-place and similar government orders resulting from any future pandemic, epidemic or other infectious disease outbreak, or the perception that such orders, shutdowns or other restrictions on the conduct of business operations could occur, could impact the suppliers upon which we rely, or the availability or cost of materials, which could disrupt the supply chain for our products.

Although we require our third-party suppliers and providers to supply us with components and services that meet our specifications and other applicable legal and regulatory requirements in our agreements and contracts, and we perform incoming inspection, testing or other acceptance activities to ensure the components meet our requirements, there is a risk that these third parties will not always act consistent with our best interests, and may not always supply components or provide services that meet our requirements or in a timely manner. In addition, we cannot assure you that our suppliers have obtained and will be able to obtain or maintain all licenses, permits, clearances and approvals necessary for their operations or comply with all applicable laws and regulations, and failure to do so by them may lead to interruption in their business operations, which in turn may result in shortages of components supplied to us.

If we receive a significant number of warranty claims or our DeepView System requires significant amounts of service after sale, our operating expenses may substantially increase and our business and financial results will be adversely affected.

If our DeepView System is approved for commercialization, we intend to warrant each DeepView system against defects in materials and workmanship. We also expect to provide technical and other services beyond the warranty period pursuant to a supplemental service plan that we sell for our DeepView system. We have no history of commercial placements from which to judge our rate of warranty claims, and we expect that the number of warranty claims we receive may increase as we scale our operations and as commercial placements age. If product returns or warranty claims are significant or exceed our expectations, we could incur unanticipated reductions in sales or additional operating expenditures for parts and service. In addition, our reputation could be damaged and our device may not achieve the level of market acceptance that we are targeting in order to achieve and maintain profitability. Unforeseen warranty exposure could negatively impact our business and financial results.

We need to ensure strong product performance and reliability to maintain and grow our business.

We need to maintain and continuously improve the performance and reliability of our DeepView System to achieve our profitability objectives. Poor product performance and reliability could lead to clinician dissatisfaction, adversely affect our reputation and revenues, and increase our service and distribution costs and working capital requirements. In addition, software and hardware incorporated into our DeepView System may contain errors or defects, especially when first introduced and while we have made efforts to test this software and hardware extensively, we cannot assure that the software and hardware, or software and hardware developed in the future, will not experience errors or performance problems.

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Our reputation and the public image of our products, services and technologies may be impaired if our products or services fail to perform as expected. If our products do not perform, or are perceived to not have performed, as expected or favorably in comparison to competitive products, our operating results, reputation, and business will suffer, including due to the costs associated with replacing products and decreased demand for our product offering. Any of the foregoing could have a material adverse effect on our business, financial condition, prospects and results of operations.

Although we intend to test our products prior to shipment, defects or errors could nonetheless occur. Our operating results will depend on our ability to execute and, when necessary, improve our quality management strategy and systems and our ability to effectively train and maintain our employee base with respect to quality management. The failure of our quality control systems or those of our third-party suppliers could result in problems with facility operations or preparation or provision of products. In each case, such problems could arise for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with off-the-shelf materials, sub-assemblies, parts and other components or environmental factors and damage to, or loss of, manufacturing operations.

Our results of operations will be materially harmed if we are unable to accurately forecast demand for, and utilization of, our DeepView System and manage our inventory.

If our DeepView System is approved for commercialization, we will be required to forecast inventory needs and manufacture our DeepView System based on our estimates of future demand for, and utilization of, our device. Our ability to accurately forecast demand and utilization could be negatively affected by many factors, including our failure to accurately manage our expansion strategy, product introductions by competitors, an increase or decrease in demand for our products or for products of our competitors, our failure to accurately forecast acceptance of new products, unanticipated changes in general market conditions or regulatory matters and weakening of economic conditions or consumer confidence in future economic conditions. Inventory levels in excess of demand may result in inventory write-downs or write-offs, which would cause our gross margin to be adversely affected and could impair the strength of our brand. Conversely, if we underestimate demand and utilization, our supply chain, manufacturing partners and/or internal manufacturing team may not be able to deliver components and products to meet our requirements, and this could result in damage to our reputation and relationships with clinicians and dental practitioners. In addition, if we experience a significant increase in demand or utilization, additional supplies of off-the-shelf materials, sub-assemblies, parts and other components or additional manufacturing capacity may not be available when required on terms that are acceptable to us, or at all, or suppliers may not be able to allocate sufficient capacity in order to meet our increased requirements. We currently outsource all of our manufacturing through an original equipment manufacturer. Cobalt, located in Plano, Texas, is involved with manufacturing the current generation DeepView System and we anticipate that they will continue to do so for the foreseeable future. In addition to Cobalt, we integrate several other highly specialized contract manufacturers in the areas of optics, technology design and electronics. If any of these suppliers were unable to meet our requirements, we would need to find a replacement or supplemental supplier, which we may not be able to do on a timely basis, or at all. Any of the foregoing would materially which will adversely affect our business, financial condition, prospects and results of operations.

Risks Related to Our Business Operations

We may encounter difficulties in managing our growth, which could disrupt our operations.

We have experienced substantial growth in our operations, and we expect to experience continued substantial growth in our business. Over the next several years, we expect to significantly increase the scope of our operations, particularly in the areas of manufacturing, sales and support, research and development, product development, regulatory affairs, marketing and other functional areas, including finance, accounting, quality control, and legal. To manage our anticipated future growth, we must continue to implement and improve our managerial, operational quality and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Due to our limited financial resources, we may not be able to manage the expansion of our operations or recruit and train additional qualified personnel in an effective manner. In addition, the physical expansion of our operations may lead to significant costs and may divert our management and business development resources. Any inability to manage growth could delay the execution of our business plans or disrupt our operations.

We are highly dependent on our senior management, directors and key personnel, and our business could be harmed if we are unable to attract and retain personnel necessary for our success.

We depend to a significant degree on the continued services of our senior management, directors and key personnel. Their knowledge of both the market and their skills and experience are critical elements to our success. Our senior management team, directors and employees are engaged with us on an ‘at will’ basis, meaning that both they and we are able to terminate the arrangement without notice. The loss of key personnel could have an adverse impact on our business, prospects, results of operations and financial condition.

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If we are not able to attract and retain highly skilled managerial, scientific and technical personnel, we may not be able to implement our business model successfully.

We will rely upon technical and scientific employees or third-party contractors to effectively establish, manage and grow our business. Consequently, we believe that our future viability will depend largely on our ability to attract and retain highly skilled managerial, sales, scientific and technical personnel. In order to do so, we may need to pay higher compensation or fees to our employees or consultants than we currently expect, and such higher compensation payments would have a negative effect on our operating results. Competition for experienced, high-quality personnel is intense and we cannot assure you that we will be able to recruit and retain such personnel. We may not be able to hire or retain the necessary personnel to implement our business strategy. Our failure to hire and retain such personnel could impair our ability to develop new products and manage our business effectively.

Our growth plans may place a significant strain on our management and operational, financial and personnel resources. In order to execute our strategy, we will need to hire additional individuals. These hires include product management, marketing and highly technical engineering roles. Furthermore, some of these hires will be in the UK and/or Europe to support our European strategy. Though we have never undertaken this level of growth, our management, including our Human Resources Manager have instituted a long-term hiring plan with key dates that ensure the individual is hired and trained months before the strategy must be executed. Furthermore, our ability to implement our strategy requires effective planning and management control systems. Therefore, our future growth and prospects will depend on our ability to manage this growth.

We expect to significantly increase the size of our organization over the next several years. As a result, we may encounter difficulties in managing our growth, which could disrupt our operations and/or increase our net losses.

As of March 25, 2024, we had 80 employees. Over the next several years, we expect to experience significant growth in the number of our employees and the scope of our operations, particularly in the areas of regulatory affairs, clinical and sales and marketing. There are significant expenses and risks involved with establishing our own sales, marketing and distribution capabilities. Any failure or delay in the development of our internal sales, marketing, distribution and compliance capabilities could delay any product launch, which would adversely impact the commercialization of our product. We also intend to continue to improve our operational, financial and management controls, reporting systems and procedures, which may require additional personnel. Such growth could place a strain on our administrative and operational infrastructure, and/or our managerial abilities, and we may not be able to make improvements to our management information and control systems in an efficient or timely manner. We may discover deficiencies in existing systems and controls.

Some of these employees will also be in countries outside of our corporate headquarters, which adds additional complexity. To manage our anticipated future growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. We may not be able to effectively manage these activities. The physical expansion of our operations may lead to significant costs and may divert our management and business development resources.

Our software and our internal computer systems may fail and such failure could negatively affect our business, financial condition and results of operations.

The continued development, maintenance and operation of our software and technologies are important factors impacting the success of our products and level of market acceptance. These efforts are expensive and complex and may involve unforeseen difficulties, including material performance problems and undetected defects or other technical or human errors. We may encounter technical obstacles, and it is possible that we may discover additional problems that prevent our software and technologies from operating properly. If our software or technologies, individually or collectively, do not function reliably or fail to meet clinician or payor expectations of performance or outcomes, then clinicians may stop using our products and payors could attempt to cancel their contracts with us.

Proprietary software development is time-consuming, expensive and complex, and may involve unforeseen difficulties. Our software may contain errors or vulnerabilities. Any real or perceived errors, failures, bugs or other vulnerabilities discovered in our existing or new software could result in negative publicity and damage to our reputation, loss of customers, loss of or delay in market acceptance of our products, loss of competitive position, loss of revenue or liability for damages, overpayments and/or underpayments, any of which could harm our business and results of operation.

Our information technology systems require an ongoing commitment of significant resources to maintain, protect, and enhance existing systems and develop new systems to keep pace with continuing changes in information processing technology, evolving legal and regulatory standards, the increasing need to protect patient and customer information, changes in the techniques used to obtain unauthorized access to data and information systems, and the information technology needs associated with any new products and services. There can be no assurance that our process of consolidating, protecting, upgrading and expanding our systems and capabilities, continuing to build security into the design of our products, and developing new systems to keep pace with continuing changes in information processing technology will be successful or that additional systems issues will not arise in the future.

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We will rely on the proper function, security and availability of our information technology systems and data to operate our business, and a breach, cyber-attack or other disruption to these systems or data could materially and adversely affect our business, results of operations, financial condition, cash flows, reputation or competitive position.

We rely on information technology systems to conduct our operations. In the ordinary course of our business, we use third parties to process and store, sensitive intellectual property and other proprietary business information. Because of this, we and our software are at risk for cyber-attacks. Cyber-attacks can result from deliberate attacks or unintentional events and may include (but are not limited to) malicious third parties gaining unauthorized access to our software for the purpose of misappropriating financial assets, intellectual property or sensitive information (such as patient data), corrupting data, or causing operational disruption.

In the future, we may rely on third-party vendors to supply and/or support certain aspects of our information technology systems. These third-party systems could also become vulnerable to cyber-attack, malicious intrusions, breakdowns, interference or other significant disruptions, and may contain defects in design or manufacture or other problems that could result in system disruption or compromise the information security of our own systems.

We have taken numerous steps to ensure the protection of our devices and technology. We regularly engage each of our employees in data protection training, have enabled two-factor authentication, and do not distribute or share data across external systems. Furthermore, we take measures to ensure that our employees who come in contact with data or patients do not violate any standards involving the HIPAA or compromise a patient's private health information.

While we believe that we have taken appropriate steps to protect our systems, there can be no assurance that our efforts will prevent service interruptions or security breaches in our systems or the unauthorized or inadvertent wrongful access or disclosure of confidential information that could have an adverse impact on our business, prospects, results of operations and financial condition or result in the loss, dissemination, or misuse of critical or sensitive information. If we suffer from a cyber-attack, whether by a third party or insider, we may incur significant costs (including liability for stolen assets or information) and repairing any damage caused to our network infrastructure and systems. Additionally, theft of our intellectual property or proprietary business information could require substantial expenditures to remedy. Such theft could also lead to loss of intellectual property rights through our disclosure of our proprietary business information, and such loss may not be capable of remedying. We may also suffer reputational damage and loss of investor confidence. We could also be exposed to potential financial and reputational harm if we experience a cyber-attack.

Because the techniques used to obtain unauthorized access to, or to sabotage, systems change frequently and often were not identified recognized until launched against a target, we may be unable to anticipate these techniques or implement adequate preventative measures. We may also experience security breaches that may remain undetected for an extended period. If our systems are damaged or cease to function properly due to any number of causes, ranging from catastrophic events to power outages to security breaches, and our business continuity plans do not effectively compensate timely, we may suffer interruptions in our ability to manage operations, and would also be exposed to a risk of loss, including financial assets or litigation and potential liability. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or systems or data or systems of our commercial partners, or inappropriate or unauthorized access to or disclosure or use of confidential, proprietary, or other sensitive, personal, or health information, we could incur liability and suffer reputational harm. Failure to maintain or protect our information technology systems effectively could negatively affect our business, financial condition and results of operations.

There has been a developing trend of civil lawsuits and class actions relating to breaches of consumer data held by large companies or incidents arising from other cyber-attacks. Any data security breaches, cyber-attacks, malicious intrusions or significant disruptions could result in actions by regulatory bodies and/or civil litigation, any of which could materially and adversely affect our business, results of operations, financial condition, cash flows, reputation or competitive position.

While we maintain certain insurance coverage, our insurance may be insufficient or may not cover all liabilities incurred by such attacks. We also cannot be certain that our insurance coverage will be adequate for data handling or data security liabilities actually incurred, that insurance will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceeds available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, including our financial condition, operating results and reputation.

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The use of artificial intelligence, including machine learning, in our analytics platforms may result in reputational harm or liability.

AI is enabled by or integrated into the predictive analytics inherent in our DeepView platforms and will continue to be a substantial element of our product offerings going forward. As with many developing technologies, AI presents risks and challenges that could affect its further development, adoption, and use, and therefore our business. AI algorithms may be flawed and continual data propagation may prove ineffective. Data sets may be insufficient, of poor quality, or contain biased information. If the analyses that AI applications assist in producing are deficient or inaccurate, we could be subjected to competitive harm, potential legal liability, and brand or reputational harm. Some uses of AI present ethical issues, and our judgment as to the ethical concerns may not be accurate. If we use AI as part of our predictive analytics in a manner that is controversial because of the purported or real impact on our business or vendors, this may lead to adverse results for our financial condition and operations or the financial condition and operations of our business, which may further lead to us experiencing competitive harm, legal liability and brand or reputational harm.

Product liability suits, whether or not meritorious, could be brought against us due to an alleged defective product or for the misuse of our DeepView system. These suits could result in expensive and time-consuming litigation, payment of substantial damages, and an increase in our insurance rates.

If we supply products or services that are defectively designed or manufactured, or our products contain defective components or are misused, or if someone claims any of the foregoing, whether or not meritorious, we may become subject to substantial and costly litigation. Misusing our technology or failing to adhere to the operating guidelines or our device producing inaccurate or unreliable readings could cause significant harm to patients. In addition, if our operating guidelines are found to be inadequate, we may be subject to liability. Product liability claims could divert management's attention from our core business, be expensive to defend and result in sizable damage awards against us. While we maintain product liability insurance, we may not have sufficient insurance coverage for all future claims. Any product liability claims brought against us, with or without merit, could increase our product liability insurance rates or prevent us from securing continuing coverage, could harm our reputation in the industry and could reduce revenue. Product liability claims in excess of our insurance coverage would be paid out of cash reserves harming our financial condition and adversely affecting our results of operations.

To the extent that a claim or claims of a significant nature were made against us, we may be required to expend substantial management resources and litigation costs in defending such claim(s) and such claim(s), if successful, could reduce margins, harm our reputation in the market, and increase future insurance premiums, the occurrence of each of which could have an adverse impact on our business, prospects, results of operations and financial condition.

Our insurance policies are expensive and protect us only from some business risks, which leaves us exposed to significant uninsured liabilities.

While we maintain commercial insurance at a level we believe is appropriate against certain risks commonly insured in the industry in which we operate, there is no guarantee that our insurer will cover costs or that we will be able to obtain the desired level of coverage on acceptable terms in the future. The potential costs that could be associated with any shortfall of insurance coverage may cause delays and disruptions to our operations and the additional expenditure that we may incur could affect our earnings and competitive position in the future and, potentially, our financial position. We could suffer losses that may not be fully compensated by insurance. In addition, certain types of risk may be, or may become, either uninsurable or not economically insurable, or may not be currently or in the future covered by our insurance policies. Any of the foregoing could have an adverse impact on our business, prospects, results of operations and financial condition.

Operating as a U.S. public company can make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified people to serve on our board of directors, on our board committees or as executive officers. We do not know, however, if we will be able to maintain existing insurance with adequate levels of coverage. Any significant uninsured liability may require us to pay substantial amounts, which would negatively affect our business, financial condition and results of operations.

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The success of our algorithms depends on our significant repository of proprietary DFU and burn data.

As of December 31, 2023, approximately 340 billion pixels of proprietary DFU and burn data have been acquired and utilized for the deep learning algorithms training. We believe this presents a significant barrier to entry to would-be competitors in wound care healing assessments. The data collection to clinical output, the flow, quality and control of the data pipeline is managed entirely by us. Our DeepView System uses deep learning on its wound data repository to recognize patterns and correlations of injured tissue spectral signatures to produce reliable and reasonable assessment for clinicians to make accurate and efficient treatment decisions.

We have developed strategic partnerships with multiple clinical and academic partners in the United States and Europe. Through our strategic partnerships with multiple clinical and academic partners, we are able to access large, diverse and specific sets of wound data inputs to develop, validate and improve our DeepView algorithms efficiently and effectively. We believe we have the pre-eminent proprietary clinical wound database. The depth and quality of our proprietary data is critical to developing a leading wound assessment technology with demonstrated clinical need across burn, DFU and other indications with a positive impact on health economics and patient outcomes, while safeguarding patient data and privacy. If we were no longer able to access or receive this data, it would have a material adverse effect on our business, prospects, results of operations and financial condition.

We may further seek strategic alliances, joint ventures or collaborations, or enter into licensing or partnership arrangements in the future and may not be successful in doing so, and even if we are, we may not realize the benefits or costs of such relationships.

We have developed strategic partnerships with multiple clinical and academic partners and, in the future, we may further form or seek strategic alliances, create joint ventures or collaborations or enter into licensing or partnership arrangements with third parties that we believe will complement or augment our sales and marketing efforts with respect to our DeepView System or future products. We may not be successful in our efforts to establish such collaborations, and we may not achieve the benefits expected from our current strategic partnerships or future collaborations. Any of these relationships may require us to incur non-recurring and other charges, indemnify the counterparty, increase our near and long-term expenditures, issue securities that dilute our existing stockholders or disrupt our management and business. In addition, we face significant competition in seeking appropriate strategic partners and the negotiation process is time-consuming and complex. Moreover, we may not be successful in our efforts to establish a strategic alliance or other alternative arrangements for our products. We cannot be certain that, following a strategic alliance or similar arrangement, we will achieve the revenue or specific net income that justifies such transaction. In addition, any potential future collaborations may be terminable by our collaborators, and we may not be able to adequately protect our rights under these agreements. Any termination of collaborations we enter into in the future, or delays in entering into new strategic partnership agreements could delay tour sales and marketing efforts, which would harm our business prospects, financial condition and results of operations.

Additionally, we may not have sole decision-making authority with respect to any such collaboration or arrangement, which could create the potential risk of creating impasses on decisions, and our collaborators may have economic or business interests or goals that are, or that may become, inconsistent with our business interests or goals. It is possible that conflicts may arise with our collaborators, such as conflicts concerning the achievement of performance milestones, or the interpretation of significant terms under any agreement, such as those related to financial obligations, or the ownership or control of intellectual property developed during the collaboration. If any conflicts arise with our current or future collaborators, they may act in their self-interest, which may be averse to our best interest, and they may breach their obligations to us. In addition, we have limited control over the amount and timing of resources that our current collaborators or any future collaborators devote to our collaborators' or our future products and technologies.

As international expansion of our business occurs in future years, it will expose us to market, regulatory, political, operational, financial and economic risks associated with doing business outside of the United States.

Our long-term strategy is to increase our international presence, including securing regulatory clearances or approvals in targeted countries outside the United States. This strategy may include establishing and maintaining clinician outreach and education capabilities outside of the United States and expanding our relationships with international payors. Doing business internationally involves a number of risks, including:

- difficulties in staffing and managing our international operations;
- multiple, conflicting and changing laws and regulations such as tax laws, privacy laws, export and import restrictions, employment laws, regulatory requirements and other governmental clearances, approvals, permits and licenses;
- reduced or varied protection for intellectual property rights in some countries;
- obtaining regulatory clearance, approval or certification where required for our products in various countries;

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- requirements to maintain data and the processing of that data on servers located within such countries;
- complexities associated with managing multiple payor reimbursement regimes, government payors or patient self-pay systems;
- limits on our ability to penetrate international markets if we are required to manufacture our products locally;
- financial risks, such as longer payment cycles, difficulty collecting accounts receivable, foreign tax laws and complexities of foreign value-added tax systems, the effect of local and regional financial pressures on demand and payment for our products and exposure to foreign currency exchange rate fluctuations;
- restrictions on the site-of-service for use of our products and the economics related thereto for clinicians, providers and payors;
- natural disasters, political and economic instability, including wars, terrorism, political unrest, outbreak of disease, boycotts, curtailment of trade and other market restrictions; and
- regulatory and compliance risks that relate to maintaining accurate information and control over activities subject to regulation under the United States Foreign Corrupt Practices Act of 1977, or FCPA, U.K. Bribery Act of 2010 and comparable laws and regulations in other countries.

Any of these factors could significantly harm our future international expansion and operations and, consequently, have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Our Intellectual Property

If we are unable to obtain and maintain patent or other intellectual property protection for any products we develop or for our technology, or if the scope of the patent and other intellectual property protection obtained is not sufficiently broad, our competitors could develop and commercialize products and technology similar or identical to ours, and our ability to successfully commercialize any products we may develop, and our technology, may be harmed.

We believe that one of our key strengths is our market leading technology, including our proprietary AI algorithms and optical technology. In order to remain competitive, we must develop, maintain, and protect the proprietary aspects of our brands, technologies, data, and products. We rely on a combination of contractual provisions, confidentiality procedures, patent, copyright, trademark, trade secret, and other intellectual property laws to protect the proprietary aspects of our brands, technologies, data, and products. These legal measures afford only limited protection, and competitors or others may gain access to or use our intellectual property and proprietary information. Any failure to obtain or maintain patent and other intellectual property protection with respect to our products could harm our business, financial condition and results of operations.

Our technology is protected with issued and/or allowed patents across nine families of active patents: (i) Burn/Wound Classification on MSI and PPG; (ii) Tissue classification on MSI and PPG; (iii) Amputation site analysis on MSI, ML and healthcare matrix; (iv) DFU healing potential prediction and wound assessment on MSI, ML and healthcare matrix; (v) High-precision, multi-aperture, MSI snapshot imaging; (vi) Wound assessment based on MSI; (vii) Burn/histology assessment based on MSI and ML; (viii) High-precision, single-aperture MSI snapshot imaging; and (ix) Topological characterization and assessment of tissues using MSI and ML.

As of the date of this annual report, we have 10 issued and allowed U.S. patents with five U.S. patent applications pending. We have 10 issued and allowed international patents with 29 foreign and international patent applications pending. We protect our DeepView System trademarks primarily in four classes: pre-recorded/downloadable software, surgical, medical apparatus, computer and scientific services and medical and healthcare services. As of December 31, 2023, we maintain a portfolio of 64 trademarks and nine trademark applications pending relating to our DeepView and SnapShot product offerings. Our trademarks and pending trademark applications are spread over nine jurisdictions mostly in China, the UK and the EU. It is our intention to maintain these registrations indefinitely and to expand the number of jurisdictions in which we have registered trademarks as deemed necessary to protect our freedom to use the marks and/or block competitors in additional markets. We will continue to primarily focus on protecting our intellectual property in the United States, UK and the EU as those are the first commercial markets for our products.

We cannot assure you that our intellectual property position will not be challenged or that all patents for which we have applied will be granted. As with other medical device companies, our success depends, in part, on our ability to obtain, maintain, expand, enforce, and defend the scope of our intellectual property portfolio or other proprietary rights, including the amount and timing of any payments we may be required to make in connection with the licensing, filing, maintaining, defense and enforcement of any patents or other intellectual property rights. The process of applying for and obtaining a patent is expensive, time-consuming and complex, and we may not be able to file, prosecute, maintain, enforce, or license all necessary or desirable patents or patent applications at a reasonable cost, in a timely manner, or in all jurisdictions where protection may be commercially advantageous, or we may not be able to protect our proprietary rights at all. Although we enter into non-disclosure and confidentiality agreements with parties who have access to confidential or patentable aspects of our research and development output, such as our employees, corporate collaborators, outside scientific collaborators, suppliers, consultants, advisors and other third parties, any of these parties may breach such agreements and disclose such output before a patent application is filed, thereby jeopardizing our ability to seek and obtain patent protection.

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We may choose not to seek patent protection for certain innovations and may choose not to pursue patent protection in certain jurisdictions, and under the laws of certain jurisdictions, patents or other intellectual property rights may be unavailable or limited in scope. It is also possible that we will fail to identify patentable aspects of our products or research and development results before it is too late to obtain patent protection. While the imaging modality — SnapShot MSI system and proprietary illumination system — are patent protected, our AI algorithm used in the system is not patent protected. The device performance is supported by the proprietary clinical data owned by Spectral. The loss or disclosure of both the data and the algorithm could be detrimental to the future development and competitive advantage of our DeepView System.

In addition, our ability to obtain and maintain valid and enforceable patents depends in part on whether the differences between our inventions and the prior art allow our inventions to be patentable over the prior art. Furthermore, the publication of discoveries in scientific literature often lags behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases not at all. Therefore, we cannot be certain that we were the first to file for patent protection of such inventions. Despite our efforts to protect our proprietary rights, unauthorized parties may be able to obtain and use information that we regard as proprietary. In addition, the issuance of a patent is not conclusive as to its inventorship, validity or enforceability, and our patents may be challenged in the courts or patent offices in the United States and abroad, so even if we obtain patents, they may not provide us with adequate proprietary protection or competitive advantage against our competitors with similar products. Our patent applications may not result in issued patents and our patents may not be sufficiently broad to protect our technology or to prevent competitive technologies. In addition, the laws of foreign jurisdictions may not protect our rights to the same extent as the laws of the United States. For example, certain countries outside of the United States do not allow patents for methods of treating the human body. This may preclude us from obtaining method patents outside of the United States having similar scope to those we have obtained or may obtain in the future in the United States. Changes in either the patent laws or their interpretation in the United States and other countries may diminish our ability to protect our inventions, obtain, maintain, and enforce our intellectual property rights and, more generally, could affect the value or validity of our intellectual property or narrow the scope of our patent protection. Additionally, we cannot predict whether the patent applications we are currently pursuing will issue as patents in any particular jurisdiction or whether the claims of any issued patents will provide sufficient protection from competitors or other third parties.

Moreover, even if we are able to obtain patent protection, such patent protection may be of insufficient scope to achieve our business objectives. The strength of patent rights generally, and particularly the patent position of medical device companies, involves complex legal, factual and scientific questions and can be uncertain, and has been the subject of much litigation in recent years. This uncertainty includes changes to the patent laws through either legislative action to change statutory patent law or court action that may reinterpret existing law or rules in ways affecting the scope or validity of issued patents. Even if patents do successfully issue from our patent applications, third parties may challenge the validity, enforceability, or scope of such patents, which may result in such patents being narrowed, invalidated, or held unenforceable. Decisions by courts and governmental patent agencies may introduce uncertainty in the enforceability or scope of patents owned by or licensed to us. Furthermore, the issuance of a patent does not give us the right to practice the patented invention. Third parties may also have blocking patents that could prevent us from marketing our own products and practicing our own technology. We may not be aware of all third-party intellectual property rights (for example, not be aware of a patent or not be aware of a patent's scope) potentially relating to our products, product candidates or their intended uses, and as a result the impact of such third-party intellectual property rights upon the patentability of our own patents and patent applications, as well as the impact of such third-party intellectual property upon our ability to market our products without infringing third party patent rights, is highly uncertain. We cannot ensure that we do not infringe any patents or other proprietary rights held by others. If our products were found to infringe any proprietary right of another party, we could be required to pay significant damages or license fees to such party and/or cease production, marketing and distribution of those products.

Litigation may also be necessary to defend infringement claims of third parties or to enforce patent rights we hold or protect trade secrets or techniques we own. Further, third parties may seek approval to market their own products similar to or otherwise competitive with our products. In these circumstances, we may need to defend and/or assert our patents, including by filing lawsuits alleging patent infringement. In any of these types of proceedings, a court or agency with jurisdiction may find our patents invalid, unenforceable, or not infringed; competitors may then be able to market products and use manufacturing and analytical processes that are substantially similar to ours. Even if we have valid and enforceable patents, these patents still may not provide protection against competing products or processes sufficient to achieve our business objectives.

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Our success will also depend, in part, on preserving our trade secrets, maintaining the security of our data and know-how, and obtaining and maintaining other intellectual property rights. We rely on trade secret protection and confidentiality agreements for strategic purposes, to protect proprietary know-how that is not patentable, processes for which patents are difficult to enforce and any other elements of our discovery and development processes that involve proprietary know-how, information or technology that is not covered by patents. We may also rely on trade secret protection as temporary protection for concepts that may be included in a future patent filing. There can be no assurances that we can meaningfully protect or maintain intellectual property, trade secrets or other unpatented proprietary rights necessary to our business or in a form that provides us with a competitive advantage, or that others will not independently develop substantially equivalent proprietary products or processes or otherwise gain access to our proprietary technology. In addition, our trade secrets, data, and know-how could be subject to unauthorized use, misappropriation, or disclosure to unauthorized parties, despite our efforts to enter into confidentiality agreements with our employees, consultants, clients, and other vendors who have access to such information, and could otherwise become known or be independently developed or discovered by third parties. Our intellectual property, including trademarks, could be challenged, invalidated, infringed, and circumvented by third parties, and our trademarks could also be diluted, declared generic or found to be infringing other marks. If any of the foregoing occurs, we could be forced to re-brand our products, resulting in loss of brand recognition, and requiring us to devote resources to advertising and marketing new brands, and suffer other competitive harm. Third parties may also adopt trademarks similar to ours, which could harm our brand identity and lead to market confusion. Failure to obtain and maintain intellectual property rights necessary to our business and failure to protect, monitor and control the use of our intellectual property rights could negatively impact our ability to compete and cause us to incur significant expenses. The intellectual property laws and other statutory and contractual arrangements in the United States and other jurisdictions we depend upon may not provide sufficient protection in the future to prevent the infringement, use, violation or misappropriation of our trademarks, data, technology and other intellectual property and services, and may not provide an adequate remedy if our intellectual property rights are infringed, misappropriated, or otherwise violated.

Additionally, we may find it necessary or prudent to acquire or obtain licenses from third-party intellectual property holders. However, we may be unable to acquire or secure such licenses to any intellectual property rights from third parties that we identify as necessary for our products or any future products we may develop. The acquisition or licensing of third-party intellectual property rights is a competitive area, and our competitors may pursue strategies to acquire or license third-party intellectual property rights that we may consider attractive or necessary, and our competitors could market competing products and technology. Our competitors may have a competitive advantage over us due diligence to their size, capital resources and greater development and commercialization capabilities. In addition, companies that perceive us to be a competitor may be unwilling to assign or license rights to us. We also may be unable to acquire or license third-party intellectual property rights on terms that would allow us to make an appropriate return on our investment or at all. If we are unable to successfully obtain rights to required third-party intellectual property rights or maintain the existing intellectual property rights we have, we may have to abandon development of the relevant product, and our customers may be forced to stop using the relevant product, which could harm our business, financial condition, prospects and results of operations.

We may, in the future, be a party to intellectual property litigation or administrative proceedings that are very costly and time-consuming and could interfere with our ability to sell and market our products.

The medical device industry is highly competitive and has been characterized by extensive litigation regarding patents, trademarks, trade secrets, and other intellectual property rights, and companies in the industry have used intellectual property litigation to gain a competitive advantage. It is possible that U.S. and foreign patents, along with pending patent applications or trademarks controlled by third parties, may be alleged to cover our products, or that we may be accused of misappropriating third parties' trade secrets. Additionally, our products include components that we purchase from vendors, and may include design components that are outside of our direct control. Our competitors, many of which have substantially greater resources and have made substantial investments in patent portfolios, trade secrets, trademarks, and competing technologies, may have applied for or obtained, or may in the future apply for or obtain, patents or trademarks that will prevent, limit or otherwise interfere with our ability to make, use, sell, import, and/or export our products (or components thereof) or to use our technologies or our product names.

Third parties, including our competitors, may currently have patents or obtain patents in the future and claim that the manufacture, use or sale of our products infringes these patents. We have not conducted an extensive search of patents issued or assigned to other parties, including our competitors, and no assurance can be given that patents containing claims relating to our products, parts of our products, technology or methods do not exist, have not been filed or could not be filed or issued. In addition, because patent applications can take many years to issue and because publication schedules for pending applications vary by jurisdiction, there may be applications now pending that may result in issued patents that our current or future products infringe. Also, because the claims of published patent applications can change between publication and patent grant, there may be published patent applications that may ultimately issue with claims that we infringe. As the number of competitors in our market grows and the number of patents issued in this area increases, the possibility of patent infringement claims against us escalates. Moreover, in recent years, individuals and groups that are non-practicing entities, commonly referred to as "patent trolls," have purchased patents and other intellectual property assets for the purpose of making claims of infringement in order to extract settlements. From time to time, we may receive threatening letters, notices or "invitations to license," or may be the subject of claims that our products and business operations infringe or violate the intellectual property rights of others. The defense of these matters can be time-consuming, costly to defend, divert management's attention and resources, damage our reputation and brand and cause us to incur significant expenses or make substantial payments. Vendors from which we purchase hardware or software may not indemnify us in the event that such hardware or software is accused of infringing a third-party's patent or trademark or of misappropriating a third-party's trade secret.

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Because patent applications are confidential for a period of time after filing, we cannot be certain that we were the first to file any patent application related to our products. Competitors may also contest our patents in court, at an administrative agency, or at the patent office, if issued, by proving that the invention was not original, was not novel, was obvious, or was obtained without disclosing all pertinent material prior art information to the patent office, among other reasons. For example, in litigation, a competitor could claim that our patents, if issued, are not valid for a number of reasons or are unenforceable due to inequitable conduct. If a court agreed, we would lose our rights to those challenged patents.

In addition, we may in the future be subject to claims by our former employees or consultants asserting an ownership right in our patents or patent applications, as a result of the work they performed on our behalf. Although we generally require all of our employees and consultants and any other partners or collaborators who have access to our proprietary know-how, information or technology to assign or grant similar rights to their inventions to us, we cannot be certain that we have executed such agreements with all parties who may have contributed to our intellectual property, nor can we be certain that our agreements with such parties will be upheld in the face of a potential challenge, or that they will not be breached, for which we may not have an adequate remedy.

Further, if third party claims of patent or trademark infringement or trade secret misappropriation are successfully asserted against us, such claims may harm our business, result in injunctions preventing us from selling our products, and require payment of license fees, damages, attorneys' fees, and court costs, which may be substantial and have a material adverse impact on our business. In addition, if we are found to have willfully infringed third-party patents or trademarks or to have misappropriated trade secrets, we could be required to pay treble damages in addition to other penalties. Although patent, trademark, trade secret, and other intellectual property disputes in the medical device area have often been settled through licensing or similar arrangements, costs associated with such arrangements may be substantial and could include ongoing royalties that may substantially erode our margins. Further, we may be unable to obtain necessary licenses on satisfactory terms, if at all. If we do not obtain necessary licenses, we may not be able to redesign our products to avoid infringement, and as such may need to stop selling the infringing products, which would have a significant adverse impact on our business, financial condition, prospects and results of operations.

Similarly, interference, derivation, cancellation, and opposition proceedings provoked by third parties or brought by the U.S. Patent and Trademark Office (USPTO) may be necessary to determine priority with respect to our patents, patent applications, trademarks, or trademark applications. We may also become involved in other proceedings, such as reexamination, inter partes review, post-grant review, derivation, interference, supplemental examination, cancellation or opposition proceedings before the USPTO or other jurisdictional body relating to our intellectual property rights or the intellectual property rights of others. Such challenges may result in loss of exclusivity or ability to make, use, and sell our products without infringing third-party intellectual property rights, or in patent claims being narrowed, invalidated or held unenforceable, in whole or in part, which could limit our ability to stop others from using or commercializing similar or identical products and techniques without payment to us, or limit the duration of the patent protection of our technology. Adverse determinations in a judicial or administrative proceeding or failure to obtain necessary licenses or rights could prevent us from using, selling, manufacturing, or importing our products or using product names, which would have a significant adverse impact on our business, financial condition, prospects and results of operations.

Additionally, we may file lawsuits or initiate other proceedings to protect or enforce our patents, trademarks, or other intellectual property rights, which could be expensive, time consuming and unsuccessful. Former, current, or future licensees may violate the terms of their licenses and thereby infringe our intellectual property. Competitors may infringe our issued patents, trademarks, or other intellectual property. To counter infringement or unauthorized use by licensees, competitors, or other parties, we may be required to file infringement or misuse claims, which can be expensive and time-consuming. Any claims we assert against perceived infringers could provoke these parties to assert counterclaims or file administrative actions against us alleging that we infringe their intellectual property. In addition, in a patent infringement proceeding, a court may decide that a patent of ours is invalid or unenforceable, in whole or in part, construe the patent's claims narrowly or refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question. Furthermore, even if our patents or trademarks are found to be valid and infringed, a court may refuse to grant injunctive relief against the infringer and instead grant us monetary damages and/or ongoing royalties. Such monetary compensation may be insufficient to adequately offset the damage to our business caused by the infringer's competition in the market, and an adverse result in any litigation proceeding or administrative action could put one or more of our patents at risk of being invalidated or interpreted narrowly, which could adversely affect our competitive business position, financial condition, and results of operations. In addition, although we make efforts to comply with the patent marking provisions of 35 U.S.C. § 287(a), a court may decide that we have not met the requirements of the patent marking statute, which may prevent us from obtaining monetary damages that would otherwise have been due to us if we had complied with the marking statute.

Even if we are successful in defending against intellectual property claims, litigation or other legal proceedings relating to such claims may cause us to incur significant expenses and could distract our technical and management personnel from their normal responsibilities. Protracted litigation to defend or prosecute our intellectual property rights could also result in our customers or potential customers deferring or limiting their purchase or use of the affected products until resolution of the litigation. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments and if securities analysts or investors perceive these results to be negative, it could have a substantial negative impact on the price of our common stock. Such litigation or proceedings could substantially increase our operating losses and reduce our resources available for development activities. We may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their substantially greater financial resources. Uncertainties resulting from the initiation and continuation of litigation or other intellectual property related proceedings could harm our business, financial condition, prospects and results of operations.

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In addition, third parties may assert infringement claims against our customers. These claims may require us to initiate or defend protracted and costly litigation on behalf of our customers or indemnify our customers for any costs associated with their own initiation or defense of infringement claims, regardless of the merits of these claims. If any of these claims succeeds or settles, we may be forced to pay damages or settlement payments on behalf of our customers or may be required to obtain licenses for the products they use. If we cannot obtain all necessary licenses on commercially reasonable terms, our customers may be forced to stop using our products.

Obtaining and maintaining intellectual property, including patent protection, depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental agencies, and our intellectual property, including patent protection, could be reduced or eliminated for non-compliance with these requirements.

The USPTO, United States Copyright Office (USCO) and various foreign governmental agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the application process. In addition, periodic maintenance fees, renewal fees, annuity fees and various other government fees often must be paid to the USPTO, USCO and foreign agencies over the lifetime of any registered or applied-for intellectual property rights we may obtain in the future. While an unintentional lapse of an intellectual property registration or application can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in abandonment or lapse of the registration or application, resulting in partial or complete loss of intellectual property rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a registration or application include, but are not limited to, failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. If we fail to maintain the intellectual property registrations and applications covering our products, we may not be able to stop a competitor from developing or marketing products that are the same as or similar to our products, which would have a material adverse effect on our business. We also have a duty to disclose to the USPTO any prior art known to us that may be material to the patentability of our patents. If we failed to submit any such material prior art, a court or administrative agency may deem one or more of our patents unenforceable.

Additionally, certain of our patent applications relate to software inventions. Software-related patents in general are susceptible to validity or patentability challenges before the USPTO or in other judicial or quasi-judicial proceedings for being directed to non-statutory subject matter under 35 U.S.C. § 101.

Patent terms may be inadequate to protect our competitive position on our products for an adequate amount of time.

Patents have a limited lifespan. The terms of individual patents depend upon the legal term for patents in the countries in which they are granted. In most countries, including the United States, if all maintenance fees are timely paid, the natural expiration of a utility patent is generally 20 years from its earliest non-provisional filing date in the applicable country. However, the actual protection afforded by a patent varies from country to country, and depends upon many factors, including the type of patent, the scope of its coverage, voluntary disclaimer of patent term to obtain a patent's allowance, the availability of regulatory-related extensions, the availability of legal remedies in a particular country and the validity and enforceability of the patent. Various extensions may be available, but the life of a patent, and the protection it affords, is limited. Even if patents covering our products are obtained, once the patent life has expired, we may be open to competition from competitive products, which may harm our business prospects.

In addition, although upon issuance in the United States a patent's term can be extended based on certain delays caused by the USPTO, this extension can be reduced or eliminated based on certain delays caused by the patent applicant during patent prosecution. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. If we do not have sufficient patent terms to protect our products, proprietary technologies and their uses, our business would be seriously harmed. As our patents expire, the scope of our patent protection will be reduced, which may reduce or eliminate any competitive advantage afforded by our patent portfolio. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours.

Changes in patent law or its interpretation could diminish the value of patents in general, thereby impairing our ability to protect our existing and future products.

Patent reform legislation could increase the uncertainties and costs surrounding the prosecution of patent applications and the enforcement or defense of issued patents. In 2011, the Leahy-Smith America Invents Act (the Leahy-Smith Act) was signed into law. The Leahy-Smith Act includes a number of significant changes to U.S. patent law. These include provisions that affect the way patent applications are prosecuted and also may affect patent litigation. These also include provisions that switched the United States from a "first-to-invent" system to a "first-to-file" system, allow third-party submission of prior art to the USPTO during patent prosecution and set forth additional procedures to attack the validity of a patent by the USPTO administered post-grant proceedings. Under a first-to-file system, assuming the other requirements for patentability are met, the first inventor to file a patent application generally will be entitled to the patent on an invention regardless of whether another inventor had made the invention earlier. The USPTO recently developed new regulations and procedures to govern administration of the Leahy-Smith Act, and many of the substantive changes to patent law associated with the Leahy-Smith Act, and in particular, the first to file provisions, only became effective in 2013. A third-party that files a patent application in the USPTO after March 2013, but before us could therefore be awarded a patent covering an invention of ours even if we had made the invention before it was made by such third-party. This will require us to be cognizant of the time from invention to filing of a patent application. Since patent applications in the United States and most other countries are confidential for a period of time after filing or until issuance, we cannot be certain that we were the first to file any patent application related to our products or invent any of the inventions claimed in our patents or patent applications.

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The Leahy-Smith Act also includes a number of significant changes that affect the way patent applications will be prosecuted and also may affect patent litigation. These include allowing third-party submission of prior art to the USPTO during patent prosecution and additional procedures to attack the validity of a patent by USPTO administered post-grant proceedings, including post-grant review, inter partes review and derivation proceedings. Because of a lower evidentiary standard in USPTO proceedings compared to the evidentiary standard in U.S. federal courts necessary to invalidate a patent claim, a third-party could potentially provide evidence in a USPTO proceeding sufficient for the USPTO to hold a claim invalid even though the same evidence would be insufficient to invalidate the claim if first presented in a district court action. Accordingly, a third-party may attempt to use the USPTO procedures to invalidate our patent claims that would not have been invalidated if first challenged by the third-party as a defendant in a district court action. Therefore, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents. In addition, future actions by the U.S. Congress, the federal courts and the USPTO could cause the laws and regulations governing patents to change in unpredictable ways. The Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could have a material adverse effect on our business, financial condition, prospects and results of operations operations.

In addition, patent reform legislation may pass in the future that could lead to additional uncertainties and prospects.

We may issue additional shares of Class A common stock or preferred stock to complete our initial Business Combination or under an employee incentive plan after completion increased costs surrounding the prosecution, enforcement and defense of our initial Business Combination. We may also issue shares patents and applications. Furthermore, the U.S. Supreme Court and the U.S. Court of Class A common stock upon Appeals for the conversion Federal Circuit have made, and will likely continue to make, changes in how the patent laws of the Class B common stock at a ratio greater than one-to-one at United States are interpreted. Similarly, foreign courts have made, and will likely continue to make, changes in how the time of our initial Business Combination as a result of the anti-dilution provisions contained patent laws in our amended and restated certificate of incorporation. Any such issuances would dilute the interest of our stockholders and likely present other risks.

Our amended and restated certificate of incorporation authorizes the issuance of up to 80,000,000 shares of Class A common stock, par value $0.0001 per share, 20,000,000 shares of Class B common stock, par value $0.0001 per share, and 1,000,000 shares of undesignated preferred stock, par value $0.0001 per share. As of December 31, 2022, there were 458,716 and 6,325,000 authorized but unissued shares of Class A and Class B common stock, respectively, available for issuance, which amount takes into account shares reserved for issuance upon exercise of outstanding warrants but not upon conversion of the Class B common stock. Shares of Class B common stock their respective jurisdictions are convertible into shares of our Class A common stock, initially at a one-for-one ratio but subject to adjustment as set forth herein. As of December 31, 2022, there were no preferred shares issued and outstanding.

interpreted. We may issue a substantial number of additional shares of Class A common stock, and may issue shares of preferred stock, in order to complete our initial Business Combination or under an employee incentive plan after completion of our initial Business Combination. We may also issue shares of

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Class A common stock to redeem the warrants or upon conversion of the Class B common stock at a ratio greater than one-to-one at the time of our initial Business Combination as a result of the anti-dilution provisions contained in our amended and restated certificate of incorporation. However, our amended and restated certificate of incorporation provides, among other things, that prior to our initial Business Combination, we may not issue additional shares of capital stock that would entitle the holders thereof to (1) receive funds from the Trust Account or (2) vote pursuant to our amended and restated certificate of incorporation on any initial Business Combination or any amendments to our amended and restated certificate of incorporation. The issuance of additional shares of common or preferred stock:

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- *may significantly dilute the equity interest of public investors, which dilution would increase if the anti-dilution provisions cannot predict future changes in the Class B common stock resulted in the issuance interpretation of shares of Class A common stock on a greater than one-to-one basis upon conversion of the Class B common stock;*
- *patent laws or changes to patent laws that might be enacted into law by U.S. and foreign legislative bodies. Those changes may subordinate the rights of holders of common stock if shares of preferred stock are issued with rights senior to those afforded materially affect our common stock;*
- *could cause a change of control if a substantial number of shares of our common stock is issued, which may affect, among other things, patents or patent applications and our ability to use our net operating loss carry forwards, if any, and could result obtain additional patent protection in the resignation or removal of our present directors future.*

Our patent rights and officers;

- *may have the effect of delaying or preventing a change of control of us by diluting the stock ownership or voting rights of a person seeking to obtain control of us;*
- *may adversely affect prevailing market prices for our Units, Class A common stock and/or warrants; and may not result in adjustment to the exercise price of our warrants.*

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We may reincorporate in another jurisdiction in connection with our initial Business Combination and such reincorporation may result in taxes imposed on stockholders or warrant holders.

We may effect a Business Combination with a target company in another jurisdiction, reincorporate in the jurisdiction in which the target company or business is located, or reincorporate in another jurisdiction. Such transactions may result in tax liability for a stockholder or warrant holder in the jurisdiction in which the stockholder or warrant holder is a tax resident (or in which its members are resident if it is a tax transparent entity), in which the target company is located, or in which we reincorporate. We do not intend to make any cash distributions to pay such taxes. Stockholders or warrant holders ***other intellectual property*** ***may be subject to withholding taxes*** ***priority, ownership or inventorship disputes, interferences, and similar proceedings.***

We may also be subject to claims that former employees, collaborators, or other taxes with respect to their ownership of us after the reincorporation.

Resources could be wasted in researching acquisitions that are not completed, which could materially adversely affect subsequent attempts to locate and acquire or merge with another business. If we have not completed our initial Business Combination within the required time period, our Public Stockholders may receive only approximately $10.00 per share, or less than such amount in certain circumstances, on the liquidation of our Trust Account and our warrants will expire worthless.

We anticipate that the investigation of each specific target business and the negotiation, drafting and execution of relevant agreements, disclosure documents and other instruments will require substantial management time and attention and substantial costs for accountants, attorneys and others. If we decide not to complete a specific initial Business Combination, the costs incurred up to that point for the proposed transaction likely would not be recoverable. Furthermore, if we reach an agreement relating to a specific target business, we may fail to complete our initial Business Combination for any number of reasons including those beyond our control. Any such event will result in a loss to us of the related costs incurred which could materially adversely affect subsequent attempts to locate and acquire or merge with another business. If we have not completed our initial Business Combination within the required time period, our Public Stockholders may receive only approximately $10.00 per share, or less in certain

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circumstances, on the liquidation of our Trust Account and our warrants will expire worthless.

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We may engage in a Business Combination with one or more target businesses that have relationships with entities that may be affiliated with our Sponsor, directors or officers which may raise potential conflicts of interest.

In light of the involvement of our Sponsor, directors and officers with other entities, we may decide to acquire one or more businesses affiliated with our Sponsor, directors and officers. Certain of our directors and officers also serve as officers and board members for other entities, including those described under "Item 10. Directors, Executive Officers and Corporate Governance - Conflicts of Interest." Such entities may compete with us for Business Combination opportunities. Although we will not be specifically focusing on, or targeting, any transaction with any affiliated entities, we would pursue such a transaction if we determined that such affiliated entity met our criteria and guidelines for a Business Combination and such transaction was approved by a majority of our independent and disinterested directors. Despite our agreement that we, or a committee of independent and disinterested directors, will obtain an opinion from an independent investment banking firm or another valuation or appraisal firm that regularly renders fairness opinions on the type of target business we are seeking to acquire, regarding the fairness to our Company from a financial point of view of a Business Combination with one or more businesses affiliated with our Sponsor, directors or officers, potential conflicts of interest still may exist and, as a result, the terms of the Business Combination may not be as advantageous to our Public Stockholders as they would be absent any conflicts of interest.

Since our initial stockholders will lose their entire investment in us if our initial Business Combination is not completed, a conflict of interest may arise in determining whether a particular Business Combination target is appropriate for our initial Business Combination.

Our initial stockholders hold 6,325,000 Founder Shares as of the date of this Annual Report, including 6,195,000 held by our Sponsor. The Founder Shares will be worthless if we do not complete an initial Business Combination.

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In addition, our Sponsor purchased an aggregate of 4,706,667 Private Placement Warrants, each exercisable for one share of our Class A common stock, for a purchase price of $7,060,000 in the aggregate or $1.50 per warrant, that will also be worthless if we do not complete a Business Combination. Each Private Placement Warrant may be exercised for one share of our Class A common stock at a price of $11.50 per share, subject to adjustment.

The Founder Shares are identical to the shares of Class A common stock included in the Units except that: (1) prior to our initial Business Combination, only holders of our Class B common stock have the right to vote on the election of directors and holders of a majority of our outstanding shares of Class B common stock may remove a member of our board of directors for any reason; (2) the Founder Shares are subject to certain transfer restrictions contained in a letter agreement that our initial stockholders, directors and officers have entered into with us; (3) pursuant to such letter agreement, our initial stockholders, directors and officers have agreed to waive: (i) their redemption rights with respect to any Founder Shares and Public Shares held by them, as applicable, in connection with the completion of our initial Business Combination; (ii) their redemption rights with respect to any Founder Shares and Public Shares held by them in connection with a stockholder vote to amend our amended and restated certificate of incorporation (A) to modify the substance or timing of our obligation to allow redemption in connection with our initial Business Combination or to redeem 100% of our Public Shares if we do not complete our initial Business Combination by the Expiration Date or (B) with respect to any other provision relating to stockholders' rights or pre-initial Business Combination activity; and (iii) their rights to liquidating distributions from the Trust Account with respect to any Founder Shares they hold if we fail to complete our initial Business Combination by the Expiration Date or during any extension period (although they will be entitled to liquidating distributions from the Trust Account with respect to any Public Shares they hold if we fail to complete our initial Business Combination within the prescribed time frame); (4) the Founder Shares will automatically convert into shares of our Class A common stock at the time of our initial Business Combination, or earlier at the option of the holder, on a one-for-one basis, subject to adjustment pursuant to certain anti-dilution rights, as described herein; and (5) the Founder Shares are entitled to registration rights. If we submit our initial Business Combination to our Public Stockholders for a vote, our initial stockholders have agreed (and their permitted transferees will agree),

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pursuant to the terms of a letter agreement entered into with us, to vote their Founder Shares and any Public Shares held by them purchased during or after the Initial Public Offering in favor of our initial Business Combination. While we do not expect our board of directors to approve any amendment to or waiver of the letter agreement or registration rights agreement prior to our initial Business Combination, it may be possible that our board of directors, in exercising its business judgment and subject to its fiduciary duties, chooses to approve one or more amendments to or waivers of such agreements in connection with the consummation of our initial Business Combination. Any such amendments or waivers would not require approval from our stockholders, may result in the completion of our initial Business Combination that may not otherwise have been possible, and may third parties have an adverse effect on the value of an investment interest in our securities.

The personal patents and financial interests of our Sponsor, directors and officers may influence their motivation in identifying and selecting a target Business Combination, completing an initial Business Combination and influencing the operation of the business following the initial Business Combination. This risk may become more acute as the deadline for completing our initial Business Combination nears.

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We may issue notes patent applications or other debt securities, intellectual property as an inventor or otherwise incur substantial debt, to complete a Business Combination, which may adversely affect our leverage and financial condition and thus negatively impact the value of our stockholders' investment in us.

We may choose to incur substantial debt to complete our initial Business Combination. We have agreed that we will not incur any indebtedness unless we have obtained from the lender a waiver of any right, title, interest or claim of any kind in or to the monies held in the Trust Account. As such, no issuance of debt will affect the per-share amount available for redemption from the Trust Account. Nevertheless, the incurrence of debt could have a variety of negative effects, including:

- *default and foreclosure on our assets if our operating revenues after an initial Business Combination are insufficient to repay our debt obligations;*

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- *acceleration of our obligations to repay the indebtedness even if we make all principal and interest payments when due if we breach certain covenants that require the maintenance of certain financial ratios or reserves without a waiver or renegotiation of that covenant;*
- *our immediate payment of all principal and accrued interest, if any, if the debt is payable on demand;*
- *our inability to obtain necessary additional financing if the debt contains covenants restricting our ability to obtain such financing while the debt is outstanding;*
- *our inability to pay dividends on our common stock;*
- *using a substantial portion of our cash flow to pay principal and interest on our debt, which will reduce the funds available for dividends on our common stock if declared, expenses, capital expenditures, acquisitions and other general corporate purposes;*
- *limitations on our flexibility in planning for and reacting to changes in our business and in the industry in which we operate;*
- *increased vulnerability to adverse changes in general economic, industry and competitive conditions and adverse changes in government regulation; and limitations on our ability to borrow additional amounts for expenses, capital expenditures, acquisitions, debt service requirements, execution of our strategy and other purposes and other disadvantages compared to our competitors who have less debt.*

The value of the Founder Shares following completion of our initial Business Combination is likely to be substantially higher than the nominal price paid for them, even if the trading price of our shares of common stock at such time is substantially less than $10.00 per share.

Our Sponsor has invested in us an aggregate of $7,085,000, comprised of the $25,000 purchase price for the Founder Shares and the $7,060,000 purchase price for the Private Placement Warrants. Assuming a trading price of $10.00 per share upon consummation of our initial Business Combination, the 6,325,000 Founder Shares would have an aggregate implied value of $63,250,000. Even if the trading price of our shares of common stock were as low as $1.12 per share, and the Private Placement Warrants were worthless, the value of the Founder Shares would be equal to the Sponsor's initial investment in us. As a result, our Sponsor is likely to be able to make a substantial profit on its investment in us at a time when our Public Shares have lost significant value and our warrants are

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worthless. Accordingly, our management team, some of whom own interests in our Sponsor, may be more willing to pursue a business combination with a riskier or less-established target business than would be the case if our Sponsor had paid the same per share price for the Founder Shares as our Public Stockholders paid for their Public Shares. Alternatively, it is possible that to complete our initial Business Combination, the Sponsor may need to forfeit a significant portion of the Founder Shares, which would decrease the overall profit the Sponsor would make on its investment.

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We may be able to complete only one Business Combination with the proceeds of the Initial Public Offering and the sale of the Private Placement Warrants, which will cause us to be solely dependent on a single business which may have a limited number of products or services. This lack of diversification may negatively impact our operations and profitability.

We may effectuate our initial Business Combination with a single target business or multiple target businesses simultaneously or within a short period of time. However, we may not be able to effectuate our initial Business Combination with more than one target business because of various factors, including the existence of complex accounting issues and the requirement that we prepare and file pro forma financial statements with the SEC that present operating results and the financial condition of several target businesses as if they had been operated on a combined basis. By completing our initial Business Combination with only a single entity our lack of diversification may subject us to numerous financial, economic, competitive and regulatory risks. Further, we would not be able to diversify our operations or benefit from the possible spreading of risks or offsetting of losses, unlike other entities which may have the resources to complete several Business Combinations in different industries or different areas of a single industry. Accordingly, the prospects for our success may be:

- *solely dependent upon the performance of a single business, property or asset; or dependent upon the development or market acceptance of a single or limited number of products, processes or services.*

This lack of diversification may subject us to numerous financial, economic, competitive and regulatory risks, any or all of which may have a substantial

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adverse impact upon the particular industry in which we may operate subsequent to our initial Business Combination.

We may attempt to simultaneously complete Business Combinations with multiple prospective targets, which may hinder our ability to complete our initial Business Combination and give rise to increased costs and risks that could negatively impact our operations and profitability.

If we determine to simultaneously acquire several businesses that are owned by different sellers, we will need for each of such sellers to agree that our purchase of its business is contingent on the simultaneous closings of the other Business Combinations, which may make it more difficult for us, and delay our ability, to complete our initial Business Combination. With multiple Business Combinations, we could also face additional risks, including additional burdens and costs with respect to possible multiple negotiations and due diligence investigations (if there are multiple sellers) and the additional risks associated with the subsequent assimilation of the operations and services or products of the acquired companies in a single operating business. *co-inventor. If we are unable to adequately address these risks, it could negatively impact* *obtain an exclusive license to any such third-party co-owners' interest in such patents and patent applications, such co-owners' rights may be subject, or in the future subject, to assignment or license to other third parties, including* *our profitability and results of operations.*

We may attempt to complete our initial Business Combination with a private company about which little information is available, which may result in a Business Combination with a company that is not as profitable as we suspected, if at all.

competitors. In pursuing our acquisition strategy, *addition, we may seek* *need the cooperation of any such co-owners* *to effectuate our initial Business Combination with a privately held company. Very little public information generally exists about private companies,* *enforce any such patents and we could* *any patents issuing from such patent applications against third parties, and such cooperation may not be required* *provided to make our decision on whether to pursue a potential initial Business Combination on the basis of limited information, which may result in a Business Combination with a company that is not as profitable as we suspected, if at all.*

We do not have a specified maximum redemption threshold. The absence of such a redemption threshold may make it possible for us to complete a Business

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Combination with which a substantial majority of our stockholders do not agree. Our amended and restated certificate of incorporation does not provide a specified maximum redemption threshold. As a result, us. Additionally, we may be able subject to complete claims from third parties challenging our initial Business Combination even though ownership interest in or inventorship of intellectual property we regard as our own, for example, based on claims that our agreements with employees or consultants obligating them to assign intellectual property to us are ineffective or in conflict with prior or competing contractual obligations to assign inventions to another employer, to a substantial majority former employer, or to another person or entity, despite our inclusion of valid, present-tense intellectual property assignment obligations. Litigation may be necessary to defend against claims, and it may be necessary or we may desire to enter into a license to settle any such claim.

If we or our licensors are unsuccessful in any priority, validity (including any patent oppositions), ownership or inventorship disputes to which we or they are subject, we may lose valuable intellectual property rights through the loss of one or more of our Public Stockholders do not agree with patents, or such patent claims may be narrowed, invalidated, or held unenforceable, or through loss of exclusive ownership of or the transaction and have redeemed their shares exclusive right to use our owned or if we seek stockholder approval of our initial Business Combination and do not conduct redemptions in connection with our initial Business Combination pursuant to the tender offer rules, have entered into privately negotiated agreements to sell their shares to our Sponsor, directors, officers, advisors or any of their respective affiliates. in-licensed patents. In the event the aggregate cash consideration we would be required to pay for all Public Shares that are validly submitted for redemption plus any amount required to satisfy cash conditions pursuant to the terms of the proposed Business Combination exceed the aggregate amount loss of cash available to us, we will not complete the Business Combination or redeem any shares, and all shares of Class A common stock submitted for redemption will be returned to the holders thereof, and we instead may search for an alternate Business Combination (including, potentially, with the same target).

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In order to effectuate an initial Business Combination, blank check companies have, in the past, amended various provisions of their charters and modified governing instruments, including their warrant agreements. We cannot assure you that we will not seek to amend our amended and restated certificate of incorporation or governing instruments, including our warrant agreement, in patent rights as a manner that will make it easier for us to complete our initial Business Combination that some of our stockholders or warrant holders may not support.

In order to effectuate an initial Business Combination, blank check companies have, in the past, amended various provisions of their charters and modified governing instruments, including their warrant agreements. For example, blank check companies have amended the definition of Business Combination, increased redemption thresholds, extended the time to consummate an initial Business Combination and, with respect to their warrants, amended their warrant

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agreements to require the warrants to be exchanged for cash and/or other securities. We cannot assure you that we will not seek to amend our charter or governing instruments, including the warrant agreement, or extend the time to consummate an initial Business Combination in order to effectuate our initial Business Combination. To the extent any such amendment would be deemed to fundamentally change the nature result of any of the securities offered through our registration statement, we would register, or seek an exemption from registration for, the affected securities.

Certain provisions of our amended and restated certificate of incorporation that relate to our pre-Business Combination activity (and corresponding provisions of the agreement governing the release of funds from our Trust Account) may be amended with the approval of holders of at least 65% of our outstanding common stock, which is a lower amendment threshold than that of some other blank check companies. It may be easier for us, therefore, to amend our amended and restated certificate of incorporation and the trust agreement to facilitate the completion of an initial Business Combination that some of our stockholders may not support.

Our amended and restated certificate of incorporation provides that any of its provisions (other than amendments relating to the election or removal of directors prior to our initial Business Combination, which require the approval by holders of a majority of at least 90% of the issued and outstanding shares of our common stock voting at a stockholder meeting) related to pre-Business Combination activity (including the requirement to deposit proceeds of the Initial Public Offering and the sale of the Private Placement Warrants into the Trust Account and not release such amounts except in specified circumstances and to provide redemption rights to Public Stockholders as described herein) may be amended if approved by holders of at least 65% of our issued and outstanding common stock, and corresponding provisions of the trust agreement governing the release of funds from our Trust Account may be amended if approved by holders of at least 65% of our issued and outstanding common stock. Unless specified in our amended and restated certificate of incorporation or bylaws, or as required by applicable law or stock exchange rules, the affirmative vote of a majority of the issued and outstanding shares of our common stock that are voted is required to approve any such matter voted on by our stockholders, and, prior to our initial Business Combination, the affirmative vote of holders of a majority of the issued and outstanding shares of our Class B common stock is required to approve the election or removal of directors. We may not issue additional securities that can

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vote pursuant to our amended and restated certificate of incorporation on any initial Business Combination or any amendments to our amended and restated certificate of incorporation. Our initial stockholders, who beneficially own 20% of our then issued and outstanding shares of common stock, may participate in any vote to amend our amended and restated certificate of incorporation and/or trust agreement and will have the discretion to vote in any manner they choose. As a result, we may be able to amend the provisions of our amended and restated certificate of incorporation which will govern our pre-Business Combination behavior more easily than some other blank check companies, and this may increase our ability to complete our initial Business Combination with which you do not agree.

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Our initial stockholders have agreed, pursuant to a written agreement, that they will not propose any amendment to our amended and restated certificate of incorporation (A) to modify the substance or timing of our obligation to allow redemptions in connection with our initial Business Combination or to redeem 100% of our Public Shares if we do not complete our initial Business Combination by the Expiration Date or (B) with respect to any other provision relating to stockholders' rights or pre-initial Business Combination activity, unless we provide our Public Stockholders with the opportunity to redeem their shares of Class A common stock upon approval of any such amendment at a per-share price, payable in cash, equal to the aggregate amount then on deposit in the Trust Account, including interest (which interest shall be net of taxes payable), divided by the number of then issued and outstanding Public Shares. These agreements are contained in a letter agreement that we have entered into with our Sponsor, directors and officers. Our Public Stockholders are not parties to, or third-party beneficiaries of, this agreement and, as a result, will not have the ability to pursue remedies against our Sponsor, directors or officers for any breach of these agreements. As a result, in the event of a breach, our Public Stockholders would need to pursue a stockholder derivative action, subject to applicable law.

We may be unable to obtain additional financing to complete our initial Business Combination or to fund the operations and growth of a target business, which could compel us to restructure or abandon a particular Business Combination.

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If the net proceeds of the Initial Public Offering and the sale of the Private Placement Warrants available to us prove to be insufficient, either because of the size of our initial Business Combination, the depletion of the available net proceeds in search of a target business, the obligation to redeem for cash a significant number of shares from stockholders who elect redemption in connection with our initial Business Combination or the terms of negotiated transactions to purchase shares in connection with our initial Business Combination, disputes, we may be required to seek additional financing obtain and maintain licenses from third parties, including parties involved in any such interference proceedings or to abandon the proposed Business Combination. We cannot assure you that such financing will other priority or inventorship disputes. Such licenses may not be available on acceptable commercially reasonable terms if or at all. To the extent that additional financing proves all or may be non-exclusive. If we are unable to be unavailable when needed to complete our initial Business Combination, we would be compelled to either restructure the transaction or abandon that particular Business Combination obtain and seek an alternative target business candidate.

In addition, even if we do not need additional financing to complete our initial Business Combination, maintain such licenses, we may require such financing need to fund cease the operations development, manufacture, and commercialization of one or growth more of the target business. The failure product candidates we may develop. An inability to secure additional financing incorporate technologies, features or other intellectual property that are important or essential to our products could have a material adverse effect on our business and competitive position. The loss of exclusivity or the continued development narrowing of our patent claims could limit our ability to stop others from using or growth commercializing similar or identical technology and product candidates. Even if we are successful in priority, inventorship or ownership disputes, it could result in substantial costs and be a distraction to management and other employees. Any litigation or the threat thereof may adversely affect our ability to hire employees or contract with independent sales representatives. Any of the target business. None foregoing could result in a material adverse effect on our business, financial condition, prospects and results of operations.

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We may be subject to claims that our directors, officers employees, consultants, advisors, or stockholders contractors have misappropriated the intellectual property of a third party, including trade secrets or know-how, or are in breach of a non-competition or non-solicitation agreement with our competitors, and third parties may claim an ownership interest in intellectual property we regard as our own. Such claims could harm our business, financial condition, prospects and results of operations.

As is required to provide any financing to us common in the medical device industry, our employees, consultants, and advisors may be currently or previously employed or engaged at universities or other medical device or healthcare companies, including our competitors and potential competitors. Some of these employees, consultants, advisors, and contractors may have executed proprietary rights, non-disclosure, and non-competition agreements in connection with such previous employment. Although we try to ensure that our employees, consultants, advisors, and contractors do not use the intellectual property, proprietary information, know-how or after our initial Business Combination. trade secrets of others in their work for us, we may in the future become subject to claims that we or these individuals have, inadvertently or otherwise, misappropriated the intellectual property, including trade secrets or other proprietary information, of their current or former employers, competitors or other third parties. Also, we may in the future be subject to claims that these individuals are violating non-compete agreements with their former employers. Litigation may be necessary to defend against these claims. If we have fail to defend any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel, which could harm our business, financial condition and results of operations. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

In addition, while it is our policy to require our employees, vendors, and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who, in fact, conceives or develops intellectual property that we regard as our own. The assignment of intellectual property rights may not completed be self-executing, may be ineffective under current or future case law, or the assignment agreements may be breached, and we may be forced to bring claims against third parties, or defend claims that they may bring against us, to determine the ownership of what we regard as our initial Business Combination within intellectual property. Such defects in assignment or resulting claims could harm our business, financial condition, prospects and results of operations.

If we fail to validly execute invention assignment agreements with our employees and contractors involved in the required time period, our Public Stockholders may receive only approximately $10.00 per share, development of intellectual property or less in certain circumstances, on are unable to protect the liquidation confidentiality of our Trust Account, trade secrets and our warrants will expire worthless.

Our initial stockholders will control the election of our board of directors until consummation of our initial Business Combination and will hold a substantial interest in us. As a result, they will elect all of our directors prior to our initial Business Combination and may exert a substantial influence on actions requiring stockholder vote, potentially in a manner that you do not support.

Our initial stockholders own 20% of our then issued and outstanding shares of common stock. In addition, prior to our initial Business Combination, holders of the Founder Shares will have the right to elect all of our directors and may remove members of our board of directors for any reason. Holders of our Public Shares will have no right to vote on the election of directors during such time. These provisions of our amended and restated certificate of incorporation may only be amended by holders of a majority of at least 90% of the issued and outstanding shares of our common stock voting at a stockholder meeting. As a result, you will not have any influence over the election of directors prior to our initial Business Combination.

In addition, as a result of their substantial ownership in our Company, our initial stockholders may exert a substantial influence on other actions requiring a stockholder vote, potentially in a manner that you do not support, including amendments to our amended and restated certificate of incorporation and approval of major corporate transactions. If our initial stockholders purchase any additional shares of Class A common stock in the open market or in privately

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negotiated transactions, this would increase their influence over these actions. Accordingly, our initial stockholders will exert significant influence over actions requiring a stockholder vote at least until the completion of our initial Business Combination.

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A provision of our warrant agreement may make it more difficult for us to consummate an initial Business Combination.

Unlike some blank check companies, if we issue additional shares of Class A common stock or equity-linked securities for capital raising purposes in connection with the closing of our initial Business Combination at an issue price or effective issue price of less than $9.20 per share of Class A common stock (with such issue price or effective issue price to be determined in good faith by our board of directors and, in the case of any such issuance to the Sponsor or its affiliates, without taking into account any Founder Shares held by the Sponsor or such affiliates, as applicable, prior to such issuance) (the "Newly Issued Price"),

- ***the aggregate gross proceeds from such issuances represent more than 60% of the total equity proceeds, and interest thereon, available for the funding of our initial Business Combination on the date of the completion of our initial Business Combination (net of redemptions), and the volume weighted average trading price of our shares of Class A common stock during the 20 trading day period starting on the trading day prior to the day on which we consummate our initial Business Combination (such price, the "Market Value") is below $9.20 per share, costs and difficulties inherent in managing cross-border business operations and complying with commercial and legal requirements of overseas markets;***

then the exercise price of the warrants will be adjusted to be equal to 115% of the higher of the Market Value and the Newly Issued Price, and the $18.00 and $10.00 per share redemption trigger prices applicable to our warrants and our Class A common stock will be adjusted (to the nearest cent) to be equal to 180% and 100%, respectively, of the higher of the Market Value and the Newly Issued Price, and the $10.00 per share redemption trigger price applicable to our warrants will be adjusted (to the nearest cent) to be equal to the higher of the Market Value and the Newly Issued Price. This may make it more difficult for us to consummate an initial Business Combination with a target business.

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Our warrants and Founder Shares may have an adverse effect on the market price of our Class A common stock and make it more difficult to effectuate our initial Business Combination.

We have issued warrants to purchase 8,433,333 shares of Class A common stock, at a price of $11.50 per whole share (subject to adjustment), as part of the Units and, simultaneously with the closing of the Initial Public Offering, we issued in a Private Placement an aggregate of 4,706,667 Private Placement Warrants, each exercisable to purchase one share of Class A common stock at a price of $11.50 per share, subject to adjustment. Our initial stockholders currently hold 6,325,000 shares of Class B common stock. The shares of Class B common stock are convertible into shares of Class A common stock on a one-for-one basis, subject to adjustment as set forth herein. In addition, if our Sponsor, an affiliate of our Sponsor or certain of our directors and officers make any working capital loans, up to $1,500,000 of such loans may be converted into warrants, at the price of $1.50 per warrant at the option of the lender. Such warrants would be identical to the Private Placement Warrants. To the extent we issue shares of Class A common stock to effectuate a Business Combination, the potential for the issuance of a substantial number of additional shares of Class A common stock upon exercise of these warrants or conversion rights could make us a less attractive acquisition vehicle to a target business. Any such issuance will increase the number of issued and outstanding shares of Class A common stock and reduce proprietary information, the value of the Class A common stock issued our products our business and competitive position may be harmed.

In addition to complete the Business Combination. Therefore, our warrants patent protection, we also rely on other proprietary rights, including protection of trade secrets, know-how, and Founder Shares may make it more other confidential and proprietary information that is not patentable or that we elect not to patent. However, trade secrets can be difficult to effectuate a Business Combination protect, and some courts are less willing or increase unwilling to protect trade secrets. To maintain the cost confidentiality of acquiring our trade secrets and proprietary information, we generally have confidentiality and invention assignment provisions in contracts with our employees, consultants, suppliers, contract manufacturers, collaborators, and others upon the target business.

The Private Placement Warrants are identical to the warrants sold as part commencement of the Units except that, so long as they are held by our Sponsor or its permitted transferees: (1) they will not be redeemable by us (except under certain limited exceptions); (2) they (including the shares of Class A common stock issuable upon exercise of these warrants) their relationship with us. However, we may not subject to certain limited exceptions, be transferred, assigned or sold by our Sponsor until 30 days after the completion of our initial Business Combination; (3) they may be exercised by the holders on a cashless

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basis; and (4) they (including the shares of Class A common stock issuable upon exercise of these warrants) are entitled to registration rights.

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Because we must furnish our stockholders enter into such agreements with target business financial statements, we may lose the ability to complete an otherwise advantageous initial Business Combination with some prospective target businesses.

The federal proxy rules require that a proxy statement with respect to a vote on a Business Combination meeting certain financial significance tests include historical and/or pro forma financial statement disclosure in periodic reports. We will include the same financial statement disclosure in connection with our tender offer documents, whether or not they are required under the tender offer rules. These financial statements may be required to be prepared in accordance with, or be reconciled to, accounting principles generally accepted in the United States of America, or U.S. GAAP, or international financial reporting standards as issued by the International Accounting Standards Board, or IFRS, depending on the circumstances and the historical financial statements may be required to be audited in accordance with the standards of the Public Company Accounting Oversight Board (United States), or PCAOB. These financial statement requirements may limit the pool of potential target businesses we may acquire because some targets may be unable to provide such financial statements in time for us to disclose such financial statements in accordance with federal proxy rules and complete our initial Business Combination within the prescribed time frame.

Compliance obligations under the Sarbanes-Oxley Act may make it more difficult for us to effectuate our initial Business Combination, require substantial financial and management resources, and increase the time and costs of completing an acquisition.

Section 404 of the Sarbanes-Oxley Act requires that we evaluate and report on our system of internal controls beginning with this Annual Report. Only in the event we are deemed to be a large accelerated filer or an accelerated filer, and no longer qualify as an emerging growth company, will we be required to comply with the independent registered public accounting firm attestation requirement on our internal control over financial reporting. The fact that we are a blank check company makes compliance with the requirements of the Sarbanes-Oxley Act

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particularly burdensome on us as compared to other public companies because a target business with which we seek to complete our initial Business Combination may not be in compliance with the provisions of the Sarbanes-Oxley Act regarding adequacy of its internal controls. The development of the internal control of any such entity to achieve compliance with the Sarbanes-Oxley Act may increase the time and costs necessary to complete any such acquisition.

If our management team pursues a company with operations or opportunities outside of the United States for our initial Business Combination, we may face additional burdens in connection with investigating, agreeing to and completing such combination, and if we effect such initial Business Combination, we would be subject to a variety of additional risks *each party* *that may negatively impact* *have or have had access to* *our operations.*

If our management team pursues a company with operations *trade secrets* *or opportunities outside of the United States for our initial Business Combination, we would be subject to risks associated with cross-border Business Combinations, including in connection with investigating, agreeing to* *proprietary technology* *and completing our initial Business Combination, conducting due diligence in a foreign market, having such transaction approved by any local governments, regulators or agencies and changes in the purchase price based on fluctuations in foreign exchange rates.*

If we effect our initial Business Combination with such a company, we would be subject to any special considerations or risks associated with companies operating in an international setting, including any of the following:

- *costs and difficulties inherent in managing cross-border business operations and complying with commercial and legal requirements of overseas markets;*
- *rules and regulations regarding currency redemption;*
- *complex corporate withholding taxes on individuals;*
- *laws governing the manner in which future Business Combinations may be effected;*
- *tariffs and trade barriers;*
- *regulations related to customs and import/export matters;*
- *longer payment cycles;*
- *changes in local regulations as part of a response to the COVID-19 outbreak;*
- *tax consequences, such as tax law changes, including termination or reduction of tax and other incentives that the applicable government provides*

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to domestic companies, and variations in tax laws as compared to the United States;

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- *currency fluctuations and exchange controls, including devaluations and other exchange rate movements;*
- *rates of inflation, price instability and interest rate fluctuations;*
- *liquidity of domestic capital and lending markets;*
- *challenges in collecting accounts receivable;*
- *cultural and language differences;*
- *employment regulations;*
- *energy shortages;*
- *crime, strikes, riots, civil disturbances, terrorist attacks, natural disasters, wars and other forms of social instability;*
- *deterioration of political relations with the United States;*
- *obligatory military service by personnel; and government appropriation of assets.*

processes. We may not be able to adequately addressprevent the unauthorized disclosure or use of our technical knowledge or other trade secrets by such third parties, despite the existence generally of these additional risks. Ifconfidentiality restrictions. These contracts may not provide meaningful protection for our trade secrets, know-how, or other proprietary information in the event of any unauthorized use, misappropriation, or disclosure of such trade secrets, know-how, or other confidential or proprietary information. There can be no assurance that such third parties will not breach their agreements with us, that we were unablewill have adequate remedies for any breach, or that our trade secrets or proprietary technology and processes will not otherwise become known or independently developed by competitors. We may need to share our proprietary information, including trade secrets, with future business partners, collaborators, contractors, and others located in countries at heightened risk of theft of trade secrets, including through direct intrusion by private parties or foreign actors, and those affiliated with or controlled by state actors. Despite the protections we do so,place on our intellectual property or other confidential and proprietary rights, monitoring unauthorized use and disclosure of our intellectual property is

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difficult, and we do not know whether the steps we have taken to protect our intellectual property or other proprietary rights will be adequate. In addition, the laws of many foreign countries will not protect our intellectual property or other proprietary rights to the same extent as the laws of the United States. Consequently, we may be unable to complete such combination prevent our proprietary technology from being exploited abroad, which could affect our ability to expand to international markets or if we complete such combination, require costly efforts to protect our operations might suffer, either of which may adversely impact technology.

To the extent our results of operations and financial condition.

Rosecliff Ventures is not under any obligation to source any potential opportunities for our initial Business Combination or refer any such opportunities to our Company or provide any other services to our Company.

Rosecliff Ventures may become aware of a potential Business Combination opportunity that may be an attractive opportunity for our Company. However, Rosecliff Ventures is not under any obligation to source any potential opportunities for our initial Business Combination or refer any such opportunities to our Company or provide any other services to our Company. Rosecliff Ventures' role with respect to our Company is expected to be primarily passive and advisory in nature. Rosecliff Ventures may have fiduciary and/or contractual duties to its investment vehicles and to companies in which Rosecliff Ventures has invested. As a result, Rosecliff Ventures may have a duty to offer Business Combination opportunities to certain Rosecliff Ventures funds, other investment vehicles intellectual property or other entities before other parties, including our Company. Additionally, certain companies in which Rosecliff Ventures has invested may enter into transactions with, provide goods or services to, or receive goods or services from an entity with which we seek to complete our initial Business Combination. Transactions of these types may present a conflict of interest because Rosecliff Ventures may directly or indirectly receive a financial benefit as a result of such transaction.

Risks Relating to the Post-Business Combination Company

We may face risks related to tech-enabled companies and companies in the technology industry.

Business Combinations with tech-enabled companies and companies in the technology industry entail special considerations and risks. If proprietary information protection is incomplete, we are successful in completing exposed to a

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Business Combination with such a target business, we may be subject to, greater risk of direct competition. A third-party could, without authorization, copy or otherwise obtain and possibly adversely affected by, the following risks:

- *if we do not develop successful new use our products or improve existing ones, our business will suffer;*
- *we may invest in new lines of business that technology, or develop similar technology. Our competitors could fail to attract or retain users or generate revenue;*
- *we will face significant competition and if we are not able to maintain or improve our market share, our business could suffer;*

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- *the loss of one or more members of our management team, or our failure to attract and retain other highly qualified personnel in the future, could seriously harm our business;*
- *if our security is compromised or if our platform is subjected to attacks that frustrate or thwart our users' ability to access purchase our products and services, attempt to replicate some or all of the competitive advantages we derive from our users, advertisers, development efforts or design around our protected technology. Our failure to secure, protect and partners may cut back on or stop using our products and services altogether, which could seriously harm our business;*
- *mobile malware, viruses, hacking and phishing attacks, spamming, and improper or illegal use of our products could seriously harm our business and reputation;*
- *if we are unable to successfully grow our user base and further monetize our products, our business will suffer;*
- *if we are unable to protect enforce our intellectual property rights could substantially harm the value of our products, brand, and business. The theft or unauthorized use or publication of our trade secrets and other intangible assets may be diminished, confidential business information could reduce the differentiation of our products and harm our business, may the value of our investment in research and development or acquisitions could be seriously harmed;*

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- *we may be subject to regulatory investigations reduced, and proceedings in the future, which could cause us to incur substantial costs or require us to change our business practices in a way that could seriously harm our business;*
- *components used in our products may fail as a result of a manufacturing, design, or other defect over which we have no control, and render our devices inoperable;*
- *an inability to manage rapid change, increasing consumer expectations and growth;*
- *an inability to build strong brand identity and improve subscriber or customer satisfaction and loyalty;*
- *an inability to deal with our subscribers' or customers' privacy concerns;*
- *an inability to license or enforce intellectual property rights on which our business may depend;*
- *an inability by us, or a refusal by third parties might make claims against us related to license content to us upon acceptable terms;*
- *potential liability for negligence, copyright, losses of their confidential or trademark infringement or other claims based on the nature and content of materials that we may distribute;*
- *competition for the leisure and entertainment time and discretionary spending of subscribers or customers, which may intensify in part due to advances in technology and changes in consumer expectations and behavior; and disruption or failure of our networks, systems or technology as a result of misappropriation of data or other malfeasance, as well as outages, natural disasters, terrorist attacks, accidental releases of information or similar events.*

proprietary information. Any of the foregoing could have an adverse impact on our operations following a Business Combination. However, our efforts in identifying prospective target businesses will not be limited to tech-enabled businesses or the technology industry. Accordingly, if we acquire a target business in another industry, we will be subject to risks attendant with the specific industry in which we operate or target business which we acquire, which may or may not be different than those risks listed above.

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Subsequent to our completion of our initial Business Combination, we may be required to take write-downs or write-offs, restructuring and impairment or other

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charges that could have a significant negative effect on our financial condition, results of operations and the price of our securities, which could cause you to lose some or all of your investment.

Even if we conduct extensive due diligence on a target business with which we combine, we cannot assure you that this diligence will identify all material issues that may be present with a particular target business, that it would be possible to uncover all material issues through a customary amount of due diligence, or that factors outside of the target business and outside of our control will not later arise. As a result of these factors, we may be forced to later write down or write off assets, restructure our operations, or incur impairment or other charges that could result in our reporting losses. Even if our due diligence successfully identifies certain risks, unexpected risks may arise and previously known risks may materialize in a manner not consistent with our preliminary risk analysis. Even though these charges may be non-cash items and not have an immediate impact on our liquidity, the fact that we report charges of this nature could contribute to negative market perceptions about us or our securities. In addition, charges of this nature may cause us to violate net worth or other covenants to which we may be subject as a result of assuming pre-existing debt held by a target business or by virtue of our obtaining post-combination debt financing. Accordingly, any stockholder or warrant holder who chooses to remain a stockholder or warrant holder, respectively, following our initial Business Combination could suffer a reduction in the value of their securities. Such stockholders and warrant holders are unlikely to have a remedy for such reduction in value.

After our initial Business Combination, our results of operations and prospects could be subject, to a significant extent, to the economic, political, social and government policies, developments and conditions in the country in which we operate.

The economic, political and social conditions, as well as government policies, of the country in which our operations are located could affect our business. Economic growth could be uneven, both geographically and among various sectors of the economy and such growth may not be sustained in the future. If in the future such country's economy experiences a downturn or grows at a slower rate than expected, there may be less demand for spending in certain industries. A decrease in demand for spending in certain industries could materially and

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adversely affect our ability business, financial condition, prospects and results of operations.

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Further, it is possible that others will independently develop the same or similar technology or otherwise obtain access to find an attractive target business with which our unpatented technology, and in such cases, we could not assert any trade secret rights against such parties. Unauthorized parties may also attempt to consummate copy or reverse engineer certain aspects of our initial Business Combination products that we consider proprietary. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our trade secret rights and related confidentiality and nondisclosure provisions. If we fail to obtain or maintain trade secret protection, or if our competitors obtain our trade secrets or independently develop technology similar to ours or competing technologies, our competitive market position could be materially and adversely affected. In addition, some courts are less willing or unwilling to protect trade secrets, and agreement terms that address non-competition are difficult to enforce in many jurisdictions and might not be enforceable in certain cases. Even though we effect use commonly accepted security measures, trade secret violations are often a matter of state law, and the criteria for protection of trade secrets can vary among different jurisdictions.

We also seek to preserve the integrity and confidentiality of our initial Business Combination, data and other confidential information by maintaining physical security of our premises and physical and electronic security of our information technology systems. While we have confidence in these individuals, organizations and systems, agreements or security measures may be breached and detecting the ability disclosure or misappropriation of confidential information and enforcing a claim that target business to become profitable.

Our management a party illegally disclosed or misappropriated confidential information is difficult, expensive, and time-consuming, and the outcome is unpredictable. Further, we may not be able to maintain control obtain adequate remedies for any such breach.

We may not be able to enforce our intellectual property rights throughout the world.

Filing, prosecuting, and defending patents or trademarks on our current and future products in all countries throughout the world would be prohibitively expensive. The requirements for patentability and trademarking may differ in certain countries, particularly developing countries. The laws of some foreign countries do not protect intellectual property rights to the same extent as laws in the United States. Consequently, we may not be able to prevent third parties from utilizing our inventions and trademarks in all countries outside the United States. Competitors may use our technologies or trademarks in jurisdictions where we have not obtained patent or trademark protection to develop or market their own products and further, may export otherwise infringing products to territories where we have patent and trademark protection, but enforcement on infringing activities is inadequate. These products or trademarks may compete with our current or future products or trademarks, and our patents, trademarks or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in certain foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, may not favor the enforcement of patents, trademarks, and other intellectual property protection, which could make it difficult for us to stop the infringement of our patents and trademarks or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent and trademark rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents and trademarks at risk of being invalidated or interpreted narrowly, and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate, and the damages or other remedies awarded, if any, may not be commercially meaningful. In addition, certain countries in Europe and many other countries, including India and China, have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In those countries, we may have limited remedies if our patents are infringed or if we are compelled to grant a license to our patents to a third party, which could materially diminish the value of those patents. This could limit our potential revenue opportunities. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we own or license. Finally, our ability to protect and enforce our intellectual property rights may be adversely affected by unforeseen changes in foreign intellectual property laws.

If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected.

We rely on trademarks and trade names to build brand recognition and to promote, distinguish and market our products and services. Our current or future registered and unregistered trademarks or trade names may be challenged, opposed, infringed, circumvented or declared generic or descriptive, determined to be not entitled to registration, or determined to be infringing other marks. We may not be able to protect our rights to these trademarks and trade names or may be forced to stop using these names or logos, which we need for name recognition by potential partners or customers in our markets of interest. During trademark registration proceedings, we may receive rejections of our applications by the USPTO or in other foreign jurisdictions. Although we would be given an opportunity to respond to those rejections, we may be unable to overcome such rejections. If our trademarks are successfully challenged, we could be forced to rebrand our products, which could result in loss of brand recognition, and could require us to devote resources to advertising and marketing new brands. In addition, in the USPTO and in comparable agencies in many foreign jurisdictions, third parties are given an opportunity to oppose pending trademark applications and to seek to cancel registered trademarks. Opposition or cancellation proceedings may be filed against our trademarks, and our trademarks may not survive such proceedings. If we are unable to establish name recognition based on our trademarks and trade names, we may not be able to compete effectively, and our business may be adversely affected. We may in the future license our trademarks and trade names to third parties. Although these license agreements may provide guidelines for how our trademarks and trade names may be used, a breach of these agreements or misuse of our trademarks and tradenames by our licensees may jeopardize our rights in or diminish the goodwill associated with our trademarks and trade names. Our efforts to enforce or protect our proprietary rights related to trademarks, trade names, and service marks may be ineffective and could result in substantial costs and diversion of resources and could adversely affect our financial condition or results of operations.

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Trademark litigation can be expensive, and the outcome can be highly uncertain. Furthermore, in many countries, owning and maintaining a trademark registration may not provide an adequate defense against a subsequent infringement claim asserted by the owner of a target business after senior trademark. At times, competitors or other third parties may adopt trade names or trademarks similar to ours, thereby impeding our initial Business Combination. We cannot provide assurance ability to build brand identity and possibly leading to market confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that upon loss incorporate variations of control of our registered or unregistered trademarks or trade names. If we assert trademark infringement claims, a target business, new management will possess the skills, qualifications or abilities necessary to profitably operate such business.

We court may structure our initial Business Combination so determine that the post-transaction company in which our Public Stockholders own shares will own less than 100% of marks we have asserted are invalid or unenforceable, or that the equity interests or assets of a target business, but party against whom we will complete such Business Combination only if the post-transaction company owns or acquires 50% or more of the issued and outstanding voting securities of the target or otherwise acquires a controlling interest in the target business sufficient for us not to be required to register as an investment company under the Investment Company Act. We will not consider any transaction that does not meet such criteria. Even if the post-transaction company owns 50% or more of the voting securities of the target, our stockholders prior to our initial Business Combination may collectively own a minority interest in the post Business Combination company, depending on valuations ascribed have asserted trademark infringement has superior rights to the target and us marks in our initial Business Combination transaction. For example, we could pursue a transaction in which we issue a substantial number of new shares of common stock in exchange for all of the issued and outstanding capital stock, shares or other equity securities of a target or issue a substantial number of new shares to third-parties in connection with financing our initial Business Combination. question. In this case, we could ultimately be forced to cease the use of such trademarks.

If we are unable to obtain licenses from third parties on commercially reasonable terms or fail to comply with our obligations under such agreements, our business could be harmed.

It may be necessary for us to use the patented or proprietary technology of third parties to commercialize our products, in which case we would be required to obtain a license from these third parties. The licensing or acquisition of third-party intellectual property rights is a competitive area, and several more established companies may pursue strategies to license or acquire third-party intellectual property rights that we may consider attractive or necessary. These established companies may have a 100% interest in the target. However, as a result of the issuance of a substantial number of new shares of common stock, our stockholders immediately prior competitive advantage over us due to such transaction could own less than a majority of our issued their size, capital resources and outstanding common stock subsequent to such transaction. greater clinical development and commercialization capabilities. In addition, companies that perceive us to be a competitor may be unwilling to assign or license rights to us. If we are unable to license such technology, or if we are forced to license such technology, on unfavorable terms, our business could be harmed. If we are unable to obtain a necessary license, we may be unable to develop or commercialize the affected product candidates, which could harm our business, and the third parties owning such intellectual property rights could seek either an injunction prohibiting our sales, or, with respect to our sales, an obligation on our part to pay royalties and/or other minority stockholders may subsequently combine their holdings resulting in a single person or group obtaining a larger share forms of the company's shares than compensation. Even if we initially acquired. Accordingly, this may make it more likely that our management will not be are able to maintain our control of the target business.

We may have limited ability to assess the management of obtain a prospective target business and, as a result, may complete our initial Business Combination

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with a target business whose management may not have the skills, qualifications or abilities to manage a public company.

When evaluating the desirability of completing our initial Business Combination with a prospective target business, our ability to assess the target business's management may be limited due to a lack of time, resources or information. Our assessment of the capabilities of the target's management, therefore, may prove to be incorrect and such management may lack the skills, qualifications or abilities we suspected. Should the target's management not possess the skills, qualifications or abilities necessary to manage a public company, the operations and profitability of the post-combination business may be negatively impacted. Accordingly, any stockholder or warrant holder who chooses to remain a stockholder or warrant holder, respectively, following our initial Business Combination could suffer a reduction in the value of their securities. Such stockholders and warrant holders are unlikely to have a remedy for such reduction in value.

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The directors and officers of an acquisition candidate may resign upon completion of our initial Business Combination. The departure of a Business Combination target's key personnel could negatively impact the operations and profitability of our post-combination business. The role of an acquisition candidate's key personnel upon the completion of our initial Business Combination cannot be ascertained at this time. Although we contemplate that certain members of an acquisition candidate's management team will remain associated with the acquisition candidate following our initial Business Combination, it is possible that members of the management of an acquisition candidate will not wish to remain in place.

Our letter agreements with our initial stockholders, officers and directors may be amended without stockholder approval.

Our letter agreements with our initial stockholders, officers and directors contains provisions relating to, among other things, restrictions on transfer of our Founder Shares and Private Placement Warrants, indemnification of the Trust Account, waiver of redemption rights and participation in liquidating distributions from the Trust Account. The letter agreement may be amended without stockholder approval. While we do not expect our board of directors to

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approve any amendment to the letter agreement prior to our initial Business Combination, it may be possible that our board of directors, in exercising its business judgment and subject to its fiduciary duties, chooses to approve one or more amendments to the letter agreements. Any such amendments would not require approval from our stockholders and may have an adverse effect on the value of an investment in our securities.

license, non-exclusive, thereby giving competitors access to the same technologies licensed to us.

If our management following our initial Business Combination is unfamiliar with U.S. securities laws, they may have to expend time and resources becoming familiar with such laws, which could lead to various regulatory issues.

Following our initial Business Combination, any or all of our management could resign from their positions as officers of the Company, and the management of the target business at the time of the Business Combination could remain in place. Management of the target business may not be familiar with U.S. securities laws. If new management is unfamiliar with U.S. securities laws, they may have to expend time and resources becoming familiar with such laws. This could be expensive and time-consuming and could lead to various regulatory issues which may adversely affect our operations.

Risks Relating to Our Management Team

We are dependent upon our directors and officers and their departure could adversely affect our ability to operate.

Our operations are dependent upon a relatively small group of individuals. We believe that our success depends on the continued service of our directors and officers, at least until we have completed our initial Business Combination. In addition, our directors and officers are not required to commit any specified amount of time to our affairs and, accordingly, will have conflicts of interest in allocating their time among various business endeavors, including identifying potential Business Combinations and monitoring the related due diligence. For a discussion of certain of our officers' and directors' other business endeavors, please see "Item 10. Directors, Executive Officer and Corporate Governance." We do not have an employment agreement with, or key-man insurance on the life of, any of our directors or officers. The unexpected loss of the services of one or more of our directors or officers could have a detrimental effect on us.

Our ability to successfully effect our initial Business Combination and to be successful thereafter will be dependent upon the efforts of our key personnel,

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some of whom may join us following our initial Business Combination. The loss of our or a target's key personnel could negatively impact the operations and profitability of our post-combination business.

Our ability to successfully effect our initial Business Combination is dependent upon the efforts of our key personnel. The role of our key personnel in the target business, however, cannot presently be ascertained. Although

Moreover, some of our key personnel may remain with patents and patent applications in the target business in senior management or advisory positions following our initial Business Combination, it is likely that some or all of the management of the target business will remain in place. While we intend to closely scrutinize any individuals we engage after our initial Business Combination, we cannot assure you that our assessment of these individuals will prove to be correct. These individuals future may be unfamiliar jointly owned with the requirements of operating a company regulated by the SEC, which could cause us third parties. If we are unable to have obtain an exclusive license to expend time and resources helping them become familiar with any such requirements.

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In addition, the directors and officers of an acquisition candidate may resign upon completion of our initial Business Combination. The departure of a Business Combination target's key personnel could negatively impact the operations and profitability of our post-combination business. The role of an acquisition candidate's key personnel upon the completion of our initial Business Combination cannot be ascertained at this time. Although we contemplate that certain members of an acquisition candidate's management team will remain associated with the acquisition candidate following our initial Business Combination, it is possible that members of the management of an acquisition candidate will not wish to remain in place. The loss of key personnel could negatively impact the operations and profitability of our post-combination business.

Our key personnel may negotiate employment or consulting agreements with a target business in connection with a particular Business Combination. These agreements may provide for them to receive compensation following our initial Business Combination and as a result, may cause them to have conflicts of third-party joint owners' interest in determining whether a particular Business Combination is the most advantageous.

Our key personnel such patents or patent applications, such joint owners may be able to remain with license their rights to other third parties, including our Company after competitors, who could market competing products and technology. In addition, we may need the completion cooperation of our initial Business Combination only if they are able to negotiate employment or consulting agreements in connection with the Business Combination. Such negotiations

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would take place simultaneously with the negotiation of the Business Combination and could provide for such individuals to receive compensation in the form of cash payments and/or our securities for services they would render to us after the completion of the Business Combination. Such negotiations also could make such key personnel's retention or resignation a condition to any such agreement. The personaljoint owners in order to enforce such patents against third parties, and financial interests of such individuals may influence their motivation in identifying and selecting a target business. However, we believe the ability of such individuals to remain with us after the completion of our initial Business Combination will not be the determining factor in our decision as to whether or not we will proceed with any potential Business Combination, as we do not expect that any of our key personnel will remain with us after the completion of our initial Business Combination. The determination as to whether any of our key personnel will remain with us will be made at the time of our initial Business Combination.

Our directors and officers will allocate their time to other businesses thereby causing conflicts of interest in their determination as to how much time to devote to our affairs. This conflict of interest could have a negative impact on our ability to complete our initial Business Combination.

Our directors and officers are not required to, and will not, commit their full time to our affairs, which may result in a conflict of interest in allocating their time between our operations and our search for a Business Combination and their other responsibilities. We do not intend to have any full-time employees prior to the completion of our Business Combination. Each of our directors and officers is engaged in several other business endeavors for which he or she may be entitled to substantial compensation and our directors and officers are not obligated to contribute any specific number of hours per week to our affairs. Our independent directors will also serve as officers and/or board members for other entities. If our directors' and officers' other business affairs require them to devote substantial amounts of time to such affairs in excess of their current commitment levels, it could limit their ability to devote time to our affairs which may have a negative impact on our ability to complete our initial Business Combination. Please see "Item 10. Directors, Executive Officers and Corporate Governance." for a discussion of our officers' and directors' other business affairs.

Each of our directors and officers are now, and all of them may in the future become, affiliated with entities engaged in business activities similar to those

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intended to be conducted by us and, accordingly, may have conflicts of interest in determining to which entity a particular business opportunity should be presented.

Until we consummate our initial Business Combination, we intend to engage in the business of identifying and combining with one or more businesses. Our Sponsor and directors and officers are, or may in the future become, affiliated with entities that are engaged in a similar business. Our Sponsor and directors and officers are also not prohibited from sponsoring, or otherwise becoming involved with, any other blank check companies including in connection with their initial Business Combinations, prior to us completing our initial Business Combination, and any such involvement may result in conflicts of interests as described herein. Moreover, entities in which our directors and officers are affiliated with may enter into agreements or other arrangements with businesses, which agreements or arrangements may limit or restrict our ability to enter into a Business Combination with such business.

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Each of our officers and directors presently has, and any of them in the future may have additional, fiduciary, contractual or other interests, obligations or duties to one or more other entities pursuant to which such officer or director is or will be required to present a Business Combination opportunity to such entities. Our directors and officers also may become aware of business opportunities which may be appropriate for presentation to us and the other entities to which they owe certain fiduciary or contraction duties or otherwise have an interest in, including Rosecliff Ventures and any other special purpose acquisition company in which they may become involved with. Accordingly, if any of our officers or directors becomes aware of a Business Combination opportunity which is suitable for one or more entities to which he or she has fiduciary, contractual or other interests, obligations or duties, he or she will honor these obligations and duties to present such Business Combination opportunity to such entities first, and only present it to us if such entities reject the opportunity and he or she determines to present the opportunity to us. These conflicts may not be resolved in our favor and a potential target business may not provide cooperation to us. Any of the foregoing could harm our business, financial condition and results of operations.

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If our third-party manufacturers do not respect our intellectual property and trade secrets and produce or sell competitive products using our designs or intellectual property, our business, financial condition, prospects and results of operation would be harmed.

Although our agreements with third-party manufacturing partners generally seek to preclude them from misusing our intellectual property and trade secrets, or using our designs to manufacture products for our competitors, we may be presented to another entity prior to its presentation to us. Our amended unsuccessful in monitoring and restated certificate of incorporation provides that we renounce enforcing our interest intellectual property rights and may find counterfeit goods in any corporate opportunity offered to any director or officer unless such opportunity is expressly offered to such person solely in his or her capacity the market being sold as a director or officer of our Company and such opportunity is one reasonable for us to pursue

For a complete discussion of our officers' and directors' business affiliations and the potential conflicts of interest that you should be aware of, please see "Item 10. Directors, Executive Officers and Corporate Governance." "Item 10. Directors, Executive Officers and Corporate Governance - Conflicts of Interest" and "Item 13. Certain Relationships and Related Party Transactions - Support Services Agreement."

Our directors, officers, security holders and their respective affiliates may have competitive pecuniary interests that conflict with our interests.

We have not adopted a policy that expressly prohibits our directors, officers, security holders or affiliates from having a direct or indirect pecuniary or financial interest in any investment to be acquired or disposed of by us or in any transaction to which we are a party or have an interest. In fact, we may enter into a Business Combination with a target business that is affiliated with our Sponsor, our directors or officers. Nor do we have a policy that expressly prohibits any such persons from engaging for their own account in business activities of the types conducted by us. Accordingly, such persons or entities may have a conflict between their interests and ours.

In particular, affiliates of our Sponsor have invested in a diverse set of industries. As a result, there may be substantial overlap between companies that would be a suitable Business Combination for us and companies that would make an attractive target for such other affiliates.

In addition, our officers or directors may be investors, or have other direct or indirect interests, in a business with which we may enter into a Business Combination agreement and/or in certain funds or other persons that may purchase shares of our Class A common stock.

Our Sponsor, officers, directors products and any of their respective affiliates may sponsor or form, or, in the case of individuals, serve as a director or officer of, other blank check companies future products similar to ours during produced for our competitors using our intellectual property. Additionally, any steps to stop counterfeits may not be successful and customers who purchase these counterfeit goods may experience product defects or failures, harming our reputation and

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brand and causing us to lose future sales. Any of the period foregoing could harm our business, financial condition and results of operations.

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Intellectual property rights do not necessarily address all potential threats, and limitations in which we are seeking an initial Business Combination. Any such companies intellectual property rights could harm our business, financial condition, prospects and results of operations.

The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations and may present additional conflicts of interest in pursuing an acquisition target.

Members of not adequately protect our management team and board of directors have significant experience as founders, board members, officers, executives business or employees of other companies. Certain of those persons permit us to maintain our competitive advantage. For example:

- others may be able to make products that are similar to our products or utilize similar technology but that are not covered by the claims of our patents or that incorporate certain technology in our products that is in the public domain;
- we, or our future licensors or collaborators, might not have been the first to make the inventions covered by the applicable issued patent or pending patent application that we own now or may own or license in the future;
- we, or our future licensors or collaborators, might not have been the first to file patent applications covering certain of our or their inventions;
- we, or our future licensors or collaborators, may fail to meet our obligations to the U.S. government regarding any future patents and patent applications funded by U.S. government grants, leading to the loss or unenforceability of patent rights;
- others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing our intellectual property rights;
- it is possible that our patents or patent applications omit individuals who should be listed as inventors or include individuals that should not be listed as inventors, which may cause these patents or patents issuing from these patent applications to be held invalid or unenforceable;
- claims of our patents or patent applications, if and when issued, may not cover our products or technologies or competitive products or technologies;
- the inventors of our patents or patent applications may become involved with competitors, develop products or processes that design around our patents, or become hostile to us or the patents or patent applications on which they are named as inventors;
- our competitors or other third parties might conduct research and development activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive products for sale in our major commercial markets;
- we have engaged in scientific collaborations in the past and will continue to do so in the future and our collaborators may develop adjacent or competing products that are outside the scope of our patents;
- we may not develop additional proprietary technologies that are patentable;
- the patents of others may harm our business; or
- we may choose not to file a patent in order to maintain certain trade secrets or know-how, and a third-party may subsequently file a patent covering such intellectual property.

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Any of the foregoing could harm our business, financial condition, prospects and results of operations.

Our contracts with BARDA and DHA may affect our intellectual property rights.

Our contracts with BARDA and DHA include provisions that implement the Bayh-Dole Act of 1980 relating to a uniform patent policy among the many federal agencies funding research, which grants the U.S. government certain rights in inventions that may be conceived or may become, involved in litigation, investigations first actually reduced to practice under the contract. In particular, pursuant to the Federal Acquisition Regulations which governs executive agencies acquisition of services with appropriated funds, the U.S. government is granted a nonexclusive, nontransferable, irrevocable, paid-up, worldwide license to practice such inventions or other proceedings, including related have such inventions practiced for or on behalf of the U.S. government. In addition to those companies or otherwise. This may have an adverse effect on us, which may impede our ability intellectual property rights, the BARDA and DHA contracts each provide certain data rights to consummate an initial Business Combination.

During the course of their careers, members of our management team and board of directors have had significant experience as founders, board members, officers, executives or employees of other companies. Certain of those persons have been, may be or may U.S. government with unlimited rights in: (i) data first produced in the future become involved in litigation, investigations performance of this contract; (ii) form, fit, and function data delivered under the contract; (iii) data delivered under this contract (except for restricted computer software) that constitute manuals or instructional and training material for installation, operation, or routine maintenance and repair of items, components, or processes delivered or furnished for use under this contract; and (iv) all other proceedings, including relating to the business affairs of such companies, transactions entered into by such companies, data delivered under this contract unless provided otherwise for limited rights data or otherwise, including Michael P. Murphy, our Chief Executive Officer and a director, who in 2020 was fined $20,000 by the Financial Industry Regulatory Authority, Inc. (“FINRA”) and suspended for six months from association with any FINRA member, as a result of not timely updating his broker-dealer registration form (Form U4) to disclose personal tax matters. FINRA’s decision in the matter included findings of willful violations, which Mr. Murphy had denied and contested. The Form U4 was updated, the personal tax matters have been satisfied, the status of the matter as reported by FINRA is final and the suspension ended as of January 19, 2021. restricted computer software.

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Any litigation, investigations or other proceedings may divert the attention and resources of our management team and board of directors away from identifying and selecting a target business or businesses for our initial Business Combination and may negatively affect our reputation, which may impede our ability to complete an initial Business Combination.

Risks Relating to our Securities

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You will not have any rights or interests in funds from the Trust Account, except under certain limited circumstances. To liquidate your investment, therefore, you may be forced to sell your Public Shares and/or warrants, potentially at a loss.

Our Public Stockholders will be entitled to receive funds from the Trust Account only upon the earliest to occur of: (1) our completion of an initial Business Combination, and then only in connection with those shares of Class A common stock that such stockholder properly elected to redeem, subject to the limitations described herein; (2) the redemption of any Public Shares properly submitted in connection with a stockholder vote to amend our amended and restated certificate of incorporation (A) to modify the substance or timing of our obligation to allow redemption in connection with our initial Business Combination or to redeem 100% of our Public Shares if we do not complete our initial Business Combination by the Expiration Date or (B) with respect to any other provision relating to stockholders' rights or pre-initial Business Combination activity; and (3) the redemption of our Public Shares if we have not completed an initial Business Combination by the Expiration Date, subject to applicable law. In no other circumstances will a stockholder have any right or interest of any kind to or in the Trust Account. Holders of warrants will not have any right to the proceeds held in the Trust Account with respect to the warrants. Accordingly, to liquidate your investment, you may be forced to sell your Public Shares and/or warrants, potentially at a loss.

Nasdaq may delist our securities from trading on its exchange, which could limit investors' ability to make transactions in our securities and subject us to additional trading restrictions.

We cannot assure you that our securities will continue to be listed on Nasdaq. On January 22, 2023, we received a written notice (the "Notice") from the Listing Qualifications Department (the "Staff") of The Nasdaq Stock Market ("Nasdaq") indicating that the Company is not in compliance with Listing Rule 5550(a)(4), due to the Company's failure to meet the minimum 500,000 publicly held shares requirement for the Nasdaq Capital Market. On March 9, 2023, per the Notice, the Company submitted a plan of compliance to achieve and sustain compliance with all Nasdaq Capital Market listing requirements. If Nasdaq does not accept the Company's plan, the Company will have the opportunity to appeal the decision in front of a Nasdaq Hearings Panel. We cannot assure you that we will be able to regain compliance with the Nasdaq continued listing requirements, including the minimum public holder or minimum publicly held shares, or that its securities will continue to be listed on Nasdaq .

If any of our securities are delisted from trading on its exchange and we are not able to list our securities on another national securities exchange, we expect such securities could be quoted on an over-the-counter market. If this were to occur, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;
- reduced liquidity for our securities;
- a determination that our Common Stock are a "penny stock" which will require brokers trading in our Common Stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our securities;
- a limited amount of news and analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

The listing of our securities on Nasdaq did not benefit from the process undertaken in connection with an underwritten initial public offering.

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Our Common Stock and our Warrants are listed on the Nasdaq under the symbols "MDAI" and "MDAIW," respectively. Unlike an underwritten initial public offering of our securities, the initial listing of our securities as a result of the Business Combination did not benefit from the following:

- the book-building process undertaken by underwriters that helps to inform efficient price discovery with respect to opening trades of newly listed securities;
- underwriter support to help stabilize, maintain or affect the public price of the new issue immediately after listing; and
- potential underwriter liability for material misstatements or omissions of fact in a prospectus used in connection with the securities being offered or for statements made by the underwriters' securities analysts or other personnel.

The lack of such a process in connection with the listing of our securities could result in diminished investor demand, inefficiencies in pricing and a more volatile public price for our securities;

- ***reduced liquidity for our securities;***
- ***a determination that our Class A common stock are a "penny stock" which will require brokers trading in our Class A common stock to adhere to more stringent rules and possibly result in a reduced level of trading activity securities in the secondary trading market for our securities; near future than in connection with an underwritten initial public offering.***

- ***We have incurred increased costs as a limited amount result of news operating as a U.S. public company, and analyst coverage; the Company's management is required to devote substantial time to new compliance and investor relations initiatives.***
- As a decreased ability U.S. public company, the Company has and will continue to issue additional securities or obtain additional financing in the future.

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incur significant legal, accounting and other expenses. The National Securities Markets Improvement Act of 1996, which Company is a federal statute, prevents or pre-empts the states from regulating the sale of certain securities, which are referred to as "covered securities." Our Units, Class A common stock and warrants currently qualify as covered securities under such statute. Although the states are pre-empted from regulating the sale of covered securities, the federal statute does allow the states to investigate companies if there is a suspicion of fraud, and, if there is a finding of fraudulent activity, then the states can regulate or bar the sale of covered securities in a particular case. While we are not aware of a state having used these powers to prohibit or restrict the sale of securities issued by blank check companies, other than the State of Idaho, certain state securities regulators view blank check companies unfavorably and might use these powers, or threaten to use these powers, to hinder the sale of securities of blank check companies in their states. Further, if we were no longer listed on Nasdaq, our securities would not qualify as covered

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securities under such statute and we would be subject to regulation in each state in which we offer our securities, which may negatively impact our ability to consummate our initial Business Combination.

You will not be permitted to exercise your warrants unless we register and qualify the issuance reporting requirements of the underlying shares Exchange Act and the Sarbanes-Oxley Act. The Exchange Act requires the filing of Class A common stock or certain exemptions are available.

Pursuant annual, quarterly and current reports with respect to terms a public company's business and financial condition. The Sarbanes-Oxley Act, as well as rules subsequently adopted by the SEC and Nasdaq to implement provisions of the warrant agreement, we have agreed Sarbanes-Oxley Act, require, among other things, that as soon as practicable, but in no event later than 15 business days after the closing of our initial Business Combination, we will use our commercially reasonable efforts to file a registration statement covering the issuance of such shares, public company establish and we will use our commercially reasonable efforts to cause the same to become maintain effective within 60 business days after the closing of our initial Business Combination disclosure and to maintain the effectiveness of such registration statement and a current prospectus relating to those shares of Class A common stock until the warrants expire or are redeemed. We cannot assure you that we will be able to do so if, for example, any facts or events arise which represent a fundamental change in the information set forth in the registration statement or prospectus, the financial statements contained or incorporated by reference therein are not current, complete or correct or the SEC issues a stop order. If the shares issuable upon exercise of the warrants are not registered under the Securities Act in accordance with the above requirements, we will be required to permit holders to exercise their warrants on a cashless basis, in which case, the number of shares of Class A common stock that you will receive upon cashless exercise will be based on a formula subject to a maximum amount of shares equal to 0.361 shares of Class A common stock per warrant (subject to adjustment). However, no warrant will be exercisable for cash or on a cashless basis, and we will not be obligated to issue any shares to holders seeking to exercise their warrants, unless the issuance of the shares upon such exercise is registered or qualified under

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the securities laws of the state of the exercising holder, or an exemption from registration is available. Notwithstanding the above, if our shares of Class A common stock are at the time of any exercise of a warrant not listed on a national securities exchange such that they satisfy the definition of a "covered security" under Section 18(b)(1) of the Securities Act, we may, at our option, require holders of public warrants who exercise their warrants to do so on a "cashless basis" in accordance with Section 3(a)(9) of the Securities Act and, in the event we so elect, we will not be required to file or maintain in effect a registration statement, but we will use our commercially reasonable efforts to register or qualify the shares under applicable blue sky laws to the extent an exemption is not available. In no event will we be required to net cash settle any warrant, or issue securities or other compensation in exchange for the warrants in the event that we are unable to register or qualify the shares underlying the warrants under applicable state securities laws and no exemption is available. If the issuance of the shares upon exercise of the warrants is not so registered or qualified or exempt from registration or qualification, the holder of such warrant shall not be entitled to exercise such warrant and such warrant may have no value and expire worthless. In such event, holders who acquired their warrants as part of a purchase of Units will have paid the full Unit purchase price solely for the shares of Class A common stock included in the Units. There may be a circumstance where an exemption from registration exists for holders of our Private Placement Warrants to exercise their warrants while a corresponding exemption does not exist for holders of the public warrants that were included as part of the Units. In such an instance, our Sponsor and its permitted transferees (which may include our directors and executive officers) would be able to exercise their warrants and sell the shares of Class A common stock underlying their warrants while holders of our public warrants would not be able to exercise their warrants and sell the underlying shares of Class A common stock. If and when the warrants become redeemable by us, we may exercise our redemption right even if we are unable to register or qualify the underlying shares of Class A common stock for sale under all applicable state securities laws. As a result, we may redeem the warrants as set forth above even if the holders are otherwise unable to exercise their warrants.

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We may amend the terms of the warrants in a manner that may be adverse to holders of public warrants with the approval by the holders of at least 65% of the then outstanding public warrants. ***controls. As a result, the exercise price*** ***Company has and will continue to incur significant legal, accounting and other expenses. The Company's entire management team and many of your warrants could*** ***its other employees need to devote substantial time to compliance.***

Further, pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the SEC has adopted additional rules and regulations in these areas, such as mandatory "say on pay" voting requirements that will apply to the Company when the Company ceases to be increased, an emerging growth company. Stockholder activism, the exercise period could be shortened current political environment and the number current high level of shares of our Class A common stock purchasable upon exercise of a warrant could be decreased, all without your approval.

Our warrants will be issued ***government intervention and regulatory reform may lead to substantial new regulations and disclosure obligations, which may lead to additional compliance costs and impact the manner*** ***in registered form under a warrant agreement between Continental Stock Transfer & Trust Company ("CST"), as warrant agent, and us. The warrant agreement provides that the terms of the warrants may be amended without the consent of any holder for the purpose of (i) curing any ambiguity or correct any mistake, including to conform the provisions of the warrant agreement to the description of the terms of the warrants and the warrant agreement set forth in the prospectus related to the Initial Public Offering, or defective provision or (ii) adding or changing any provisions with respect to matters or questions arising under the warrant agreement as the parties to the warrant agreement may deem necessary or desirable and that the parties deem to not adversely affect the interest of the registered holders of the warrants, provided that the approval by the holders of at least 65% of the then outstanding public warrants is required to make any change that adversely affects the interests of the registered holders of public warrants. Accordingly, we may amend the terms of the public warrants in a manner adverse to a holder if holders of at least 65% of the then outstanding public warrants approve of such amendment and, solely with respect to any amendment to the terms of the Private Placement Warrants or any provision of the warrant agreement with respect to the Private Placement Warrants, 65% of the number of the then outstanding Private Placement Warrants. Although our ability to amend the terms of*

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the public warrants with the consent of at least 65% of the then outstanding public warrants is unlimited, examples of such amendments could be amendments to, among other things, increase the exercise price of the warrants, convert the warrants into cash, shorten the exercise period or decrease the number of shares of our Class A common stock purchasable upon exercise of a warrant.

We may redeem your unexpired warrants prior to their exercise at a time that is disadvantageous to you, thereby making your warrants worthless.

We have the ability to redeem the outstanding warrants at any time after they become exercisable and prior to their expiration, at a price of $0.01 per warrant if, among other things, the last reported sale price of shares of Class A common stock for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date on which the Company sends operates its business in ways it cannot currently anticipate.

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If these requirements divert the notice of redemption to the warrant holders (the "Reference Value") equals or exceeds $18.00 per share (as adjusted). If and when the warrants become redeemable by us, we may exercise our redemption right even if we are unable to register or qualify the underlying securities for sale under all applicable state securities laws. As a result, we may redeem the warrants as set forth above even if the holders are otherwise unable to exercise the warrants. Redemption attention of the outstanding warrants as described above Company's management and personnel from other business concerns, they could force you to: (1) exercise your warrants and pay the exercise price therefor at have a time when it may be disadvantageous for you to do so; (2) sell your warrants at the then-current market price when you might otherwise wish to hold your warrants; or (3) accept the nominal redemption price which, at the time the outstanding warrants are called for redemption, we expect would be substantially less than the market value of your warrants.

In addition, we have the ability to redeem the outstanding warrants at any time after they become exercisable and prior to their expiration, at a price of $0.10 per warrant if, among other things, the Reference Value equals or exceeds $10.00 per share (as adjusted). In such a case, the holders will be able to exercise their warrants prior to redemption for a number of shares of Class A common stock determined based material adverse effect on the redemption date and the fair market value of our Class A common stock. Any such redemption may have similar consequences to a cash redemption described above. In addition, such redemption may occur at a time when the warrants are "out-of-the-money," in which case you would lose any potential embedded value from a subsequent increase in the value of the Class A common stock had your warrants remained outstanding. The value received upon exercise of the warrants (1) may be less than the value the holders would have received if they had exercised their warrants at a later time where the underlying share price is higher and (2) may not compensate the holders for the value of the warrants, including because the number of shares of Class A common stock received is capped at 0.361 shares of Class A common stock per warrant (subject to adjustment) irrespective of the remaining life of the warrants.

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Because each unit contains one-third of one redeemable warrant and only a whole warrant may be exercised, the Units may be worth less than Units of other blank check companies.

Each Unit contains one-third of one redeemable warrant. Pursuant to the warrant agreement, no fractional warrants will be issued upon separation of the Units, and only whole warrants will trade. This is different from other offerings similar to ours whose units include one share of Class A common stock and one whole warrant or a greater fraction of one whole warrant to purchase one share. We have established the components of the Units in this way in order to reduce the dilutive effect of the warrants upon

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completion of a Business Combination since the warrants will be exercisable in the aggregate for a third of the number of shares compared to units that each contain a whole warrant to purchase one whole share, thus making us, we believe, a more attractive Business Combination partner for target businesses. Nevertheless, this Unit structure may cause our Units to be worth less than if they included one whole warrant or a greater fraction of one whole warrant to purchase one whole share.

Our management's ability to require holders of our public warrants to exercise such public warrants on a cashless basis will cause holders to receive fewer shares of Class A common stock upon their exercise of the public warrants than they would have received had they been able to exercise their public warrants for cash.

If we call our public warrants for redemption after the redemption criteria described elsewhere in this Annual Report have been satisfied, our management will have the option to require any holder that wishes to exercise its warrant (including any warrants held by our Sponsor, officers, directors or their permitted transferees) to do so on a "cashless basis." If our management chooses to require holders to exercise their warrants on a cashless basis, the number of shares of Class A common stock received by a holder upon exercise will be fewer than it would have been had such holder exercised his, her or its warrant for cash. This will have the effect of reducing the potential "upside" of the holder's investment in our Company.

Our warrant agreement designates the courts of the State of New York or the United States District Court for the Southern District of New York as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by holders of our warrants, which could limit the ability of warrant holders to obtain a favorable judicial forum for disputes with our Company.

Our warrant agreement provides that, subject to applicable law, (i) any action, proceeding or claim against us arising out of or relating in any way to the warrant agreement, including under the Securities Act, will be brought and enforced in the courts of the State of New York or the United States District Court for the Southern District of New York, and (ii) that we irrevocably submit to such jurisdiction, which jurisdiction shall be the exclusive forum for any such action, proceeding or claim. We will waive

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any objection to such exclusive jurisdiction and that such courts represent an inconvenient forum.

Notwithstanding the foregoing, these provisions of the warrant agreement do not apply to suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal district courts of the United States of America are the sole and exclusive forum. Any person or entity purchasing or otherwise acquiring any interest in any of our warrants shall be deemed to have notice of and to have consented to the forum provisions in our warrant agreement. If any action, the subject matter of which is within the scope the forum provisions of the warrant agreement, is filed in a court other than a court of the State of New York or the United States District Court for the Southern District of New York (a "NY foreign action") in the name of any holder of our warrants, such holder shall be deemed to have consented to: (x) the personal jurisdiction of the state and federal courts located in the State of New York in connection with any action brought in any such court to enforce the forum provisions (a "NY enforcement action"), and (y) having service of process made upon such warrant holder in any such NY enforcement action by service upon such warrant holder's counsel in the NY foreign action as agent for such warrant holder.

This choice-of-forum provision may limit a warrant holder's ability to bring a claim in a judicial forum that it finds favorable for disputes with our Company, which may discourage such lawsuits. Alternatively, if a court were to find this provision of our warrant agreement inapplicable or unenforceable with respect to one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could materially and adversely affect our Company's business, financial condition and results of operations operations. The increased costs will decrease the Company's net income or increase the Company's net loss and result may require the Company to reduce costs in a diversion other areas of the time and resources of our management and board of directors.

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Provisions in our amended and restated certificate of incorporation may inhibit a takeover of us, which could limit Company's business or increase the price investors might be willing to pay in the future for our Class A common stock and could entrench management.

Our amended and restated certificate of incorporation will contain provisions that may discourage unsolicited takeover proposals that stockholders may consider to be in their best interests. These provisions include the ability prices of the board Company's services. The Company cannot predict or estimate the amount or timing of directors additional costs it may incur to designate the terms of and issue new series of preferred stock, and the fact that prior respond to the completion of our initial Business Combination only holders of our shares of Class B common stock, which are held by our initial stockholders, are entitled to vote on the election of directors, which may make more difficult the removal of management and may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our securities.

We are also subject to anti-takeover provisions under Delaware law, which could delay or prevent a change of control. Together these provisions may make more difficult the removal of management and may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our securities.

General Risk Factors

We have no operating history and no operating revenues, and you have no basis on which to evaluate our ability to achieve our business objective.

Because we lack an operating history, you have no basis upon which to evaluate our ability to achieve our business objective of completing our initial Business Combination with one or more target businesses. We have no plans, arrangements or understandings with any prospective target business concerning a Business Combination and may be unable to complete our initial Business Combination. If we fail to complete our initial Business Combination, we will never generate any operating revenues.

Past performance by any member or members of our management team, any of their respective affiliates, or Rosecliff Ventures may not be indicative of future performance of an investment in the Company.

Information regarding performance by our management team and their respective affiliates, including Rosecliff Ventures, or any of its funds,

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investments or portfolio companies, or our Sponsor or directors is presented for informational purposes only. Not all of the companies in which our team has invested have achieved the same level of value creation. Past performance by any member or members of our management team, any of their respective affiliates, including Rosecliff Ventures, or any of its funds, investments or portfolio companies, or our Sponsor or directors is not a guarantee either (1) that we will be able to identify a suitable candidate for our initial Business Combination or (2) of success with respect to any Business Combination we may consummate. You should not rely on the historical record of any member or members of our management team, any of their respective affiliates, including Rosecliff Ventures, or any of its funds, investments or portfolio companies, or our Sponsor or directors or any of the foregoing's related investment's performance, as indicative of the future performance of an investment in the Company or the returns the Company will, or is likely to, generate going forward.

Cyber incidents or attacks directed at us could result in information theft, data corruption, operational disruption and/or financial loss.

We depend on digital technologies, including information systems, infrastructure and cloud applications and services, including those of third parties with which we may deal. Sophisticated and deliberate attacks on, or security breaches in, our systems or infrastructure, or the systems or infrastructure of third parties or the cloud, could lead to corruption or misappropriation of our assets, proprietary information and sensitive or confidential data. As an early stage company without significant investments in data security protection, we may not be sufficiently protected against such occurrences. We may not have sufficient resources to adequately protect against, or to investigate and remediate any vulnerability to, cyber incidents. It is possible that any requirements. The impact of these occurrences, or a combination of them, requirements could have adverse consequences on our business and lead to financial loss.

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We are an emerging growth company and a smaller reporting company within the meaning of the Securities Act, and if we take advantage of

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certain exemptions from disclosure requirements available to emerging growth companies or smaller reporting companies, this could make our securities less attractive to investors and may also make it more difficult for the Company to compare our performance with other public companies.

We are an "emerging growth company" within the meaning attract and retain qualified persons to serve on its board of the Securities Act, directors, board committees or as modified by the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. As a result, our stockholders may not have access to certain information they may deem important. We could be an emerging growth company for up to five years, although circumstances could cause us to lose that status earlier, including if the market value of our common stock held by non-affiliates equals or exceeds $700 million as of the end of any second quarter of a fiscal year, in which case we would no longer be an emerging growth company as of the end of such fiscal year. We cannot predict whether investors will find our securities less attractive because we will rely on these exemptions. If some investors find our securities less attractive as a result of our reliance on these exemptions, the trading prices of our securities may be lower than they otherwise would be, there may be a less active trading market for our securities and the trading prices of our securities may be more volatile. officers.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards.

The JOBS Act Charter provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. We have elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or

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private companies, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

Additionally, we are a "smaller reporting company" as defined in Item 10(f)(1) of Regulation S-K. Smaller reporting companies may take advantage of certain reduced disclosure obligations, including, among other things, providing only two years of audited financial statements. We will remain a smaller reporting company until the last day of the fiscal year in which (1) the market value of our common stock held by non-affiliates equals or exceeds $250 million as of the end of that year's second fiscal quarter, or (2) our annual revenues equalled or exceeded $100 million during such completed fiscal year or the market value of our common stock held by non-affiliates equals or exceeds $700 million as of the end of that year's second fiscal quarter. To the extent we take advantage of such reduced disclosure obligations, it may also make comparison of our financial statements with other public companies difficult or impossible.

Our amended and restated certificate of incorporation will designate the Court of Chancery of the State of Delaware as will be the sole and exclusive forum for certain types of actions substantially all disputes between us and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with our Company us or our Company's directors, officers, or other employees.

Our amended and restated certificate of incorporation

The Charter provides that unless we consent in writing to the selection of an alternative forum, the Court of Chancery (the "Chancery Court") of the State of Delaware (or, in the event that the Chancery Court does not have jurisdiction, the federal district court for the District of Delaware or other state courts of the State of Delaware) shall, to the fullest extent permitted by law, be the sole and exclusive forum for for: (i) any (1) derivative action or proceeding brought on behalf of our the Company, (2) (ii) any action, suit or proceeding asserting a claim of breach of a fiduciary duty owed by any current or former director, officer or other employee, agent or agent stockholder of our the Company to our the Company or our to the Company's stockholders, (iii) any action, suit or any claim for aiding and abetting any such alleged breach, (3) action proceeding asserting a claim against our the Company, its current or any director, officer former directors, officers, or employee of our Company employees, agents or stockholders arising pursuant to any provision of the DGCL or our amended and restated certificate of incorporation Charter or our bylaws, Bylaws, or (4) (iv) any action, suit or proceeding asserting a claim against us the Company, its current or any director, officer former directors, officers, or employee of our Company employees, agents or stockholders governed by the internal affairs doctrine except for, as doctrine.

The exclusive forum provision set forth above does not apply to, each and does not preclude or contract the scope of, (1) through (4) above, any claim (a) as either (i) exclusive federal jurisdiction pursuant to which the Court of Chancery determines that there is an indispensable party not subject to the jurisdiction Section 27 of the Court of Chancery (and Exchange Act for claims seeking to enforce any liability or duty created by the indispensable party does not consent to Exchange Act or the personal jurisdiction of the Court of Chancery within ten days following such determination), (b) which is vested in the exclusive jurisdiction of a court rules and regulations thereunder, or forum any other than the Court of Chancery or (c) claim for which the Court U.S. federal courts have exclusive jurisdiction, or (ii) concurrent jurisdiction under Section 22 of Chancery does not have subject matter jurisdiction. In addition, our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America shall, to the fullest extent permitted by law, be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act against us for federal and state courts over all claims seeking to enforce any

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liability or our directors, officers, other employees duty created by the Securities Act or agents. Although we believe this provision benefits us by providing increased consistency in the application of Delaware law in the types of lawsuits to which it applies, a court may determine that this provision is unenforceable, rules and to the extent it is enforceable, the provision may have the effect of discouraging lawsuits against our directors, officers, other employees or stockholders, although our regulations thereunder. Our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder.

The choice of forum provision may limit a stockholder's ability to bring, and increase the cost of, a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage such lawsuits against us and our directors, officers, and other employees. Alternatively, if a court were to find the choice of forum provision contained in the Charter to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, results of operations, and financial condition.

The failure of any bank in which we deposit our funds could have an adverse effect on our financial condition.

We deposit substantial funds in financial institutions and may, from time to time, maintain cash balances at such financial institutions in excess of the Federal Deposit Insurance Corporation limit. Should one or more of the financial institutions at which deposits are maintained fail, there is no guarantee as to the extent that we would recover the funds deposited, whether through Federal Deposit Insurance Corporation coverage or otherwise, or the timing of any recovery.

Risks Relating to the Ownership of Our Securities

The price of Common Stock and Warrants may be volatile.

Fluctuations in the price of the Company's securities could contribute to the loss of all or part of your investment. The valuation ascribed to the Company in the Business Combination may not be indicative of the price that will prevail in the trading market. If an active market for our securities develops and continues, the trading price of the Company's securities could be volatile and subject to wide fluctuations in response to various factors, some of which are beyond our control. Any of the factors listed below could have a material adverse effect on your investment in our securities and the Company's securities may trade at prices significantly below the price you paid for them. In such circumstances, the trading price of our securities may not recover and may experience a further decline.

Factors affecting the trading price of the Company's securities may include:

- actual or anticipated fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to us;
- changes in the market's expectations about the Company's operating results;
- success of competitors;
- the public's reaction to our press releases, other public announcements and filings with the SEC,
- operating results failing to meet the expectations of securities analysts or investors in a particular period;

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- changes in financial estimates and recommendations by securities analysts concerning the Company or the industry in which the Company operates in general;
- operating and stock price performance of other companies that investors deem comparable to the Company;
- ability to market new and enhanced products and services on a timely basis;
- changes in laws and regulations affecting our business;
- commencement of, or involvement in, litigation involving the Company;
- changes in the Company's capital structure, such as future issuances of securities or the incurrence of additional debt;
- the volume of shares of the Company's common stock available for public sale;
- any major change in the Company's board or management;
- sales of substantial amounts of the Company's common stock by our directors, executive officers or significant stockholders or the perception that such sales could occur; and
- general economic and political conditions such as recessions, changes in interest rates, changes in fuel prices, international currency fluctuations and acts of war or terrorism.

Broad market and industry factors may materially harm the market price of Contents

Notwithstanding our securities irrespective of our operating performance. The stock market in general, and Nasdaq specifically, have experienced extreme volatility that has often been unrelated to the foregoing, operating performance of particular companies. As a result of this volatility, our amended investors may not be able to sell your securities at or above the price at which they were acquired. A loss of investor confidence in the market for the stocks of other companies which investors perceive to be similar to the Company could depress our stock price regardless of our business, prospects, financial conditions or results of operations. A decline in the market price of our securities also could adversely affect our ability to issue additional securities and restated certificate our ability to obtain additional financing in the future.

Changes in laws, regulations or rules, or a failure to comply with any laws, regulations or rules, may adversely affect our business, investments and results of incorporation provides operations.

The Company is subject to laws, regulations and rules enacted by national, regional and local governments and the Nasdaq. In particular, Company is required to comply with certain SEC, Nasdaq and other legal or regulatory requirements. Compliance with, and monitoring of, applicable laws, regulations and rules may be difficult, time consuming and costly. Those laws, regulations or rules and their interpretation and application may also change from time to time and those changes could have a material adverse effect on Company's business, investments and results of operations. In addition, a failure to comply with applicable laws, regulations or rules, as interpreted and applied, could have a material adverse effect on Company's business and results of operations.

If we fail to maintain proper and effective internal controls over financial reporting, our ability to produce accurate and timely financial statements could be impaired, investors may lose confidence in our financial reporting and the trading price of our Common Stock may decline.

Effective internal controls over financial reporting are necessary for the Company to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause the Company to fail to meet its reporting obligations. In addition, any testing by the Company conducted in connection with Section 404 of the Sarbanes-Oxley Act ("Section 404") or any subsequent testing by the Company's independent registered public accounting firm, may reveal deficiencies in the Company's internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to the Company's financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in the Company's reported financial information, which could have a negative effect on the trading price of the Company's stock.

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For as long as the Company is an emerging growth company, its independent registered public accounting firm will not be required to attest to the effectiveness of its internal controls over financial reporting pursuant to Section 404. An independent assessment of the effectiveness of the Company's internal controls over financial reporting could detect problems that the exclusive forum provision will Company's management's assessment might not apply detect. Undetected material weaknesses in the Company's internal controls over financial reporting could lead to suits brought restatements of the Company's consolidated financial statements and require the Company to enforce incur the expense of remediation.

If the Company is not able to comply with the requirements of Section 404 in a duty timely manner or liability created it is unable to maintain proper and effective internal controls over financial reporting may not be able to produce timely and accurate consolidated financial statements. As a result, the Company's investors could lose confidence in its reported financial information, the market price of the Common Stock could decline and the Company could be subject to sanctions or investigations by the Exchange SEC or other regulatory authorities.

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Our internal controls over financial reporting currently do not meet all of the standards contemplated by Section 404 of the Sarbanes-Oxley Act of 2002, as amended ("SOX"), and failure to achieve and maintain effective internal controls over financial reporting in accordance with Section 404 of SOX could impair our ability to produce timely and accurate financial statements or any other claim for which comply with applicable regulations and have a material adverse effect on our business. In the federal courts have exclusive jurisdiction. Section 27 future, our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.

As a public company, we are subject to certain reporting requirements of the Exchange Act creates exclusive federal jurisdiction over all suits brought and have significant requirements for enhanced financial reporting and internal controls. Our disclosure controls and procedures are designed to enforce any duty reasonably assure that information required to be disclosed by us in reports we file or liability created by submit under the Exchange Act or is accumulated and communicated to management, recorded, processed, summarized, and reported within the time periods specified in the rules and regulations thereunder. Although we believe this provision benefits forms of the SEC. The process of designing and implementing effective internal controls is a continuous effort that requires us by providing increased consistency to anticipate and react to changes in our business and the application of Delaware law in the types of lawsuits to which it applies, the provision may limit our stockholders' ability to obtain a favorable judicial forum for disputes with us economic and may have the effect of discouraging lawsuits against our directors and officers. Any person or entity purchasing or otherwise acquiring any interest in any shares of our capital stock shall be deemed to have notice of regulatory environments, and to have consented expend significant resources to the forum provisions maintain a system of internal controls that is adequate to satisfy our reporting obligations as a public company. If we are unable to maintain appropriate internal financial reporting controls and procedures, it could cause us to fail to meet our reporting obligations on a timely basis, result in our amended and restated certificate of incorporation. If any action the subject matter of which is within the scope of the forum provisions is filed material misstatements in a court other than a court located within the State of Delaware (a "foreign action") in the name of any stockholder, such stockholder shall be deemed to have consented to: (x) the personal jurisdiction of the state and federal courts located within the State of Delaware in connection with any action brought in any such court to enforce the forum provisions (an "enforcement action"), and (y) having service of process made upon such stockholder in any such enforcement action by service upon such stockholder's counsel in the foreign action as agent for such stockholder.

Our warrants are accounted for as liabilities and the changes in value of our warrants could have a material effect on our financial results.

Included on our balance sheet as of December 31, 2022 contained elsewhere in this Annual Report are derivative liabilities related to embedded features contained within our warrants. Accounting Standards Codification 815, "Derivatives and Hedging," provides for the remeasurement of the fair value of such derivatives at each balance sheet date, with a resulting non-cash gain or loss related to the change in the fair value being recognized in earnings in the statement of operations. As a result of the recurring fair value measurement, our consolidated financial statements, and results harm our operating results. We believe that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of operations the control system are met. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements or insufficient disclosures due to error or fraud may fluctuate quarterly, based occur and not be detected. In addition, we are required, pursuant to Section 404 of the

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Sarbanes–Oxley Act of 2002, as amended ("SOX"), to furnish a report by management on, factors, which are outside among other things, the effectiveness of our control. Due internal control over financial reporting in our Annual Report on Form 10-K. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. The rules governing the standards that must be met for our management to assess our internal control over financial reporting are complex and require significant documentation, testing, and possible remediation. Testing and maintaining internal controls may divert management's attention from other matters that are important to our business. As an emerging growth company, our independent registered public accounting firm will not be required to formally attest to the recurring fair value measurement, we expect effectiveness of our internal control over financial reporting pursuant to Section 404 until our annual report for any fiscal year following such date that we will recognize non-cash gains or losses on our warrants each reporting period and that the amount of such gains or losses could be material. The impact of changes in fair value on earnings may have are no longer an adverse effect on the market price of our securities.

emerging growth company. If we are not able to complete our initial assessment of our internal controls and otherwise implement the requirements of Section 404 of SOX in a timely manner or with adequate compliance, our independent registered public accounting firm may not be able to certify as to the adequacy of our internal controls over financial reporting. Additionally, when required, an independent assessment of the effectiveness of our internal controls over financial reporting could detect problems that our management's assessment might not. Undetected material weaknesses in our internal controls over financial reporting could lead to financial statement restatements and require us to incur the expense of remediation. Matters impacting our internal controls may cause us to be unable to develop report our financial information on a timely basis and thereby subject us to adverse regulatory consequences, including sanctions by the SEC or violations of applicable stock exchange listing rules, which may result in a breach of the covenants under existing or future financing arrangements. There also could be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our

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consolidated financial statements. Confidence in the reliability of our consolidated financial statements also could suffer if we or our independent registered public accounting firm report a material weakness in our internal controls over financial reporting. In connection with the preparation of our consolidated financial statements for the year ended December 31, 2023, we identified the following material weaknesses:(i) there was a lack of communication within management and internal departments regarding complex and unusual arrangements; (ii) the Company did not maintain an effective system adequately designed controls to ensure the proper recording of operating expenses, related accruals and unbilled revenue in the correct period; and (iii) our financial statement close process controls which relate to all financial statement accounts, did not consistently operate effectively or lacked appropriate evidence, to ensure account reconciliations, transactions, and journal entries were performed or reviewed at the appropriate level of precision and on a timely basis.

We have implemented, and are continuing to implement, measures designed to improve our internal control over financial reporting to remediate these material weaknesses. These measures include formalizing our processes and internal control documentation, strengthening supervisory reviews by our financial management, engaging financial consultants to enable the implementation of internal control over financial reporting, and enhancing the functionality of our enterprise resource planning system to support certain key financial processes and controls and enforce certain segregation of duties through automation and approval workflows. We expect to incur additional costs to remediate the control deficiencies identified, though there can be no assurance that our efforts will be successful or avoid potential future material weaknesses. If we may not be able are unable to accurately report successfully remediate our financial results in a timely manner, which may adversely affect investor confidence in us and materially and adversely affect our business and operating results.

We have previously identified a existing or any future material weakness weaknesses in our internal control over financial reporting, related to the accounting for complex financial instruments as previously disclosed. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented, or detected and corrected on a timely basis.

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Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud. We continue to evaluate steps to remediate the material weakness. These remediation measures may be time consuming

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and costly and there is no assurance that these initiatives will ultimately have the intended effects.

If if we identify any new additional material weaknesses, in the future, any such newly identified material weakness could limit our ability to prevent or detect a misstatement accuracy and timing of our accounts or disclosures that could result in a material misstatement of our annual or interim financial statements. In such case, reporting may be adversely affected, we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports in addition to applicable stock exchange listing requirements, investors may lose confidence in our financial reporting, and our stock price may decline as a result. We cannot assure you that also could become subject to investigations by Nasdaq, the measures we have taken to date, SEC or any measures we may take in the future, will be sufficient to avoid potential future material weaknesses.

We may face litigation other regulatory authorities. Our internal resources and other risks as a result of the material weakness in our internal control over financial reporting.

As a result of the previously disclosed material weakness, certain restatements of our prior financials, and other matters raised or that personnel may in the future be raised by the SEC, insufficient to avoid accounting errors and there can be no assurance that we face potential for litigation or other disputes which may include, among others, claims invoking the federal and state securities laws, contractual claims or other claims arising from the will not have additional material weaknesses in the future. Any failure to develop or maintain effective controls or any difficulties encountered implementing required new or improved controls could harm our operating results or cause us to fail to meet our reporting obligations and may result in a restatement of our consolidated financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we will eventually be required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls, procedures, and internal control over financial reporting could also cause investors to lose

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confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on Nasdaq.

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If securities analysts do not publish research or reports about us, or if they issue unfavorable commentary about us or our industry or downgrade our Common Stock, the price of our Common Stock could decline.

The trading market for our Common Stock will depend in part on the research and reports that third-party securities analysts publish about us and the preparation industries in which we operate. We may be unable or slow to attract new research coverage and if one or more analysts cease coverage of us, the price and trading volume of our securities would likely be negatively impacted. If any of the analysts that may cover us change their recommendation regarding our securities adversely, or provide more favorable relative recommendations about our competitors, the price of our securities would likely decline. If any analyst that may cover us ceases covering us or fails to regularly publish reports on us, we could lose visibility in the financial statements. markets, which could cause the price or trading volume of our securities to decline. Moreover, if one or more of the analysts who cover us downgrades our Common Stock, or if our reporting results do not meet their expectations, the market price of our Common Stock could decline.

Sales, or the perception of sales, of our common stock by us or our existing stockholders in the public market could cause the market price for our common stock to decline.

The sale of substantial amounts of shares of our common stock in the public market, or the perception that such sales could occur, could harm the prevailing market price of shares of our Common Stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

Upon the expiration or waiver of certain lock-up restrictions, shares held by certain of our stockholders will be eligible for resale, subject to, in the case of certain stockholders, volume, manner of sale and other limitations under Rule 144. As restrictions on resale end, the market price of shares of our Common Stock could drop significantly if the holders of these shares sell them or are perceived by the market as intending to sell them. These factors could also make it more difficult for us to raise additional funds through future offerings of our shares of Common Stock or other securities.

In addition, the shares of our Common Stock reserved for future issuance under the Spectral AI, Inc. 2023 Equity Incentive Plan, which will be approved and adopted by the Company at its first annual meeting following the Business Combination ("Equity Incentive Plan") will become eligible for sale in the public market once those shares are issued, subject to provisions relating to various vesting agreements, lock-up agreements and, in some cases, limitations on volume and manner of sale by affiliates under Rule 144, as applicable. The number of shares to be reserved for future issuance under the Equity Incentive Plan is expected to equal approximately 8,000,000 shares.

We have filed a registration statement on Form S-8 under the Securities Act to register shares of our common stock or securities convertible into or exchangeable for shares of our common stock issued pursuant to our equity incentive plans. Form S-8 registration statements automatically become effective upon filing. Accordingly, the initial registration statement on Form S-8 covered approximately 5,466,000 shares of our common stock.

Warrants will become exercisable for Company common stock, which would increase the number of shares eligible for resale in the public market and result in dilution to our stockholders.

Outstanding warrants to purchase an aggregate of 8,433,333 shares of Common Stock will become exercisable in accordance with the terms of the Warrant Agreement governing those securities. Each warrant entitles the registered holder to purchase one share of Common Stock at a price of $11.50 per full share. Pursuant to the Warrant Agreement, a holder of Warrants may exercise its Warrants only for a whole number of shares. This means that only a whole warrant may be exercised at any given time by a holder of Warrants. To the extent such warrants are exercised, additional shares of the Common Stock will be issued, which will result in dilution to the holders of the Common Stock and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market or the fact that such warrants may be exercised could adversely affect the market price of the Common Stock. The Company maintains a redemption right with respect to the warrants in that the Company can redeem some or all of the warrants for $0.10 per warrant based on certain market conditions and the market price of the Common Stock.

Item 1.B. Unresolved Staff Comments.

None.

Item 1.C. Cybersecurity

Risk Management and Strategy

The Company manages cybersecurity risk as part of our overall enterprise risk management strategy, which is overseen by the Audit Committee and the Board. The Company employs robust cybersecurity and data privacy programs to assess, identify and manage material risks from cybersecurity threats.

We are constantly evolving our cyber defenses to minimize impacts from cyber threats by using a multi-pronged approach that helps safeguard our assets and data. We are particularly focused on addressing emerging cybersecurity risks, including human risk, as phishing attacks remain one of the most common causes of data breaches; third-party supply chain risks, as threat actors continue to target supply chains to compromise a greater number of victims; and geopolitical risk, as tensions and conflicts around the world are often accompanied by an increase in sabotage, espionage and cyber-attacks. As threat actors frequently target employees to gain access to information and systems, we have a comprehensive human risk management program that educates our workforce on threats they face as a first line of defense, and includes elements addressing phishing, malware, data handling, device security, cybersecurity education, password security, internet browsing and defenses to physical threats. Our employees are exposed to cybersecurity awareness training and training to keep pace with industry standards, evolving challenges and innovative solutions with respect to information security, data privacy, and cybersecurity risks to the organization. Additionally, we employ a multi-layered approach in our application of cybersecurity technologies to help safeguard our systems, networks, and data from potential cybersecurity threats.

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To support our preparedness, we have a cybersecurity incident response plan ("CIRP") that we regularly update as business needs and the security landscapes change. In the event of a cybersecurity incident, our incident response team refers to our CIRP and existing management internal controls and disclosure processes. Pursuant to this process, designated personnel are responsible for assessing the severity of the incident and any associated threats, containing and resolving the incident as quickly as possible, managing any damage to the Company's systems and networks, minimizing the impact on the Company's stakeholders, analyzing and executing upon internal reporting obligations, escalating information about the incident to senior management, as appropriate, and performing post-incident analysis and program enhancements, as needed. We perform periodic tabletop exercises annually to test our incident response procedures, identify gaps and improvement opportunities and exercise team preparedness.

We recognize that third parties that provide services to the Company can be subject to cybersecurity incidents that could impact the Company. To manage third-party risk, we maintain a third-party risk management program, which is designed to assess the security controls of our third parties. The assessment methodology is based on risk and relies on the data, access, connectivity, and criticality of the services that the third-party offers.

We maintain relationships with legal counsel to inform our cybersecurity and data privacy programs.

As of December 31, 2023, and through the date of this Annual Report, filing, we have no knowledge are not aware of any such litigation material cybersecurity incidents that have impacted the Company. We face risks of incidents, whether through cyber attacks or dispute. However, cyber intrusions through the Cloud, the Internet, phishing attempts, ransomware and other forms of malware, computer viruses, email attachments, extortion, and other scams. Although we make efforts to maintain the security and integrity of our information technology systems, these systems and the proprietary, confidential and personal information that resides on or is transmitted through them, are subject to the risk of a cybersecurity incident or disruption, and there can provide be no assurance that such litigation our security efforts and measures, and those of our third-party vendors, will prevent breakdowns or dispute will not arise in incidents to our or our third-party vendors' systems that could adversely affect our business.

Governance

The Company's cybersecurity and data privacy programs are implemented and overseen by the future. Any such litigation or dispute, whether successful or not, could have a material adverse effect Company's designated director of information systems ("IT Director") and senior management. The information security team responsible for managing and implementing the Company's cybersecurity and data privacy programs has many years of valuable business experience managing risks from cybersecurity threats and data privacy breaches and developing and implementing cybersecurity and data privacy policies and procedures.

Our Audit Committee, which consists solely of independent directors, oversees the Company's overall enterprise risk assessment and risk management policies and guidelines, including risks related to cybersecurity matters. Our Audit Committee reviews, discusses with management and oversees the Company's information security and data protection programs. In particular, the Audit Committee receives periodic updates from the IT Director, internal audit function and other members of management on significant cybersecurity and data privacy threats to our systems and the potential impact on the Company's business, financial results, of operations, and financial condition or our ability reputation, risk management strategies, including information governance and security policies and programs, program assessments, planned improvements, major legislative and regulatory developments that could materially impact the Company's cybersecurity and data privacy policies and programs, and status of information security initiatives, including an appropriate threat assessment relating to complete a Business Combination.

information technology risks. The Excise Tax included in Board also receives similar cybersecurity updates directly from the Inflation Reduction Act IT Director and other members of 2022 may decrease the value of our securities following our initial Business Combination, hinder our ability to consummate an initial Business Combination, management at least annually, and decrease the amount of funds available for distribution in connection with a liquidation.

On August 16, 2022, President Biden signed into law the Inflation Reduction Act of 2022 (the "IR Act"), which, among other things, imposes a 1% excise tax on the fair market value of stock repurchased by a domestic corporation beginning in 2023, with certain exceptions (the "Excise Tax"). Because we are a Delaware corporation and our securities trade on Nasdaq, we are a "covered corporation" within the meaning of the IR Act, and while not free as needed from doubt, it is possible that the Excise Tax

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will apply to any redemptions of our common stock after December 31, 2022, including redemptions in connection with an initial Business Combination and any amendment to our Certificate of Incorporation to extend the time to consummate an initial Business Combination, unless an exemption is available. Consequently, the value of your investment in our securities may decrease as a result of the Excise Tax. In addition, the Excise Tax may make a transaction with us less appealing to potential Business Combination targets, and thus, potentially hinder our ability to enter into and consummate an initial Business Combination. time.

Our independent registered public accounting firm's report contains an explanatory paragraph that expresses substantial doubt about our ability to continue as a "going concern."

As of December 31, 2022, we had approximately $785,038 cash in hand, and working capital deficit of approximately $2,979,208 (not taking into account tax obligations of approximately $222,297 that may be paid using investment income earned in Trust Account). Further, we have incurred, expect to continue to incur, significant costs in pursuit of our acquisition plans. Management's plans to address this need are discussed under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations." Our plans to raise capital and to consummate our initial Business Combination may not be successful. We have until the Expiration Date to complete a Business Combination. These factors, among others, raise substantial doubt about our ability to continue as a going concern for a period of time which is considered to be one year from the issuance of these financial statements. The financial statements contained elsewhere in this Annual Report do not include any adjustments that might result from our inability to continue as a going concern. Management plans to complete a Business Combination prior to the mandatory liquidation date.

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Item 1.B. ***Unresolved Staff Comments.***

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None.

Item 2. Properties.

Item 2. Properties.

We currently maintain our executive offices, which are located at 767 5th2515 McKinney Avenue, 34th Floor, New York, New York 10153. Suite 1000, Dallas, TX 75201. The cost for this space is included approximately $105,000 per month. We also maintain an office space in the $10,000 United Kingdom at Orion House, Bessemer Road, Welwyn Garden City, Herts Al7 1HH. The cost for this space is $14,000 per month fee that we will pay our Sponsor for office space, administrative and support services. month. We consider our current office space adequate for our current operations.

Item 3. Legal Proceedings.

Item 3. Legal Proceedings.

None.

We are

The Company is not currently subject a party to any material legal proceedings nor, or pending claims. The Company is aware of a material threatened claim that it believes is without merit. From time to time, the Company may be subject to various legal proceedings and claims that arise in the ordinary course of its business activities.To our knowledge, there is not any material legal proceeding threatened against us or any of our officers or directors in their corporate capacity.

Item 4. Mine Safety Disclosures.

Mine Safety Disclosures.

None.

Item 4.

None.

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PART II.

PART II. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.***

Item 5.

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our Units

Following the Business Combination, our Common Stock began trading on Nasdaq on February 12, 2021 September 12, 2023. Each Unit consists The shares of one share of Class A common stock Common Stock and one-third of one redeemable warrant to purchase one share of Class A common stock. On March 25, 2021, we announced that holders of the Units may elect to separately trade the Shares of Class A common stock and our redeemable warrants included in the Units commencing on or about March 26, 2021. Any Units not separated continue to trade on Nasdaq under the symbol "RCLFU". Any underlying Shares of Class A common stock and redeemable warrants that were separated trade on Nasdaq under the symbols "RCLF" "MDAI" and "RCLFW" "MDAIW", respectively.

Holders

On January 22, 2023, the Company received the Notice from the Staff of Nasdaq indicating that the Company is not in compliance with Listing Rule 5550(a)(4), due to the Company's failure to meet the minimum 500,000 publicly held shares requirement for the Nasdaq Capital Market. The Notice is a notification of deficiency, not of imminent delisting.On March 9, 2023, per the Notice, the Company submitted a plan of compliance to achieve and sustain compliance with all Nasdaq Capital Market listing requirements. If Nasdaq does not accept the Company's plan, the Company will have the opportunity to appeal the decision in front of a Nasdaq Hearings Panel.

Holders

As of March 30, 2023 March 25, 2024, there was one holder were at least 4,893 holders of record of our Units, approximately one holder of record 17,466,871 shares of our separately traded Class A common stock, Common Stock and approximately two 25 holders of record of our redeemable warrants.

Dividends

Dividends

We have not declared or paid any cash dividends on our shares of Class A common capital stock to date date. We anticipate that we will retain all of our future earnings, if any, for use in the operation and expansion of our business and do not intend to pay cash dividends prior to the completion of our initial Business Combination. The payment of anticipate paying cash dividends in the foreseeable future. Any future determination related to our dividend policy will be dependent upon our revenues and earnings, if any, capital requirements and general financial condition subsequent to completion of our initial Business Combination. The payment of any cash dividends subsequent to our initial Business Combination will be within made at the discretion of our board of directors at such time. In addition, after considering our board business prospects, results of directors is not currently contemplating operations, financial condition, cash requirements and does not anticipate declaring any share dividends availability, debt repayment obligations, capital expenditure needs, contractual restrictions, covenants in the foreseeable future. Further, if we incur agreements governing current and future indebtedness, industry trends, the provisions of Delaware law affecting the payment of dividends and distributions to stockholders and any indebtedness in connection with our initial Business Combination, our ability to declare dividends may be limited by restrictive covenants we may agree to in connection therewith. other factors or considerations the Board deems relevant.

Securities Authorized for Issuance Under Equity Compensation Plans

We previously maintained the Spectral MD Holdings, Ltd. 2018 Long Term Incentive Plan (the "2018 Plan"), which provided for the discretionary grant of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, stock units, performance shares, performance units, incentive bonus awards and other cash-based or stock-based awards to our eligible employees, directors and consultants, including the named executive officers. 3,526,200 shares of our Common Stock are issuable upon the exercise of outstanding options under the 2018 Long Term Incentive Plan.

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None.

We also previously maintained the Spectral MD Holdings, Ltd. 2022 Long Term Incentive Plan (the "2022 Plan"). The 2022 Plan provides for the discretionary grant of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, stock units, performance shares, performance units, incentive bonus awards and other cash-based or stock-based awards to our employees, directors and consultants. Under the 2022 Long Term Incentive Plan, 88,749 shares of common stock are issuable upon the exercise of outstanding options and 58,197 RSUs are issuable. As of December 31, 2023, 1,792,918 shares remain available for issuance through grants of future options.

In 2023, we awarded options to key employees (including our named executive officers) for retention, engagement and bonus compensation awards. These awards are designed to align a portion of our named executive officers' compensation with the interests of our existing stockholders and to build retention value by incentivizing our named executive officers to remain in our service.

As part of the Business Combination Agreement, the outstanding securities issuable under the 2018 Plan and 2022 Plan will be exchanged for shares of the Company's 2023 Long-Term Incentive Plan upon approval by the Company's stockholders at the next annual meeting. Information related to this item will be contained in our 2024 Proxy Statement under the heading "Proposal 2 – Ratification of the 2023 Long Term Incentive Plan.

Performance Graph

The performance graph has been omitted as permitted under rules applicable to smaller reporting companies.

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Recent Sales of Unregistered Securities; Use of Proceeds from Registered Offerings

Unregistered Sales Securities

Yorkville Standby Equity Purchase Agreement

Founder Shares

During the period ended December 31, 2020

On March 20, 2024, the Sponsor paid $25,000 Company entered into the Standby Equity Purchase Agreement ("SEPA") with YA II PN, LTD, a Cayman Islands exempt limited partnership ("Yorkville") pursuant to cover certain which the Company has the right to sell to Yorkville up to $30,000,000 of our offering costs in exchange for 5,750,000 its shares of our Class B common stock Common Stock, subject to certain limitations and conditions set forth in the SEPA, from time to time during the term of the SEPA (such transaction, the "Yorkville Transaction"). Sales of the shares of Common Stock to Yorkville under the SEPA, and the timing of any such sales, are at the Company's option, and the Company is under no obligation to sell any shares of Common Stock to Yorkville under the SEPA except in connection with notices that may be submitted by Yorkville, as described in the SEPA.

In connection with the SEPA, and subject to the conditions set forth therein, Yorkville has agreed to advance to the Company in the form of convertible promissory notes (the "Founder Shares" "Convertible Notes"). On February 11, 2021, we a 1:1.1 stock split of our Class B common stock, resulting in an aggregate of 6,325,000 shares outstanding. All share and per-share amounts have been retroactively restated to reflect the stock split. The Founder Shares included an aggregate principal amount of up to 825,000 $12,500,000 million (the "Pre-Paid Advance"), which will be paid in three tranches. The first Pre-Paid Advance was disbursed on March 20, 2024 in the amount of $5,000,000 with a fixed conversion price of $3.16, the second Pre-Paid Advance shall be in a principal amount of $5,000,000 and advanced after the earlier of the registration statement registering the resale of the shares of Common Stock issuable under the SEPA being declared effective and or shareholder approval to exceed the 19.99% threshold of the aggregate number of shares of Common Stock issued pursuant to the SEPA (the "Exchange Cap") with a fixed conversion price equal to 120% of the average VWAP during the three trading days immediately prior to the issuance of the note (the "Second Pre-Advance Closing"), and the third Pre-Paid Advance shall be in a principal amount of $2,500,000 and advanced sixty days following the Second Pre-Advance Closing with a fixed conversion price equal to 120% of the average VWAP during the three trading days immediately prior to the issuance of the note. The purchase price for the Pre-Paid Advance is 92.0% of the principal amount of the Pre-Paid Advance. Interest shall accrue on the outstanding balance of any Pre-Paid Advance at an annual rate equal to 0%, subject to forfeiture an increase to 18% upon an event of default as described in the extent that the underwriters' over-allotment was not exercised in full or in part, so that the number of Founder Shares would equal, on an as-converted basis, approximately 20% Convertible Notes. The maturity date of the Company's then Convertible Note issue in connection with each Pre-Paid Advance will be 12 months after the issuance date of such Convertible Note.

Beginning on the forty-fifth (45th) day following the issuance date of Convertible Note issued in connection with the first Pre-Paid Advance, and outstanding common stock upon continuing on the consummation same day of each successive month thereafter, (each, an "Installment Date"), the Company shall repay a portion of the Initial Public Offering. As a result outstanding balance of the underwriter's election Pre-Paid Advance in an amount equal to fully exercise its over-allotment option, no Founder Shares are currently subject (i) $1,750,000, provided however, in respect of any Installment Date prior to forfeiture.

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The Sponsor has agreed, subject to limited exceptions, not to transfer, assign or sell any of the Founder Shares until the earlier to occur of: (A) one year after the completion of a Business Combination and (B) subsequent to a Business Combination, (x) if the last reported sale price of the Class A common stock equals or exceeds $12.00 per share (as adjusted for stock splits, stock capitalizations, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after a Business Combination, or (y) the date on which we complete a liquidation, merger, capital stock exchange, reorganization or other similar transaction that results in all of the Public Stockholders having the right to exchange their shares of common stock for cash, securities or other property.

Private Placement

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Simultaneously with the closing of the Initial Public Offering, our Sponsor purchased an aggregate second Pre-Paid Advance, $750,000 (the "Installment Principal Amount"), plus (ii) the a payment premium of 4,706,667 Private Placement Warrants at 7% of such Installment Principal Amount, and (iii) accrued and unpaid interest hereunder as of each Installment Date.

B. Riley Committed Equity Facility

On December 26, 2023, the Company entered into a price Common Stock Purchase Agreement (the "Purchase Agreement") with B. Riley Principal Capital II, LLC ("B. Riley"), pursuant to which, upon the terms and subject to the satisfaction of $1.50 per Private Placement Warrant ($7,060,000 the conditions contained in the aggregate) Purchase Agreement, we have the right, in our sole discretion, to sell to B. Riley up to $10,000,000 of shares of the Common Stock (subject to certain limitations contained in the Purchase Agreement), from us time to time during the term of the Purchase Agreement through a Market Open Purchase or an Intraday Purchase on any Purchase Date (each term as defined in a private placement.

These issuance was made the Purchase Agreement). Sales of Common Stock pursuant to the exemption from registration contained in Section 4(a)(2) Purchase Agreement, and the timing of any sales, are solely at our option, and we are under no obligation to sell any securities to B. Riley under the Securities Act. No underwriting discounts or commissions were paid with respect to such sales. Purchase Agreement (such transaction, the "B. Riley Transaction").

Use of Proceeds

On February 17, 2021, the Company consummated its Initial Public Offering of 25,300,000 Units, including the issuance of 3,300,000 Units as a result of the underwriter's exercise in full of its option to purchase additional Units, at $10.00 per Unit, generating gross proceeds of $253,000,000. BTIG, LLC acted as sole book-running manager and I-Bankers Securities, Inc. acted as co-manager in the Initial Public Offering. The securities sold in the Initial Public Offering were registered under the Securities Act on a registration statement on Form S-1 (No. 333-252478). The SEC declared the registration statements effective on February 12, 2021.

Simultaneously with the closing of the Initial Public Offering, our Sponsor purchased an aggregate of 4,706,667 Private Placement Warrants at a price of $1.50 per Private Placement Warrant ($7,060,000 in the aggregate) from us in a private placement.

In connection with the Initial Public Offering, we incurred offering costs of approximately $14,373,127 (including deferred underwriting commissions of approximately $8,855,000). Other incurred offering costs consisted

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principally of preparation fees related to the Initial Public Offering. After deducting the underwriting discounts and commissions (excluding the deferred portion, which amount will be payable upon consummation of the initial Business Combination, if consummated) and the Initial Public Offering expenses, $253,000,000 of the net proceeds from our Initial Public Offering and certain of the proceeds from the private placement of the Private Placement Warrants (or $10.00 per Unit sold in the Initial Public Offering) was placed in the Trust Account. The net proceeds of the Initial Public Offering and certain proceeds from the sale of the Private Placement Warrants are held in the Trust Account and invested as described elsewhere in this Annual Report.

There has been no material change in the planned use of the proceeds from the Initial Public Offering and Private Placement Business Combination, as is described in the Company's final prospectus related to (Registration No. 333-275218), as filed with the Initial Public Offering. SEC on January 2, 2024. Additionally, there has been no material change in the planned use of proceeds from the B. Riley Transaction or the Yorkville Transaction, as is described in the Company's final prospectus (Registration No. 333-2764-6), as filed with the SEC on February 1, 2024. For a description of the use of the proceeds generated from the Initial Public Offering, different financings, see "Item 1. Business."

Item 6. ***[Reserved].***
[Reserved].
Item 6.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

References to

You should read the "Company," "our," "us" or "we" refer to Rosecliff Acquisition Corp I. The following discussion and analysis of the Company's our financial condition and results of operations should be read in conjunction together with the audited our consolidated financial statements and the related notes related thereto which are included elsewhere in "Item 8. Financial Statements and Supplementary Data" of this Annual Report on Form 10-K. Certain 10-K (the "Annual Report"). Some of the information contained in the this discussion and analysis or set forth below elsewhere in this Annual Report, including information with respect to our plans and strategy for our business, includes forward-looking statements. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors. Certain information contained in the discussion that involve risks and analysis set forth below includes forward-looking statements. Our actual results may differ materially from those anticipated in these forward-looking statements as uncertainties. As a result of many factors, including those factors set forth under "Cautionary Note Regarding Forward-Looking Statements in the section titled "Risk Factors," our actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and Risk Factor Summary," "Item 1A. Risk Factors" and elsewhere in this Annual Report on Form 10-K.analysis.

Overview

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Overview

We are a blank check an AI company formed under the laws focused on predictive medical diagnostics. We operate in one segment. Currently, we are devoting substantially all of our efforts towards research and development of our DeepView System, an internally developed multi-spectral imaging ("MSI") device that has FDA breakthrough device designation ("BDD") status. Given our recent receipt of the State UKCA mark for burn indication on our DeepView System, we expect to begin commercialization activities in the United Kingdom in the second half of Delaware 2024. Our DeepView System uses proprietary algorithms to distinguish between damaged and healthy human tissue invisible to the naked eye, providing "Day One" healing assessments. DeepView's output is specifically engineered to allow the physician to make a more accurate, timely and informed decision regarding the treatment of the patient's wound. Our focus from 2013 through 2021 was on November 17, 2020 the burn indication, which we expanded to also include the diabetic foot ulcer ("DFU") indication in 2022.

In the case of DFUs, our DeepView System provides an assessment in seconds as to the non-healing portions of a DFU. The non-healing assessment would provide the physician with an objective assessment to use an advanced wound care therapy on "Day One" as opposed to the current approach that involves waiting up to 30 days to see how the wound develops before making such clinical assessment.

For burn wounds, a non-healing assessment could aid the clinician in making an immediate and objective determination for appropriate candidates for surgery, as well as determining what specific areas of the purpose burn wound will require excision and skin grafting. DeepView's current accuracy for burn wounds is 92% for adults and 88% for pediatrics, compared with current physician accuracy in evaluation of effecting all burn wounds of 50% to 75%, respectively, at best, according to industry literature.[1] In addition, in head-to-head clinical trial evaluations, our DeepView System provided higher accuracy to "ground truth" on burn wound analysis than the accuracy of burn specialists, who reported 70-80% accuracy, or non-burn specialist physicians, who reported 50-60% accuracy.[2] We have conducted three large clinical studies with multiple sites across the United States, enrolling 413 burn patients, including 329 adult and 84 pediatric patients. Through these studies, we were able to quantify the burn assessment accuracy in both surgical and non-surgical treatment. Beginning in 2023, we have initiated a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses. pivotal clinical study seeking enrollment of 240 patients, including 180 adult and 60 pediatric patients through multiple sites across the United States.

We intend have not generated any product revenue to effectuate our Business Combination using cash date. We have received substantial support from the proceeds U.S. government for our DeepView System's application for burn wounds, particularly from the Biomedical Advanced Research and Development Authority ("BARDA"), which is part of the Initial Public Offering HHS Office of the Assistant Secretary for Preparedness and Response in the United States, established to aid in securing the United States from chemical, biological, radiological, and nuclear threats, as well as from pandemic influenza and emerging infectious diseases. We have also received funding from the National Science Foundation (the "NSF"), the National Institute of Health (the "NIH") and the sale Defense Health Agency (the "DHA"). Since 2013, we have received approximately $279.6 million in funding commitments from government contracts, primarily from BARDA, which accounts for $272.9 million. This has allowed us to develop our technology and further our clinical trials.

In September 2023, we executed our third contract with BARDA for a multi-year Project BioShield ("PBS") agreement, valued at up to approximately $150.0 million (the "PBS BARDA Contract"). This multi-year contract includes an initial award of nearly $54.9 million to support the Private Placement Warrant, our capital stock, debt or a combination clinical validation and FDA clearance of cash, stock DeepView® for commercial marketing and debt.

We distribution purposes, which we expect to continue through the first quarter of 2026. This grant funding is non-dilutive to incur significant costs in our shareholders, and we believe it validates the pursuit important nature of our acquisition plans. We cannot assure you mission and technology.

In addition to our BARDA contract, we received a $4.0 million grant award from the Medical Technology Enterprise Consortium ("MTEC") in April 2023, which, building on prior awards from DHA, is to be used to support military battlefield burn evaluation via a handheld DeepView device (the "MTEC Agreement"). The MTEC Agreement is currently intended to run through April 2025 with funding dependent on various milestones.

Once commercialized, we anticipate that our plans the DeepView System will have two revenue streams, a SaMD (software as a medical device) model, and an imaging device component. The SaMD model applies a SaaS (software as a service) treatment for the DeepView System which will feature a software licensing fee that includes maintenance, image hosting, and access to complete algorithm updates. The proprietary imaging device accesses artificial intelligence algorithms and is a Business Combination universal platform to house multiple clinical applications. Pricing for these components will be successful. evaluated and strategically set per country and site-of-service for heightened customer adoption.

Business Combination

Recent Developments

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Extension of

On September 11, 2023, we consummated a business combination, pursuant to the Expiration Date

In connection with the Company's special meeting of stockholders held on December 21, 2022, the Company's stockholders approved (A) the proposal to amend the Company's amended business combination agreement dated April 11, 2023 (the "Business Combination Agreement") by and restated certificate of incorporation to extend the date by which among the Company must either (i) consummate the initial Business Combination, or (ii) cease its operations, except for the purpose of winding up if it fails to complete such initial Business Combination, and redeem all of the shares of Class A common stock, and all of the shares of Class B common stock, included as part of the units sold in the Company's initial public offering that was consummated on February 17, 2021 (previously, Rosecliff Acquisition Corp I ("Rosecliff")), from February 17, 2023 to February 17, 2024 and (B) the proposal to amend the amended and restated certificate of incorporation to eliminate the Redemption Limitation in order to allow the Company to redeem shares of Class A common stock irrespective of whether such redemption would exceed the Redemption Limitation.

Notice of Failure to Satisfy a Continued Listing Rule

On January 22, 2023, the Company received the Notice from the Staff of Nasdaq indicating that the Company is not in compliance with Listing Rule 5550(a)(4), due to the Company's failure to meet the minimum 500,000 publicly held shares requirement for the Nasdaq Capital Market. The Notice is a notification of deficiency, not of imminent delisting.On March 9, 2023, per the Notice, the Company submitted a plan of compliance to achieve and sustain compliance with all Nasdaq Capital Market listing requirements. If Nasdaq does not accept the Company's plan, the Company will have the opportunity to appeal the decision in front of a Nasdaq Hearings Panel.

Termination of the Previously Announced Business Combination Agreement

On March 11, 2022, the Company, GT Gettaxi Listco, GT Gettaxi Limited, GT Gettaxi SPV, GT GettaxiGhost Merger Sub 1, GettI (a wholly owned subsidiary of Rosecliff), Ghost Merger Sub Inc.,II (a wholly owned

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subsidiary of Rosecliff) and Dooboo Holding Limited, and Merger Sub entered into a Termination of the Business Combination Agreement pursuant to which the parties mutually agreed to terminate the Business Combination Agreement, effective immediately. As per the Company's Current Report on Form 8-K filed with the SEC on November 11, 2021, the Company requested that the target's management undertake a thorough analysis of its financial projections. Following the conclusion of that process, and extensive mutual efforts to negotiate an appropriate valuation adjustment, both parties agreed to terminate the Business Combination Agreement.

As a result of the termination of the Business Combination Agreement, the Business Combination Agreement is of no further force and effect, and certain transaction agreements entered into in connection with the Business Combination Agreement, including, but not limited to, the Investors' Rights Agreement, dated as of November 9, 2021, and to be effective as of Spectral MD Holdings, Ltd. ("Legacy Spectral"). Upon the closing of the Business Combination by (the "Closing"), in sequential order: (a) Ghost Merger Sub I merged with and among into Legacy Spectral, with Legacy Spectral continuing as the surviving company as our wholly owned subsidiary (the "Spectral Merger") and then, (b) Legacy Spectral merged with and into Ghost Merger Sub II (the "SPAC Merger", together with the Spectral Merger (the "Business Combination")), with Ghost Merger Sub II (renamed Spectral MD Holdings LLC) surviving the SPAC Merger as our direct wholly-owned subsidiary. Upon the Closing, we changed our name from Rosecliff Acquisition Corp I to Spectral AI, Inc. In addition to our Common Stock, we currently have 8,433,333 redeemable warrants (the "Public Warrants") and 73,978 warrants ("Angel Warrants") to SP Angel Corporate Finance LLP ("SP Angel") remaining outstanding.

1 Henk Hoeksema, Karlien Van de Sijpe, Thiery Tondu, Moustapha Hamdi, Koenraad Van Landuyt, Phillip Blondeel, Stan Monstrey, Accuracy of early burn depth assessment by laser Doppler imaging on different days post burn, Burns, Volume 35, Issue 1, 2009, Pages 36-45, ISSN 0305-4179. The above article was exploring laser doppler imaging as an objective technique to determine the depth of a burn wound and states "as has been demonstrated in several studies, a purely clinical, bedside evaluation of the burn depth in dermal burns is accurate only in about 50-75% of the cases."

2 Rise of the (Learning) Machines: An Interim Analysis Assessing Burn Wound Healing; Jeffrey E. Carter, MD, FACS, et.al., *https://clinicaltrials.gov/ct2/show/NCT05023135*.

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On September 12, 2023, the Company began trading its shares of the Company Common Stock and the Public Warrants on the Nasdaq Global Market (the "Nasdaq") under the symbols "MDAI" and "MDAIW", respectively.

The Business Combination was accounted for as a Delaware limited liability company, and certain holders, will either be terminated or no longer be effective, as applicable, reverse recapitalization in accordance with GAAP. Under the guidance in Accounting Standards Codification ("ASC") 805, Business Combinations, Rosecliff, which is the legal acquirer, has been treated as the "acquired" company for financial reporting purposes and the Company has been treated as the accounting acquirer. This determination was primarily based on the following:

(i) Legacy Spectral's former shareholders maintained a majority of the voting power of the Company;

(ii) Legacy Spectral's senior management comprises all of the senior management of the Company;

(iii) Legacy Spectral selected five of the six of the directors for the Board of Directors of the Company;

(iv) Legacy Spectral's relative size of assets and operations compared to Rosecliff; and

(v) Legacy Spectral's operations comprised the ongoing operations of the Company.

Accordingly, for accounting purposes, the Business Combination was treated as the equivalent of a capital transaction in which Legacy Spectral issued stock for the net assets of Rosecliff prior to the Closing. Upon the Closing, the net assets of Rosecliff are stated at fair value, with no goodwill or other intangible assets recorded. All historical financial information presented in the consolidated financial statements represents the accounts of Legacy Spectral at their respective terms. historical cost as if Legacy Spectral is the predecessor to the Company. Upon consummation of the Business Combination, Spectral AI has continued as an SEC-registered and Nasdaq-listed company. The consolidated financial statements following the Closing reflect the results of the Combined Company's operations.

Financial Operations Overview

Research and Development Revenue

To date we have not generated any revenues from the sale or license of our products. Our primary source of revenue is research and development revenue. Currently, we are highly dependent upon the reimbursements from BARDA for the burn diagnostic testing of our DeepView System and other U.S. government awards. Our research and development revenue is affected by the amount of research and development that is expended each month with respect to our contract with BARDA and other U.S. governmental contract awards, such as our grant under the MTEC Agreement which we earn based on the achievement of milestones. Our revenue growth is dependent upon a number of factors including expanding the research and development activities under the BARDA contract, research and development reimbursed expenses relating to other contract awards from U.S. governmental agencies and the intended future commercial sales of our DeepView System. See "Liquidity and Capital Resources" for additional information.

Cost of Revenue

Our cost of revenues consists primarily of direct and indirect costs associated with the research and development activities relating to the BARDA and MTEC contracts. Our cost of revenue is affected by the extent of research and development activities as well as expansion of work on other U.S. governmental projects and the expanded applications for our DeepView System.

Gross Profit

Gross profit may vary from period-to-period and is primarily affected by the current reimbursement rates under the BARDA contract and other U.S. governmental contract awards. These reimbursement rates are fixed under the BARDA contract. Under the BARDA contract our gross profit represents this reimbursement rate plus a fixed fee component relating to non-reimbursed expenses incurred in connection with the work completed. Under the other fixed fee U.S. governmental contract awards our gross profit corresponds to the achievement of pre-determined milestones.

Operating Expenses

Operating costs and expenses consist of general and administrative expenses. These expenses primarily relate to salaries and related costs of our organization's support and operations staff, consulting fees, rent, insurance and office expenses, and our non-revenue generating research and development expenses, primarily related to salaries and related costs and consulting fees.

Other Income (Expense)

Other income (expense) primarily consists of transaction costs, primarily related to the Business Combination, net interest income, change in fair value of warrant liabilities and foreign exchange transaction gains/losses. Historic foreign exchange transaction loss primarily relates to changes in the exchange rate between the U.S. dollar, the Euro and the British pound sterling for our deposit accounts that are denominated in British pound sterling. In addition, this amount includes costs associated with buying British pound sterling for payment of our employees and vendors in the UK.

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Key Operating and Financial Metrics

We regularly review a number of Contents metrics, including the following key operating and financial metrics, to evaluate our business, measure our performance, identify trends in our business, prepare financial projections and make strategic decisions. We believe the operating and financial metrics presented are useful in evaluating our operating performance, as they are similar to measures by our public competitors and are regularly used by security analysts, institutional investors, and other interested parties in analyzing operating performance and prospects. Adjusted EBITDA is a non-GAAP measure, as it is not a financial measure calculated in accordance with GAAP and should not be considered as a substitute for net (loss) income, calculated in accordance with GAAP. See "Non-GAAP Financial Measures" for additional information on adopted non-GAAP financial measures and a reconciliation of these non-GAAP measures to the most comparable GAAP measures.

Comparison of Years Ended December 31, 2023 and 2022

The Company intends following table summarizes these metrics for the years ended December 31, 2023 and 2022 (in thousands):

	Year Ended December 31,		
	2023	**2022**	**Change**
Research and development revenue	$ 18,056	$ 25,368	$ (7,312)
Gross profit	7,880	10,837	(2,957)
Gross margin	43.6%	42.7%	0.9%
Operating loss	(12,984)	(2,647)	(10,337)
Net loss	(20,854)	(2,912)	(17,942)
Adjusted EBITDA	(11,732)	(1,481)	(10,251)

See "Non-GAAP Financial Measures" below for a reconciliation of net loss to Adjusted EBITDA.

Research and Development Revenue

We define research and development revenue as revenue generated from the research, testing and development of our DeepView System as utilized in connection with our burn indication. This research and development revenue reflects applied research and experimental development costs relating to our burn application as developed in connection with our BARDA, MTEC and DHA contracts.

Gross Profit and Gross Margin

We define gross profit as research and development revenue, less cost of revenue, and define gross margin, expressed as a percentage, as the ratio of gross profit to revenue. Gross profit and gross margin can be used to understand our financial performance and efficiency and as we begin commercialization, it will allow investors to evaluate our pricing strategy and compare against our competitors. Our management uses these metrics to make strategic decisions, pricing decisions, identifying areas for improvement, set targets for future performance and make informed decisions about how to allocate resources going forward.

Adjusted EBITDA

We define adjusted earnings before interest, tax, depreciation and amortization ("Adjusted EBITDA") as net loss excluding income taxes, depreciation of property and equipment, net interest income, stock compensation, transaction costs and any non-operating financial income and expense. See "Non-GAAP Financial Measures" for a reconciliation of GAAP net loss to Adjusted EBITDA.

Key Factors that May Influence Future Results of Operations

Our financial results of operations may not be comparable from period to period due to several factors. Key factors affecting our results of operations are summarized below.

Revenue Sources. As a pre-commercialization company, we currently generate revenue almost exclusively from two U.S. governmental agencies. We are highly dependent upon the continuation of the existing U.S. governmental contract awards, as well as future governmental procurement or other awards. Our operating results may not be comparable between periods as the timing and amount of awards or procurements from the U.S. government may be inconsistent with the timing of prior awards and the phasing of the development study schedules may be different. Our revenues may continue to pursue be almost exclusively dependent upon the consummation terms of those awards.

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Gross Margin. When we begin commercial sales of the DeepView System, we may need to determine lower pricing and incentives to accelerate adoption and implementation of the DeepView System, which may negatively impact future revenue and gross margin percentages.

Managing our Supply Chain. We are reliant on contract manufacturers and suppliers to produce our components. While we have not been subject to any disruptions in our current limited production, we may be subject to component shortages, which may cause delays in critical components and inventory, longer lead times, increased costs and delays in product shipments. Our ability to grow depends, in part, on the ability of our contract manufacturers and suppliers to provide high quality services and deliver components and finished products on time and at reasonable costs. While we do not maintain sole-source suppliers, there is a Business Combination with an appropriate target. concentration of suppliers which could lead to supply shortages, long lead times for components and supply changes. In the event we are unable to mitigate the impact of delays and/or price increases in raw materials, electronic components and freight, it could delay the manufacturing and installation of our products, which would adversely impact our cash flows and results of operations, including revenue and gross margin.

Results of Operations

We have neither engaged in any

The following table summarizes of our results of operations nor generated any revenues to date. Our only activities for the period from November 17, 2020 (inception) through December 31, 2022 were organizational activities, those necessary to prepare years ended December 31, 2023 and 2022 (in thousands):

	Year Ended December 31,		
	2023	**2022**	**Change**
Research and development revenue	$ 18,056	$ 25,368	$ (7,312)
Cost of revenue	(10,176)	(14,531)	4,355
Gross profit	7,880	10,837	(2,957)
Operating costs and expenses:			
General and administrative	20,864	13,484	7,380
Total operating costs and expenses	20,864	13,484	7,380
Operating loss	(12,984)	(2,647)	(10,337)
Other income (expense):			
Net interest income	172	21	151
Change in fair value of warrant liability	335	57	278
Foreign exchange transaction loss	(24)	(237)	213
Transaction costs	(8,342)	-	(8,342)
Total other expense, net	(7,859)	(159)	(7,700)
Loss before income taxes	(20,843)	(2,806)	(18,037)
Income tax provision	(11)	(106)	95
Net loss	$ (20,854)	$ (2,912)	$ (17,942)

Research and development revenue

	Year Ended December 31,		Change in	
	2023	**2022**	**$**	**%**
Research and development revenue	$ 18,056	$ 25,368	$ (7,312)	(28.8)%

Research and development revenue was $18.1 million, for the Initial year ended December 31, 2023, a decrease of 28.8% compared to the comparable period in 2022, reflecting less activity as we completed work under the BARDA Burn II contact. Additionally, we initiated work on the BARDA PBS contract in the fourth quarter of 2023.

For the year ended December 31, 2023 and 2022, the Company's revenues disaggregated by the major sources was as follows:

	Year Ended December 31,		Change in	
	2023	**2022**	**$**	**%**
BARDA	$ 17,027	$ 24,827	$ (7,800)	(31.4)%
Other U.S. governmental authorities	1,029	541	488	90.2 %

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Total research and development revenue	$ 18,056	$ 25,368	$ (7,312)	(28.8)%

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Cost of Revenues and Gross Profit

	Year Ended December 31,		Change in	
	2023	2022	$	%
Cost of revenue	$ 10,176	$ 14,531	$ (4,355)	(30.0)%
Gross profit	7,880	10,837	(2,957)	(27.3)%
Gross margin	43.6%	42.7%		

Cost of revenue for the year ended December 31, 2023 was $10.2 million, a decrease of 30.0% compared to the comparable period in 2022, due to decreased activity to fulfill our U.S. governmental contracts, consistent with decreased research and development revenue.

Gross margin for the year ended December 31, 2023 was 43.6%, an increase of 0.9% as compared to the comparable period in 2022. The reimbursement rate under the BARDA PBS Contract, executed in September 2023, is higher than the rate in the BARDA Burn II contact.

General and Administrative Expense

	Year Ended December 31,		Change in	
	2023	2022	$	%
General and administrative expense	$ 20,864	$ 13,484	$ 7,380	54.7%

General and administrative expense was $20.9 million, for the year ended December 31, 2023, an increase of 54.7% as compared to the comparable period in 2022. The increase reflects. our headcount growth from 71 employees as of December 31, 2022 to 78 full-time employees as of December 31, 2023. Increased personnel cost in general and administrative expense was approximately $3.8 million for the year ended December 31, 2023. Additionally, non-revenue generating research and development activities, primarily related to salaries and related costs and consulting fees, have increased by approximately $3.3 million for the year ended December 31, 2023 compared to the comparable period in 2022.

Other income (expense)

	Year Ended December 31,		Change in
	2023	2022	$
Net interest income	$ 172	$ 21	$ 151
Change in fair value of warrant liability	335	57	278
Foreign exchange transaction loss	(24)	(237)	213
Transaction costs	(8,342)	-	(8,342)
Total other expense, net	$ (7,859)	$ (159)	$ (7,700)

Net interest income for the year ended December 31, 2023 primarily relates to cash interest received by us from our deposit accounts.

Change in fair value of warrant liability increased by approximately $0.3 million for the year ended December 31, 2023 as compared to the comparable period in 2022. The decrease reflects changes in the fair value of the Public Offering, described below, Warrants from the closing of the Business Combination in September 2023.

Foreign exchange transaction loss for year ended December 31, 2023 is immaterial due to lower balances in our deposit accounts and identifying a target company accounts payable denominated in British pound sterling and less fluctuation in the exchange rate between the U.S. dollar and the British pound sterling. Foreign exchange transaction loss for a Business Combination. We do not expect the year ended December 31, 2022 relates to generate any operating revenues until after the completion decreased exchange rate between the U.S. dollar and the British pound sterling during 2022 for our deposit accounts that are denominated in British pound sterling. In addition, this amount includes costs associated with buying British pound sterling for payment of our employees and vendors in the UK.

Transaction costs for the year ended December 31, 2023 primarily relate to non-recurring legal, accounting, and consulting costs expended for the Business Combination.

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Non-GAAP Financial Measures

We generate use Adjusted EBITDA as a non-GAAP metric when measuring performance, including when measuring current period results against prior periods' Adjusted EBITDA. This non-GAAP financial measure should be considered in addition to results prepared in accordance with GAAP and should not be considered as a substitute for, or superior to, GAAP results. In addition, Adjusted EBITDA should not be construed as an indicator of our operating performance, liquidity or cash flows generated by operating, investing and financing activities, as there may be significant factors or trends that it fails to address.

Because of their non-standardized definitions, non-GAAP measures (unlike GAAP measures) may not be comparable to the calculation of similar measures of other companies. We caution investors that non-GAAP financial information, by its nature, departs from traditional accounting conventions. Supplemental non-GAAP measures are presented solely to permit investors to more fully understand how Spectral AI's management assesses underlying performance.

Adjusted EBITDA

We define Adjusted EBITDA as net loss excluding income taxes, depreciation of property and equipment, net interest income, stock compensation, transaction costs and any non-operating financial income and expense.

The following table presents our Adjusted EBITDA for the years ended December 31, 2023 and 2022 (in thousands):

	Year Ended December 31,	
	2023	**2022**
Net loss	$ (20,854)	$ (2,912)
Adjust:		
Depreciation expense	9	11
Provision for income taxes	13	106
Net interest income	(172)	(21)
EBITDA	**(20,789)**	**(2,816)**
Additional adjustments:		
Stock-based compensation	1,243	1,155
Change in fair value of warrant liability	(335)	(57)
Foreign exchange transaction loss	24	237
Transaction costs	8,342	-
Adjusted EBITDA	**$ (11,732)**	**$ (1,481)**

Liquidity and Capital Resources

Sources of Liquidity

As of December 31, 2023 we had approximately $4.8 million in cash, notes payable of $0.4 million and no long-term debt. We had an accumulated deficit of approximately $32.8 million. Additionally, on December 26, 2023, we entered into a Common Stock Purchase Agreement and related Registration Rights Agreement with B. Riley Principal Capital II, LLC. Upon the terms and subject to the satisfaction of the conditions set forth in the Common Stock Purchase Agreement, the Company has the right, in our sole discretion, to sell to B. Riley Capital II up to $10.0 million in aggregate gross purchase price of newly issued shares of the Company's Common Stock (the "ELOC"). On March 20, 2024, the Company also entered into a Standby Equity Purchase Agreement ("SEPA") with YA II PN, LTD, a Cayman Islands exempt limited partnership ("Yorkville") pursuant to which the Company has the right to sell to Yorkville up to $30.0 million of its shares of Common Stock, subject to certain limitations and conditions set forth in the SEPA. In connection with the SEPA, and subject to the conditions set forth therein, Yorkville has agreed to advance to the Company in the form of interest income convertible promissory notes an aggregate principal amount of up to $12.5 million (the "Pre-Paid Advance"), which will be paid in three tranches. The first Pre-Paid Advance was disbursed on marketable securities held March 20, 2024 in the Trust Account. amount of $5.0 million with a fixed conversion price of $3.16, the second Pre-Paid Advance shall be in a principal amount of $5.0 million and advanced after the earlier of the registration statement registering the resale of the shares of Common Stock issuable under the SEPA being declared effective and or shareholder approval to exceed the 19.99% threshold of the aggregate number of shares of Common Stock issued pursuant to the SEPA (the "Exchange Cap") (the "Second Pre-Advance Closing"), and the third Pre-Paid Advance shall be in a principal amount of $2.5 million and advanced sixty days following the Second Pre-Advance Closing. The Company is authorized to drawdown an additional $3.0 million from the ELOC prior to utilizing the SEPA.

We have historically funded our operations through the issuance of notes and the sale of preferred stock and common stock, along with payments under governmental contracts for research and development activity.

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The new PBS BARDA Contract, executed in September 2023, has a total value of up to approximately $150.0 million if all future options are executed. The base phase of the PBS BARDA Contract, valued at $54.9 million, was exercised concurrently with the contract award in September 2023. To date, our total potential support from BARDA is nearly $251.0 million for our 2013, 2019, and 2023 awards. In April 2023, we received a $4.0 million grant under the MTEC Agreement. See "*Research and Development Revenue*" above. With the PBS BARDA Contract, the ELOC and funding available through the SEPA, the Company believes it will have sufficient working capital to fund operations for at least one year beyond the release date of the consolidated financial statements.

Our future capital requirements will depend on many factors, including the revenue growth rate, the success of future product development and capital investment required, and the timing and extent of spending to support further sales and marketing and research and development efforts. In addition, we expect to incur expenses additional costs as a result of being operating as a U.S. public company (for legal, company. There can be no assurance that we will be successful in raising any additional capital. If additional financing is required from outside sources, we cannot be sure that any additional financing will be available to us on acceptable terms, if at all. If we are unable to raise additional capital when desired, our business, operating results, and financial reporting, accounting and auditing compliance), as well as condition could be adversely affected.

Cash Flows

The following table summarizes our cash flows for due diligence expenses.

For the year ended December 31, 2022, we had a net income of $11,039,074, which consists of change December 31, 2023 and 2022 (in thousands):

	Year Ended December 31,	
	2023	**2022**
Net cash used in operating activities	$ (13,240)	$ (1,162)
Net cash provided by (used in) financing activities	3,844	(785)

Cash Flows Used in fair value of warrants of $9,748,442 and interest earned on investment held in Trust Account of $3,155,965, offset by formation and operating costs of $1,251,036 and provision for income tax of $614,297. Operating Activities

For the year ended December 31, 2021, we had a net loss of $2,148,278, which consists of formation and operating costs of $3,420,593 and transaction costs allocated to warrant liability of $438,283, offset by change in fair value of warrants of $1,683,358 and interest earned on investment held in Trust Account of $27,240.

Liquidity, Capital Resources and Going Concern

On February 17, 2021, we consummated the Initial Public Offering of 25,300,000 Units at $10.00 per Unit, generating gross proceeds of $253,000,000 which is described in Note 3. Simultaneously with the closing of the Initial Public Offering, the Company consummated the sale of 4,706,667 Private Placement Warrant at a price of $1.50 per Private Placement Warrant in a private placement to the Sponsor, generating gross proceeds of $7,060,000, which is described in Note 4.

For the year ended December 31, 2022,

Net cash used in operating activities was $1,018,990. Net income of $11,039,074 was affected increased by change in fair value of warrants of $9,748,442 and interest earned on investment held in the Trust Account of $3,155,965. Changes in operating assets and liabilities provided $846,343 of cash approximately $12.1 million for operating activities.

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For the year ended December 31, 2021 December 31, 2023, as compared to the year ended December 31, 2022 primarily driven by (a) increased spending on general and administrative expenses of approximately $3.6 million for our increased staff and approximately $3.3 million for our higher non-revenue generating research and development costs, (b) decreased gross profit of approximately $2.7 million from less research and development work performed pursuant to the BARDA Burn II contract as clinical trials under this contract were nearing completion, partially offset by cash used receipts in operating activities was $825,593. Net loss excess of $2,148,278 was affected by cash payments, and (c) cash paid for transaction costs associated with Initial Public Offering for the Business Combination of $438,283, change in fair value $0.8 million.

Cash Flows Provided by (Used in) Financing Activities

Net cash provided by financing activities increased approximately $4.6 million for the year ended December 31, 2023 compared to the year ended December 31, 2022. This was primarily attributable to the proceeds of warrants of $1,683,358 $3.4 million from the Equity Raise and interest earned on investment held in operating cash received upon the Trust Account of $27,240. Changes in operating assets and liabilities provided $2,595,000 of cash for operating activities.

As of December 31, 2022, we had U.S. Treasury Funds held in the Trust Account of $4,626,107 consisting of fixed income securities. Interest income on the balance in the Trust Account may be used by us to pay taxes. As of December 31, 2022, the Company withdrew an amount of $1,034,596 in the Trust Account to pay tax obligations and redemption. On December 21, 2022, the Stockholders elected to redeem an aggregate of 24,841,284 shares of Class A common stock, representing approximately 98.2% Closing of the issued and outstanding shares of Class A common stock. We intend to use substantially all of the funds held in the Trust Account, including any amounts representing interest earned on the Trust Account (less income taxes payable), to complete our Business Combination. To the extent that our capital stock or debt is used, in whole or in part, as consideration to complete our Business Combination the remaining proceeds held in the Trust Account will be used as working capital to finance the operations of the target business or businesses, make other acquisitions and pursue our growth strategies. $0.7 million.

Current Indebtedness

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As of December 31, 2022, the Company had $785,038 in its operating bank account and

In September 2023, we entered into a working capital deficit of $2,847,001. We intend to use the funds held outside the Trust Account primarily to identify and evaluate target businesses, perform business due diligence on prospective target businesses, travel to and from the offices, plants or similar locations of prospective target businesses or their representatives or owners, review corporate documents and material agreements of prospective target businesses, and structure, negotiate and complete a Business Combination.

In order to fund working capital deficiencies or finance transaction costs in connection with a Business Combination, the Sponsor, or certain of our officers and directors or their affiliates may, but are not obligated to, loan us funds as may be required. If we complete a Business Combination, we will repay such loaned amounts. In the event that a Business Combination does not close, we may use financing arrangement for a portion of our insurance premium for approximately $0.6 million (the "Note"). The Note bears interest at 8.6% per annum and is payable in equal monthly payments of principal and interest, maturing in June 2024. As of December 31, 2023, we owed $0.4 million for the working capital held outside Note.

Related Party Transactions

For the Trust Account to repay such loaned amounts but no proceeds from our Trust Account would be used for such repayment. Up to $1,500,000 of such loans may be convertible into Units at a price of $10.00 per unit, at the option of the lender. The Units would be identical to the Private Placement Warrants.

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In connection with the Company's assessment of going concern considerations in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 205-40, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern," the Company has until the Expiration Date to consummate a Business Combination. It is uncertain that the Company will be able to consummate a Business Combination by this time. Additionally, the Company may ***years ended December 31, 2023 and 2022, we did not have*** ***sufficient liquidity to fund the working capital needs of the Company through one year from the issuance of these financial statements. If a Business Combination is not consummated by this date, there will be a mandatory liquidation and subsequent dissolution of the Company. Management has determined that the liquidity condition and mandatory liquidation, should a Business Combination not occur, and potential subsequent dissolution, raises substantial doubt about the Company's ability to continue as a going concern. No adjustments have been made to the carrying amounts of assets or liabilities that might result from the outcome of this uncertainty. The Company intends to complete a Business Combination before the mandatory liquidation date. However, there can be no assurance that the Company will be able to consummate*** ***any*** ***Business Combination by the Expiration Date. In addition, the Company may need to raise additional capital through loans or additional investments from its Sponsor, stockholders, officers, directors or third*** ***transactions with related*** ***parties.*** ***The Company's officers, directors and Sponsor may, but are not obligated to, loan the Company funds, from time to time or at any time, in whatever amount they deem reasonable in their sole discretion, to meet the Company's working capital needs. Accordingly, the Company may not be able to obtain additional financing. If the Company is unable to raise additional capital, the Company may be required to take additional measures to conserve liquidity, which could include, but not necessarily be limited to, curtailing operations, suspending the pursuit of a potential transaction, and reducing overhead expenses. The Company cannot provide any assurance that new financing will be available to it on commercially acceptable terms, if at all. These conditions raise substantial doubt about the Company's ability to continue as a going concern through the Expiration Date.***

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in above to the financial statements, if the Company is unable to raise additional funds to alleviate liquidity needs as well as complete a Business Combination by the close of business on the Expiration Date, then the Company will cease all operations except for the purpose of liquidating. This date for mandatory liquidation and subsequent dissolution raises substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Off-Balance Sheet Financing Arrangements

We

During the periods presented, we did not have no obligations, assets or liabilities, which would be considered any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of December 31, 2022. We do not participate in transactions that create relationships with unconsolidated entities or financial partnerships, often referred to as variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements. We have not entered into any off-balance sheet financing arrangements, established any special purpose entities, guaranteed any debt or commitments of other entities, or purchased any non-financial assets. SEC Regulation S-K.

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Contractual Obligations

We do not have any long-term debt, capital lease obligations, operating lease obligations or long-term liabilities, other than an agreement to pay an affiliate of one of our executive officers a monthly fee of $10,000 for office space, support and administrative services. We began incurring these fees on February 11, 2021 and will continue to incur these fees monthly until the earlier of the completion of the Business Combination and our liquidation.

The underwriters are entitled to a deferred fee of $0.35 per Unit, or $8,855,000 in the aggregate. The deferred fee will become payable to the underwriters from the amounts held in the Trust Account solely in the event that the Company completes a Business Combination, subject to the terms of the underwriting agreement.

Critical Accounting Policies

There have been no material changes to the Company's critical accounting policies and estimates discussed in Legacy Spectral's Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies for the years ended December 31, 2022 and 2021 included in the Prospectus.

The

Our significant accounting policies are described in more detail in Note 2 to our audited consolidated financial statements included elsewhere in this Annual Report. We believe that the following accounting policies are those most critical to the judgments and estimates used in the preparation of our consolidated financial statements.

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Accrued Research and Development Expenses

As part of the process of preparing our consolidated financial statements, we are required to estimate our accrued research and related disclosures development expenses as of each balance sheet date. This process involves reviewing open contracts and purchase orders, communicating with our applicable personnel to identify services that have been performed on our behalf and estimating the level of service performed and the associated cost incurred for the service when we have not yet been invoiced or otherwise notified of actual costs. The majority of our service providers invoice us in conformity with U.S. GAAP requires management to arrears for services performed, on a pre-determined schedule or when contractual milestones are met; however, some require advance payments. We make estimates of our accrued expenses as of each balance sheet date in the consolidated financial statements based on facts and assumptions circumstances known to us at that affect time. We periodically confirm the reported amounts accuracy of assets the estimates with the service providers and liabilities, disclosure make adjustments if necessary.

Determination of contingent assets the Fair Value of Equity-Based Awards

We measure stock options and liabilities at other stock-based awards granted to directors, employees, and non-employees based on their fair value on the date of the grant and recognize the corresponding compensation expense of those awards over the requisite service period, which is generally the vesting period of the respective award. We have only issued stock options, restricted stock awards and restricted stock units with time-based vesting conditions and record the expense for these awards using the ratable method. We determine the fair value of restricted stock awards granted based on the fair value of our common stock. We estimate the fair value of stock option awards granted using the Black-Scholes option-pricing model, which uses as inputs the fair value of our common stock and subjective assumptions we make, including the expected stock price volatility, the expected term of the award, the risk-free interest rate and expected dividends.

Due to insufficient trade history of our common stock, we are unable to estimate the future volatility of our share price and instead estimate our expected volatility from the historical volatility of a representative group of publicly traded companies for which historical information is available. The historical volatility is generally calculated based on a period of time commensurate with the expected term assumption. We use the simplified method to calculate the expected term for options granted to employees and directors, which is based on the average of the time-to-vesting and the contractual life of the options. We utilize this method as we do not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term. For grants to non-employees, ASU 2018-07 allows entities to use the expected term to measure non-employee options or elect to use the contractual term as the expected term, on an award-by-award basis. The risk-free interest rate is based on a U.S. treasury instrument whose term is consistent with the expected term of the stock options. The expected dividend yield is assumed to be zero as we have never paid dividends and do not have current plans to pay any dividends on our common stock.

See Note 11 to our audited consolidated financial statements and income and expenses during included elsewhere in this Annual Report for information concerning certain of the periods reported. Actual results could materially differ from those estimates. We have identified specific assumptions we used in applying the following critical accounting estimates:

Warrant Liabilities

We do not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. We evaluate all of our financial instruments, including issued stock purchase warrants, Black-Scholes option pricing model to determine if such instruments are derivatives or contain features that qualify as embedded derivatives, pursuant to Accounting Standards Codification ("ASC") 480 and ASC 815. The Company accounts for warrants in accordance with the guidance in ASC 480 and ASC 815 and determined that the Warrants do not meet the criteria for equity treatment thereunder. The assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the Company's own common stock, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period end date while the warrants are outstanding.

Accordingly, the Company recognizes the 8,433,333 Public Warrants and 4,706,667 Private Placement Warrants as liabilities at fair value and adjusts the instruments to fair value at each reporting period. The liabilities are subject to re-measurement at each balance sheet date until exercised, and any change in fair value is recognized in the Company's statements of operations. The estimated fair value of our stock options granted in the Public Warrants was measured at fair value using a binomial lattice model incorporating the Cox-Ross-Rubenstein methodology. years ended December 31, 2023 and 2022.

Recent Accounting Pronouncements

The measurement

See Note 2, Summary of Significant Accounting Policies, of the Public Warrants notes to our consolidated financial statements included elsewhere in this Form 10-K for recently adopted accounting standards and recently issued accounting standards as of the dates of the statement of financial position included in this Form 10-K.

Emerging Growth Company and Smaller Reporting Company Status

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). The JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This provision allows an emerging growth company to delay the adoption of some accounting standards until those standards would otherwise apply to private companies. We have elected to use the extended transition period under the JOBS Act for the adoption of certain accounting standards until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively

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and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply more promptly with new or revised accounting pronouncements as of public company effective dates.

In addition, as an emerging growth company, we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable generally to public companies. These provisions include:

- being permitted to present only two years of audited consolidated financial statements in addition to any required unaudited interim consolidated financial statements, with correspondingly reduced disclosure in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations";
- an exception from compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended;

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- reduced disclosure about our executive compensation arrangements in our periodic reports, proxy statements and registration statements;
- exemptions from the requirements of holding non-binding advisory votes on executive compensation or golden parachute arrangements; and

We may take advantage of these provisions until the last day of the fiscal year ending after the separation fifth anniversary of Rosecliff's initial public offering or such earlier time that we no longer qualify as an emerging growth company. We will cease to qualify as an emerging growth company on the date that is the earliest of: (i) December 31, 2026; (ii) the last day of the Public Warrants from fiscal year in which we have more than $1.235 billion in total annual gross revenues; (iii) the Units is classified as Level 1 due date on which we are deemed to be a "large accelerated filer" under the use of an observable market quote in an active market. For periods subsequent to the separation rules of the Public Warrants from SEC, which means the Units, the closing price market value of the Public Warrant was used as the fair value for the warrants as of each relevant date. At December 31, 2021, the Private Placement Warrants transferred to Level 2 due to the use of an observable market quote for a similar asset in an active market (See Notes 8 and 10).

Class A Common Stock Subject to Possible Redemption

We account for our Class A common stock subject to possible redemption in accordance with the guidance in ASC Topic 480. Shares of Class A common stock subject to mandatory redemption are classified as a liability instrument and are measured at fair value. Conditionally redeemable common stock (including common stock that features redemption rights is held by non-affiliates exceeds $700.0 million as of the prior June 30th and we have been a public company for at least 12 months and have filed one annual report on Form 10-K; or (iv) the date on which we have issued more than $1.0 billion of non-convertible debt over the prior three-year period. We may choose to take advantage of some but not all of these reduced reporting burdens. Accordingly, the information contained herein may be different than you might obtain from other public companies in which you hold equity interests.

We are also a "smaller reporting company." If we are a smaller reporting company at the time we cease to be an emerging growth company, we may continue to rely on exemptions from certain disclosure requirements that are either within the control of the holder or subject available to redemption upon the occurrence of uncertain events not solely within our control) is classified smaller reporting companies. Specifically, as temporary equity. At all other times, common stock is classified as stockholders' equity. Our Class A common stock features certain redemption rights that are considered a smaller reporting company, we may choose to be outside of our control and subject to occurrence of uncertain future events. Accordingly, 25,300,000 shares of Class A common stock subject to possible redemption are presented as temporary equity, outside of the stockholders' deficit section of our balance sheets.

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Net Income (Loss) per Common Share

The Company complies with accounting and disclosure requirements of FASB ASC Topic 260, "Earnings Per Share." The Company has two classes of common stock, which are referred to as Class A common stock and Class B common stock. Income and losses are shared pro rata between present only the two classes of stock. Net income (loss) per common share is calculated by dividing the net income by the weighted average shares of common stock outstanding for the respective period. Accretion associated with the redeemable shares of Class A common stock is excluded from earnings per share as the redemption value approximates fair value.

Recent Accounting Pronouncements

In August 2020, the FASB issued ASU 2020-06, "Debt—Debt with Conversion and Other Options (Subtopic 470-20)", which simplifies accounting for convertible instruments by removing major separation models required under current U.S. GAAP. ASU 2020-06 removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, and it also simplifies the diluted earnings per share calculation in certain areas. ASU 2020-06 is effective for most recent fiscal years beginning after December 15, 2023, including interim periods within those fiscal years, with early adoption permitted. We are currently assessing the impact, if any, that ASU 2020-06 would of audited consolidated financial statements in our Annual Report and, similar to emerging growth companies, smaller reporting companies have on our financial position, results of operations or cash flows. The Company has not adopted this guidance as of December 31, 2022. reduced disclosure obligations regarding executive compensation.

Management does not believe that any other recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on our financial statements.

Item 7.A. Quantitative and Qualitative Disclosures about Market Risk

Item 7.A. Quantitative and Qualitative Disclosures about Market Risk

Not required for smaller reporting companies.

Item Item 8. Financial Statements and Supplementary Data

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8. The financial statements required to be filed pursuant to this Item 8 are appended to this Annual Report on Form 10-K. An index of those financial statements is found in Item 15, Exhibits and Financial Statement Schedules, of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9.A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of the end of the period covered by this Annual Report on Form 10-K. Based on management's evaluation as of the year ended December 31, 2023, our Chief Executive Officer and Chief Financial Officer have concluded that, as a result of the material weaknesses in our internal control over financial reporting as described below and in Part II, Item 1A. Risk Factors, our disclosure controls and procedures were not effective as of December 31, 2023. In connection with the preparation of our consolidated financial statements for the year ended December 31, 2023, we identified material weaknesses in: (i) lack of communication within management and internal departments regarding complex and unusual arrangements. This resulted in communication failures of relevant facts necessary for the accounting group to properly conclude and apply the required accounting treatment of certain stock transactions; (ii) the Company did not maintain adequately designed controls to ensure the proper recording of operating expenses, related accruals and unbilled revenue in the correct period. As a result, certain control activities in the accrual and unbilled revenue processes were not designed and implemented effectively; and (iii) our financial statement close process controls which relate to all financial statement accounts, did not consistently operate effectively or lacked appropriate evidence, to ensure account reconciliations, transactions, and journal entries were performed or reviewed at the appropriate level of precision and on a timely basis. These control deficiencies could result in a material misstatement of our accounts or disclosures that would not be prevented or detected on a timely basis, and accordingly, we determined that these control deficiencies in aggregate constitute a material weakness.

Notwithstanding the identified material weaknesses, our management believes that the condensed consolidated financial statements included in this Annual Report on Form 10-K fairly present, in all material respects, our financial condition, results of operations and cash flows as of and for the periods presented in accordance with U.S. GAAP.

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Remediation Plan for Material Weaknesses

Remediation generally requires making changes to how controls are designed and implemented and then adhering to those changes for a sufficient period of time such that the effectiveness of those changes is demonstrated with an appropriate amount of consistency. In response to the material weaknesses, we implemented, and are continuing to implement, measures designed to improve our internal control over financial reporting. These efforts include:

- engaging a professional accounting services firm to help us assess and commence documentation of our internal controls for complying with the Sarbanes-Oxley Act of 2002;

- strengthening, formalizing, documenting and testing accounting processes and internal controls, specifically regarding accrued expenses and contract reviews and improving the information flow throughout the organization to allow for timely communication of new agreements and transactions;
- enhancing functionality of our enterprise resource planning system to support certain key financial processes and controls and enforce certain segregation of duties through automation and approval workflows.

The measures we are implementing are subject to continued management review supported by confirmation and testing, as well as audit committee oversight. Management and the Audit Committee remain committed to the implementation of remediation efforts to address the material weaknesses. We will continue to implement measures to remedy our internal control deficiencies, though there can be no assurance that our efforts will be successful or avoid potential future material weaknesses. In addition, until remediation steps have been completed and are operated for a sufficient period of time, and subsequent evaluation of their effectiveness is completed, the material weaknesses previously disclosed, and as described above, will continue to exist.

Management's Annual Report on Internal Control over Financial Reporting

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2023. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, in Internal Control-Integrated 2013 Framework.

Based on this assessment, our management concluded that, as of December 31, 2023, our internal control over financial reporting was not effective at the reasonable assurance level, due to the material weaknesses outlined above.

We believe progress was made in 2023 to enhance and strengthen our internal control over financial reporting. The measures we are implementing are subject to continued management review supported by confirmation and testing, as well as audit committee oversight. Management remains committed to remediating these material weaknesses. We will continue to implement measures to remedy our internal control deficiencies, though there can be no assurance that our efforts will be successful or avoid potential future material weaknesses.

This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm on internal control over financial reporting due to an exemption established by the JOBS Act for "emerging growth companies."

Changes in Internal Control over Financial Reporting

Except for the remediation efforts in connection with the material weaknesses described above, there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the fourth quarter of the year ended December 31, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9.B. Other Information.

None.

Item 9.C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspection.

Not Applicable.

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PART III.

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this Item 10 is set forth under the captions “Executive Officers of the Registrant”, “Proposal No. 1 – Election of Directors” and “Board of Directors and Committees” in our Definitive Proxy Statement with respect to our 2024 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 11. Executive Compensation.

As an “emerging growth company” as defined in the JOBS Act, we are not required to include a Compensation Discussion and Analysis section and have opted to comply with the scaled disclosure requirements applicable to emerging growth companies.

The information required by this Item 11 is set forth under the caption “Executive Officer and Director Compensation” in our Definitive Proxy Statement with respect to our 2024 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this Item 12 is set forth under the captions “Share Ownership” and “Outstanding Equity Awards at Fiscal Year End 2023” in our Definitive Proxy Statement with respect to our 2024 Annual Meeting of Stockholders and is incorporated by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this Item 13 is set forth under the captions “Certain Relationships and Related Transactions” and “Board of Directors and Committees” in our Definitive Proxy Statement with respect to our 2024 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

The information required by this Item 14 will be set forth under the caption “Proposal No. 3: Ratification of Independent Registered Public Accounting Firm” in our Definitive Proxy Statement with respect to our 2024 Annual Meeting of Stockholders and is incorporated herein by reference.

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PART IV.

Item 15. Exhibits, Financial Statement Schedules.

(a) The following documents are filed as part of this Annual Report on Form 10-K:

SPECTRAL AI, INC.
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KPMG LLP
Suite 1400
2323 Ross Avenue
Dallas, TX 75201-2721

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of
Spectral AI, Inc.:
Rosecliff Acquisition Corp I

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Rosecliff Acquisition Corp. I Spectral AI, Inc. and subsidiaries (the "Company") Company) as of December 31, 2022 December 31, 2023 and 2021, 2022, the related consolidated statements of operations and comprehensive loss, changes in stockholders' deficit equity (deficit), and cash flows for each of the years then in the two-year period ended December 31, 2023, and the related notes (collectively, referred to as the "financial statements") consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 December 31, 2023 and 2021, 2022, and the results of its operations and its cash flows for each of the years then in the two-year period ended December 31, 2023, in conformity with accounting principles U.S. generally accepted in the United States of America. accounting principles.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, if the Company is unable to raise additional funds to alleviate liquidity needs and complete a business combination by February 17, 2024 then the Company will cease all operations except for the purpose of liquidating. The liquidity condition and date for mandatory liquidation and subsequent dissolution raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") (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 audits audit to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ WithumSmith+Brown, PC

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We have served as the Company's auditor since 2020. 2021.
Dallas, Texas
March 29, 2024

New York , New York

March 31, 2023

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ROSECLIFF ACQUISITION CORP I
SPECTRAL AI, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	December 31,	
	2022	*2021*
ASSETS		
Current assets		
Cash	***$ 785,038***	***$ 769,432***
Prepaid expenses	***153,575***	***313,125***
Total current assets	***938,613***	***1,082,557***
Investments and cash held in Trust Account	***4,626,107***	***253,027,240***
TOTAL ASSETS	***$ 5,564,720***	***$ 254,109,797***
LIABILITIES, CLASS A COMMON STOCK SUBJECT TO POSSIBLE REDEMPTION, AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accrued expenses	***$ 3,352,296***	***$ 2,908,800***
Accrued offering costs	***—***	***12,000***
Income taxes payable	***255,297***	***—***
Due to Sponsor	***16,152***	***16,152***
Total current liabilities	***3,623,745***	***2,936,952***
Warrant liabilities	***394,200***	***10,142,642***
Deferred underwriting fee payable	***8,855,000***	***8,855,000***
TOTAL LIABILITIES	***12,872,945***	***21,934,594***
COMMITMENTS AND CONTINGENCIES		
Class A common stock subject to possible redemption: 458,716 and 25,300,000 shares at approximately $10.44 and $10.00 per share redemption value at December 31, 2022 and 2021, respectively	***4,787,977***	***253,000,000***
STOCKHOLDERS' DEFICIT		
Preferred stock, $0.0001 par value; 1,000,000 shares authorized; none issued and outstanding	***—***	***—***

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Class A common stock, $0.0001 par value; 80,000,000 shares authorized, none outstanding (less 458,716 and 25,300,000 shares subject to possible redemption at December 31, 2022 and 2021, respectively)	—	—
Class B common stock, $0.0001 par value; 20,000,000 shares authorized; 6,325,000 shares issued and outstanding at December 31, 2022 and 2021	*633*	*633*
Additional paid-in capital	—	—
Accumulated deficit	*(12,096,835)*	*(20,825,430)*
TOTAL STOCKHOLDERS' DEFICIT	*(12,096,202)*	*(20,824,797)*
TOTAL LIABILITIES, CLASS A COMMON STOCK SUBJECT TO POSSIBLE REDEMPTION, AND STOCKHOLDERS' DEFICIT	*$ 5,564,720*	*$ 254,109,797*

	December 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash	$ 4,790	$ 14,174
Accounts receivable, net	2,346	2,294
Inventory	230	-
Unbilled revenue	-	618
Deferred offering costs	283	-
Prepaid expenses	1,452	331
Other current assets	801	270
Total current assets	9,902	17,687
Non-current assets:		
Property and equipment, net	12	21
Right-of-use assets	778	1,008
Total Assets	$ 10,692	$ 18,716
Commitments and contingencies (Note 8)		
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	$ 2,683	$ 2,759
Accrued expenses	4,300	2,631
Deferred revenue	2,311	-
Lease liabilities, short-term	853	680
Notes payable	436	175
Warrant liabilities	1,818	129
Total current liabilities	12,401	6,374
Lease liabilities, long-term	-	346
Total Liabilities	12,401	6,720
Stockholders' Equity (Deficit)		
Preferred stock ($0.0001 par value); 1,000,000 shares authorized; no shares issued and outstanding as of December 31, 2023 and December 31, 2022	-	-
Common stock ($0.0001 par value); 80,000,000 shares authorized; 16,294,935 and 13,170,148 shares issued and outstanding as of December 31, 2023 and December 31, 2022, respectively	2	1
Additional paid-in capital	31,065	23,929
Accumulated other comprehensive income	12	-
Accumulated deficit	(32,788)	(11,934)

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Total Stockholders' Equity (Deficit)	(1,709)	11,996
Total Liabilities and Stockholders' Equity (Deficit)	$ 10,692	$ 18,716

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

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ROSECLIFF ACQUISITION CORP I

SPECTRAL AI, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except share and per share data)

	For the Years Ended December 31,	
	2022	*2021*
General and administrative expenses	*$ 1,251,036*	*$ 3,420,593*
Loss from operations	*(1,251,036)*	*(3,420,593)*
Other income (expense):		
Change in fair value of warrants	*9,748,442*	*1,683,358*
Transaction costs allocated to warrant liabilities	*—*	*(438,283)*
Interest earned on investment held in Trust Account	*3,155,965*	*27,240*
Total other income (expense), net	*12,904,407*	*1,272,315*
Income (loss) before provision for income taxes	*11,653,371*	*(2,148,278)*
Provision for income taxes (expense)	*(614,297)*	*—*
Net income (loss)	*$ 11,039,074*	*$ (2,148,278)*
Weighted average shares outstanding, Class A common stock	*25,095,264*	*21,972,877*
Basic and diluted net income (loss) per share, Class A common stock	*$ 0.35*	*$ (0.08)*
Weighted average shares outstanding, Class B common stock	*6,325,000*	*6,216,507*
Basic and diluted net income (loss) per share, Class B common stock	*$ 0.35*	*$ (0.08)*

	Year Ended December 31,	
	2023	**2022**
Research and development revenue	$ 18,056	$ 25,368
Cost of revenue	(10,176)	(14,531)
Gross profit	7,880	10,837
Operating costs and expenses:		
General and administrative	20,864	13,484
Total operating costs and expenses	20,864	13,484
Operating loss	(12,984)	(2,647)
Other income (expense):		
Net interest income	172	21
Change in fair value of warrant liability	335	57
Foreign exchange transaction loss, net	(24)	(237)

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Transaction costs	(8,342)	-
Total other expense, net	(7,859)	(159)
Loss before income taxes	(20,843)	(2,806)
Income tax provision	(11)	(106)
Net loss	$ (20,854)	$ (2,912)
Net loss per share of common stock		
Basic and Diluted	$ (1.48)	$ (0.22)
Weighted-average common shares outstanding		
Basic and Diluted	14,087,586	13,136,965
Other comprehensive income:		
Foreign currency translation adjustments	$ 12	$ -
Total comprehensive loss	$ (20,842)	$ (2,912)

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

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ROSECLIFF ACQUISITION CORP I
SPECTRAL AI, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
EQUITY (DEFICIT)

	Class A Common Stock		Class B (1) Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Deficit
Balance – December 31, 2020	—	$ —	6,325,000	$ 633	$ 24,367	$ (675)	$ 24,325
Cash paid in excess of fair value of Private Placement warrants	—	—	—	—	2,824,000	—	2,824,000
Accretion of Class A common stock to redemption amount	—	—	—	—	(2,848,367)	(18,676,477)	(21,524,844)
Net loss	—	—	—	—	—	(2,148,278)	(2,148,278)
Balance – December 31, 2021	—	—	6,325,000	633	—	(20,825,430)	(20,824,797)
Accretion of Class A common stock to redemption amount	—	—	—	—	—	(2,310,479)	(2,310,479)
Net income	—	—	—	—	—	11,039,074	11,039,074
Balance – December 31, 2022	—	$ —	6,325,000	$ 633	$ —	$ (12,096,835)	$ (12,096,202)

(In thousands, except share data)

	Common Stock	Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Total Stockholders'

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	Shares	Amount	Capital	Income	Deficit	Equity
Balance at December 31, 2021	135,034,564	$ 135	$ 22,640	$ -	$ (9,022)	$ 13,753
Retroactive application of recapitalization	(121,937,160)	(134)	134	-	-	-
Balance at December 31, 2021, after effect of Business Combination	13,097,404	1	22,774	-	(9,022)	13,753
Stock-based compensation	72,744	-	1,155	-	-	1,155
Net loss	-	-	-	-	(2,912)	(2,912)
Balance at December 31, 2022	13,170,148	$ 1	$ 23,929	$ -	$ (11,934)	$ 11,996
Issuance of common stock upon Business Combination	1,154,173	1	(2,375)	-	-	(2,374)
Issuance of common stock to settle accounts payable	33,333	-	150	-	-	150
Issuance of shares for transaction costs	966,667	-	4,350	-	-	4,350
Private placement equity issuance	744,667	-	3,351	-	-	3,351
Financing equity issuance	40,000	-	101	-	-	101
Stock-based compensation	30,318	-	1,243	-	-	1,243
Stock option exercises	155,629	-	316	-	-	316
Cumulative translation adjustment	-	-	-	12	-	12
Net loss	-	-	-	-	(20,854)	(20,854)
Balance at December 31, 2023	16,294,935	$ 2	$ 31,065	$ 12	$ (32,788)	$ (1,709)

(1) On February 11, 2021, the Company effected a 1:1.1 stock split of its Class B common stock, resulting in an aggregate of 6,325,000 shares outstanding. All share and per-share amounts have been retroactively restated to reflect the stock split.

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

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ROSECLIFF ACQUISITION CORP I
SPECTRAL AI, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Years Ended December 31,	
	2022	2021
Cash Flows from Operating Activities:		
Net income (loss)	$ 11,039,074	$ (2,148,278)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Change in fair value of warrant liabilities	(9,748,442)	(1,683,358)
Transaction costs allocated to warrant liabilities	—	438,283
Interest earned on investments held in Trust Account	(3,155,965)	(27,240)
Changes in operating assets and liabilities:		
Prepaid expenses	159,550	(313,125)
Accrued expenses	443,496	2,908,125
Accrued offering costs	(12,000)	—
Income taxes payable	255,297	—
Net cash used in operating activities	(1,018,990)	(825,593)
Cash Flows from Investing Activities:		
Cash withdrawn from Trust Account to pay franchise and income taxes	1,034,596	—
Cash withdrawn from Trust Account in connection with redemptions	250,522,502	—
Investment of cash in Trust Account	—	(253,000,000)
Net cash provided by (used in) investing activities	251,557,098	(253,000,000)
Cash Flows from Financing Activities:		
Proceeds from sale of Units, net of underwriting discounts paid	—	247,940,000
Proceeds from sale of Private Placements Warrants	—	7,060,000
Proceeds from promissory note – related party	—	109,152
Repayments of promissory note – related party	—	(133,000)
Payment of offering costs	—	(381,127)
Redemptions of common stock	(250,522,502)	—
Net cash (used in) provided by financing activities	(250,522,502)	254,595,025
Net Change in Cash	15,606	769,432
Cash – Beginning of year	769,432	—
Cash – End of year	$ 785,038	$ 769,432
Non-cash investing and financing activities:		

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Offering costs included in accrued offering costs	***$ —***	***$ 12,000***
Income taxes paid	***$ 359,000***	***$ —***
Payment of accrued expenses through promissory note	***$ —***	***$ 16,152***
Deferred underwriting fee payable	***$ —***	***$ 8,855,000***

	Year Ended December 31,	
	2023	**2022**
Cash flows from operating activities:		
Net loss	$ (20,854)	$ (2,912)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	9	11
Stock-based compensation	1,243	1,155
Amortization of right-of-use assets	713	557
Issuance of shares for transaction costs	4,350	-
Change in fair value of warrant liabilities	(335)	(57)
Changes in operating assets and liabilities:		
Accounts receivable	(52)	(859)
Inventory	(230)	-
Unbilled revenue	618	(547)
Prepaid expenses	(377)	615
Other assets	(404)	40
Accounts payable	(935)	1,345
Accrued expenses	1,359	51
Deferred revenue	2,311	-
Lease liabilities	(656)	(561)
Net cash used in operating activities	(13,240)	(1,162)
Cash flows from financing activities:		
Proceeds from issuance of common stock for Equity Raise	3,351	-
Cash received in Business Combination	660	-
Payments for notes payable	(483)	(785)
Stock option exercises	316	-
Net cash provided by (used in) financing activities	3,844	(785)
Effect of exchange rate changes on cash	12	-
Net decrease in cash	(9,384)	(1,947)
Cash, beginning of period	14,174	16,121
Cash, end of period	$ 4,790	$ 14,174
Supplemental cash flow information:		
Cash paid for interest	$ 29	$ 23
Cash paid for taxes	$ 114	$ 53
Noncash operating and financing activities disclosure:		
Recognition of Right-of-use assets and related lease liabilities upon adoption of ASC 842	$ -	$ 610
Recognition of Right-of-use assets and related lease liabilities upon lease amendment	$ 483	$ 955
Issuance of common stock for net liabilities upon Business Combination	$ 3,034	$ -
Prepaid asset acquired, net of cancellation, for debt and accounts payable	$ 744	$ 376
Issuance of common stock to settle accounts payable	$ 150	$ -

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Deferred offering costs included in accrued expenses	$ 182	$ -
Issuance of common stock to settle deferred offering costs	$ 101	$ -

The accompanying notes are an integral part of the financial statements.

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ROSECLIFF ACQUISITION CORP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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NOTE

1. DESCRIPTION NATURE OF ORGANIZATION AND THE BUSINESS OPERATIONS

Business Combination

Spectral AI, Inc., a Delaware corporation formerly known as Rosecliff Acquisition Corp I (the ("Spectral AI" or the "Company") is was formed as a blank check company incorporated in Delaware on November 17, 2020. The Company was formed for the purpose of effecting an initial Business Combination.

The Company is not limited to a particular industry merger, capital stock exchange, asset acquisition, stock purchase, reorganization or sector for purposes of consummating a Business Combination. The Company is an early stage and emerging growth company and, as such, the Company is subject to all of the risks associated similar business combination with early stage and emerging growth companies.

As of December 31, 2022, the Company had not commenced any operations. All activity for the period from November 17, 2020 (inception) through December 31, 2022 relates to the Company's formation and the initial public offering ("Initial Public Offering"), which is described below, and subsequent to the Initial Public Offering, identifying a target company for a Business Combination. The Company will not generate any operating revenues until after the completion of its initial Business Combination, at the earliest. The Company generates non-operating income in the form of interest income from the proceeds derived from the Initial Public Offering. The Company has selected December 31 as its fiscal year end.

The registration statement for the Company's Initial Public Offering was declared effective on February 11, 2021. one or more businesses.

On February 17, 2021 September 11, 2023, the Company consummated a business combination (the "Business Combination"), pursuant to the Initial Public Offering of 25,300,000 Units, which includes business combination agreement dated April 11, 2023 (the "Business Combination Agreement") by and among the full exercise by the underwriters of their over-allotment option Company, Ghost Merger Sub I, a Delaware Corporation, Ghost Merger Sub II, a Delaware corporation and Spectral MD Holdings, Ltd., a Delaware corporation incorporated on March 9, 2009 and headquartered in the amount of 3,300,000 Units, at $10.00 per Unit, generating gross proceeds of $253,000,000, which is described in Note 3.

Simultaneously with the Dallas, Texas ("Legacy Spectral"). Upon closing of the Initial Public Offering, Business Combination (the "Closing"), in sequential order: (a) Ghost Merger Sub I merged with and into the Legacy Spectral, with Legacy Spectral continuing as the surviving company as a wholly owned subsidiary of the Company consummated (the "Spectral Merger") and then, (b) Legacy Spectral merged with and into Ghost Merger Sub II (renamed Spectral MD Holdings LLC) (the "SPAC Merger", together with the sale Spectral Merger (the "Business Combination")), with Ghost Merger Sub II surviving the SPAC Merger as a direct wholly-owned subsidiary of 4,706,667 the Company. See Note 3. Upon the Closing, the Company changed its name from Rosecliff Acquisition Corp I to Spectral AI, Inc.

In conjunction with the Business Combination, the Company cancelled the redeemable warrants (the "Private Placement Warrants") at a price of $1.50 per Private Placement Warrant in a private placement that it issued to Rosecliff Acquisition Sponsor I LLC, a Delaware limited liability company (the "Sponsor") generating gross proceeds of $7,060,000, which is described , in Note 4.

Transaction costs amounted a private placement (the "Private Warrants") in connection with the Company's initial public offering on February 17, 2021 (the "Initial Public Offering") at Closing, but the 8,433,333 redeemable warrants issued to $14,373,127, consisting of $5,060,000 in cash underwriting fees, $8,855,000 in deferred underwriting fees, and $458,127 of other offering costs.

Following the closing of the Initial Public Offering on February 17, 2021, an amount of $253,000,000 ($10.00 per Unit) from the net proceeds of the sale of the Units public in the Initial Public Offering and the sale of the Private Placement Warrants was placed in a trust account (the "Trust Account" "Public Warrants"), located in the United States and was invested only in U.S. government securities, within the meaning set forth in Section 2(a)(16) of the Investment Company Act of 1940, as amended (the "Investment Company Act"), with a maturity of 185 days or less or in money market funds meeting certain conditions under Rule 2a-7 of the Investment Company Act, which invest only in direct U.S. government treasury obligations, as determined by the Company, until

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the earlier of (i) the completion of a Business Combination and (ii) the distribution of the funds held in the Trust Account, as described below.

The Company's management has broad discretion with respect remain outstanding.

Prior to the specific application of the net proceeds of the Initial Public Offering and the sale of Private Placement Warrants, although substantially all of the net proceeds are intended to be applied generally toward consummating a Business Combination. There is no assurance that the Company will be able to complete a Business Combination successfully. The Company must complete one or more initial Business Combinations with one or more operating businesses or assets that together have a fair market value equal to at least 80% of the assets held in the Trust Account (as defined below) (excluding any deferred underwriting commissions and taxes payable on the income earned on the Trust Account). The Company will only complete a Business Combination if the post-transaction company owns or acquires 50% or more of the outstanding voting securities of the target or otherwise acquires a controlling interest in the target business sufficient for it not to be required to register as an investment company under the Investment Company Act. There is no assurance that the Company will be able to complete a Business Combination successfully.

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The Company will provide the Public Stockholders with the opportunity to redeem all or a portion of their Public Shares upon the completion of a Business Combination either (i) in connection with a stockholder meeting called to approve the Business Combination, or (ii) by means of a tender offer. The decision as to whether the Company will seek stockholder approval of a Business Combination or conduct a tender offer will be made by the Company. The Public Stockholders will be entitled to redeem their Public Shares for a pro rata portion of the amount then held in the Trust Account (initially $10.00 per Public Share, plus any pro rata interest then in the Trust Account, net of taxes payable). There will be no redemption rights upon the completion of a Business Combination with respect to the Company's warrants.

The Company will only proceed with a Business Combination if the Company has net tangible assets of at least $5,000,001 following any related redemptions and, if the Company seeks stockholder approval, a majority of the shares voted are voted in favor of the Business Combination. If a stockholder vote is not required by applicable law or stock exchange listing requirements and the Company does not decide to hold a stockholder vote for business or other reasons, the Company will, pursuant to its Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation" Rosecliff Acquisition Corp I ("Rosecliff"), conduct the redemptions pursuant to the tender offer rules of the SEC and file tender offer documents with the SEC prior to completing a Business Combination. If, however, stockholder approval of the transaction is required by applicable law or stock exchange listing requirements, or the Company decides to obtain stockholder approval for business or other reasons, the Company will offer to redeem shares in conjunction with a proxy solicitation pursuant to the proxy rules and not pursuant to the tender offer rules. If the Company seeks stockholder approval in connection with a Business Combination, the Sponsor has agreed to vote its Founder Shares (as defined in Note 5) and any Public Shares purchased during or after the Initial Public Offering in favor of approving a Business Combination. Additionally, each Public Stockholder may elect to redeem their Public Shares without voting, and if they do vote, irrespective of whether they vote for or against the proposed transaction.

Notwithstanding the foregoing, if the Company seeks stockholder approval of a Business Combination and it does not conduct redemptions pursuant to the tender offer rules, the Certificate of Incorporation will provide that a Public Stockholder, together with any affiliate of such stockholder or any other person with whom such stockholder is acting in concert or as a "group" (as defined under Section 13 of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), will be restricted from redeeming its shares with respect to more than an aggregate of 15% of the Public Shares, without the prior consent of the Company.

The Sponsor has agreed (a) to waive its redemption rights with respect to the Founder Shares and Public Shares held by it in connection with the completion of a Business Combination and (b) not to propose an amendment to the Certificate of Incorporation (i) to modify the substance or timing of the Company's obligation to allow redemptions in connection with a Business Combination or to redeem 100% of its Public Shares if the Company does not complete a Business Combination by the Expiration Date (as defined below) or (ii) with respect to any other provision relating to stockholders' rights or pre-business combination activity, unless the Company provides the Public Stockholders with the opportunity to redeem their Public Shares in conjunction with any such amendment.

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The Company will have until the Expiration Date to complete the Business Combination. If the Company has not completed a Business Combination by the Expiration Date, the Company will (i) cease all operations except for the purpose of winding up, (ii) as promptly as reasonably possible but not more than ten business days thereafter, redeem the Public Shares, at a per-share price, payable in cash, equal to the aggregate amount then on deposit in the Trust Account, including interest earned on the funds held in the Trust Account and not previously released to pay taxes (less up to $100,000 of interest to pay dissolution expenses), divided by the number of then outstanding Public Shares, which redemption will completely extinguish Public Stockholders' rights as stockholders (including the right to receive further liquidating distributions, if any), and (iii) as promptly as reasonably possible following such redemption, subject to the approval of the Company's remaining stockholders and the Company's board of directors, dissolve and liquidate, subject in each case to the Company's obligations under the Delaware General Corporation Law to provide for claims of creditors and the requirements of other applicable law. There will be no redemption rights or liquidating distributions with respect to the Company's warrants, which will expire worthless if the Company fails to complete a Business Combination by the Expiration Date.

The Sponsor has agreed to waive its rights to liquidating distributions from the Trust Account with respect to the Founder Shares it will receive if the Company fails to complete a Business Combination by the Expiration Date. However, if the Sponsor or any of its respective affiliates acquire Public Shares, such Public Shares will be entitled to liquidating distributions from the Trust Account if the Company fails to complete a Business Combination within the Expiration Date. The underwriters have agreed to waive their rights to their deferred underwriting commission (see Note 6) held in the Trust Account in the event the Company does not complete a Business Combination by the Expiration Date, and in such event, such amounts will be included with the other funds held in the Trust Account that will be available to fund the redemption of the Public Shares. In the event of such distribution, it is possible that the per share value of the assets remaining available for distribution will be less than the Initial Public Offering price per Unit ($10.00).

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In order to protect the amounts held in the Trust Account, the Sponsor has agreed to be liable to the Company if and to the extent any claims by a third party for services rendered or products sold to the Company, or a prospective target business with which the Company has discussed entering into a transaction agreement, reduce the amount of funds in the Trust Account to below the lesser of (i) $10.00 per Public Share and (ii) the actual amount per Public Share held in the Trust Account as of the date of the liquidation of the Trust Account, if less than $10.00 per Public Share due to reductions in the value of the trust assets, less taxes payable, provided that such liability will not apply to any claims by a third party or prospective target business who executed a waiver of any and all rights to monies held in the Trust Account nor will it apply to any claims under the Company's indemnity of the underwriters of the Initial Public Offering against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"). ***Moreover, in the event that an executed waiver is deemed to be unenforceable against a third party, the Sponsor will not be responsible to the extent of any liability for such third-party claims. The Company will seek to reduce the possibility that the Sponsor will have to indemnify the Trust Account due to claims of creditors by endeavoring to have all vendors, service providers (except for the Company's independent registered public accounting firm), prospective target businesses and other entities with which the Company does business, execute agreements with the Company waiving any right, title, interest or claim of any kind in or to monies held in the Trust Account.***

Extension of the Expiration Date

In connection with the Company's special meeting of stockholders held on December 21, 2022, the Company's stockholders approved (A) the proposal to amend the Company's amended and restated certificate of incorporation to extend the date by which the Company must either (i) consummate the initial Business Combination, or (ii) cease its operations, except for the purpose of winding up if it fails to complete such initial Business Combination, and redeem all of the had 280,485 shares of Class A common stock, par value $0.0001 per share, issued and all of the outstanding and held by public shareholders (the "Public Shares") and 6,325,000 shares of Class B common stock, included as part par value $0.0001 per share, issued and outstanding and held by the Sponsor (the "Sponsor Shares"). Upon the Closing, 5,445,000 of the units sold Sponsor Shares were forfeited, in accordance with a letter agreement with the Sponsor,

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and the remaining 880,000 Sponsor Shares and 280,485 Public Shares, no longer designated Class A and Class B, were included in shares of the Company's common stock, par value $0.0001 per share (the "Company Common Stock").

Prior to the Business Combination, Legacy Spectral's shares of common stock, par value $0.001 per share ("Legacy Spectral Common Stock") were listed on the AIM market on the London Stock Exchange (delisted on September 7, 2023). In September 2023, prior to the Closing, Legacy Spectral issued 7,679,198 shares of Legacy Spectral Common Stock to certain investors in a private placement, in exchange for $3.4 million (the "Equity Raise").Upon the Closing, all of Legacy Spectral's issued and outstanding 145,380,871 shares of Legacy Spectral Common Stock, including the shares from the Equity Raise, were exchanged for 14,094,450 shares of Company Common Stock at an exchange ratio of 10.31 (the "Exchange Ratio"), meaning that the Company issued one share of Company Common Stock in exchange for 10.31 shares of Legacy Spectral Common Stock.

On September 12, 2023, the Company began trading the Company Common Stock and the Public Warrants on the NASDAQ Capital Market ("NASDAQ") under the symbols "MDAI" and "MDAIW", respectively. Prior to the Business Combination, the Company's shares of Company Common Stock and Public Warrants were listed on the NASDAQ under the symbols "RCLF" and "RCLFW", respectively.

Nature of Operations

Spectral AI is devoting substantially all of its efforts towards research and development of its DeepView® Wound Imaging System, currently focused on burn wounds and diabetic foot ulcer ("DFU") indications, specifically engineered to allow physicians to make a more accurate, timely and informed decision for treatment options. The Company has not generated any product revenue to date. The Company currently generates revenue from contract development and research services by providing such services to governmental agencies, primarily to the Biomedical Advanced Research and Development Authority ("BARDA") and under a contract with Medical Technology Enterprise Consortium ("MTEC").

In September 2023, the Company executed its third contract with BARDA for a multi-year Project BioShield ("PBS") contract, valued at up to approximately $150.0 million. This multi-year contract includes an initial award of nearly $54.9 million to support the clinical validation and FDA clearance of DeepView® for commercial marketing and distribution purposes. The Company completed the second contract with BARDA, referred to as BARDA Burn II, which was signed in July 2019 and completed in November 2023. Under this contract, the Company furthered the DeepView System design, developed the AI algorithm, and took steps to obtain FDA approval for its DeepView GEN 3 System.

In April, 2023, the Company received a $4.0 million grant from MTEC for a project that is expected to be completed by April 2025 (the "MTEC Agreement"). The MTEC project is for the development of a handheld device for the DeepView System which is to be used to support military battlefield burn evaluation. The project has three phases, beginning with planning, design and testing; followed by development, design modification and buildout of the handheld device; and then the manufacturing of the handheld device.

The Company operates in one segment.

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Risks and Uncertainties

The Company is subject to a number of risks common to development stage companies in the Company's initial public offering medical technology industry, including, but not limited to, risks of failure of preclinical studies and clinical trials, dependence on key personnel, protection of proprietary technology, reliance on third party organizations, risks of obtaining regulatory approval for any products that was consummated on February 17, 2021, from February 17, 2023 it may develop, development by competitors of technological innovations, compliance with government regulations and the need to February 17, 2024 and (B) the proposal to amend the amended and restated certificate of incorporation to eliminate the Redemption Limitation in order to allow the Company to redeem shares of Class A common stock irrespective of whether such redemption would exceed the Redemption Limitation.

The redemption of funds from the trust account occurred on December 27, 2022, approved by the stockholders on December 21, 2022, when the trustee, CST, transferred the whole amount of the trust to an intermediary account in the custody of trustee to be distributed to redeeming shareholders on December 28, 2022.

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obtain additional financing.

Liquidity and Going Concern

As of December 31, 2023 and December 31, 2022, the Company had $785,038 approximately $4.8 million and $14.2 million, respectively, in cash, and an accumulated deficit of $32.8 million and $11.9 million, respectively. The Company has historically funded its operations through the issuance of notes and the sale of preferred stock and common stock. In December 2023, the Company entered into a Common Stock Purchase Agreement (the "Purchase Agreement") and a related Registration Rights Agreement (the "Registration Rights Agreement"), each dated as of December 26, 2023, with B. Riley Principal Capital II, LLC ("B. Riley Principal Capital II"). Upon the terms and subject to the satisfaction of the conditions set forth in the Purchase Agreement, the Company will have the right, in its operating bank account and a working capital deficit sole discretion, to sell to B. Riley Principal Capital II up to $10.0 million in aggregate gross purchase price of $2,847,001. The Company intends to use the funds held outside the Trust Account primarily to identify and evaluate target businesses, perform business due diligence on prospective target businesses, travel to and from the offices, plants or similar locations of prospective target businesses or their representatives or owners, review corporate documents and material agreements of prospective target businesses, and structure, negotiate and complete a Business Combination. In order to finance transaction costs in connection with a Business Combination, the Sponsor or an affiliated of the Sponsor, or certain newly issued shares of the Company's officers common stock, par value $0.0001 per share (the "B. Riley Common Stock"). This amount of newly issued shares is subject to the 19.99% threshold of the aggregate number of shares of Common Stock issued pursuant to the relative agreement (the "Exchange Cap"), unless approval of the Company's shareholders is otherwise received. Together with the new PBS BARDA Contract, executed in September 2023, for a total value of up to approximately $150.0 million, the Company's total potential support from BARDA is nearly $251.0 million if all future options are executed. The base phase of the PBS BARDA Contract, valued at $54.9 million, was exercised concurrently with the contract award in September 2023. To date, for the 2013, 2019, and directors may, but are not obligated to, provide 2023 BARDA contracts, the Company Working Capital Loans has committed funding of $155.9 million of which the Company has received $106.5 million. In April 2023, the Company received a $4.0 million grant under the MTEC Agreement.

In March 2024, the Company entered into a Standby Equity Purchase Agreement ("SEPA") with YA II PN, Ltd. ("Yorkville"), whereby the Company has the right, but not the obligation, to sell to Yorkville up to $30.0 million of Common Stock. This amount of newly issued shares is subject to the Exchange Cap (as defined below) (see Note 5).

previously defined), unless approval of the Company's shareholders is otherwise received. In connection with the SEPA, Yorkville has agreed to a prepaid advance of $12.5 million (the "Pre-Paid Advance"), $5.0 million of which was funded on March 20, 2024 with a fixed conversion price of $3.16 for newly issued shares of the Company's assessment Common Stock, par value $0.0001 per share ("Yorkville Common Stock"). The Purchase Price for the Pre-Paid Advance is 92.0% of going concern considerations in accordance with FASB ASU ("ASU") 205-40, "Disclosure the principal amount of Uncertainties about an Entity's Ability to Continue as a Going Concern," the Pre-Paid Advance.

With the PBS BARDA Contract, the MTEC Agreement, the B. Riley financing, and the Yorkville financing, the Company has until the Expiration Date to consummate a Business Combination. It is uncertain that the Company believes it will be able to consummate a Business Combination by this time. Additionally, the Company may not have sufficient liquidity working capital to fund operations for at least one year beyond the working capital needs release date of the Company through one year from the issuance of these consolidated financial statements. If a Business Combination is not consummated by this date, there will be a mandatory

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liquidation and subsequent dissolution of the Company. Management has determined that the liquidity condition and mandatory liquidation, should a Business Combination not occur, and potential subsequent dissolution, raises substantial doubt about the Company's ability to continue as a going concern. No adjustments have been made to the carrying amounts of assets or liabilities that might result from the outcome of this uncertainty. The Company intends to complete a proposed Business Combination before the mandatory liquidation date. However, there can be no assurance that the Company will be able to consummate any Business Combination by the Expiration Date. In addition, the Company may need to raise additional capital through loans or additional investments from its Sponsor, stockholders, officers, directors or third parties. The Company's officers, directors and Sponsor may, but are not obligated to, loan the Company funds, from time to time or at any time, in whatever amount they deem reasonable in their sole discretion, to meet the Company's working capital needs. Accordingly, the Company may not be able to obtain additional financing. If the Company is unable to raise additional capital, the Company may be required to take additional measures to conserve liquidity, which could include, but not necessarily be limited to, curtailing operations, suspending the pursuit of a potential transaction, and reducing overhead expenses. The Company cannot provide any assurance that new financing will be available to it on commercially acceptable terms, if at all. These conditions raise substantial doubt about the Company's ability to continue as a going concern through the Expiration Date.

NOTE

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying Company's consolidated financial statements are presented in U.S. dollars and have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") or an Accounting Standards Update ("ASU").

The Business Combination was accounted for as a reverse recapitalization in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and pursuant to GAAP. Legacy Spectral was determined as the accounting acquirer and disclosure rules and regulations of the SEC.

Emerging Growth Company

The Company is an "emerging growth company," as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the independent registered public accounting firm attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

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Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company as an emerging growth the acquired company can adopt for financial reporting purposes. Accordingly, for accounting purposes, the new or revised standard at Business Combination is treated as the time private companies adopt equivalent of a capital transaction in which Legacy Spectral issued stock for the new or revised standard. This may make comparison net assets of the Company's Company. Upon the Closing, the net assets of the Company are stated at fair value, with no goodwill or other intangible assets recorded. See Note 3.

Legacy Spectral was determined to be the accounting acquiror based on evaluation of the following facts and circumstances:

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(i) Legacy Spectral's former shareholders have a majority of the voting power of Spectral AI;

(ii) Legacy Spectral's senior management comprises all of the senior management of Spectral AI;

(iii) Legacy Spectral selected five of the six directors for the Board of Directors of Spectral AI;

(iv) Legacy Spectral's relative size of assets and operations compared to Rosecliff; and

(v) Legacy Spectral's operations comprise the ongoing operations of Spectral AI.

All historical financial information presented in the consolidated financial statements with another public company that represents the accounts of Legacy Spectral at their historical values as if Legacy Spectral is neither an emerging growth company nor an emerging growth company that has opted out of using the extended transition period difficult or impossible because predecessor to the Company. The consolidated financial statements following the Closing reflect the results of the potential differences combined entity's operations.

All issued and outstanding shares of Legacy Spectral Common Stock and warrants, stock options, restricted stock units ("RSUs") and restricted stock awards ("RSAs") of Legacy Spectral and the per share amounts contained in accounting standards used. the consolidated financial statements for the periods presented prior to the Closing have been retroactively restated to reflect the Exchange Ratio (as defined in Note 1).

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Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Spectral MD Holdings LLC, Spectral MD Inc., Spectral MD UK Limited ("Spectral MD UK"), and Spectral DeepView Limited. Significant inter-company transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires the Company's management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company bases its estimates and judgments on historical experience and on various other assumptions that it believes are reasonable under the circumstances. The amounts of assets and liabilities reported in the Company's balance sheets and disclosure the amounts of contingent expenses reported for each of the periods presented are affected by estimates and assumptions, which are used for, but not limited to, revenue recognition, warrant liabilities, stock-based compensation expense, stock issued for transaction costs, the net realizable value of inventory, right-of-use assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future confirming events. One of the more significant accounting estimates included in these financial statements is the determination of the fair value of the warrant liabilities. Such estimates may be subject to change as more current information becomes available and accordingly, the actual income tax valuation allowances. Actual results could differ significantly from those these estimates.

Cash

Segments

Operating segments are defined as components of an enterprise for which separate and discrete information is available for evaluation by the chief operating decision-maker in deciding how to allocate resources and assess performance. The Company has one operating segment. The Company's chief operating decision maker, its Chief Executive Officer, manages the Company's operations on an aggregate basis for the purpose of allocating resources.

Cash Equivalents

The Company considers all short-term highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. All cash is held in US, UK, & Ireland financial institutions.

Accounts Receivable, Net and Unbilled Revenue

Accounts receivable represent amounts due from US government agencies pursuant to research and development contracts associated with the Company's DeepView® Wound Imaging System.

The Company had $785,038 evaluates the collectability of its receivables based on a variety of factors, including the length of time the receivables are past due, the financial health of its customers and $769,432 historical experience. Based upon the review of these factors, the Company recorded no allowance for doubtful accounts as of December 31, 2023 and December 31, 2022.

Certain third-party costs that are prepaid per the terms of the contract are billable to customers prior to recognition of related expenses. The Company records deferred revenue when the customers have been billed prior to recognizing revenue. The Company records unbilled revenue when revenue is recognized prior to billing customers.

Comprehensive Loss

Comprehensive loss includes net loss, as well as other changes in stockholders' equity (deficit) that result from transactions and economic events other than those with stockholders.

Concentrations of Credit Risk

Financial instruments which potentially subject the Company to credit risk consist principally of cash and accounts receivable. Primarily all cash is held in US financial institutions which, at times, exceed federally insured limits. The Company has not recognized any losses from credit risks on such accounts. The Company believes it is not exposed to significant credit risk on cash.

Additional credit risk is related to the Company's concentration of receivables. As of December 31, 2023 and December 31, 2022, receivables were concentrated from one customer (which is a US. government agency) representing 92% and 96% of total net receivables, respectively. No allowance for doubtful accounts were recorded as of December 31, 2023 and December 31, 2022.

One customer (which is a U.S. government agency) accounted for 95% for the year ended December 31, 2023 and 98% for the year ended December 31, 2022 of the recognized research and 2021, respectively, development revenue.

Inventory

Inventory is comprised of finished goods, purchased from a third-party manufacturer, and no cash equivalents. is stated at the lower of cost (average cost) or net realizable value. For the year ended December 31, 2023, the Company did not have write-downs for obsolete inventory.

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Fair Value

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Assets and Cash Held liabilities that are measured at fair value are reported using a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1	Unadjusted quoted prices in active markets that are assessable at the measurement date for identical, unrestricted assets or liabilities.
Level 2	Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
Level 3	Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

Foreign Currency

The reporting currency for the consolidated financial statements of the Company is the US dollar. The functional currency of the Company and its wholly owned subsidiaries Spectral MD Holdings LLC and Spectral MD, Inc. is the US dollar. The functional currency of Spectral MD UK is its local currency, the British pound. The functional currency of Spectral DeepView Ltd. is its local currency, the Euro. The assets and liabilities of Spectral MD UK and Spectral DeepView Ltd, are translated into US. dollars at exchange rates in Trust Account

effect at the end of each reporting period, and the revenues and expenses are translated at average exchange rates in effect during the applicable period. Translation adjustments are included in accumulated other comprehensive income as a component of stockholders' equity. As of December 31, 2023 and December 31, 2022, all of the Company's translation adjustments are not material.

Monetary assets held and liabilities denominated in currencies other than the functional currency are translated at exchange rates in effect at the balance sheet date. Resulting unrealized gains and losses are included in other income (expense), net in the Trust Account were held in cash. As consolidated statements of December 31, 2021, all operations. For the year ended December 31, 2023 the Company recorded approximately $24,000 of the assets held in the Trust Account were held in money market funds which are invested primarily in U.S. Treasury Securities. During net foreign exchange transaction losses. For the year ended December 31, 2022, the Company withdrew $1,034,596 recorded approximately $0.2 million of interest earned on investment held net foreign exchange transaction losses primarily related to the Company's bank account denominated in British Pounds and accounts payable denominated in British Pounds.

Property and Equipment, Net

Property and equipment, net is recorded at cost less accumulated depreciation. Depreciation expense is recorded using the straight-line method over the estimated useful lives of the related assets, which are as follows:

	Estimated Useful Life
Computer equipment	3 years
Manufacturing equipment	5 years
Furniture and equipment	5 years
Laboratory equipment	5 years
Leasehold improvements	Shorter of remaining lease term or useful life

Purchased assets that are not yet in service are recorded to construction-in-process and no depreciation expense is recorded. Once they are placed in service, they are reclassified to the appropriate asset class. When assets are retired or otherwise disposed of, the assets and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the Trust Account Company's consolidated statements of operation and comprehensive loss. Expenditures for maintenance and repairs are expensed as incurred.

Impairment of Long-Lived Assets

Long-lived assets consist of property and equipment. The Company continually evaluates whether events or circumstances have occurred that indicate that the estimated remaining useful life of its long-lived assets may warrant revision or that the carrying value of these assets may not be recoverable. If circumstances require that a long-lived asset or asset group be tested for impairment, the Company first compares the estimated undiscounted future cash flows expected to pay result from the use or disposition of that asset or asset group to its tax obligations carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment loss would be recognized to the extent the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market prices and $250,522,502 third-party independent appraisals, as considered necessary.

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Leases

Under lease guidance, arrangements meeting the definition of a lease are classified as operating or financing leases. Operating leases are recorded in Trust Account the consolidated balance sheets as both a right-of-use asset and a lease liability, calculated by discounting fixed lease payments at the rate implicit in connection the lease or the Company's incremental borrowing rate factoring the term of the lease. The incremental borrowing rate used by the Company is an estimate of the interest rate the Company would incur to borrow an amount equal to the lease payments on a collateralized basis over the term of the lease. Because the Company does not generally borrow on a collateralized basis, it uses the interest rate it pays on its noncollateralized borrowings as an input to deriving an appropriate incremental borrowing rate, adjusted for the amount of lease payments, the lease term and the effect on that rate of designating specific collateral with a value equal to the unpaid lease payments for that lease. Lease liabilities are increased by interest and reduced by payments each period, and the right-of-use asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right-of-use asset results in straight-line rent expense over the lease term. Variable lease expenses are recorded when incurred. In calculating the right-of-use assets and lease liabilities, the Company has elected to combine lease and non-lease components. The Company excludes short-term leases having initial terms of 12 months or less from the requirement to capitalize right-of-use assets and liabilities as an accounting policy election.

During the years ended December 31, 2023 and 2022, the Company did not have any financing leases.

Warrant Liabilities

On September 11, 2023, in conjunction with the Business Combination, the Company assumed the Public Warrants which have an exercise price of $11.50 per share, are exercisable 30 days after the Business Combination and expire five years after the Business Combination or upon redemption. The Company presents its investments in money market funds may redeem the Public Warrants if the Company's common stock equals or exceeds $18.00 per share for 20 trading days within a 30-trading day period ending on the balance sheets at fair value at the end of each reporting period. Gains and losses resulting from the change in fair value of these securities are included in interest income in the accompanying statements of operations. The estimated fair value of investments held in the Trust Account is determined using available market information.

Offering Costs

Offering costs consisted of legal, accounting and other expenses incurred through the Initial Public Offering that were directly related third trading day prior to the Initial Public Offering. Offering costs were allocated date on which the Company sends the notice of redemption to the separable financial instruments issued holders of Public Warrants. As of December 31, 2023, there are 8,433,333 Public Warrants Outstanding. Each warrant entitles the registered holder to purchase one share of Common Stock at a price of $11.50 per full share. Pursuant to the Warrant Agreement, a holder of Warrants may exercise its Warrants only for a whole number of shares. This means that only a whole warrant may be exercised at any given time by a holder of Warrants. The Company maintains a redemption right with respect to the warrants in that the Initial Public Offering Company can redeem some or all of the warrants for $0.10 per warrant based on certain market conditions and the market price of the Common Stock.

In September 2021, Legacy Spectral issued 73,978 warrants, with a relative fair value basis, compared strike price of $7.75 and a five-year life, to total proceeds received. Offering costs allocated SP Angel Corporate Finance LLP ("SP Angel"), who acted as nominated adviser and broker to warrant liabilities were expensed as incurred in the statements Company for the purposes of operations. Offering costs associated the AIM Rules ("Angel Warrants"). In conjunction with the Class A common stock issued Business Combination, the Angel Warrants were initially charged converted into warrants to temporary equity and then accreted to common stock subject to redemption upon the completion of the Initial Public Offering.

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Class A purchase Company Common Stock Subject based on the Exchange Ratio. As of December 31, 2023, there are 73,978 Angel Warrants to Possible Redemption

purchase Company Common Stock outstanding.

The Company accounts for its Class A common stock subject to possible redemption in accordance with Public Warrants and the guidance in ASC 480, "Distinguishing Liabilities from Equity." Shares of Class A common stock subject to mandatory redemption are classified Angel Warrants as a liability instrument and are measured at fair value. Conditionally redeemable Class A common stock (including Class A common stock that features redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company's control) is classified as temporary equity. At all other times, Class A common stock is classified as stockholders' equity. The Company's Class A common stock features certain redemption rights that are considered to be outside of the Company's control and subject to occurrence of uncertain future events.

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Accordingly, at December 31, 2022 and 2021, 458,716 and 25,300,000, respectively, shares of Class A common stock subject to possible redemption, respectively, are presented as temporary equity, outside of the stockholders' deficit section of the Company's balance sheets.

The Company recognizes changes in redemption value immediately as they occur and adjusts the carrying value of redeemable common stock to equal the redemption value at the end of each reporting period. Immediately upon the closing of the Initial Public Offering, the Company recognized the accretion from initial book value to redemption amount value. The change in the carrying value of redeemable Class A common stock resulted in charges against additional paid-in capital and accumulated deficit.

On December 21, 2022, stockholders elected to redeem an aggregate of 24,841,284 ($250,522,502 value) of shares of Class A common stock, representing approximately 98.2% of the issued and outstanding shares of Class A common stock.

At December 31, 2022 and 2021, the Class A common stock reflected in the balance sheets is reconciled in the following table:

Gross proceeds	***$ 253,000,000***
Less:	
Proceeds allocated to Public Warrants	***(7,590,000)***
Class A common stock issuance costs	***(13,934,844)***
Plus:	
Accretion of carrying value to redemption value	***21,524,844***
Class A common stock subject to possible redemption, December 31, 2021	***$ 253,000,000***
Plus:	
Accretion of carrying value to redemption value	***2,310,479***
Less:	
Redemption of Class A common stock	***(250,522,502)***
Class A common stock subject to possible redemption, December 31, 2022	***$ 4,787,977***

Warrant Liabilities

The Company does not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. The Company evaluates all of its financial instruments, including issued stock purchase warrants, to determine if such instruments are derivatives or contain features that qualify as embedded derivatives, pursuant to ASC 480 and FASB ASC Topic 815, "Derivatives and Hedging" ("ASC 815"). The Company accounts for warrants in accordance with the guidance in ASC 480 and ASC 815 and determined that the warrants do not meet the criteria for equity treatment thereunder. The assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the Company's own common stock, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period end date while the warrants are outstanding.

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liabilities. Accordingly, the Company recognizes the 8,433,333 Public Warrants and 4,706,667 Private Placement Warrants instruments as liabilities at fair value, determined using the closing price of the observable market quote in an active market (the NASDAQ) for the Public Warrants and the Black-Scholes option-pricing model for the Angel Warrants, and adjusts the instruments to fair value at the end of each reporting period. The liabilities are subject to re-measurement at each balance

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sheet date until exercised, redeemed or expired, and any change in fair value is recognized in the Company's consolidated statements of operations. operations within other income (expense).

Research and Development Revenue

The Public Warrants Company recognizes revenue when the Company's customers obtain control of promised goods or services, in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services by analyzing the following five steps: (1) identify the contract with a customer(s); (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the Company satisfies a performance obligation.

The Company generates research and development revenue, primarily from the contracts with BARDA and MTEC. Each contract for BARDA and MTEC has a single performance obligation.

The contracts with BARDA are cost-plus-fee contracts associated with development of certain product candidates. BARDA reimburses the Company based on allowable costs plus any recognizable earned fee. Revenues from these reimbursable costs are recognized as the costs are incurred.

The MTEC Agreement provides for installment payments after the completion of milestone events. The installment payments are considered variable consideration as the entitlement depends on successful completion of research. However, the payments are not constrained from inclusion in the transaction price as it not probable that a significant reversal of cumulative revenue will be reversed when the underlying uncertainty is resolved. Revenue for the MTEC Agreement is recognized over time based upon the cost-to-cost measure of progress, using this input method to measure progress as the customer has the benefit of access to the development research under these projects and therefore benefits from the Company's performance incrementally as research and development activities occur under each project. The Company measures progress of performance by comparing the actual costs incurred to-date to the total estimated cost of the project. The Company will adjust the measure of progress at the end of each reporting period and reflect any changes to the estimated cost of the project on a prospective basis.

The Company elected the practical expedient not to adjust the transaction price for the effects of a significant financing component as the period between performance (satisfaction of a performance obligation) and payment is one year or less. Payments from customers are generally received within 30 days of when the invoice is sent.

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Research and Development Expense

The Company expenses research and development costs as incurred. These expenses include salaries for research and development personnel, consulting fees, product development, pre-clinical studies, clinical trial costs, and other fees and costs related to the development of the technology. For the years ended December 31, 2023 and 2022, research and development expense was $15.1 million and $16.5 million, respectively, of which $10.2 million and $14.5 million, respectively, is related to the combined BARDA and MTEC contracts and included in cost of revenue and $5.3 million and $2.0 million, respectively, is included in general and administrative expenses.

Stock-Based Compensation

The Company accounts for all stock-based payments to employees and non-employees, including grants of stock options, RSUs and RSAs based on their respective grant date fair values. The Company estimates the fair value of stock option grants using the Black-Scholes option pricing model. The RSUs and RSAs are valued by based on the closing price fair value of the observable market quote Company's common stock on the date of grant. The assumptions used in an active market. calculating the fair value of the Company's stock-based awards represent management's best estimates and involve inherent uncertainties and the application of management's judgment. The Private Placement Warrants Company expenses stock-based compensation related to stock options, RSUs and RSAs over the requisite service period. As the PSOs have performance conditions, compensation expense is recognized for each award if and when the Company's management deems it probable that the performance conditions will be satisfied. Forfeitures are valued using an observable market quote recorded as they occur. Compensation previously recorded for unvested equity awards that are forfeited is reversed upon forfeiture. The Company expenses stock-based compensation to employees over the requisite service period, on a similar asset in an active market (See Notes 8 and 10).

straight-line basis, based on the estimated grant-date fair value of the awards.

Income Taxes

Risks and Uncertainties

The Company follows is subject to a number of risks common to development stage companies in the asset medical technology industry, including, but not limited to, risks of failure of preclinical studies and liability method clinical trials, dependence on key personnel, protection of proprietary technology, reliance on third party organizations, risks of obtaining regulatory approval for any products that it may develop, development by competitors of technological innovations, compliance with government regulations and the need to obtain additional financing.

Liquidity

As of December 31, 2023 and December 31, 2022, the Company had approximately $4.8 million and $14.2 million, respectively, in cash, and an accumulated deficit of $32.8 million and $11.9 million, respectively. The Company has historically funded its operations through the issuance of notes and the sale of preferred stock and common stock. In December 2023, the Company entered into a Common Stock Purchase Agreement (the "Purchase Agreement") and a related Registration Rights Agreement (the "Registration Rights Agreement"), each dated as of December 26, 2023, with B. Riley Principal Capital II, LLC ("B. Riley Principal Capital II"). Upon the terms and subject to the satisfaction of the conditions set forth in the Purchase Agreement, the Company will have the right, in its sole discretion, to sell to B. Riley Principal Capital II up to $10.0 million in aggregate gross purchase price of newly issued shares of the Company's common stock, par value $0.0001 per share (the "B. Riley Common Stock"). This amount of newly issued shares is subject to the 19.99% threshold of the aggregate number of shares of Common Stock issued pursuant to the relative agreement (the "Exchange Cap"), unless approval of the Company's shareholders is otherwise received. Together with the new PBS BARDA Contract, executed in September 2023, for a total value of up to approximately $150.0 million, the Company's total potential support from BARDA is nearly $251.0 million if all future options are executed. The base phase of the PBS BARDA Contract, valued at $54.9 million, was exercised concurrently with the contract award in September 2023. To date, for the 2013, 2019, and 2023 BARDA contracts, the Company has committed funding of $155.9 million of which the Company has received $106.5 million. In April 2023, the Company received a $4.0 million grant under the MTEC Agreement.

In March 2024, the Company entered into a Standby Equity Purchase Agreement ("SEPA") with YA II PN, Ltd. ("Yorkville"), whereby the Company has the right, but not the obligation, to sell to Yorkville up to $30.0 million of Common Stock. This amount of newly issued shares is subject to the Exchange Cap (as previously defined), unless approval of the Company's shareholders is otherwise received. In connection with the SEPA, Yorkville has agreed to a prepaid advance of $12.5 million (the "Pre-Paid Advance"), $5.0 million of which was funded on March 20, 2024 with a fixed conversion price of $3.16 for newly issued shares of the Company's Common Stock, par value $0.0001 per share ("Yorkville Common Stock"). The Purchase Price for the Pre-Paid Advance is 92.0% of the principal amount of the Pre-Paid Advance.

With the PBS BARDA Contract, the MTEC Agreement, the B. Riley financing, and the Yorkville financing, the Company believes it will have sufficient working capital to fund operations for at least one year beyond the release date of the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company's consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification

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(“ASC”) or an Accounting Standards Update (“ASU”).

The Business Combination was accounted for income taxes as a reverse recapitalization in accordance with GAAP. Legacy Spectral was determined as the accounting acquirer and the Company as the acquired company for financial reporting purposes. Accordingly, for accounting purposes, the Business Combination is treated as the equivalent of a capital transaction in which Legacy Spectral issued stock for the net assets of the Company. Upon the Closing, the net assets of the Company are stated at fair value, with no goodwill or other intangible assets recorded. See Note 3.

Legacy Spectral was determined to be the accounting acquiror based on evaluation of the following facts and circumstances:

(i) Legacy Spectral’s former shareholders have a majority of the voting power of Spectral AI;

(ii) Legacy Spectral’s senior management comprises all of the senior management of Spectral AI;

(iii) Legacy Spectral selected five of the six directors for the Board of Directors of Spectral AI;

(iv) Legacy Spectral’s relative size of assets and operations compared to Rosecliff; and

(v) Legacy Spectral’s operations comprise the ongoing operations of Spectral AI.

All historical financial information presented in the consolidated financial statements represents the accounts of Legacy Spectral at their historical values as if Legacy Spectral is the predecessor to the Company. The consolidated financial statements following the Closing reflect the results of the combined entity’s operations.

All issued and outstanding shares of Legacy Spectral Common Stock and warrants, stock options, restricted stock units (“RSUs”) and restricted stock awards (“RSAs”) of Legacy Spectral and the per share amounts contained in the consolidated financial statements for the periods presented prior to the Closing have been retroactively restated to reflect the Exchange Ratio (as defined in Note 1).

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Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Spectral MD Holdings LLC, Spectral MD Inc., Spectral MD UK Limited ("Spectral MD UK"), and Spectral DeepView Limited. Significant inter-company transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company bases its estimates and judgments on historical experience and on various other assumptions that it believes are reasonable under ASC 740, "Income Taxes." Deferred tax the circumstances. The amounts of assets and liabilities are recognized for reported in the estimated future tax consequences attributable to differences between Company's balance sheets and the financial statement carrying amounts of existing expenses reported for each of the periods presented are affected by estimates and assumptions, which are used for, but not limited to, revenue recognition, warrant liabilities, stock-based compensation expense, stock issued for transaction costs, the net realizable value of inventory, right-of-use assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that included the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

ASC 740 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. There were no unrecognized tax benefits valuation allowances. Actual results could differ from these estimates.

Segments

Operating segments are defined as components of an enterprise for which separate and no amounts accrued discrete information is available for interest evaluation by the chief operating decision-maker in deciding how to allocate resources and penalties as of December 31, 2022 and 2021. The Company is currently not aware of any issues under review that could result in significant payments, accruals or material deviation from its position. assess performance. The Company has been subject to income tax examinations by major taxing authorities since inception.

Net Income (Loss) per Common Share

one operating segment. The Company's chief operating decision maker, its Chief Executive Officer, manages the Company's operations on an aggregate basis for the purpose of allocating resources.

Cash

The Company complies considers all highly liquid investments with accounting an original maturity of three months or less when purchased to be cash equivalents. All cash is held in US, UK, & Ireland financial institutions.

Accounts Receivable, Net and disclosure requirements of FASB ASC Topic 260, "Earnings Per Share". The Company has two classes of common stock, which are referred Unbilled Revenue

Accounts receivable represent amounts due from US government agencies pursuant to as Class A common stock research and Class B common stock. Income and losses are shared pro rata between the two classes of stock. Net income (loss) per common share is calculated by dividing the net income (loss) by the weighted average shares of common stock outstanding for the respective period. Accretion development contracts associated with the redeemable shares Company's DeepView® Wound Imaging System.

The Company evaluates the collectability of Class A common stock is excluded from earnings its receivables based on a variety of factors, including the length of time the receivables are past due, the financial health of its customers and historical experience. Based upon the review of these factors, the Company recorded no allowance for doubtful accounts as of December 31, 2023 and December 31, 2022.

Certain third-party costs that are prepaid per share as the redemption value approximates fair value.

The calculation of diluted net income (loss) per share does not consider the effect terms of the warrants issued contract are billable to customers prior to recognition of related expenses. The Company records deferred revenue when the customers have been billed prior to recognizing revenue. The Company records unbilled revenue when revenue is recognized prior to billing customers.

Comprehensive Loss

Comprehensive loss includes net loss, as well as other changes in connection stockholders' equity (deficit) that result from transactions and economic events other than those with the (i) Initial Public Offering and (ii) the private placement since the exercise of the warrants is contingent upon the occurrence of future events. As of December 31, 2022 and 2021, the 13,140,000 potential

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shares of Class A common stock for outstanding Public Warrants and Private Placement Warrants to purchase the Company's stock were excluded from diluted earnings per share for the periods ended December 31, 2022 and 2021 because they are contingently exercisable, and the contingencies have not yet been met. As a result, diluted net income (loss) per common stock is the same as basic net income (loss) per common stock for the period. The table below presents a reconciliation of the numerator and denominator used to compute basic and diluted net income (loss) per share for each class of stock.

The following table reflects the calculation of basic and diluted net income per share of common stock (in dollars, except per share amounts):

	For the Years Ended December 31,			
	2022		***2021***	
	Class A	***Class B***	***Class A***	***Class B***
Basic and diluted net income (loss) per share of common stock				
Numerator:				
Allocation of net income (loss)	***$ 8,816,873***	***$ 2,222,201***	***$ (1,674,526)***	***$ (473,752)***
Denominator:				
Basic and diluted weighted average shares outstanding	***25,095,264***	***6,325,000***	***21,972,877***	***6,216,507***
Basic and diluted net income (loss) per share of common stock	***$ 0.35***	***$ 0.35***	***$ (0.08)***	***$ (0.08)***

stockholders.

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ConcentrationConcentrations of Credit Risk

Financial instruments that which potentially subject the Company to concentrations of credit risk consist principally of cash and accounts receivable. Primarily all cash is held in a US financial institution, institutions which, at times, may exceed the Federal Deposit Insurance Corporation coverage limit of $250,000. Any loss incurred or a lack of access federally insured limits. The Company has not recognized any losses from credit risks on such accounts. The Company believes it is not exposed to such funds could have a significant adverse impact credit risk on cash.

Additional credit risk is related to the Company's financial condition, results concentration of operations receivables. As of December 31, 2023 and cash flows.

Fair Value December 31, 2022, receivables were concentrated from one customer (which is a US. government agency) representing 92% and 96% of Financial Instruments

The fair value total net receivables, respectively. No allowance for doubtful accounts were recorded as of December 31, 2023 and December 31, 2022.

One customer (which is a U.S. government agency) accounted for 95% for the year ended December 31, 2023 and 98% for the year ended December 31, 2022 of the Company's assets recognized research and liabilities, which qualify as financial instruments under ASC Topic 820, "Fair Value Measurement," approximates development revenue.

Inventory

Inventory is comprised of finished goods, purchased from a third-party manufacturer, and is stated at the carrying amounts represented in lower of cost (average cost) or net realizable value. For the accompanying balance sheets, primarily due to their short-term nature, other than year ended December 31, 2023, the warrant liabilities (see Note 10). Company did not have write-downs for obsolete inventory.

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Fair Value Measurements

Fair value is defined as the exchange price that would be received for sale of an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for transfer of a the asset or liability in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes Assets and liabilities that are measured at fair value are reported using a three-tier three-level fair value hierarchy which that prioritizes the inputs used in measuring to measure fair value. This hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs. The hierarchy gives the highest priority three levels of inputs used to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). These tiers include:

measure fair value are as follows:

Level 1
- Level 1, defined as observable inputs such as quoted prices (unadjusted) for identical instruments in active markets;

Level 2
- ***Level 2, defined as inputs other than Unadjusted quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices assessable at the measurement date for identical, unrestricted assets or similar instruments liabilities.***

Level 2 Quoted prices in markets that are not active; active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3
- ***Level 3, defined as Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable inputs in which (supported by little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable. activity).***

In some circumstances,

Foreign Currency

The reporting currency for the inputs used to measure fair value might be categorized within different levels consolidated financial statements of the fair value hierarchy. In those instances, Company is the fair value measurement US dollar. The functional currency of the Company and its wholly owned subsidiaries Spectral MD Holdings LLC and Spectral MD, Inc. is categorized the US dollar. The functional currency of Spectral MD UK is its local currency, the British pound. The functional currency of Spectral DeepView Ltd. is its local currency, the Euro. The assets and liabilities of Spectral MD UK and Spectral DeepView Ltd, are translated into US. dollars at exchange rates in its entirety effect at the end of each reporting period, and the revenues and expenses are translated at average exchange rates in effect during the applicable period. Translation adjustments are included in accumulated other comprehensive income as a component of stockholders' equity. As of December 31, 2023 and December 31, 2022, the Company's translation adjustments are not material.

Monetary assets and liabilities denominated in currencies other than the functional currency are translated at exchange rates in effect at the balance sheet date. Resulting unrealized gains and losses are included in other income (expense), net in the consolidated statements of operations. For the year ended December 31, 2023 the Company recorded approximately $24,000 of net foreign exchange transaction losses. For the year ended December 31, 2022, the Company recorded approximately $0.2 million of net foreign exchange transaction losses primarily related to the Company's bank account denominated in British Pounds and accounts payable denominated in British Pounds.

Property and Equipment, Net

Property and equipment, net is recorded at cost less accumulated depreciation. Depreciation expense is recorded using the straight-line method over the estimated useful lives of the related assets, which are as follows:

	Estimated Useful Life
Computer equipment	3 years
Manufacturing equipment	5 years
Furniture and equipment	5 years
Laboratory equipment	5 years
Leasehold improvements	Shorter of remaining lease term or useful life

Purchased assets that are not yet in service are recorded to construction-in-process and no depreciation expense is recorded. Once they are placed in service, they are reclassified to the appropriate asset class. When assets are retired or otherwise disposed of, the

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assets and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the Company's consolidated statements of operation and comprehensive loss. Expenditures for maintenance and repairs are expensed as incurred.

Impairment of Long-Lived Assets

Long-lived assets consist of property and equipment. The Company continually evaluates whether events or circumstances have occurred that indicate that the estimated remaining useful life of its long-lived assets may warrant revision or that the carrying value of these assets may not be recoverable. If circumstances require that a long-lived asset or asset group be tested for impairment, the Company first compares the estimated undiscounted future cash flows expected to result from the use or disposition of that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment loss would be recognized to the extent the carrying value exceeds its fair value. Fair value hierarchy is determined through various valuation techniques including discounted cash flow models, quoted market prices and third-party independent appraisals, as considered necessary.

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Leases

Under lease guidance, arrangements meeting the definition of a lease are classified as operating or financing leases. Operating leases are recorded in the consolidated balance sheets as both a right-of-use asset and a lease liability, calculated by discounting fixed lease payments at the rate implicit in the lease or the Company's incremental borrowing rate factoring the term of the lease. The incremental borrowing rate used by the Company is an estimate of the interest rate the Company would incur to borrow an amount equal to the lease payments on a collateralized basis over the term of the lease. Because the Company does not generally borrow on a collateralized basis, it uses the interest rate it pays on its noncollateralized borrowings as an input to deriving an appropriate incremental borrowing rate, adjusted for the amount of lease payments, the lease term and the effect on that rate of designating specific collateral with a value equal to the unpaid lease payments for that lease. Lease liabilities are increased by interest and reduced by payments each period, and the right-of-use asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right-of-use asset results in straight-line rent expense over the lease term. Variable lease expenses are recorded when incurred. In calculating the right-of-use assets and lease liabilities, the Company has elected to combine lease and non-lease components. The Company excludes short-term leases having initial terms of 12 months or less from the requirement to capitalize right-of-use assets and liabilities as an accounting policy election.

During the years ended December 31, 2023 and 2022, the Company did not have any financing leases.

Warrant Liabilities

On September 11, 2023, in conjunction with the Business Combination, the Company assumed the Public Warrants which have an exercise price of $11.50 per share, are exercisable 30 days after the Business Combination and expire five years after the Business Combination or upon redemption. The Company may redeem the Public Warrants if the Company's common stock equals or exceeds $18.00 per share for 20 trading days within a 30-trading day period ending on the third trading day prior to the date on which the Company sends the notice of redemption to the holders of Public Warrants. As of December 31, 2023, there are 8,433,333 Public Warrants Outstanding. Each warrant entitles the registered holder to purchase one share of Common Stock at a price of $11.50 per full share. Pursuant to the Warrant Agreement, a holder of Warrants may exercise its Warrants only for a whole number of shares. This means that only a whole warrant may be exercised at any given time by a holder of Warrants. The Company maintains a redemption right with respect to the warrants in that the Company can redeem some or all of the warrants for $0.10 per warrant based on certain market conditions and the market price of the Common Stock.

In September 2021, Legacy Spectral issued 73,978 warrants, with a strike price of $7.75 and a five-year life, to SP Angel Corporate Finance LLP ("SP Angel"), who acted as nominated adviser and broker to the Company for the purposes of the AIM Rules ("Angel Warrants"). In conjunction with the Business Combination, the Angel Warrants were converted into warrants to purchase Company Common Stock based on the lowest level input that is significant Exchange Ratio. As of December 31, 2023, there are 73,978 Angel Warrants to purchase Company Common Stock outstanding.

The Company accounts for its Public Warrants and the Angel Warrants as derivative liabilities. Accordingly, the Company recognizes the instruments as liabilities at fair value, measurement.

Derivative Financial Instruments

The Company evaluates its financial determined using the closing price of the observable market quote in an active market (the NASDAQ) for the Public Warrants and the Black-Scholes option-pricing model for the Angel Warrants, and adjusts the instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives in accordance with ASC Topic 815, "Derivatives and Hedging." For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value on the grant date and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative The liabilities are classified subject to re-measurement at each balance sheet date until exercised, redeemed or expired, and any change in fair value is recognized in the balance sheets as current Company's consolidated statements of operations within other income (expense).

Research and Development Revenue

The Company recognizes revenue when the Company's customers obtain control of promised goods or non-current based on whether or not net-cash settlement or conversion of the instrument could be required within 12 months of the balance sheet date.

Recent Accounting Standards

In August 2020, the FASB issued ASU 2020-06, "Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts services, in an Entity's Own Equity" ("ASU 2020-06"), amount that reflects the consideration which simplifies accounting for convertible instruments by removing major separation models required under current GAAP. ASU 2020-06 removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, and it also

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simplifies the diluted earnings per share calculation in certain areas. ASU 2020-06 is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years, with early adoption permitted. The Company is currently assessing the impact, if any, that ASU 2020-06 would have on its financial position, results of operations or cash flows. The Company has not adopted this guidance as of December 31, 2022.

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Management does not believe that any other recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on the Company's financial statements.

NOTE 3. INITIAL PUBLIC OFFERING

Pursuant to the Initial Public Offering, the Company sold 25,300,000 Units, which includes a full exercise by the underwriter of their overallotment option in the amount of 3,300,000 Units, at a price of $10.00 per Unit. Each Unit consists of one share of Class A common stock and one-third of one redeemable warrant (each, a "Public Warrant"). Each whole Public Warrant entitles the holder expects to purchase one share of Class A common stock at a price of $11.50 per share, subject to adjustment (see Note 10).

NOTE 4. PRIVATE PLACEMENT

Simultaneously with the closing of the Initial Public Offering, the Sponsor has purchased an aggregate of 4,706,667 Private Placement Warrants at a price of $1.50 per Private Placement Warrant ($7,060,000 in the aggregate) from the Company in a private placement. Each whole Private Placement Warrant is exercisable to purchase one share of Class A common stock at a price of $11.50 per share, subject to adjustment (see Note 10). A portion of the proceeds from the sale of the Private Placement Warrants was added to the net proceeds from the Initial Public Offering held in the Trust Account. If the Company does not complete a Business Combination by the Expiration Date, the proceeds from the sale of the Private Placement Warrants held in the Trust Account will be used to fund the redemption of the Public Shares (subject to the requirements of applicable law) and the Private Placement Warrants will expire worthless.

NOTE 5. RELATED PARTY TRANSACTIONS

Founder Shares

During the period ended December 31, 2020, the Sponsor paid $25,000 to cover certain of the Company's offering costs receive in exchange for 5,750,000 shares of those goods or services by analyzing the Company's Class B common stock (the "Founder Shares"). On February 11, 2021, following five steps: (1) identify the contract with a customer(s); (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the Company effected satisfies a 1:1.1 stock split performance obligation.

The Company generates research and development revenue, primarily from the contracts with BARDA and MTEC. Each contract for BARDA and MTEC has a single performance obligation.

The contracts with BARDA are cost-plus-fee contracts associated with development of its Class B common stock, resulting in an aggregate of 6,325,000 shares outstanding. All share and per-share amounts have been retroactively restated to reflect certain product candidates. BARDA reimburses the stock split. Company based on allowable costs plus any recognizable earned fee. Revenues from these reimbursable costs are recognized as the costs are incurred.

The Founder Shares included an aggregate of up to 825,000 shares subject to forfeiture to the extent that the underwriters' over-allotment was not exercised in full or in part, so that the number of Founder Shares would equal, on an as-converted basis, approximately 20% of the Company's issued and outstanding common stock upon the consummation of the Initial Public Offering. As a result of the underwriter's election to fully exercise its over-allotment option, no Founder Shares are currently subject to forfeiture.

The Sponsor has agreed, subject to limited exceptions, not to transfer, assign or sell any of the Founder Shares until the earlier to occur of (A) one year MTEC Agreement provides for installment payments after the completion of milestone events. The installment payments are considered variable consideration as the entitlement depends on successful completion of research. However, the

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payments are not constrained from inclusion in the transaction price as it not probable that a Business Combination significant reversal of cumulative revenue will be reversed when the underlying uncertainty is resolved. Revenue for the MTEC Agreement is recognized over time based upon the cost-to-cost measure of progress, using this input method to measure progress as the customer has the benefit of access to the development research under these projects and (B) subsequent therefore benefits from the Company's performance incrementally as research and development activities occur under each project. The Company measures progress of performance by comparing the actual costs incurred to-date to a Business Combination, (x) if the last reported sale price total estimated cost of the Class A common stock equals or exceeds $12.00 per share (as adjusted for stock splits, stock capitalizations, reorganizations, recapitalizations project. The Company will adjust the measure of progress at the end of each reporting period and reflect any changes to the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after a Business Combination, or (y) the date on which the Company completes a liquidation, merger, capital stock exchange, reorganization or other similar transaction that results in all estimated cost of the Public Stockholders having project on a prospective basis.

The Company elected the right practical expedient not to exchange their shares adjust the transaction price for the effects of common stock a significant financing component as the period between performance (satisfaction of a performance obligation) and payment is one year or less. Payments from customers are generally received within 30 days of when the invoice is sent.

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Research and Development Expense

The Company expenses research and development costs as incurred. These expenses include salaries for cash, securities or research and development personnel, consulting fees, product development, pre-clinical studies, clinical trial costs, and other property.

Amount Due to Sponsor

At December 31, 2022 fees and 2021, the Company had advances owed costs related to the Sponsor in the amount of $16,152 and $0, respectively.

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Administrative Services Agreement

Commencing on February 11, 2021 through the earlier development of the Company's consummation of a Business Combination and its liquidation, the Company agreed to pay the Sponsor a total of $10,000 per month for office space, support and administrative services. technology. For the years ended December 31, 2022 December 31, 2023 and 2021, 2022, research and development expense was $15.1 million and $16.5 million, respectively, of which $10.2 million and $14.5 million, respectively, is related to the Company incurred $120,000 combined BARDA and $110,000 in fees for these services, respectively. At December 31, 2022 MTEC contracts and 2021, $230,000 and $110,000 of administrative fees, respectively, were included in accrued expenses cost of revenue and $5.3 million and $2.0 million, respectively, is included in general and administrative expenses.

Stock-Based Compensation

The Company accounts for all stock-based payments to employees and non-employees, including grants of stock options, RSUs and RSAs based on their respective grant date fair values. The Company estimates the accompanying balance sheets, respectively.

Related Party Loans

In order to fund working capital deficiencies or finance transaction costs in connection with a Business Combination, fair value of stock option grants using the Sponsor or an affiliate of Black-Scholes option pricing model. The RSUs and RSAs are valued based on the Sponsor, or certain fair value of the Company's officers and directors may, but are not obligated to, loan common stock on the Company funds as may be required ("Working Capital Loans"). If date of grant. The assumptions used in calculating the Company completes a Business Combination, the Company will repay the Working Capital Loans out fair value of the proceeds Company's stock-based awards represent management's best estimates and involve inherent uncertainties and the application of management's judgment. The Company expenses stock-based compensation related to stock options, RSUs and RSAs over the requisite service period. As the PSOs have performance conditions, compensation expense is recognized for each award if and when the Company's management deems it probable that the performance conditions will be satisfied. Forfeitures are recorded as they occur. Compensation previously recorded for unvested equity awards that are forfeited is reversed upon forfeiture. The Company expenses stock-based compensation to employees over the requisite service period, on a straight-line basis, based on the estimated grant-date fair value of the Trust Account released to the Company. Otherwise, the Working Capital Loans would be repaid only out of funds held outside the Trust Account. In the event that a Business Combination does not close, the Company may use a portion of proceeds held outside the Trust Account to repay the Working Capital Loans, but no proceeds held in the Trust Account would be used to repay the Working Capital Loans. Except for the foregoing, the terms of such Working Capital Loans, if any, have not been determined and no written agreements exist with respect to such loans. The Working Capital Loans would either be repaid upon consummation of a Business Combination, without interest, or, at the lender's discretion, up to $1,500,000 of such Working Capital Loans may be convertible into warrants of the post-Business Combination entity at a price of $1.50 per warrant. The warrants would be identical to the Private Placement Warrants. As of December 31, 2022 and 2021, there were no amounts outstanding under the Working Capital Loans.

NOTE 6. COMMITMENTS AND CONTINGENCIES

awards.

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Changes in Internal Control over Financial Reporting

Risks and Uncertainties

Management continues to evaluate

Except for the impact remediation efforts in connection with the material weaknesses described above, there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the COVID-19 pandemic and Exchange Act) that occurred during the fourth quarter of the year ended December 31, 2023 that has concluded that while it materially affected, or is reasonably possible likely to materially affect, our internal control over financial reporting.

Item 9.B. Other Information.

None.

Item 9.C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspection.

Not Applicable.

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PART III.

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this Item 10 is set forth under the virus could captions "Executive Officers of the Registrant", "Proposal No. 1 – Election of Directors" and "Board of Directors and Committees" in our Definitive Proxy Statement with respect to our 2024 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 11. Executive Compensation.

As an "emerging growth company" as defined in the JOBS Act, we are not required to include a Compensation Discussion and Analysis section and have a negative effect opted to comply with the scaled disclosure requirements applicable to emerging growth companies.

The information required by this Item 11 is set forth under the caption "Executive Officer and Director Compensation" in our Definitive Proxy Statement with respect to our 2024 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this Item 12 is set forth under the captions "Share Ownership" and "Outstanding Equity Awards at Fiscal Year End 2023" in our Definitive Proxy Statement with respect to our 2024 Annual Meeting of Stockholders and is incorporated by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this Item 13 is set forth under the captions "Certain Relationships and Related Transactions" and "Board of Directors and Committees" in our Definitive Proxy Statement with respect to our 2024 Annual Meeting of Stockholders and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

The information required by this Item 14 will be set forth under the caption "Proposal No. 3: Ratification of Independent Registered Public Accounting Firm" in our Definitive Proxy Statement with respect to our 2024 Annual Meeting of Stockholders and is incorporated herein by reference.

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PART IV.

Item 15. Exhibits, Financial Statement Schedules.

(a) The following documents are filed as part of this Annual Report on Form 10-K:

SPECTRAL AI, INC.
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KPMG LLP
Suite 1400
2323 Ross Avenue
Dallas, TX 75201-2721

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Spectral AI, Inc.:

Opinion on the Company's Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Spectral AI, Inc. and subsidiaries (the Company) as of December 31, 2023 and 2022, the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity (deficit), and cash flows for each of the years in the two-year period ended December 31, 2023, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and/or search and its cash flows for a target company, the specific impact is not readily determinable as each of the date of these financial statements. The years in the two-year period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements do not include any adjustments that might result from are the outcome of this uncertainty.

Various social and political circumstances in the U.S. and around the world (including wars and other forms of conflict, including rising trade tensions between the United States and China, and other uncertainties regarding actual and potential shifts in the U.S. and foreign, trade, economic and other policies with other countries, terrorist acts, security operations and catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes and global health epidemics) may also contribute to increased market volatility and economic uncertainties or deterioration in the U.S. and worldwide. Specifically, the rising conflict between Russia and Ukraine, and resulting market volatility could adversely affect the Company's ability to complete a Business Combination. In response to the conflict between Russia and Ukraine, the U.S. and other counties have imposed sanctions or other restrictive actions against Russia. Any of the above factors, including sanctions, export controls, tariffs, trade wars and other governmental actions, could have a material adverse effect on the Company's ability to complete a Business Combination and the value responsibility of the Company's securities. management. Our responsibility is to express an opinion on these consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2021.
Dallas, Texas
March 29, 2024

Inflation Reduction Act

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SPECTRAL AI, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	December 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash	$ 4,790	$ 14,174
Accounts receivable, net	2,346	2,294
Inventory	230	-
Unbilled revenue	-	618
Deferred offering costs	283	-
Prepaid expenses	1,452	331
Other current assets	801	270
Total current assets	9,902	17,687
Non-current assets:		
Property and equipment, net	12	21
Right-of-use assets	778	1,008
Total Assets	$ 10,692	$ 18,716
Commitments and contingencies (Note 8)		
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	$ 2,683	$ 2,759
Accrued expenses	4,300	2,631
Deferred revenue	2,311	-
Lease liabilities, short-term	853	680
Notes payable	436	175
Warrant liabilities	1,818	129
Total current liabilities	12,401	6,374
Lease liabilities, long-term	-	346
Total Liabilities	12,401	6,720
Stockholders' Equity (Deficit)		
Preferred stock ($0.0001 par value); 1,000,000 shares authorized; no shares issued and outstanding as of December 31, 2023 and December 31, 2022	-	-
Common stock ($0.0001 par value); 80,000,000 shares authorized; 16,294,935 and 13,170,148 shares issued and outstanding as of December 31, 2023 and December 31, 2022, respectively	2	1
Additional paid-in capital	31,065	23,929
Accumulated other comprehensive income	12	-
Accumulated deficit	(32,788)	(11,934)
Total Stockholders' Equity (Deficit)	(1,709)	11,996
Total Liabilities and Stockholders' Equity (Deficit)	$ 10,692	$ 18,716

The accompanying notes are an integral part of 2022 these consolidated financial statements

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SPECTRAL AI, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except share and per share data)

	Year Ended December 31,	
	2023	**2022**
Research and development revenue	$ 18,056	$ 25,368
Cost of revenue	(10,176)	(14,531)
Gross profit	7,880	10,837
Operating costs and expenses:		
General and administrative	20,864	13,484
Total operating costs and expenses	20,864	13,484
Operating loss	(12,984)	(2,647)
Other income (expense):		
Net interest income	172	21
Change in fair value of warrant liability	335	57
Foreign exchange transaction loss, net	(24)	(237)
Transaction costs	(8,342)	-
Total other expense, net	(7,859)	(159)
Loss before income taxes	(20,843)	(2,806)
Income tax provision	(11)	(106)
Net loss	$ (20,854)	$ (2,912)
Net loss per share of common stock		
Basic and Diluted	$ (1.48)	$ (0.22)
Weighted-average common shares outstanding		
Basic and Diluted	14,087,586	13,136,965
Other comprehensive income:		
Foreign currency translation adjustments	$ 12	$ -
Total comprehensive loss	$ (20,842)	$ (2,912)

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

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SPECTRAL AI, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
(In thousands, except share data)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2021	135,034,564	$ 135	$ 22,640	$ -	$ (9,022)	$ 13,753
Retroactive application of recapitalization	(121,937,160)	(134)	134	-	-	-
Balance at December 31, 2021, after effect of Business Combination	13,097,404	1	22,774	-	(9,022)	13,753
Stock-based compensation	72,744	-	1,155	-	-	1,155
Net loss	-	-	-	-	(2,912)	(2,912)
Balance at December 31, 2022	13,170,148	$ 1	$ 23,929	$ -	$ (11,934)	$ 11,996
Issuance of common stock upon Business Combination	1,154,173	1	(2,375)	-	-	(2,374)
Issuance of common stock to settle accounts payable	33,333	-	150	-	-	150
Issuance of shares for transaction costs	966,667	-	4,350	-	-	4,350
Private placement equity issuance	744,667	-	3,351	-	-	3,351
Financing equity issuance	40,000	-	101	-	-	101
Stock-based compensation	30,318	-	1,243	-	-	1,243
Stock option exercises	155,629	-	316	-	-	316
Cumulative translation adjustment	-	-	-	12	-	12
Net loss	-	-	-	-	(20,854)	(20,854)
Balance at December 31, 2023	16,294,935	$ 2	$ 31,065	$ 12	$ (32,788)	$ (1,709)

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

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SPECTRAL AI, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,	
	2023	**2022**
Cash flows from operating activities:		
Net loss	$ (20,854)	$ (2,912)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	9	11
Stock-based compensation	1,243	1,155
Amortization of right-of-use assets	713	557
Issuance of shares for transaction costs	4,350	-
Change in fair value of warrant liabilities	(335)	(57)
Changes in operating assets and liabilities:		
Accounts receivable	(52)	(859)
Inventory	(230)	-
Unbilled revenue	618	(547)
Prepaid expenses	(377)	615
Other assets	(404)	40
Accounts payable	(935)	1,345
Accrued expenses	1,359	51
Deferred revenue	2,311	-
Lease liabilities	(656)	(561)
Net cash used in operating activities	(13,240)	(1,162)
Cash flows from financing activities:		
Proceeds from issuance of common stock for Equity Raise	3,351	-
Cash received in Business Combination	660	-
Payments for notes payable	(483)	(785)
Stock option exercises	316	-
Net cash provided by (used in) financing activities	3,844	(785)
Effect of exchange rate changes on cash	12	-
Net decrease in cash	(9,384)	(1,947)
Cash, beginning of period	14,174	16,121
Cash, end of period	$ 4,790	$ 14,174
Supplemental cash flow information:		
Cash paid for interest	$ 29	$ 23
Cash paid for taxes	$ 114	$ 53
Noncash operating and financing activities disclosure:		
Recognition of Right-of-use assets and related lease liabilities upon adoption of ASC 842	$ -	$ 610
Recognition of Right-of-use assets and related lease liabilities upon lease amendment	$ 483	$ 955
Issuance of common stock for net liabilities upon Business Combination	$ 3,034	$ -
Prepaid asset acquired, net of cancellation, for debt and accounts payable	$ 744	$ 376
Issuance of common stock to settle accounts payable	$ 150	$ -
Deferred offering costs included in accrued expenses	$ 182	$ -
Issuance of common stock to settle deferred offering costs	$ 101	$ -

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1. NATURE OF THE BUSINESS

Business Combination

Spectral AI, Inc., a Delaware corporation formerly known as Rosecliff Acquisition Corp I ("Spectral AI" or the IR Act "Company") was signed into federal law formed as a blank check company on November 17, 2020. The IR Act provides Company was formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses.

On September 11, 2023, the Company consummated a business combination (the "Business Combination"), pursuant to the business combination agreement dated April 11, 2023 (the "Business Combination Agreement") by and among other things, the Company, Ghost Merger Sub I, a new U.S. federal 1% excise tax Delaware Corporation, Ghost Merger Sub II, a Delaware corporation and Spectral MD Holdings, Ltd., a Delaware corporation incorporated on certain repurchases of stock by publicly traded U.S. domestic corporations March 9, 2009 and certain U.S. domestic subsidiaries of publicly traded foreign corporations occurring on or after January 1, 2023 headquartered in Dallas, Texas ("Legacy Spectral"). The excise tax is imposed on the repurchasing corporation itself, not its stockholders from which shares are repurchased. The amount Upon closing of the excise tax is generally 1% Business Combination (the "Closing"), in sequential order: (a) Ghost Merger Sub I merged with and into the Legacy Spectral, with Legacy Spectral continuing as the surviving company as a wholly owned subsidiary of the fair market value Company (the "Spectral Merger") and then, (b) Legacy Spectral merged with and into Ghost Merger Sub II (renamed Spectral MD Holdings LLC) (the "SPAC Merger", together with the Spectral Merger (the "Business Combination")), with Ghost Merger Sub II surviving the SPAC Merger as a direct wholly-owned subsidiary of the shares repurchased at Company. See Note 3. Upon the time of Closing, the repurchase. However, for purposes of calculating Company changed its name from Rosecliff Acquisition Corp I to Spectral AI, Inc.

In conjunction with the excise tax, repurchasing corporations are permitted Business Combination, the Company cancelled the redeemable warrants that it issued to net the fair market value of certain new stock issuances against the fair market value of stock repurchases during the same taxable year. In addition, certain exceptions apply to the excise tax. The U.S. Department of the Treasury Rosecliff Acquisition Sponsor I LLC, a Delaware limited liability company (the "Treasury" "Sponsor") has been given authority to provide regulations and other guidance to carry out and prevent the abuse or avoidance of the excise tax.

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Any redemption or other repurchase that occurs after December 31, 2022, in connection with a Business Combination, extension vote or otherwise, may be subject to the excise tax. Whether and to what extent the Company would be subject to the excise tax in connection with a Business Combination, extension vote or otherwise would depend on a number of factors, including (i) the fair market value of the redemptions and repurchases private placement (the "Private Warrants") in connection with the Company's initial public offering on February 17, 2021 (the "Initial Public Offering") at Closing, but the 8,433,333 redeemable warrants issued to the public in the Initial Public Offering (the "Public Warrants") remain outstanding.

Prior to the Business Combination, extension or otherwise, (ii) the structure of a Business Combination, (iii) the nature and amount of any "PIPE" or other equity issuances in connection with a Business Combination (or otherwise issued not in connection with a Business Combination but issued within the same taxable year of a Business Combination) and (iv) the content of regulations and other guidance from the Treasury. In addition, because the excise tax would be payable by the Company and not by the redeeming holder, the mechanics of any required payment of the excise tax have not been determined. The foregoing could cause a reduction in the cash available on hand to complete a Business Combination and in the Company's ability to complete a Business Combination.

Registration Rights

Pursuant to a registration rights agreement entered into on February 11, 2021, the holders of the Founder Shares, Private Placement Warrants and warrants that may be issued upon conversion of Working Capital Loans (and any Rosecliff Acquisition Corp I ("Rosecliff") had 280,485 shares of Class A common stock, issuable upon the exercise of the Private Placement Warrants or warrants that may be issued upon conversion of Working Capital Loans and upon conversion of the Founder Shares) will be entitled to registration rights requiring the Company to register such securities for resale (in the case of the Founder Shares, only after conversion to shares of Class A common stock). The holders of these securities will be entitled to make up to three demands, excluding short form registration demands, that the Company register such securities. In addition, the holders have certain "piggy-back" registration rights with respect to registration statements filed subsequent to the completion of a Business Combination and rights to require the Company to register for resale such securities pursuant to Rule 415 under the Securities Act. However, the registration rights agreement provides that the Company will not be required to effect or permit any registration or cause any registration statement to become effective until termination of the applicable lock-up period. The registration rights agreement does not contain liquidated damages or other cash settlement

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provisions resulting from delays in registering the Company's securities. The Company will bear the expenses incurred in connection with the filing of any such registration statements.

Underwriting Agreement

The underwriters are entitled to a deferred fee of $0.35 per Unit, or $8,855,000 in the aggregate. The deferred fee will become payable to the underwriters from the amounts held in the Trust Account solely in the event that the Company completes a Business Combination, subject to the terms of the underwriting agreement.

Termination of the Previously Announced Business Combination Agreement

On March 11, 2022, the Company, GT Gettaxi Listco, GT Gettaxi Limited, GT Gettaxi SPV, GT Gettaxi Merger Sub 1, Gett Merger Sub, Inc., and Dooboo Holding Limited, and Merger Sub entered into a Termination of the Business Combination Agreement pursuant to which the parties mutually agreed to terminate the Business Combination Agreement, effective immediately. As per the Company's Current Report on Form 8-K filed with the SEC on November 11, 2021, the Company requested that the target's management undertake a thorough analysis of its financial projections. Following the conclusion of that process, and extensive mutual efforts to negotiate an appropriate valuation adjustment, both parties agreed to terminate the Business Combination Agreement.

As a result of the termination of the Business Combination Agreement, the Business Combination Agreement is of no further force and effect, and certain transaction agreements entered into in connection with the Business Combination Agreement, including, but not limited to, the Investors' Rights Agreement, dated as of November 9, 2021, and to be effective as of the closing of the Business Combination, by and among the Company, a Delaware limited liability company, and certain holders, will either be terminated or no longer be effective, as applicable, in accordance with their respective terms.

The Company intends to continue to pursue the consummation of a Business Combination with an appropriate target.

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NOTE 7. STOCKHOLDERS' DEFICIT

Preferred Stock — The Company is authorized to issue 1,000,000 shares of preferred stock with a par value of $0.0001 per share, with such designations, voting and other rights and preferences as may be determined from time to time by the Company's board of directors. At December 31, 2022 and 2021, there were no shares of preferred stock issued and outstanding.

Class A Common Stock — The Company is authorized to issue 80,000,000 shares of Class A common stock with a par value of $0.0001 per share. Holders of Class A common stock are entitled to one vote for each share. At December 31, 2022 and 2021, there were 458,716 and 25,300,000 shares of Class A common stock, respectively, issued and outstanding which are presented as temporary equity.

Class B Common Stock — The Company is authorized to issue 20,000,000 shares of Class B common stock with a par value of $0.0001 per share. Holders of Class B common stock are entitled to one vote for each share. At December 31, 2022 and 2021, there were held by public shareholders (the "Public Shares") and 6,325,000 shares of Class B common stock, issued and outstanding.

Holders of Class A common stock and holders of Class B common stock will vote together as a single class on all matters submitted to a vote of the Company's stockholders, except as otherwise required by law.

The shares of Class B common stock will automatically convert into Class A common stock at the time of a Business Combination, or earlier at the option of the holder, on a one-for-one basis, subject to adjustment for stock splits, stock dividends, reorganizations, recapitalizations and the like, and subject to further adjustment as provided herein. In the case that additional shares of Class A

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common stock, or equity-linked securities, are issued or deemed issued in excess of the amounts issued in the Initial Public Offering and related to the closing of a Business Combination, the ratio at which the shares of Class B common stock will convert into shares of Class A common stock will be adjusted (unless the holders of a majority of the par value $0.0001 per share, issued and outstanding shares of Class B common stock agree to waive such anti-dilution adjustment with respect to any such issuance or deemed issuance) so that the number of shares of Class A common stock issuable upon conversion of all shares of Class B common stock will equal, in the aggregate, on an as-converted basis, 20% of the sum of all shares of common stock issued and outstanding upon the completion of the Initial Public Offering plus all shares of Class A common stock and equity-linked securities issued or deemed issued in connection with the initial Business Combination, excluding any shares or equity-linked securities issued, or to be issued, to any seller in the initial Business Combination.

NOTE 8. WARRANTS

As of December 31, 2022 and 2021, there were 8,433,333 Public Warrants outstanding. Public Warrants may only be exercised in whole and only for a whole number of shares. The Public Warrants will become exercisable on the later of (a) 30 days after the completion of a Business Combination and (b) 12 months from the closing of the Initial Public Offering. The Public Warrants will expire five years after the completion of a Business Combination or earlier upon redemption or liquidation.

The Company will not be obligated to deliver any shares of Class A common stock pursuant to the exercise of a warrant and will have no obligation to settle such warrant exercise unless a registration statement under the Securities Act covering the issuance of the shares of Class A common stock underlying the warrants is then effective and a prospectus relating thereto is current, subject to the Company satisfying its obligations with respect to registration, or a valid exemption from registration is available. No warrant will be exercisable for cash or on a cashless basis, and the Company will not be obligated to issue any shares to holders seeking to exercise their warrants, unless the issuance of the shares upon such exercise is registered or qualified under the securities laws of the state of the exercising holder, or an exemption is available.

The Company has agreed that as soon as practicable, but in no event later than 15 business days after the closing of a Business Combination, the Company will use its commercially reasonable efforts to file a registration statement covering the issuance, under the Securities Act, of the Class A common stock issuable upon exercise of the warrants, and the Company will use its commercially reasonable efforts to cause the same to become effective within 60 business days after the closing of a Business Combination and to maintain the effectiveness of such registration statement, and a current prospectus relating thereto, until the expiration of the warrants in accordance with the provisions of the warrant agreement.

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Notwithstanding the above, if the shares of Class A common stock are, at the time of any exercise of a warrant, not listed on a national securities exchange such that they satisfy the definition of a "covered security" under Section 18(b)(1) of the Securities Act, the Company may, at its option, require holders of Public Warrants who exercise their warrants to do so on a "cashless basis" in accordance with Section 3(a)(9) of the Securities Act and, in the event the Company so elects, the Company will not be required to file or maintain in effect a registration statement, but will use its commercially reasonable efforts to register or qualify the shares under applicable blue sky laws to the extent an exemption is not available.

Redemption of Warrants When the Price per share of Class A common stock Equals or Exceeds $18.00 — Once the warrants become exercisable, the Company may redeem the warrants (except as described herein with respect to the Private Placement Warrants):

- ***in whole and not in part;***
- ***at a price of $0.01 per warrant;***
- ***upon not less than 30 days' prior written notice of redemption to each warrant holder; and***

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- ***if, and only if, the last reported sale price of the Class A common stock for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date on which the Company sends the notice of redemption to the warrant holders (the "Reference Value") equals or exceeds $18.00 per share (as adjusted).***

If and when the warrants become redeemable by the Company, the Company may exercise its redemption right even if it is unable to register or qualify the underlying securities for sale under all applicable state securities laws.

Redemption of Warrants When the Price per share of Class A common stock Equals or Exceeds $10.00 — Once the warrants become exercisable, the Company may redeem the outstanding warrants:

- ***in whole and not in part;***

- ***at $0.10 per warrant upon a minimum of 30 days' prior written notice of redemption, provided that holders will be able to exercise their warrants on a cashless basis prior to redemption and receive that number of shares based on the redemption date and the fair market value of the shares of Class A common stock;***

- ***if, and only if, the Reference Value equals or exceeds $10.00 per share (as adjusted); and***

- ***if the Reference Value is less than $18.00 per share (as adjusted), the Private Placement Warrants must also be concurrently called for redemption on the same terms as the outstanding Public Warrants, as described above.***

The exercise price and number of shares of Class A common stock issuable upon exercise of the Public Warrants may be adjusted in certain circumstances including in the event of a share dividend, extraordinary dividend or recapitalization, reorganization, merger or consolidation. However, except as described below, the Public Warrants will not be adjusted for issuances of Class A common stock at a price below its exercise price. Additionally, in no event will the Company be required to net cash settle the Public Warrants. If the Company is unable to complete a Business Combination by the Expiration Date and the Company liquidates the funds held in the Trust Account, holders of Public Warrants will not receive any of such funds with respect to their Public Warrants, nor will they receive any distribution from the Company's assets held outside of the Trust Account with respect to such Public Warrants. Accordingly, the Public Warrants may expire worthless.

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In addition, if (x) the Company issues additional shares of Class A common stock or equity-linked securities for capital raising purposes in connection with the closing of its initial Business Combination at an issue price or effective issue price of less than $9.20 per share of Class A common stock (with such issue price or effective issue price to be determined in good faith by the Company's board of directors and, in the case of any such issuance to the Sponsor or its affiliates, without taking into account any Founder Shares held by the Sponsor or such affiliates, as applicable, prior to such issuance) (the "Newly Issued Price" "Sponsor Shares"), (y) . Upon the aggregate gross proceeds from such issuances represent more than 60% Closing, 5,445,000 of the total equity proceeds, Sponsor Shares were forfeited, in accordance with a letter agreement with the Sponsor, and interest thereon, available for the funding of the Company's initial Business Combination on the date of the consummation of such initial Business Combination (net of redemptions), remaining 880,000 Sponsor Shares and (z) the volume weighted average trading price 280,485 Public Shares, no longer designated Class A and Class B, were included in shares of the Company's common stock, during par value $0.0001 per share (the "Company Common Stock").

Prior to the 20 trading day period starting Business Combination, Legacy Spectral's shares of common stock, par value $0.001 per share ("Legacy Spectral Common Stock") were listed on the trading day AIM market on the London Stock Exchange (delisted on September 7, 2023). In September 2023, prior to the day on which Closing, Legacy Spectral issued 7,679,198 shares of Legacy Spectral Common Stock to certain investors in a private placement, in exchange for $3.4 million (the "Equity Raise").Upon the Closing, all of Legacy Spectral's issued and outstanding 145,380,871 shares of Legacy Spectral Common Stock, including the shares

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from the Equity Raise, were exchanged for 14,094,450 shares of Company Common Stock at an exchange ratio of 10.31 (the "Exchange Ratio"), meaning that the Company consummates its initial Business Combination (such price, issued one share of Company Common Stock in exchange for 10.31 shares of Legacy Spectral Common Stock.

On September 12, 2023, the "Market Value") is below $9.20 per share, Company began trading the exercise price of the warrants will be adjusted (to the nearest cent) to be equal to 115% of the higher of the Market Value Company Common Stock and the Newly Issued Price, the $18.00 and $10.00 per share redemption trigger price described above will be adjusted (to the nearest cent) to be equal to 180% and 100%, respectively, of the higher of the Market Value and the Newly Issued Price.

At December 31, 2022 and 2021, there were 4,706,667 Private Placement Warrants outstanding. The Private Placement Warrants are identical to the Public Warrants underlying on the Units sold in NASDAQ Capital Market ("NASDAQ") under the Initial Public Offering, except that symbols "MDAI" and "MDAIW", respectively. Prior to the Private Placement Warrants and the Class A common stock issuable upon the exercise of the Private Placement Warrants will not be transferable, assignable or salable until 30 days after the completion of a Business Combination, subject to certain limited exceptions. Additionally, the Private Placement Warrants will be exercisable on a cashless basis and be non-redeemable, except as described above, so long as they are held by the initial purchasers or their permitted transferees. If the Private Placement Warrants are held by someone other than the initial purchasers or their permitted transferees, the Private Placement Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.

NOTE 9. INCOME TAX

The Company's net deferred tax assets are as follows as of December 31, 2022 and 2021:

	For the Years Ended December 31,	
	2022	*2021*
Deferred tax assets		
Net operating loss carryforward	***$ 142***	***$ 41,741***
Start up/organization expenses	***926,866***	***671,005***
Total deferred tax assets	***927,008***	***712,746***
Valuation allowance	***(927,008)***	***(712,746)***
Deferred tax asset, net of allowance	***$ —***	***$ —***

The Company did not have any significant deferred tax assets or liabilities as of December 31, 2022 and 2021.

The income tax provision consists of the following for the years ended December 31, 2022 and 2021:

	For the Years Ended December 31,	
	2022	*2021*
Federal		
Current benefit	***$ 614,297***	***$ —***
Deferred benefit	***(214,262)***	***(712,604)***
Change in valuation allowance	***214,262***	***712,604***
Income tax provision	***$ 614,297***	***$ —***

As of December 31, 2022 and 2021, the Company had $675 and $198,091, respectively, of U.S. federal and state net operating loss carryovers available to offset future taxable income.

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In assessing the realization of the deferred tax assets, management considers whether it is more likely than not that some portion of all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences representing net future deductible amounts become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. After consideration of all of the information available, management believes that significant uncertainty exists with respect to future realization of the deferred tax assets and has therefore established a full valuation allowance. For the years ended December 31, 2022 and 2021, the change in the valuation allowance was $214,262 and $712,604, respectively.

A reconciliation of the federal income tax rate to the Company's effective tax rate at December 31, 2022 shares of Company Common Stock and 2021 is as follows:

	December 31,	
	2022	***2021***
Statutory federal income tax rate	***21.0 %***	***21.0 %***
State taxes, net of federal tax benefit	***0.0 %***	***0.0 %***
Deferred tax liability change in rate	***0.0 %***	***0.0 %***
Change in fair value of warrants	***(17.5)%***	***16.5 %***
Transaction costs allocated to warrants	***0.0 %***	***(4.3)%***
Change in valuation allowance	***2.0 %***	***(33.2)%***
Income tax rate	***5.5 %***	***0.0 %***

The Company files income tax returns in the U.S. federal jurisdiction in various state and local jurisdictions and is subject to examination by the various taxing authorities.

NOTE 10. FAIR VALUE MEASUREMENTS

The fair value of the Company's financial assets and liabilities reflects management's estimate of amounts that the Company would have received in connection with the sale of the assets or paid in connection with the transfer of the liabilities in an orderly transaction between market participants at the measurement date. In connection with measuring the fair value of its assets and liabilities, the Company seeks to maximize the use of observable inputs (market data obtained from independent sources) and to minimize the use of unobservable inputs (internal assumptions about how market participants would price assets and liabilities). The fair value hierarchy (see Note 2) is used to classify assets and liabilities based on the observable inputs and unobservable inputs used in order to value the assets and liabilities.

At December 31, 2022 and 2021, assets held in the Trust Account were comprised of $4,626,107 in cash and $253,027,240 money market funds that primarily invested in U.S. Treasury Securities at fair market value, respectively. During the years ended December 31, 2022 and 2021, the Company withdrew $1,034,596 and $0 of interest to pay its tax obligations, respectively. Total holdings in cash as of December 31, 2022 is $4,626,107 during the year ended December 31, 2022.

The following tables present information about the Company's assets and liabilities that are measured at fair value on a recurring basis at December 31, 2022 and 2021 and indicate the fair value hierarchy of the valuation inputs the Company utilized to determine such fair value:

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Description	Level	December 31, 2022	Level	December 31, 2021
Assets:				
Investments held in Trust Account – Money Market Funds primarily invested in U.S. Treasury Securities	1	$ —	1	$ 253,027,240

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Description	Level	December 31, 2022	Level	December 31, 2021
Liabilities:				
Warrant Liability – Public Warrants	2	$ 253,000	1	$ 6,493,666
Warrant Liability – Private Placement Warrants	2	$ 141,200	2	$ 3,648,976

The Warrants were accounted for as liabilities in accordance with ASC 815-40 and are presented within warrant liabilities on the Company's accompanying December 31, 2022 and 2021 balance sheets. The warrant liabilities are measured at fair value at inception and on a recurring basis, with changes in fair value presented within change in fair value of warrants in the statements of operations.

The Company initially valued its Private Placement Warrants, on February 17, 2021, as Level 3 utilizing a lattice model, specifically a binomial lattice model incorporating the Cox-Ross-Rubenstein methodology and subsequently valued the Private Placement Warrants as Level 2 through December 31, 2021, with changes in fair value recognized in the statements of operations.

The estimated fair value of the Private Placement Warrant liabilities was determined using Level 2 inputs on December 31, 2022 and 2021. As of December 31, 2022, the Public Warrants were classified as Level 2 in listed on the fair value hierarchy due NASDAQ under the symbols "RCLF" and "RCLFW", respectively.

Nature of Operations

Spectral AI is devoting substantially all of its efforts towards research and development of its DeepView® Wound Imaging System, currently focused on burn wounds and diabetic foot ulcer ("DFU") indications, specifically engineered to low trading volume. allow physicians to make a more accurate, timely and informed decision for treatment options. The estimated fair value of the Public Warrants transferred Company has not generated any product revenue to date. The Company currently generates revenue from a Level 1 measurement contract development and research services by providing such services to a Level 2 measurement during the year ended December 31, 2022 was $506,000. On December 31, 2021 the Private Placement Warrants transferred to Level 2 due governmental agencies, primarily to the use of an observable market quote Biomedical Advanced Research and Development Authority ("BARDA") and under a contract with Medical Technology Enterprise Consortium ("MTEC").

In September 2023, the Company executed its third contract with BARDA for a similar asset in multi-year Project BioShield ("PBS") contract, valued at up to approximately $150.0 million. This multi-year contract includes an active market.

Transfers to/from Levels 1, 2 initial award of nearly $54.9 million to support the clinical validation and 3 are recognized at the end FDA clearance of the reporting period in which a change in valuation technique or methodology occurs. The estimated fair value of the Public Warrants previously transferred from a Level 3 measurement to a Level 1 fair value measurement DeepView® for the year ended December 31, 2021 was $6,831,000. The estimated fair value of the Private Placement Warrants transferred from a Level 3 measurement to a Level 2 fair value measurement for the year ended December 31, 2021 was $2,588,667. There was no transfer during the year ended December 31, 2022.

NOTE 11. SUBSEQUENT EVENTS

commercial marketing and distribution purposes. The Company evaluated subsequent events completed the second contract with BARDA, referred to as BARDA Burn II, which was signed in July 2019 and transactions that occurred after the balance sheet date up to the date that the financial statements were issued. Based upon completed in November 2023. Under this

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review, other than described below, contract, the Company did not identify any subsequent events that would have required adjustment or disclosure in furthered the financial statements.

On January 22, 2023, DeepView System design, developed the AI algorithm, and took steps to obtain FDA approval for its DeepView GEN 3 System.

In April, 2023, the Company received the Notice a $4.0 million grant from the Staff of Nasdaq indicating MTEC for a project that the Company is not in compliance with Listing Rule 5550(a)(4), due expected to the Company's failure to meet the minimum 500,000 publicly held shares requirement be completed by April 2025 (the "MTEC Agreement"). The MTEC project is for the Nasdaq Capital Market. The Notice is only a notification of deficiency, not of imminent delisting. On March 9, 2023, per the Notice, the Company submitted a plan of compliance to achieve and sustain compliance with all Nasdaq Capital Market listing requirements. If Nasdaq does not accept the Company's plan, the Company will have the opportunity to appeal the decision in front development of a Nasdaq Hearings Panel.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9.A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Disclosure controls are procedures that are designed with handheld device for the objective of ensuring that information required DeepView System which is to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized, used to support military battlefield burn evaluation. The project has three phases, beginning with planning, design and reported within the time period specified in the SEC's rules testing; followed by development, design modification and forms. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

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As required by Rules 13a-15 and 15d-15 under the Exchange Act, our Chief Executive Officer and Chief Financial Officer carried out an evaluation buildout of the effectiveness handheld device; and then the manufacturing of the design and operation of our disclosure controls and procedures as of December 31, 2022. Based upon their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined handheld device.

The Company operates in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective. Accordingly, management believes that the financial statements included in this Annual Report present fairly in all material respects our financial position, results of operations and cash flows for the period presented. one segment.

Management's Report on Internal Controls Over Financial Reporting

As required by SEC rules and regulations implementing Section 404 of the Sarbanes-Oxley Act, our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with GAAP. Our internal control over financial reporting includes those policies and procedures that:

- ***(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our company,***
- ***(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors, and***

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(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect errors or misstatements in our financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate. Management assessed the effectiveness of our internal control over financial reporting at December 31, 2022. In making these assessments, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework (2013). Based on our assessments and those criteria, management determined that we maintained effective internal control over financial reporting as of December 31, 2022. This Report does not include an attestation report of our internal controls from our independent registered public accounting firm due to our status as an emerging growth company under the JOBS Act.

Changes in Internal Control over Financial Reporting

There

Except for the remediation efforts in connection with the material weaknesses described above, there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the most recent fiscal fourth quarter of the year ended December 31, 2023 that have has materially affected, or are is reasonably likely to materially affect, our internal control over financial reporting.

Item 9.B. Other Information.

None.

Item 9.C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspection.

Not Applicable.

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PART III.

Item 9.B. Other Information. ***Directors, Executive Officers and Corporate Governance.***

None.

Item 10.

Item 9.C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspection.

Not Applicable.

Our current directors

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PART III.

Item 10. Directors, Executive Officers and executive officer are as follows: Corporate Governance.

The information required by this Item 10 is set forth under the captions "Executive Officers of the Registrant", "Proposal No. 1 – Election of Directors" and "Board of Directors and Officers Committees" in our Definitive Proxy Statement with respect to our 2024 Annual Meeting of Stockholders and is incorporated herein by reference.

Name	*Age*	*Title*
Michael P. Murphy	***51***	***Chief Executive Officer and Director***
Jordan Zimmerman	***67***	***President and Director***
Kieran Goodwin	***53***	***Chief Financial Officer***
Brian Radecki	***52***	***Director***
Frank S. Edmonds	***53***	***Director***
Heather Bellini	***53***	***Director***

Item 11. Executive Officers Compensation.

Michael P. Murphy has served as our Chief Executive Officer and a member of our Board of Directors since our inception. Mr. Murphy began his investing career over 25 years ago. His career has been focused on being

As an entrepreneur in the investing and financial service industry. In the past, he was the Founder of a wealth management firm, hedge fund and multiple commercial real estate portfolios. In 2016, Mr. Murphy founded Rosecliff Ventures and has served as its Managing Partner since its inception. Over the past four years, Rosecliff Ventures has made over 80 investments, raised over $1 billion in assets under management, launched seven investment funds and experienced multiple portfolio company exits. A few select transactions from the Rosecliff Ventures portfolio include; Allbirds, Casper, Postmates, Ro, Thirty Madison, Petal and Wheels Up. Mr. Murphy is currently a board member of multiple private, venture capital backed companies. Mr. Murphy previously was a contributor on CNBC and regularly appeared on the network's FASTMONEY segment. Currently, Mr. Murphy is a regular weekly contributor on Fox Network. Mr. Murphy earned a Bachelor of Arts in Business Administration from Hofstra University.

Jordan Zimmerman has served as our President and a member of our Board of Directors since our inception. Mr. Zimmerman currently serves as the Chairman and Founder of Zimmerman Advertising, which he founded in 1984. Mr. Zimmerman trademarked his advertising strategy, "Brandtailing®," a maverick combination of long-term brand building and short-term sales boosting that delivers measurable results. Highly respected within the advertising world, Mr. Zimmerman is often asked to address industry groups and participate in panel discussions across the country. Zimmerman Advertising has worked with highly recognizable and successful businesses in the consumer sector, such as Nissan, McDonald's, Dunkin' Donuts, Five Below, Party City, Kay Jewelers, AutoNation, Michaels, Advance America, TBC/Tire Kingdom, Office Depot, and Carfax. The agency works with these companies to help increase brand awareness, market share and overall company growth.

Outside of work, Mr. Zimmerman is an author, a philanthropist, a Horatio Alger Award recipient and a Golden Circle Member of the National Multiple Sclerosis Society.

In March 2015, with a donation of $10 million dollars from the Jordan Zimmerman Family Foundation, Mr. Zimmerman established the University of South Florida Zimmerman School of Advertising and Mass Communications and its highly regarded Zimmerman Advertising Program. Mr. Zimmerman was appointed by the Governor of Florida for a second term to sit on the Board of Trustees at the University of South Florida where he has served as the Chairman of the Board since 2019. Mr. Zimmerman earned a Bachelor of Arts in Advertising and an MBA from the University of South Florida and was awarded an honorary Doctorate of Business Administration from Nova Southeastern University.

Kieran Goodwin has served as our Chief Financial Officer since our inception. Mr. Goodwin previously founded Panning Capital Management, L.P. ("Panning") in 2012 and was Co-Managing Partner and Portfolio Manager until 2018. Panning was a long/short credit hedge fund with a peak AUM of $2.5 billion during Mr. Goodwin's tenure. From 2004 to 2010, Mr. Goodwin was the Head of Trading and one of five partners and four members of the Global Investment Committee at King Street Capital Management ("King Street"). As Head of Trading, Mr. Goodwin was responsible for managing King Street's twenty traders. During his time at King Street, the firm's AUM grew from $4 billion to approximately $20 billion. Mr. Goodwin previously was a Managing Director at both UBS and Merrill Lynch, where he ran proprietary trading books. Since 2018, Mr. Goodwin has invested his own capital in both private and public markets. He is an investor in many early-stage companies and currently serves on the board of directors of Tradewell Technologies Inc. and Zoomi Inc. Additionally, he serves on the board of directors Voya Prime Rate

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Trust, a public closed-end loan fund. Mr. Goodwin received a Bachelor of Arts in Computer Science, cum laude, from Duke University in 1991.

Board of Directors

Brian Radecki has served as the Chairman of our Board of Directors since our inception. Mr. Radecki currently serves as the Founder, Chief Executive Officer and member of the Board of Directors of Rapa Therapeutics ("Rapa"), a clinical stage start-up biotechnology company, spun out of the National Cancer Institute in September 2017. Mr. Radecki is an active angel investor in, or advisor to, several companies across various industries - from start-ups with zero revenue, to pre-IPO and large public companies. He has over 20 years of experience building both small private and large public companies. He works closely with many top-tier private equity, venture capital and institutional investors along with entrepreneurs, boards of directors and senior management teams to build disruptive and innovative platform companies by executing strategic plans to get things done.

Mr. Radecki is currently an investor and director on the board of Wheels Up. Previously, Mr. Radecki was an early investor in, and served on the board of directors of, Rain King Software, Inc., a leading sales and marketing intelligence platform, when it was acquired in August 2017 by Zoom Info (NASDAQ: ZI) (formerly DiscoverOrg); Docutech, a document, eSign, eClosing and compliance technology provider, when it was acquired by First American (NYSE: FAF) for $350 million in March 2020; and Optimal Blue, a digital marketplace in the residential mortgage industry, which was recently acquired by Black Knight, Inc. (NYSE: BKI). Also, Mr. Radecki invested pre-IPO in other companies including Beyond Meat (NASDAQ: BYND) and Skillz Inc. (NYSE: SKLZ), which is merging (via SPAC) with Flying Eagle Acquisition Corp. (NASDAQ: FEAC). After working approximately 20 years at public companies, Mr. Radecki retired in 2016 from CoStar Group Inc. ("CoStar") (NASDAQ: CSGP), a provider of commercial real estate information, analytics and online marketplaces, where he held several senior operational and financial roles over 18 years, including Executive Vice President, Chief Financial Officer and VP of Research Operations (the company's largest operating area). While at CoStar, Mr. Radecki oversaw or played a major role in CoStar's accounting and finance operations in the U.S. and U.K. - from internal audit, tax and budgeting to SEC reporting, Sarbanes-Oxley compliance and due diligence. Additionally, Mr. Radecki helped lead CoStar's 1998 Initial Public Offering, multiple follow on equity offerings and international expansion, as well as leading several acquisitions and the integration of public companies, including Comps.com (NASDAQ: CDOT) in 2000 for $102 million, and LoopNet (NASDAQ: LOOP) in 2012 for $860 million. Also, Mr. Radecki was named the Washington Business Journal's "CFO of the Year" in the large company category for 2012. During 2014, he led and raised nearly $1.1 billion of debt and equity. Mr. Radecki also played a major role in acquisitions of Apartments.com in 2014 for $585 million and ApartmentFinder in 2015 for $170 million, which allowed CoStar to successfully enter a new strategic vertical and significantly expanded CoStar's total addressable market. Mr. Radecki was instrumental in building CoStar from a small pre-IPO start-up to a multi-billion dollar public company. Before joining CoStar, Mr. Radecki worked at Axent Technologies, Inc. (Nasdaq: AXNT), an international security software company; Azerty, Inc. and the public accounting firm, Lumsden & McCormick, LLP, both based in Buffalo, NY.

Mr. Radecki earned a Bachelor of Science from University of New York at Buffalo, with a dual degree in Accounting and Finance.

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Heather Bellini has served as one of our directors since February 2021. She has been the Chief Financial Officer of Deep Instinct, a New York and Israeli based cyber security software company since 2020. Prior to Deep Instinct, Ms. Bellini was a Partner at Goldman Sachs since 2012. At Goldman Sachs, she was the Business Unit Leader of the Technology Research Group, as well as an equity research analyst covering the Software sector and select Internet-related companies. Ms. Bellini's universe of research coverage had a significant market capitalization. Ms. Bellini was also responsible on the research side in bringing to market 20 of the companies in her coverage universe through their Initial Public Offerings, including Anaplan, Atlassian, Cloudflare, Crowdstrike, Dropbox, Dynatrace, Elastic NV, Facebook, MongoDB, Okta, Ping Identity, Rackspace Holdings, Salesforce, Slack Technologies, Snowflake, Solarwinds, Twilio, Unity, VMware, Workday and Zoom Video Communications. Ms. Bellini was named to the inaugural Barron's 100 Most Influential Women in Finance in 2020.

Prior to joining Goldman Sachs, Ms. Bellini was a senior managing director and head of technology research at International Strategy and Investment from 2009 to 2011. Earlier, she was head of technology research as well as a software analyst at UBS from 2003 to 2009. Ms. Bellini earned a BA in Economics from Denison University and an MBA in Finance from Columbia University. Ms. Bellini is a CFA charterholder.

Frank S. Edmonds has served as one of our directors since February 2021. He served as a Partner at Panning Capital Management, L.P., starting in 2013, where he served as Co-Managing Partner and Head of Research from 2013 to 2018. From

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2002 to 2012, Mr. Edmonds was a Senior Research Analyst at King Street, where he served as one of five partners and four members of the Global Investment Committee. Prior to King Street, Mr. Edmonds was a research analyst at Oak Hill Advisors. He serves on the boards of Shane's Rib Shack, a fast casual barbeque restaurant business with 65 locations in the southeast United States, as well as the Darden Graduate School of Business and the Jefferson Scholars Foundation. He is currently the Chair of the Investment Committee at Woodberry Forest School. Mr. Edmonds received a B.A. in History/American Studies and joint M.B.A. / J.D. degrees from the University of Virginia.

Director Independence

An "independent director" is defined generally as a person that, in the opinion of the company's board of directors, has no material relationship with the listed company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the company). We have three "independent directors" "emerging growth company" as defined in the Nasdaq listing rules and applicable SEC rules. Our board has determined that each of Frank S. Edmonds, Brian Radecki and Heather Bellini is an independent director under applicable SEC and Nasdaq listing rules.

Number, Terms of Office and Election of Officers and Director

Our board of directors consists of five members.

Prior JOBS Act, we are not required to our initial Business Combination, holders of our Founder Shares will have the right to elect all of our directors and remove members of the board of directors for any reason, and holders of our Public Shares will not have the right to vote on the election of directors during such time. Our directors are appointed for a term of two years. These provisions of our amended and restated certificate of incorporation may only be amended if approved by holders of a majority of at least 90% of the issued and outstanding shares of our common stock voting at a stockholder meeting. Approval of our initial Business Combination will require the affirmative vote of a majority of our board directors, which must include a majority of our independent directors. Subject to any other special rights applicable to the stockholders, prior to our initial Business Combination, any vacancies on our board of directors may be filled by the affirmative vote of a majority of the directors present and voting at the meeting of our board of directors, or by holders of a majority of the issued and outstanding shares of our Class B common stock.

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Our officers are appointed by the board of directors and serve at the discretion of the board of directors, rather than for specific terms of office. Our board of directors is authorized to appoint persons to the offices set forth in our bylaws as it deems appropriate. Our bylaws provide that our officers may consist of a Chief Executive Officer, a President, a Chief Financial Officer, Vice Presidents, a Secretary, Assistant Secretaries, a Treasurer and such other offices as may be determined by the board of directors.

Committees of the Board of Directors

Our board of directors has three standing committees: an audit committee; a compensation committee; and a nominating and corporate governance committee. Each of our audit committee, compensation committee and nominating and corporate governance committee are composed solely of independent directors. Each committee operates under a charter that was approved by our board of directors and has the composition and responsibilities described below. The charter of each committee is available on our website.

Audit Committee

The members of our audit committee are Brian Radecki, Frank S. Edmonds and Heather Bellini. Brian Radecki serves as chairman of the audit committee.

Each member of the audit committee is financially literate and our board of directors has determined that qualifies as an "audit committee financial expert" as defined in applicable SEC rules and has accounting or related financial management expertise.

We have adopted an audit committee charter, which details the purpose and principal functions of the audit committee, including:

- *assisting board oversight of (1) the integrity of our financial statements, (2) our compliance with legal and regulatory requirements, (3) our independent registered public accounting firm's qualifications and independence, and (4) the performance of our internal audit function and independent registered public accounting firm;*
- *the appointment, compensation, retention, replacement, and oversight of the work of the independent registered public accounting firm and any other independent registered public accounting firm engaged by us;*
- *pre-approving all audit and non-audit services to be provided by the independent registered public accounting firm or any other registered public accounting firm engaged by us, and establishing pre-approval policies and procedures;*
- *reviewing and discussing with the independent registered public accounting firm all relationships the auditors have with us in order to evaluate their continued independence;*

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- *setting clear hiring policies for employees or former employees of the independent registered public accounting firm;*
- *setting clear policies for audit partner rotation in compliance with applicable laws and regulations;*
- *obtaining and reviewing a report, at least annually, from the independent registered public accounting firm describing (1) the independent registered public accounting firm's internal quality-control procedures and (2) any material issues raised by the most recent internal quality-control review, or peer review, of the audit firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years respecting one or more independent audits carried out by the firm and any steps taken to deal with such issues;*
- *meeting to review and discuss our annual audited financial statements and quarterly financial statements with management and the independent registered public accounting firm, including reviewing our specific disclosures under "Item 7. Management's Compensation Discussion and Analysis of Financial Condition section and Results of Operations"; have opted to comply with the scaled disclosure requirements applicable to emerging growth companies.*

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- *reviewing*

The information required by this Item 11 is set forth under the caption "Executive Officer and approving any related party transaction required to be disclosed pursuant to Item 404 of Regulation S-K promulgated by the SEC prior to us entering into such transaction; and reviewing with management, the independent registered public accounting firm, and our legal advisors, as appropriate, any legal, regulatory or compliance matters, including any correspondence with regulators or government agencies and any employee complaints or published reports that raise material issues regarding our financial statements or accounting policies and any significant changes in accounting standards or rules promulgated by the Financial Accounting Standards Board, the SEC or other regulatory authorities.

Compensation Committee

The members of our compensation committee are Brian Radecki, Frank S. Edmonds and Heather Bellini. Ms. Bellini serves as chair of the compensation committee.

We have adopted a compensation committee charter, which details the purpose and responsibility of the compensation committee, including:

- *reviewing and approving on an annual basis the corporate goals and objectives relevant to our Chief Executive Officer's compensation, evaluating our Chief Executive Officer's performance in light of such goals and objectives and determining and approving the remuneration (if any) of our Chief Executive Officer based on such evaluation;*
- *reviewing and making recommendations to our board of directors with respect to the compensation, and any incentive-compensation and equity-based plans that are subject to board approval of all of our other officers;*
- *reviewing our executive compensation policies and plans;*
- *implementing and administering our incentive compensation equity-based remuneration plans;*
- *assisting management in complying with our proxy statement and annual report disclosure requirements;*
- *approving all special perquisites, special cash payments and other special compensation and benefit arrangements for our officers and employees;*
- *producing a report on executive compensation to be included Director Compensation" in our annual proxy statement; and reviewing, evaluating and recommending changes, if appropriate, to the remuneration for directors.*

The charter also provides that the compensation committee may, in its sole discretion, retain or obtain the advice of a compensation consultant, independent legal counsel or other adviser and is directly responsible for the appointment, compensation and oversight of the work of any such adviser. However, before engaging or receiving advice from a compensation consultant, external legal counsel or any other adviser, the compensation committee will consider the independence of each such adviser, including the factors required by Nasdaq and the SEC.

Nominating and Corporate Governance Committee

The members of our nominating and corporate governance committee are Brian Radecki, Frank S. Edmonds and Heather Bellini. Mr. Edmonds serves as chair of the nominating and corporate governance committee.

We have adopted a nominating and corporate governance committee charter, which details the purpose and responsibilities of the nominating and corporate governance committee, including:

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- ***identifying, screening and reviewing individuals qualified to serve as directors, consistent with criteria approved by the board of directors, and recommending to the board of directors candidates for nomination for election at the annual stockholder meeting or to fill vacancies on the board of directors;***

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- ***developing and recommending to the board of directors and overseeing implementation of our corporate governance guidelines;***
- ***coordinating and overseeing the annual self-evaluation of the board of directors, its committees, individual directors and management in the governance of the Company; and reviewing on a regular basis our overall corporate governance and recommending improvements as and when necessary.***

The charter also provides that the nominating and corporate governance committee may, in its sole discretion, retain or obtain the advice of, and terminate, any search firm to be used to identify director candidates, and is directly responsible for approving the search firm's fees and other retention terms.

We have not formally established any specific, minimum qualifications that must be met or skills that are necessary for directors to possess. In general, in identifying and evaluating nominees for director, the board of directors considers educational background, diversity of professional experience, knowledge of our business, integrity, professional reputation, independence, wisdom, and the ability to represent the best interests of our stockholders. Prior to our initial Business Combination, holders of our Public Shares will not have the right to recommend director candidates for nomination to our board of directors.

Code of Ethics

We have adopted a code of ethics and business conduct (our "Code of Ethics") applicable to our directors, officers and employees. We have filed a copy of our form of our Code of Ethics as an exhibit to this Annual Report. We have also posted a copy of our Code of Ethics and the charters of our audit committee, compensation committee and nominating and corporate governance committee on our website under https://rosecliffspac.com/governance/. Our website and the information contained on, or that can be accessed through, the website is not deemed to be incorporated by reference in, and is not considered part of, this Annual Report. You are able to review this document by accessing our public filings at the SEC's website. In addition, a copy of our Code of Ethics will be provided without charge upon request from us. We intend to disclose any amendments to or waivers of certain provisions of our Code of Ethics in a Current Report on Form 8-K.

Conflicts of Interest

Our management team, in their capacities as directors, officers or employees of our Sponsor or its affiliates or in their other endeavors, may choose to present potential Business Combinations to the related entities described below, current or future entities affiliated with or managed by our Sponsor, or third parties, before they present such opportunities to us. Our amended and restated certificate of incorporation provides that we renounce our interest in any corporate opportunity offered to any director or officer unless such opportunity is expressly offered to such person solely in his or her capacity as a director or officer of the Company and it is an opportunity that we are able to complete on a reasonable basis.

In addition, our officers or directors may be investors, or have other direct or indirect interests, in a business with which we may enter into a Business Combination agreement and/or in certain funds or other persons that may purchase shares in the Initial Public Offering or that may otherwise purchase shares of our Class A common stock in the public market.

Our officers, directors and any of their respective affiliates may sponsor or form, or, in the case of individuals, serve as a director or officer of, other blank check companies similar to ours during the period in which we are seeking an initial Business Combination. Any such companies may present additional conflicts of interest in pursuing an acquisition target. However, we do not believe that any such potential conflicts would materially affect our ability to complete our initial Business Combination.

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Each of our officers and directors presently has, and any of them in the future may have additional, fiduciary or contractual obligations to other entities pursuant to which such officer or director is or will be required to present a Business Combination opportunity to such entity. Accordingly, if any of our directors or officers becomes aware of a Business Combination opportunity that is suitable for an entity to which he or she has then-current fiduciary or contractual obligations, he or she may

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need to honor these fiduciary or contractual obligations to present such Business Combination opportunity to such entity. See "Risk Factors - Each of our directors and officers are now, and all of them may in the future become, affiliated with entities engaged in business activities similar to those intended to be conducted by us and, accordingly, may have conflicts of interest in determining to which entity a particular business opportunity should be presented."

We do not believe, however, that the fiduciary duties or contractual obligations of our directors or officers will materially affect our ability to complete our initial Business Combination.

Our directors and officers may become involved with subsequent special purpose acquisition companies similar to our Company. Potential investors should also be aware of the following potential conflicts of interest:

- *None of our directors or officers is required to commit his or her full time to our affairs and, accordingly, may have conflicts of interest in allocating his or her time among various business activities.*
- *In the course of their other business activities, our directors and officers may become aware of investment and business opportunities that may be appropriate for presentation to us as well as the other entities with which they are affiliated. Our management may have conflicts of interest in determining to which entity a particular business opportunity should be presented. For a complete description of our management's other affiliations, see information below.*
- *Our initial stockholders, directors and officers have agreed to waive their redemption rights with respect to any Founder Shares and Public Shares held by them in connection with the consummation of our initial Business Combination. Additionally, our initial stockholders have agreed to waive their redemption rights with respect to their Founder Shares if we fail to consummate our initial Business Combination by the Expiration Date or during any extension period. However, if our initial stockholders (or any of our directors, officers or affiliates) acquire Public Shares, they will be entitled to liquidating distributions from the Trust Account with respect to such Public Shares if we fail to consummate our initial Business Combination within the prescribed time frame. If we do not complete our initial Business Combination within such applicable time period, the proceeds of the sale of the Private Placement Warrants held in the Trust Account will be used to fund the redemption of our Public Shares, and the Private Placement Warrants will expire worthless. Pursuant to a letter agreement that our initial stockholders, directors and officers have entered into with us, with certain limited exceptions, the Founder Shares will not be transferable, assignable or saleable by our initial stockholders until the earlier of: (1) one year after the completion of our initial Business Combination; and (2) subsequent to our initial Business Combination (x) if the last reported sale price of our Class A common stock equals or exceeds $12.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20-trading days within any 30-trading day period commencing at least 150 days after our initial Business Combination or (y) the date on which we complete a liquidation, merger, stock exchange, reorganization or other similar transaction that results in all of our Public Stockholders having the right to exchange their shares of common stock for cash, securities or other property. With certain limited exceptions, the Private Placement Warrants and the shares of Class A common stock underlying such warrants, will not be transferable, assignable or saleable by our Sponsor until 30 days after the completion of our initial Business Combination. Since our Sponsor and directors and officers may directly or indirectly own our securities following the Initial Public Offering, our directors and officers may have a conflict of interest in determining whether a particular target business is an appropriate business with which to effectuate our initial Business Combination.*
- *Our directors and officers may negotiate employment or consulting agreements with a target business in connection with a particular Business Combination. These agreements may provide for them to receive compensation following our initial Business Combination and as a result, may cause them to have conflicts of interest in determining whether to proceed with a particular Business Combination.*
- *Our directors and officers may have a conflict of interest with respect to evaluating a particular Business Combination if the retention or resignation of any such directors and officers was included by a target business as a condition to any agreement* *Definitive Proxy Statement* *with respect to our initial Business Combination.* *2024 Annual Meeting of Stockholders and is incorporated herein by reference.*

Table
Item 12. Security Ownership of Contents

Certain Beneficial Owners and Management and Related Stockholder Matters.

The conflicts described above may not be resolved information required by this Item 12 is set forth under the captions "Share Ownership" and "Outstanding Equity Awards at Fiscal Year End 2023" in our favor.

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In general, officers and directors of a corporation incorporated under the laws of the State of Delaware are required to present business opportunities to a corporation if:

- *the corporation could financially undertake the opportunity;*
- *the opportunity is within the corporation's line of business; and it would not be fair to the corporation and its stockholders for the opportunity not to be brought to the attention of the corporation.*

Accordingly, as a result of multiple business affiliations, our directors and officers have similar legal obligations relating to presenting business opportunities meeting the above-listed criteria to multiple entities. Furthermore, our amended and restated certificate of incorporation provides that the doctrine of corporate opportunity will not apply with respect to any of our directors or officers in circumstances where the application of the doctrine would conflict with any fiduciary duties or contractual obligations they may have, and there will not be any expectancy that any of our directors or officers will offer any such corporate opportunity of which he or she may become aware to us. Below is a table summarizing the entities to which our directors and officers currently have fiduciary duties or contractual obligations:

Individual	*Entity*	*Entity's Business*	*Affiliation*
Michael P. Murphy	*Rosecliff Venture Management, LLC*	*Venture Capital*	*Founder and Managing Partner*
	Cargo Systems, Inc.	*Rideshare Advertising*	*Director*
	Squarefoot	*Commercial Real Estate*	*Director*
	ForDays	*Fashion*	*Director*
	Agile Stacks	*Technology*	*Director*
Jordan Zimmerman	*Zimmerman Advertising*	*Advertising*	*Founder & Chairman*
Kieran Goodwin	*Zoomi, Inc.*	*Education/Artificial Intelligence*	*Director*
	Tradewell Technologies	*Financial Technology*	*Director*
	Voya Prime Rate Loan Trust	*Closed-End Fund*	*Director*
Brian Radecki	*Rapa Therapeutics, LLC*	*Biotechnology*	*Founder, Chief Executive Officer and Director*
	Wheels Up Partners Holdings LLC	*Transportation/Aviation*	*Director*
Frank S. Edmonds	*Shane's Rib Shack*	*Fast-Casual Restaurant*	*Director*
Heather Bellini	*Deep Instinct*	*Cyber security*	*Chief Financial Officer*

Accordingly, if any of the above directors or officers become aware of a Business Combination opportunity which is suitable for any of the above entities to which he or she has then-current fiduciary or contractual obligations, he or she will honor his or her fiduciary or contractual obligations to present such Business Combination opportunity to such entity, and only present it to us if such entity rejects the opportunity. Our amended and restated certificate of incorporation provides that we renounce our interest in any corporate opportunity offered to any director or officer unless such opportunity is expressly offered to such person solely in his or her capacity as a director or officer of the Company and it is an opportunity that we are able to complete on a reasonable basis. We do not believe, however, that any of the foregoing fiduciary duties or contractual obligations will materially affect our ability to identify and pursue Business Combination opportunities or complete our initial Business Combination.

We are not prohibited from pursuing an initial Business Combination with a company that is affiliated with our Sponsor, directors or officers.

In addition, our Sponsor or any of its affiliates may make additional investments in the Company in connection with the initial Business Combination, although our Sponsor and its affiliates have no obligation or current intention to do so. If our Sponsor or any of its affiliates elects to make additional investments, such proposed investments could influence our Sponsor's motivation to complete an initial Business Combination.

In the event that we submit our initial Business Combination to our Public Stockholders for a vote, our initial stockholders, directors and officers have agreed, pursuant to the terms of a letter agreement entered into with us, to vote any Founder

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Shares (and their permitted transferees will agree) and Public Shares held by them in favor of our initial Business Combination.

Item 11. Executive Compensation.

None of our directors or officers has received directly from us any cash compensation for services rendered to us. Commencing on the date that our securities were first listed on Nasdaq through the earlier of consummation of our initial Business Combination and our liquidation, pursuant to our support services agreement with our Sponsor, we will pay our Sponsor a total of $10,000 per month for office, support and administrative services. In addition, our Sponsor, directors and officers, or any of their respective affiliates, will be reimbursed for any out-of-pocket expenses incurred in connection with activities on our behalf such as identifying potential target businesses and performing due diligence on suitable Business Combinations. Our audit committee will review on a quarterly basis all payments that were made by us to our Sponsor, directors, officers or our or any of their respective affiliates.

After the completion of our initial Business Combination, directors or members of our management team who remain with us may be paid consulting, management or other compensation from the combined company. All compensation will be fully disclosed to stockholders, to the extent then known, in the tender offer materials or proxy solicitation materials furnished to our stockholders in connection with a proposed Business Combination. It is unlikely the amount of such compensation will be known at the time, because the directors of the post-combination business will be responsible for determining executive officer and director compensation. Any compensation to be paid to our officers after the completion of our initial Business Combination will be determined by a compensation committee constituted solely of independent directors.

We are not party to any agreements with our directors and officers that provide for benefits upon termination of employment. The existence or terms of any such employment or consulting arrangements may influence our management's motivation in identifying or selecting a target business, and we do not believe that the ability of our management to remain with us after the consummation of our initial Business Combination should be a determining factor in our decision to proceed with any potential Business Combination.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth information available to us at March 30, 2023 Definitive Proxy Statement *with respect to our common stock held by:* 2024 Annual Meeting of Stockholders and is incorporated by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

each person known

The information required by us to be this Item 13 is set forth under the beneficial owner captions "Certain Relationships and Related Transactions" and "Board of more than 5% of Directors and Committees" in our outstanding shares of common stock;

- *each of our executive officers and directors; and all our executive officers and directors as a group.*

Unless otherwise indicated, we believe that all persons named in the table have sole voting and investment power Definitive Proxy Statement *with respect to all shares our 2024 Annual Meeting of common stock beneficially owned Stockholders and is incorporated herein by them. The following table does not reflect record or beneficial ownership of the Private Placement Warrants as these are not exercisable within 60 days of March [30], 2023.* reference.

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	Class A Common Stock		Class B Common Stock	
	Beneficially Owned	Approximate Percentage of Class Issued and Outstanding Common Stock	Beneficially Owned	Approximate Percentage of Class Issued and Outstanding Common Stock
Name and Address of Beneficial Owner(2)				
Rosecliff Acquisition Sponsor I LLC (our Sponsor) (1)(3)	—	—	6,195,000	91.3 %
Michael P. Murphy(1)(3)	—	—	6,195,000	91.3 %

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Brian Radecki	—	—	*50,000*	*
Jordan Zimmerman	—	—	—	—
Kieran Goodwin	—	—	—	—
Frank S. Edmonds	—	—	*40,000*	*
Heather Bellini	—	—	*40,000*	*
All directors and officers as a group (six individuals)	—	—	*130,000*	*1.9 %*

** Less than one percent.*

(1) Shares of Class B common stock will convert into Shares of Class A common stock on a one-for-one basis, subject to adjustment, as described in the section entitled "Description of Securities" in our prospectus filed with the SEC pursuant to Rule 424(b)(4) (File No. 333-252478).

(2) Unless otherwise noted, the business address of each of the following entities or individuals is c/o Rosecliff Acquisition Corp I, 767 5th Avenue, 34th Floor, New York, New York 10153.

(3) Rosecliff Acquisition Sponsor I LLC, our Sponsor, is the record holder of 6,195,000 shares of Class B common stock. By virtue of his control over our Sponsor, Michael P. Murphy may be deemed to beneficially own shares held by our Sponsor.

Our initial stockholders beneficially own approximately 20% of the then issued and outstanding common stock and have the right to elect all of our directors prior to our initial Business Combination as a result of holding all of the Founder Shares. Holders of our Public Shares will not have the right to appoint any directors to our board of directors prior to our initial Business Combination. In addition, because of their ownership block, our initial stockholders may be able to effectively influence the outcome of all other matters requiring approval by our stockholders, including amendments to our amended and restated memorandum and articles of association and approval of significant corporate transactions.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Founder Shares

During the period ended December 31, 2020, the Sponsor paid $25,000 to cover certain of the Company's offering costs in exchange for 5,750,000 shares of the Company's Class B common stock (the "Founder Shares"). On February 11, 2021, the Company effected a 1:1.1 stock split of its Class B common stock, resulting in an aggregate of 6,325,000 shares outstanding. All share

Item 14. Principal Accountant Fees and per-share amounts have been retroactively restated to reflect the stock split. Services.

The Founder Shares included an aggregate of up to 825,000 shares subject to forfeiture to the extent that the underwriters' over-allotment was not exercised in full or in part, so that the number of Founder Shares would equal, on an as-converted basis, approximately 20% of the Company's then issued and outstanding common stock upon the consummation of the Initial Public Offering. As a result of the underwriter's election to fully exercise its over-allotment option, no Founder Shares are currently subject to forfeiture.

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The Sponsor has agreed, subject to limited exceptions, not to transfer, assign or sell any of the Founder Shares until the earlier to occur of: (A) one year after the completion of a Business Combination and (B) subsequent to a Business Combination, (x) if the last reported sale price of the Class A common stock equals or exceeds $12.00 per share (as adjusted for stock splits, stock capitalizations, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after a Business Combination, or (y) the date on which the Company completes a liquidation, merger, capital stock exchange, reorganization or other similar transaction that results in all of the Public Stockholders having the right to exchange their shares of common stock for cash, securities or other property.

Amount Due to Sponsor

At December 31, 2022 and 2021, the Company had advances owed to the Sponsor in the amount of $16,152 and $0, respectively.

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Private Placement Warrants

Simultaneously with the closing of the Initial Public Offering, the Sponsor has purchased an aggregate of 4,706,667 Private Placement Warrants at a price of $1.50 per Private Placement Warrant ($7,060,000 in the aggregate) from the Company in a private placement. Each whole Private Placement Warrant is exercisable to purchase one share of Class A common stock at a price of $11.50 per share, subject to adjustment. A portion of the proceeds from the sale of the Private Placement Warrants were added to the net proceeds from the Initial Public Offering held in the Trust Account. If we do not complete a Business Combination information required by the Expiration Date, the proceeds from the sale of the Private Placement Warrants held in the Trust Account this Item 14 will be used to fund set forth under the redemption caption "Proposal No. 3: Ratification of the Independent Registered Public Shares (subject to the requirements of applicable law) and the Private Placement Warrants will expire worthless.

Registration Rights

Pursuant to a registration rights agreement entered into on February 11, 2021, the holders of the Founder Shares, Private Placement Warrants and warrants that may be issued upon conversion of Working Capital Loans (and any shares of Class A common stock issuable upon the exercise of the Private Placement Warrants or warrants that may be issued upon conversion of Working Capital Loans and upon conversion of the Founder Shares) will be entitled to registration rights requiring the Company to register such securities for resale (in the case of the Founder Shares, only after conversion to shares of Class A common stock). The holders of these securities will be entitled to make up to three demands, excluding short form registration demands, that we register such securities. In addition, the holders have certain "piggy-back" registration rights Accounting Firm" in our Definitive Proxy Statement with respect to registration statements filed subsequent to the completion our 2024 Annual Meeting of a Business Combination Stockholders and rights to require us to register for resale such securities pursuant to Rule 415 under the Securities Act. However, the registration rights agreement provides that we will not be required to effect or permit any registration or cause any registration statement to become effective until termination of the applicable lock-up period. The registration rights agreement does not contain liquidated damages or other cash settlement provisions resulting from delays in registering our securities. We will bear the expenses incurred in connection with the filing of any such registration statements. is incorporated herein by reference.

Related Party Notes

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In order to fund working capital deficiencies or finance transaction costs in connection with a Business Combination, the Sponsor or an affiliate of the Sponsor, or certain of our officers and directors may, but are not obligated to, loan us funds as may be required ("Working Capital Loans"). If we completes a Business Combination, we would repay the Working Capital Loans out of the proceeds of the Trust Account released to us. Otherwise, the Working Capital Loans would be repaid only out of funds held outside the Trust Account. In the event that a Business Combination does not close, we may use a portion of proceeds held outside the Trust Account to repay the Working Capital Loans, but no proceeds held in the Trust Account would be used to repay the Working Capital Loans. Except for the foregoing, the terms of such Working Capital Loans, if any, have not been determined and no written agreements exist with respect to such loans. The Working Capital Loans would either be repaid upon consummation of a Business Combination, without interest, or, at the lender's discretion, up to $1,500,000 of such Working Capital Loans may be convertible into warrants of the post-Business Combination entity at a price of $1.50 per warrant. The warrants would be identical to the Private Placement Warrants. As of December 31, 2022, there were no amounts outstanding under the Working Capital Loans.

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Administrative Services Agreement

Commencing on February 11, 2021 through the earlier of our consummation of a Business Combination and its liquidation, we agreed to pay our Sponsor a total of $10,000 per month for office space, support and administrative services. For the year ended December 31, 2022 and 2021, we accrued $230,000 and $110,000 in fees for these services, of which such amount is included in accrued expenses in the accompanying balance sheet.

Item 14. Principal Accountant Fees and Services.

The firm of WithumSmith+Brown, PC, or Withum, acts as our independent registered public accounting firm. The following is a summary of fees paid to Withum for services rendered.

Audit Fees. For the year ended December 31, 2022 and 2021, fees for our independent registered public accounting firm were approximately $128,853 and $103,911, respectively, for the services Withum performed in connection with our Initial Public Offering and the audit of our December 31, 2022 and 2021 financial statements included in this Annual Report on Form 10-K.

Audit-Related Fees. For the year ended December 31, 2022 and 2021, our independent registered public accounting firm did not render assurance and related services related to the performance of the audit or review of financial statements.

Tax Fees. For the year ended December 31, 2022 and 2021, our independent registered public accounting firm rendered fees in the amount of $8500 and $0 services to us for tax compliance, tax advice and tax planning, respectively.

(4) All Other Fees. For the year ended December 31, 2022 and 2021, there were no fees billed for products and services provided by our independent registered public accounting firm other than those set forth above.

Pre-Approval Policy

Our audit committee was formed upon the consummation of our Initial Public Offering. As a result, the audit committee did not pre-approve all of the foregoing services, although any services rendered prior to the formation of our audit committee were approved by our board of directors. Since the formation of our audit committee, and on a going-forward basis, the audit committee has and will pre-approve all auditing services and permitted non-audit services to be performed for us by our auditors, including the fees and terms thereof (subject to the de minimis exceptions for non-audit services described in the Exchange Act which are approved by the audit committee prior to the completion of the audit).

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PART IV.

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Item 15. Exhibits, Financial Statement Schedules.

Item 15.

(a) The following documents are filed as part of this Annual Report on Form 10-K: Financial Statements: See "Item 8. Index to Financial Statements and Supplementary Data" herein.

SPECTRAL AI, INC.
INDEX TO FINANCIAL STATEMENTS

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KPMG LLP
Suite 1400
2323 Ross Avenue
Dallas, TX 75201-2721

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Spectral AI, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Spectral AI, Inc. and subsidiaries (the Company) as of December 31, 2023 and 2022, the related consolidated statements of operations and comprehensive loss, changes in stockholders' equity (deficit), and cash flows for each of the years in the two-year period ended December 31, 2023, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2021.
Dallas, Texas
March 29, 2024

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SPECTRAL AI, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	December 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash	$ 4,790	$ 14,174
Accounts receivable, net	2,346	2,294
Inventory	230	-
Unbilled revenue	-	618
Deferred offering costs	283	-
Prepaid expenses	1,452	331
Other current assets	801	270
Total current assets	9,902	17,687
Non-current assets:		
Property and equipment, net	12	21
Right-of-use assets	778	1,008
Total Assets	$ 10,692	$ 18,716
Commitments and contingencies (Note 8)		
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	$ 2,683	$ 2,759
Accrued expenses	4,300	2,631
Deferred revenue	2,311	-
Lease liabilities, short-term	853	680
Notes payable	436	175
Warrant liabilities	1,818	129
Total current liabilities	12,401	6,374
Lease liabilities, long-term	-	346
Total Liabilities	12,401	6,720
Stockholders' Equity (Deficit)		
Preferred stock ($0.0001 par value); 1,000,000 shares authorized; no shares issued and outstanding as of December 31, 2023 and December 31, 2022	-	-
Common stock ($0.0001 par value); 80,000,000 shares authorized; 16,294,935 and 13,170,148 shares issued and outstanding as of December 31, 2023 and December 31, 2022, respectively	2	1
Additional paid-in capital	31,065	23,929
Accumulated other comprehensive income	12	-
Accumulated deficit	(32,788)	(11,934)
Total Stockholders' Equity (Deficit)	(1,709)	11,996
Total Liabilities and Stockholders' Equity (Deficit)	$ 10,692	$ 18,716

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

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SPECTRAL AI, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except share and per share data)

	Year Ended December 31,	
	2023	**2022**
Research and development revenue	$ 18,056	$ 25,368
Cost of revenue	(10,176)	(14,531)
Gross profit	7,880	10,837
Operating costs and expenses:		
General and administrative	20,864	13,484
Total operating costs and expenses	20,864	13,484
Operating loss	(12,984)	(2,647)
Other income (expense):		
Net interest income	172	21
Change in fair value of warrant liability	335	57
Foreign exchange transaction loss, net	(24)	(237)
Transaction costs	(8,342)	-
Total other expense, net	(7,859)	(159)
Loss before income taxes	(20,843)	(2,806)
Income tax provision	(11)	(106)
Net loss	$ (20,854)	$ (2,912)
Net loss per share of common stock		
Basic and Diluted	$ (1.48)	$ (0.22)
Weighted-average common shares outstanding		
Basic and Diluted	14,087,586	13,136,965
Other comprehensive income:		
Foreign currency translation adjustments	$ 12	$ -
Total comprehensive loss	$ (20,842)	$ (2,912)

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SPECTRAL AI, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
(In thousands, except share data)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2021	135,034,564	$ 135	$ 22,640	$ -	$ (9,022)	$ 13,753
Retroactive application of recapitalization	(121,937,160)	(134)	134	-	-	-
Balance at December 31, 2021, after effect of Business Combination	13,097,404	1	22,774	-	(9,022)	13,753
Stock-based compensation	72,744	-	1,155	-	-	1,155
Net loss	-	-	-	-	(2,912)	(2,912)
Balance at December 31, 2022	13,170,148	$ 1	$ 23,929	$ -	$ (11,934)	$ 11,996
Issuance of common stock upon Business Combination	1,154,173	1	(2,375)	-	-	(2,374)
Issuance of common stock to settle accounts payable	33,333	-	150	-	-	150
Issuance of shares for transaction costs	966,667	-	4,350	-	-	4,350
Private placement equity issuance	744,667	-	3,351	-	-	3,351
Financing equity issuance	40,000	-	101	-	-	101
Stock-based compensation	30,318	-	1,243	-	-	1,243
Stock option exercises	155,629	-	316	-	-	316
Cumulative translation adjustment	-	-	-	12	-	12
Net loss	-	-	-	-	(20,854)	(20,854)
Balance at December 31, 2023	16,294,935	$ 2	$ 31,065	$ 12	$ (32,788)	$ (1,709)

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

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SPECTRAL AI, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,	
	2023	**2022**
Cash flows from operating activities:		
Net loss	$ (20,854)	$ (2,912)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	9	11
Stock-based compensation	1,243	1,155
Amortization of right-of-use assets	713	557
Issuance of shares for transaction costs	4,350	-
Change in fair value of warrant liabilities	(335)	(57)
Changes in operating assets and liabilities:		
Accounts receivable	(52)	(859)
Inventory	(230)	-
Unbilled revenue	618	(547)
Prepaid expenses	(377)	615
Other assets	(404)	40
Accounts payable	(935)	1,345
Accrued expenses	1,359	51
Deferred revenue	2,311	-
Lease liabilities	(656)	(561)
Net cash used in operating activities	(13,240)	(1,162)
Cash flows from financing activities:		
Proceeds from issuance of common stock for Equity Raise	3,351	-
Cash received in Business Combination	660	-
Payments for notes payable	(483)	(785)
Stock option exercises	316	-
Net cash provided by (used in) financing activities	3,844	(785)
Effect of exchange rate changes on cash	12	-
Net decrease in cash	(9,384)	(1,947)
Cash, beginning of period	14,174	16,121
Cash, end of period	$ 4,790	$ 14,174
Supplemental cash flow information:		
Cash paid for interest	$ 29	$ 23
Cash paid for taxes	$ 114	$ 53
Noncash operating and financing activities disclosure:		
Recognition of Right-of-use assets and related lease liabilities upon adoption of ASC 842	$ -	$ 610
Recognition of Right-of-use assets and related lease liabilities upon lease amendment	$ 483	$ 955
Issuance of common stock for net liabilities upon Business Combination	$ 3,034	$ -
Prepaid asset acquired, net of cancellation, for debt and accounts payable	$ 744	$ 376
Issuance of common stock to settle accounts payable	$ 150	$ -
Deferred offering costs included in accrued expenses	$ 182	$ -
Issuance of common stock to settle deferred offering costs	$ 101	$ -

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1. NATURE OF THE BUSINESS

Business Combination

Spectral AI, Inc., a Delaware corporation formerly known as Rosecliff Acquisition Corp I ("Spectral AI" or the "Company") was formed as a blank check company on November 17, 2020. The Company was formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses.

On September 11, 2023, the Company consummated a business combination (the "Business Combination"), pursuant to the business combination agreement dated April 11, 2023 (the "Business Combination Agreement") by and among the Company, Ghost Merger Sub I, a Delaware Corporation, Ghost Merger Sub II, a Delaware corporation and Spectral MD Holdings, Ltd., a Delaware corporation incorporated on March 9, 2009 and headquartered in Dallas, Texas ("Legacy Spectral"). Upon closing of the Business Combination (the "Closing"), in sequential order: (a) Ghost Merger Sub I merged with and into the Legacy Spectral, with Legacy Spectral continuing as the surviving company as a wholly owned subsidiary of the Company (the "Spectral Merger") and then, (b) Legacy Spectral merged with and into Ghost Merger Sub II (renamed Spectral MD Holdings LLC) (the "SPAC Merger", together with the Spectral Merger (the "Business Combination")), with Ghost Merger Sub II surviving the SPAC Merger as a direct wholly-owned subsidiary of the Company. See Note 3. Upon the Closing, the Company changed its name from Rosecliff Acquisition Corp I to Spectral AI, Inc.

In conjunction with the Business Combination, the Company cancelled the redeemable warrants that it issued to Rosecliff Acquisition Sponsor I LLC, a Delaware limited liability company (the "Sponsor"), in a private placement (the "Private Warrants") in connection with the Company's initial public offering on February 17, 2021 (the "Initial Public Offering") at Closing, but the 8,433,333 redeemable warrants issued to the public in the Initial Public Offering (the "Public Warrants") remain outstanding.

Prior to the Business Combination, Rosecliff Acquisition Corp I ("Rosecliff") had 280,485 shares of Class A common stock, par value $0.0001 per share, issued and outstanding and held by public shareholders (the "Public Shares") and 6,325,000 shares of Class B common stock, par value $0.0001 per share, issued and outstanding and held by the Sponsor (the "Sponsor Shares"). Upon the Closing, 5,445,000 of the Sponsor Shares were forfeited, in accordance with a letter agreement with the Sponsor, and the remaining 880,000 Sponsor Shares and 280,485 Public Shares, no longer designated Class A and Class B, were included in shares of the Company's common stock, par value $0.0001 per share (the "Company Common Stock").

Prior to the Business Combination, Legacy Spectral's shares of common stock, par value $0.001 per share ("Legacy Spectral Common Stock") were listed on the AIM market on the London Stock Exchange (delisted on September 7, 2023). In September 2023, prior to the Closing, Legacy Spectral issued 7,679,198 shares of Legacy Spectral Common Stock to certain investors in a private placement, in exchange for $3.4 million (the "Equity Raise").Upon the Closing, all of Legacy Spectral's issued and outstanding 145,380,871 shares of Legacy Spectral Common Stock, including the shares from the Equity Raise, were exchanged for 14,094,450 shares of Company Common Stock at an exchange ratio of 10.31 (the "Exchange Ratio"), meaning that the Company issued one share of Company Common Stock in exchange for 10.31 shares of Legacy Spectral Common Stock.

On September 12, 2023, the Company began trading the Company Common Stock and the Public Warrants on the NASDAQ Capital Market ("NASDAQ") under the symbols "MDAI" and "MDAIW", respectively. Prior to the Business Combination, the Company's shares of Company Common Stock and Public Warrants were listed on the NASDAQ under the symbols "RCLF" and "RCLFW", respectively.

Nature of Operations

Spectral AI is devoting substantially all of its efforts towards research and development of its DeepView® Wound Imaging System, currently focused on burn wounds and diabetic foot ulcer ("DFU") indications, specifically engineered to allow physicians to make a more accurate, timely and informed decision for treatment options. The Company has not generated any product revenue to date. The Company currently generates revenue from contract development and research services by providing such services to governmental agencies, primarily to the Biomedical Advanced Research and Development Authority ("BARDA") and under a contract with Medical Technology Enterprise Consortium ("MTEC").

In September 2023, the Company executed its third contract with BARDA for a multi-year Project BioShield ("PBS") contract, valued at up to approximately $150.0 million. This multi-year contract includes an initial award of nearly $54.9 million to support the clinical validation and FDA clearance of DeepView® for commercial marketing and distribution purposes. The Company completed the second contract with BARDA, referred to as BARDA Burn II, which was signed in July 2019 and completed in November 2023. Under this contract, the Company furthered the DeepView System design, developed the AI algorithm, and took steps to obtain FDA approval for its DeepView GEN 3 System.

In April, 2023, the Company received a $4.0 million grant from MTEC for a project that is expected to be completed by April 2025 (the "MTEC Agreement"). The MTEC project is for the development of a handheld device for the DeepView System which is to be used to support military battlefield burn evaluation. The project has three phases, beginning with planning, design and testing; followed by development, design modification and buildout of the handheld device; and then the manufacturing of the handheld device.

The Company operates in one segment.

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Risks and Uncertainties

The Company is subject to a number of risks common to development stage companies in the medical technology industry, including, but not limited to, risks of failure of preclinical studies and clinical trials, dependence on key personnel, protection of proprietary technology, reliance on third party organizations, risks of obtaining regulatory approval for any products that it may develop, development by competitors of technological innovations, compliance with government regulations and the need to obtain additional financing.

Liquidity

As of December 31, 2023 and December 31, 2022, the Company had approximately $4.8 million and $14.2 million, respectively, in cash, and an accumulated deficit of $32.8 million and $11.9 million, respectively. The Company has historically funded its operations through the issuance of notes and the sale of preferred stock and common stock. In December 2023, the Company entered into a Common Stock Purchase Agreement (the "Purchase Agreement") and a related Registration Rights Agreement (the "Registration Rights Agreement"), each dated as of December 26, 2023, with B. Riley Principal Capital II, LLC ("B. Riley Principal Capital II"). Upon the terms and subject to the satisfaction of the conditions set forth in the Purchase Agreement, the Company will have the right, in its sole discretion, to sell to B. Riley Principal Capital II up to $10.0 million in aggregate gross purchase price of newly issued shares of the Company's common stock, par value $0.0001 per share (the "B. Riley Common Stock"). This amount of newly issued shares is subject to the 19.99% threshold of the aggregate number of shares of Common Stock issued pursuant to the relative agreement (the "Exchange Cap"), unless approval of the Company's shareholders is otherwise received. Together with the new PBS BARDA Contract, executed in September 2023, for a total value of up to approximately $150.0 million, the Company's total potential support from BARDA is nearly $251.0 million if all future options are executed. The base phase of the PBS BARDA Contract, valued at $54.9 million, was exercised concurrently with the contract award in September 2023. To date, for the 2013, 2019, and 2023 BARDA contracts, the Company has committed funding of $155.9 million of which the Company has received $106.5 million. In April 2023, the Company received a $4.0 million grant under the MTEC Agreement.

In March 2024, the Company entered into a Standby Equity Purchase Agreement ("SEPA") with YA II PN, Ltd. ("Yorkville"), whereby the Company has the right, but not the obligation, to sell to Yorkville up to $30.0 million of Common Stock. This amount of newly issued shares is subject to the Exchange Cap (as previously defined), unless approval of the Company's shareholders is otherwise received. In connection with the SEPA, Yorkville has agreed to a prepaid advance of $12.5 million (the "Pre-Paid Advance"), $5.0 million of which was funded on March 20, 2024 with a fixed conversion price of $3.16 for newly issued shares of the Company's Common Stock, par value $0.0001 per share ("Yorkville Common Stock"). The Purchase Price for the Pre-Paid Advance is 92.0% of the principal amount of the Pre-Paid Advance.

With the PBS BARDA Contract, the MTEC Agreement, the B. Riley financing, and the Yorkville financing, the Company believes it will have sufficient working capital to fund operations for at least one year beyond the release date of the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company's consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") or an Accounting Standards Update ("ASU").

The Business Combination was accounted for as a reverse recapitalization in accordance with GAAP. Legacy Spectral was determined as the accounting acquirer and the Company as the acquired company for financial reporting purposes. Accordingly, for accounting purposes, the Business Combination is treated as the equivalent of a capital transaction in which Legacy Spectral issued stock for the net assets of the Company. Upon the Closing, the net assets of the Company are stated at fair value, with no goodwill or other intangible assets recorded. See Note 3.

Legacy Spectral was determined to be the accounting acquiror based on evaluation of the following facts and circumstances:

(i) Legacy Spectral's former shareholders have a majority of the voting power of Spectral AI;

(ii) Legacy Spectral's senior management comprises all of the senior management of Spectral AI;

(iii) Legacy Spectral selected five of the six directors for the Board of Directors of Spectral AI;

(iv) Legacy Spectral's relative size of assets and operations compared to Rosecliff; and

(v) Legacy Spectral's operations comprise the ongoing operations of Spectral AI.

All historical financial information presented in the consolidated financial statements represents the accounts of Legacy Spectral at their historical values as if Legacy Spectral is the predecessor to the Company. The consolidated financial statements following the Closing reflect the results of the combined entity's operations.

All issued and outstanding shares of Legacy Spectral Common Stock and warrants, stock options, restricted stock units ("RSUs") and restricted stock awards ("RSAs") of Legacy Spectral and the per share amounts contained in the consolidated financial statements for the periods presented prior to the Closing have been retroactively restated to reflect the Exchange Ratio (as defined in Note 1).

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Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Spectral MD Holdings LLC, Spectral MD Inc., Spectral MD UK Limited ("Spectral MD UK"), and Spectral DeepView Limited. Significant inter-company transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company bases its estimates and judgments on historical experience and on various other assumptions that it believes are reasonable under the circumstances. The amounts of assets and liabilities reported in the Company's balance sheets and the amounts of expenses reported for each of the periods presented are affected by estimates and assumptions, which are used for, but not limited to, revenue recognition, warrant liabilities, stock-based compensation expense, stock issued for transaction costs, the net realizable value of inventory, right-of-use assets and income tax valuation allowances. Actual results could differ from these estimates.

Segments

Operating segments are defined as components of an enterprise for which separate and discrete information is available for evaluation by the chief operating decision-maker in deciding how to allocate resources and assess performance. The Company has one operating segment. The Company's chief operating decision maker, its Chief Executive Officer, manages the Company's operations on an aggregate basis for the purpose of allocating resources.

Cash

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. All cash is held in US, UK, & Ireland financial institutions.

Accounts Receivable, Net and Unbilled Revenue

Accounts receivable represent amounts due from US government agencies pursuant to research and development contracts associated with the Company's DeepView® Wound Imaging System.

The Company evaluates the collectability of its receivables based on a variety of factors, including the length of time the receivables are past due, the financial health of its customers and historical experience. Based upon the review of these factors, the Company recorded no allowance for doubtful accounts as of December 31, 2023 and December 31, 2022.

Certain third-party costs that are prepaid per the terms of the contract are billable to customers prior to recognition of related expenses. The Company records deferred revenue when the customers have been billed prior to recognizing revenue. The Company records unbilled revenue when revenue is recognized prior to billing customers.

Comprehensive Loss

Comprehensive loss includes net loss, as well as other changes in stockholders' equity (deficit) that result from transactions and economic events other than those with stockholders.

Concentrations of Credit Risk

Financial instruments which potentially subject the Company to credit risk consist principally of cash and accounts receivable. Primarily all cash is held in US financial institutions which, at times, exceed federally insured limits. The Company has not recognized any losses from credit risks on such accounts. The Company believes it is not exposed to significant credit risk on cash.

Additional credit risk is related to the Company's concentration of receivables. As of December 31, 2023 and December 31, 2022, receivables were concentrated from one customer (which is a US. government agency) representing 92% and 96% of total net receivables, respectively. No allowance for doubtful accounts were recorded as of December 31, 2023 and December 31, 2022.

One customer (which is a U.S. government agency) accounted for 95% for the year ended December 31, 2023 and 98% for the year ended December 31, 2022 of the recognized research and development revenue.

Inventory

Inventory is comprised of finished goods, purchased from a third-party manufacturer, and is stated at the lower of cost (average cost) or net realizable value. For the year ended December 31, 2023, the Company did not have write-downs for obsolete inventory.

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Fair Value

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Assets and liabilities that are measured at fair value are reported using a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 Unadjusted quoted prices in active markets that are assessable at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

Foreign Currency

The reporting currency for the consolidated financial statements of the Company is the US dollar. The functional currency of the Company and its wholly owned subsidiaries Spectral MD Holdings LLC and Spectral MD, Inc. is the US dollar. The functional currency of Spectral MD UK is its local currency, the British pound. The functional currency of Spectral DeepView Ltd. is its local currency, the Euro. The assets and liabilities of Spectral MD UK and Spectral DeepView Ltd, are translated into US. dollars at exchange rates in effect at the end of each reporting period, and the revenues and expenses are translated at average exchange rates in effect during the applicable period. Translation adjustments are included in accumulated other comprehensive income as a component of stockholders' equity. As of December 31, 2023 and December 31, 2022, the Company's translation adjustments are not material.

Monetary assets and liabilities denominated in currencies other than the functional currency are translated at exchange rates in effect at the balance sheet date. Resulting unrealized gains and losses are included in other income (expense), net in the consolidated statements of operations. For the year ended December 31, 2023 the Company recorded approximately $24,000 of net foreign exchange transaction losses. For the year ended December 31, 2022, the Company recorded approximately $0.2 million of net foreign exchange transaction losses primarily related to the Company's bank account denominated in British Pounds and accounts payable denominated in British Pounds.

Property and Equipment, Net

Property and equipment, net is recorded at cost less accumulated depreciation. Depreciation expense is recorded using the straight-line method over the estimated useful lives of the related assets, which are as follows:

	Estimated Useful Life
Computer equipment	3 years
Manufacturing equipment	5 years
Furniture and equipment	5 years
Laboratory equipment	5 years
Leasehold improvements	Shorter of remaining lease term or useful life

Purchased assets that are not yet in service are recorded to construction-in-process and no depreciation expense is recorded. Once they are placed in service, they are reclassified to the appropriate asset class. When assets are retired or otherwise disposed of, the assets and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the Company's consolidated statements of operation and comprehensive loss. Expenditures for maintenance and repairs are expensed as incurred.

Impairment of Long-Lived Assets

Long-lived assets consist of property and equipment. The Company continually evaluates whether events or circumstances have occurred that indicate that the estimated remaining useful life of its long-lived assets may warrant revision or that the carrying value of these assets may not be recoverable. If circumstances require that a long-lived asset or asset group be tested for impairment, the Company first compares the estimated undiscounted future cash flows expected to result from the use or disposition of that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment loss would be recognized to the extent the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market prices and third-party independent appraisals, as considered necessary.

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Leases

Under lease guidance, arrangements meeting the definition of a lease are classified as operating or financing leases. Operating leases are recorded in the consolidated balance sheets as both a right-of-use asset and a lease liability, calculated by discounting fixed lease payments at the rate implicit in the lease or the Company's incremental borrowing rate factoring the term of the lease. The incremental borrowing rate used by the Company is an estimate of the interest rate the Company would incur to borrow an amount equal to the lease payments on a collateralized basis over the term of the lease. Because the Company does not generally borrow on a collateralized basis, it uses the interest rate it pays on its noncollateralized borrowings as an input to deriving an appropriate incremental borrowing rate, adjusted for the amount of lease payments, the lease term and the effect on that rate of designating specific collateral with a value equal to the unpaid lease payments for that lease. Lease liabilities are increased by interest and reduced by payments each period, and the right-of-use asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right-of-use asset results in straight-line rent expense over the lease term. Variable lease expenses are recorded when incurred. In calculating the right-of-use assets and lease liabilities, the Company has elected to combine lease and non-lease components. The Company excludes short-term leases having initial terms of 12 months or less from the requirement to capitalize right-of-use assets and liabilities as an accounting policy election.

During the years ended December 31, 2023 and 2022, the Company did not have any financing leases.

Warrant Liabilities

On September 11, 2023, in conjunction with the Business Combination, the Company assumed the Public Warrants which have an exercise price of $11.50 per share, are exercisable 30 days after the Business Combination and expire five years after the Business Combination or upon redemption. The Company may redeem the Public Warrants if the Company's common stock equals or exceeds $18.00 per share for 20 trading days within a 30-trading day period ending on the third trading day prior to the date on which the Company sends the notice of redemption to the holders of Public Warrants. As of December 31, 2023, there are 8,433,333 Public Warrants Outstanding. Each warrant entitles the registered holder to purchase one share of Common Stock at a price of $11.50 per full share. Pursuant to the Warrant Agreement, a holder of Warrants may exercise its Warrants only for a whole number of shares. This means that only a whole warrant may be exercised at any given time by a holder of Warrants. The Company maintains a redemption right with respect to the warrants in that the Company can redeem some or all of the warrants for $0.10 per warrant based on certain market conditions and the market price of the Common Stock.

In September 2021, Legacy Spectral issued 73,978 warrants, with a strike price of $7.75 and a five-year life, to SP Angel Corporate Finance LLP ("SP Angel"), who acted as nominated adviser and broker to the Company for the purposes of the AIM Rules ("Angel Warrants"). In conjunction with the Business Combination, the Angel Warrants were converted into warrants to purchase Company Common Stock based on the Exchange Ratio. As of December 31, 2023, there are 73,978 Angel Warrants to purchase Company Common Stock outstanding.

The Company accounts for its Public Warrants and the Angel Warrants as derivative liabilities. Accordingly, the Company recognizes the instruments as liabilities at fair value, determined using the closing price of the observable market quote in an active market (the NASDAQ) for the Public Warrants and the Black-Scholes option-pricing model for the Angel Warrants, and adjusts the instruments to fair value at the end of each reporting period. The liabilities are subject to re-measurement at each balance sheet date until exercised, redeemed or expired, and any change in fair value is recognized in the Company's consolidated statements of operations within other income (expense).

Research and Development Revenue

The Company recognizes revenue when the Company's customers obtain control of promised goods or services, in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services by analyzing the following five steps: (1) identify the contract with a customer(s); (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the Company satisfies a performance obligation.

The Company generates research and development revenue, primarily from the contracts with BARDA and MTEC. Each contract for BARDA and MTEC has a single performance obligation.

The contracts with BARDA are cost-plus-fee contracts associated with development of certain product candidates. BARDA reimburses the Company based on allowable costs plus any recognizable earned fee. Revenues from these reimbursable costs are recognized as the costs are incurred.

The MTEC Agreement provides for installment payments after the completion of milestone events. The installment payments are considered variable consideration as the entitlement depends on successful completion of research. However, the payments are not constrained from inclusion in the transaction price as it not probable that a significant reversal of cumulative revenue will be reversed when the underlying uncertainty is resolved. Revenue for the MTEC Agreement is recognized over time based upon the cost-to-cost measure of progress, using this input method to measure progress as the customer has the benefit of access to the development research under these projects and therefore benefits from the Company's performance incrementally as research and development activities occur under each project. The Company measures progress of performance by comparing the actual costs incurred to-date to the total estimated cost of the project. The Company will adjust the measure of progress at the end of each reporting period and reflect any changes to the estimated cost of the project on a prospective basis.

The Company elected the practical expedient not to adjust the transaction price for the effects of a significant financing component as the period between performance (satisfaction of a performance obligation) and payment is one year or less. Payments from customers are generally received within 30 days of when the invoice is sent.

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Research and Development Expense

The Company expenses research and development costs as incurred. These expenses include salaries for research and development personnel, consulting fees, product development, pre-clinical studies, clinical trial costs, and other fees and costs related to the development of the technology. For the years ended December 31, 2023 and 2022, research and development expense was $15.1 million and $16.5 million, respectively, of which $10.2 million and $14.5 million, respectively, is related to the combined BARDA and MTEC contracts and included in cost of revenue and $5.3 million and $2.0 million, respectively, is included in general and administrative expenses.

Stock-Based Compensation

The Company accounts for all stock-based payments to employees and non-employees, including grants of stock options, RSUs and RSAs based on their respective grant date fair values. The Company estimates the fair value of stock option grants using the Black-Scholes option pricing model. The RSUs and RSAs are valued based on the fair value of the Company's common stock on the date of grant. The assumptions used in calculating the fair value of the Company's stock-based awards represent management's best estimates and involve inherent uncertainties and the application of management's judgment. The Company expenses stock-based compensation related to stock options, RSUs and RSAs over the requisite service period. As the PSOs have performance conditions, compensation expense is recognized for each award if and when the Company's management deems it probable that the performance conditions will be satisfied. Forfeitures are recorded as they occur. Compensation previously recorded for unvested equity awards that are forfeited is reversed upon forfeiture. The Company expenses stock-based compensation to employees over the requisite service period, on a straight-line basis, based on the estimated grant-date fair value of the awards.

Income Taxes

The Company records its deferred taxes using an asset and liability approach. The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are provided, if based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

When uncertain tax positions exist, the Company recognizes the tax benefit of tax positions to the extent that the benefit would more likely than not be realized assuming examination by the taxing authority. The determination as to whether the tax benefit will more likely than not be realized is based upon the technical merits of the tax position as well as consideration of the available facts and circumstances. The Company has no uncertain tax positions as of December 31, 2023 and December 31, 2022 that qualify for either recognition or disclosure in the consolidated financial statements under this guidance.

The Company's policy is to classify assessments, if any, for tax related interest as interest expense and penalties as general and administrative expenses in the consolidated statements of operations. The Company did not have any interest and penalties during the years ended December 31, 2023 and 2022 and did not have any interest or penalties accrued as of December 31, 2023.

Net Loss per Share of Common Stock

Basic net loss per share of common stock is computed by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share of common stock adjusts basic earnings per share for the potentially dilutive impact of unvested restricted stock, stock options and warrants. Securities having an anti-dilutive effect on diluted net earnings per share are excluded from the calculation. The dilutive effect of the unvested restricted stock and stock options is calculated using the treasury stock method. For warrants that are liability-classified, during periods when the impact is dilutive, the Company assumes share settlement of the instruments as of the beginning of the reporting period and adjusts the numerator to remove the change in fair value of the warrant liability and adjusts the denominator to include the dilutive shares calculated using the treasury stock method.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss), which includes foreign currency translation adjustments. For the purposes of comprehensive income (loss) disclosures, the Company does not record tax provisions or benefits for the net changes in the foreign currency translation adjustment, as it intends to indefinitely reinvest undistributed earnings of its foreign subsidiaries. Accumulated other comprehensive income (loss) is reported as a component of stockholders' equity.

Recently Adopted Accounting Standards

In September 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses, which was subsequently amended by ASU 2018-19 and ASU 2019-10. This standard requires the measurement of expected credit losses for financial instruments carried at amortized cost held at the reporting date based on historical experience, current conditions and reasonable forecasts. The updated guidance also amends the current other-than-temporary impairment model for available-for-sale debt securities by requiring the recognition of impairments relating to credit losses through an allowance account and limits the amount of credit loss to the difference between a security's amortized cost basis and its fair value. In addition, the length of time a security has been in an unrealized loss position will no longer impact the determination of whether a credit loss exists. The main objective of this ASU is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The Company adopted this standard on January 1, 2023, with no impact on its consolidated financial statements and related disclosures.

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In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 requires an entity to recognize assets and liabilities arising from a lease for both financing and operating leases. ASU 2016-02 will also require new qualitative and quantitative disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. The Company adopted ASU 2016-02 on January 1, 2022. The Company recorded right-of-use assets and lease liabilities each of approximately $0.6 million upon the adoption of ASU 2016-02. See Note 9.

Recently Issued Accounting Standards

In August 2020, the FASB issued ASU No. 2020-06, Debt — Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging — Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity, which simplifies accounting for convertible instruments by removing major separation models required under current GAAP. The ASU removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, and it also simplifies the diluted earnings per share calculation in certain areas. The ASU is effective for the Company on January 1, 2024. Early adoption is permitted, but no earlier than January 1, 2021. The Company is currently evaluating the impact of this standard on its consolidated financial statements and related disclosures.

In June 2022, the FASB issued ASU 2022-03, ASC Subtopic 820 Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions ("ASU 2022-03"). The FASB issued this update (1) to clarify the guidance in Topic 820, Fair Value Measurement, when measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security, (2) to amend a related illustrative example, and (3) to introduce new disclosure requirements for equity securities subject to contractual sale restrictions that are measured at fair value in accordance with Topic 820. For public business entities, the amendments in this update are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance. The Company is still evaluating the impact of this pronouncement on the consolidated financial statements.

In October 2023, the FASB issued ASU 2023-06 Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative ("ASU 2023-06"), which modifies certain disclosure and presentation requirements of a variety of Topics in the Codification and is intended to both clarify or improve such requirements and align the requirements with the SEC's regulations. The effective date for each amendment is the effective date of the removal of the related disclosure from Regulation S-X or Regulation S-K, with early adoption prohibited. The Company will apply the provisions prospectively as such provisions become effective and does not expect ASU 2023-06 to have a material impact on the consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures ("ASU 2023-07"). ASU 2023-07 updates reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses and information used to assess segment performance. This update is effective for the Company in the consolidated financial statements for the year ending December 31, 2024, and interim periods beginning after January 1, 2025. The Company is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements and disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures ("ASU 2023-09"). ASU 2023-09 requires more detailed income tax disclosures, requiring entities to disclose disaggregated information about their effective tax rate reconciliation as well as expanded information on income taxes paid by jurisdiction. The disclosure requirements will be applied on a prospective basis, with the option to apply them retrospectively. This update will be effective for annual periods beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements and disclosures.

3. RECAPITALIZATION

As discussed in Note 1, on September 11, 2023, the Company consummated the Business Combination, with Legacy Spectral surviving the merger as a wholly-owned subsidiary of the Company.

On the date of the Business Combination, the Company recorded net liabilities of $2.4 million, with an offsetting decrease to additional paid-in capital. The following table provides the elements of the Business Combination and reconciles these elements to the consolidated statements of stockholders' equity and the consolidated statements of cash flows for the year ended December 31, 2023:

Cash	$ 660
Other current assets	127
Accounts payable	(860)
Accrued expenses	(277)
Warrant liabilities	(2,024)
Net liabilities assumed in exchange for common stock	(2,374)
Less: Cash	(660)
Non-cash net liabilities assumed in exchange for common stock	$ (3,034)

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Upon the Closing, the Company issued 33,333 shares of Company Common Stock, with a fair value of $0.2 million, to settle an assumed liability to the Sponsor as a payment for an administrative fee.

The Company recorded transaction costs, consisting of legal, accounting and other professional services incurred by Legacy Spectral related to the Business Combination, of $7.6 million (the "Transaction Costs"), in other income (expense) in the consolidated statement of operations for the year ended December 31, 2023 and no costs were capitalized. As of December 31, 2023, $0.8 million of the Transaction Costs are included accounts payable and $0.5 million are included in accrued expenses. The Company paid $1.9 million of Transaction Costs in cash and issued 966,667 shares of Company Common Stock with a fair value of $4.4 million.

Prior to the Business Combination the Company incurred $0.7 million of transaction costs, included in other income (expense) in the consolidated statement of operations for the year ended December 31, 2023, for professional services incurred by Legacy Spectral that were related to potential business combinations that did not occur.

4. FAIR VALUE MEASUREMENTS

The following table presents information about the Company's financial liabilities that are measured at fair value on a recurring basis as of December 31, 2023 and December 31, 2022, by level within the fair value hierarchy (in thousands):

	Fair value measured as of December 31, 2023			
	Fair value at December 31, 2023	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Warrant liabilities	$ 1,818	$ 1,771	$ -	$ 47
	Fair value measured as of December 31, 2022			
	Fair value at December 31, 2022	**Quoted prices in active markets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Warrant liabilities	$ 129	$ -	$ -	$ 129

There were no transfers between Level 1, 2 or 3 during the years ended December 31, 2023 and 2022.

Fair values of cash, accounts receivable, accounts payable, accrued expenses and short-term debt are carried at cost, which management believes approximates fair value due to the short-term nature of these instruments. The fair value of the Public Warrants, which trade in active markets, is based on quoted market prices and classified in Level 1 of the fair value hierarchy. The Angel Warrants are classified within Level 3 of the fair value hierarchy because their fair values are based on significant inputs that are unobservable in the market.

The following table presents changes in Level 3 liabilities measured at fair value for the years ended December 31, 2023 and 2022 (in thousands):

Balance - January 1, 2022	$ 186
Change in fair value	(57)
Balance - January 1, 2023	$ 129
Change in fair value	(82)
Balance - December 31, 2023	$ 47

Both observable and unobservable inputs were used to determine the fair value of warrants that the Company has classified within the Level 3 category. Unrealized gains and losses associated with liabilities within the Level 3 category include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in unobservable long- dated volatilities) inputs.

The following table provides quantitative information regarding Level 3 fair value measurements inputs at their measurement:

	December 31, 2023	December 31, 2022
Strike price (per share)	$ 7.32	$ 7.32
Contractual term (years)	3.5	4.5
Volatility (annual)	71.2%	72.6%
Risk-free rate	4.0%	4.0%
Dividend yield (per share)	0.0%	0.0%

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5. RESEARCH AND DEVELOPMENT REVENUE

For the years ended December 31, 2023 and 2022, the Company's revenues disaggregated by the major sources was as follows (in thousands):

	Year Ended December 31,	
	2023	2022
BARDA	$ 17,027	$ 24,827
Other U.S governmental authorities	1,029	541
Total revenue	$ 18,056	$ 25,368

6. ACCRUED EXPENSES

Accrued expenses consist of the following as of December 31, 2023 and December 31, 2022 (in thousands):

	December 31, 2023	December 31, 2022
Salary and wages	$ 1,910	$ 1,135
Operating expenses	1,563	736
Benefits	720	650
Taxes	107	110
Total accrued expenses	$ 4,300	$ 2,631

7. NOTES PAYABLE

Insurance Note

The Company entered into financing arrangements for a portion of its Directors and Officers ("D&O") insurance premiums, as follows (in thousands):

			Principal Repayments		Outstanding Balance	
			Year Ended December 31,		December 31,	December 31,
	Amount Financed	Interest Rate	2023	2022	2023	2022
New 2023 Insurance Note	$ 632	8.6%	$ 195	$ -	$ 436	$ -
2023 Insurance Note	151	9.7%	113	-	-	-
2022 Insurance Note	376	6.7%	175	201	-	175
2021 Insurance Note	474	5.7%	-	160	-	-
			$ 483	$ 361	$ 436	$ 175

In September 2023, in connection with the Business Combination, the Company cancelled the 2023 Insurance Note and replaced it with the New 2023 Insurance Note. Accordingly, the Company reversed the unpaid balance of approximately $38,000 from notes payable and prepaid expenses.

The Company determined that the carrying amounts of all of the insurance notes approximate fair value due to the short-term nature of borrowings and current market rates of interest.

PPP Loan

On April 13, 2020, the Company entered into a promissory note with JPMorgan Chase Bank, N.A., as lender, pursuant to the Paycheck Protection Program ("PPP") of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") for $0.7 million (the "PPP Loan"). The PPP Loan matured on April 13, 2022 and bore interest at 1% per annum. Beginning on September 13, 2021, the Company was required to make equal monthly payments of principal and interest until the loan maturity on April 13, 2022. The PPP Loan was subject to customary terms for payment defaults and breaches of representations and warranties. The Company did not request the PPP Loan to be forgiven. During the year ended December 31, 2022, the Company repaid the remaining $0.4 million of principal and interest for the PPP Loan. There was no outstanding balance for the PPP Loan as of December 31, 2022.

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8. COMMITMENTS AND CONTINGENCIES

Legal Matters

The Company is not a party to any material legal proceedings or pending claims. The Company is aware of a material threatened claim that it believes is without merit. From time to time, the Company may be subject to various legal proceedings and claims that arise in the ordinary course of its business activities, none of which we believe are material or would be expected to have, individually or in the aggregate, a material adverse effect on our business, financial condition, cash flows or results of operations.

9. LEASES

The Company adopted ASC 842 on January 1, 2022 using the modified retrospective approach with no restatement of prior periods or cumulative adjustment to accumulated deficit. The reported results for 2023 and 2022 reflect the application of ASC 842. Upon adoption, the Company elected the package of transition practical expedients, which allowed the Company to carry forward prior conclusions related to whether any expired or existing contracts are or contain leases, the lease classification for any expired or existing leases, and initial direct costs for existing leases. The Company also made an accounting policy election not to recognize leases with an initial term of 12 months or less within its consolidated balance sheets and to recognize those lease payments on a straight-line basis in its consolidated statements of operations and comprehensive loss over the lease term.

The Company leases office space for its principal office in Dallas, Texas, which was extended during 2022 to expire in May 2024. This lease was extended again in 2023 to expire in December 2024. During 2022, the Company entered into a lease for office space in the United Kingdom under a lease that expired in May 2023.

During 2023, the Company entered into a lease for office space in the United Kingdom for annual payments of $0.1 million under a lease that expires in March 2024. The lease has been excluded from the tables below as the term is twelve months.

The following table summarizes quantitative information about the Company's operating leases for the years ended December 31, 2023 and 2022 (dollars in thousands):

	Year Ended December 31,	
	2023	**2022**
Operating cash flows used in operating leases	$ 744	$ 594
Right-of-use assets exchanged for operating lease liabilities	$ 483	$ 1,565
Weighted average remaining lease term (in years)	1.0	1.5
Weighted average discount rate	8.5%	8.5%

The following table provides the components of the Company's lease cost included in general and administrative expense in the consolidated statement of operations (in thousands):

	Year Ended December 31,	
	2023	**2022**
Operating leases		
Operating lease cost	$ 802	$ 590
Variable lease cost	357	126
Operating lease expense	1,159	716
Short-term lease rent expense	110	-
Total rent expense	$ 1,269	$ 716

Variable lease cost is primarily attributable to amounts paid to lessors for utility charges, parking, and property taxes under an office space lease.

As of December 31, 2023, future minimum payments under the non-cancelable operating leases were as follows (in thousands):

Year ending December 31, 2024	$ 894
Total	894
Less: imputed interest	(41)
Operating lease liabilities	$ 853

10. STOCKHOLDERS' EQUITY

In conjunction with the Closing, the Company's certificate of incorporation was amended and restated to authorize the issuance of 80,000,000 shares of Company Common Stock, $0.0001 par value and 1,000,000 shares of preferred stock, $0.0001 par value (the "Company Preferred Stock").

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11. STOCK-BASED COMPENSATION

Each option and warrant to purchase common stock of Legacy Spectral was converted into an option and warrant, respectively, to purchase Spectral AI's common stock based on the Exchange Ratio, with corresponding adjustments to the exercise price. Accordingly, the options and warrants to purchase 46,592,862 and 762,712, respectively, shares of the common stock of Legacy Spectral were converted into options and warrants to purchase 4,519,191 and 73,978, respectively, shares of Spectral AI's common stock. Legacy Spectral's 600,000 RSUs were converted into 58,197 Spectral AI RSUs, based on the Exchange Ratio.

2018 Long Term Incentive Plan

On July 24, 2018, Legacy Spectral's Board of Directors adopted the 2018 Long Term Incentive Plan (the "2018 Plan") which permits granting of incentive stock options (which must meet all statutory requirements), non-qualified stock options, stock appreciation rights, restricted stock, stock units, performance shares, performance units, incentive bonus awards, and other cash-based or stock-based awards. Pursuant to the 2018 Plan, stock options must expire within 10 years and must be granted with exercise prices of no less than the fair value of the common stock on the grant date, as determined by Legacy Spectral's Board of Directors. As of December 31, 2023, 3,526,200 shares of common stock were authorized for issuance under the 2018 Plan, of which 193,889 remain available for issuance.

2022 Long Term Incentive Plan

On September 27, 2022, Legacy Spectral's stockholders approved the adoption of the 2022 Long Term Incentive Plan (the "2022 Plan") which permits granting of incentive stock options (they must meet all statutory requirements), non-qualified stock options, stock appreciation rights, restricted stock, stock units, performance shares, performance units, incentive bonus awards, and other cash-based or stock-based awards. Pursuant to the 2022 Plan, stock options must expire within 10 years and must be granted with exercise prices of no less than the fair value of the common stock on the grant date, as determined by Legacy Spectral's Board of Directors. As of December 31, 2023, under the 2022 Plan, 88,749 shares of common stock were issuable upon the exercise of outstanding options and 58,197 restricted stock units ("RSUs") were issuable. Under the 2022 Plan, 1,792,918 shares remain available for issuance through grants of future options.

Restricted Stock Awards

The RSAs generally vest over four years. A summary of RSA activities for the year ended December 31, 2023 are presented below:

	Number of Shares	*Weighted Average Grant Date Fair Value per Share*
Nonvested as of January 1, 2023	30,318	$ 1.07
Vested	(30,318)	$ 1.07
Nonvested as of December 31, 2023	-	$ -

Restricted Stock Units

The RSUs generally vest over three years. A summary of RSU activities for the year ended December 31, 2023 are presented below:

	Number of Shares	*Weighted Average Grant Date Fair Value per Share*
Nonvested as of January 1, 2023	-	$ -
Granted	58,197	$ 4.65
Nonvested as of December 31, 2023	58,197	$ 4.65

Stock Options

The fair value of each employee and non-employee stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model. Legacy Spectral's stock became publicly traded on July 22, 2021 on the AIM, and lacks company-specific historical and implied volatility information. On September 11, 2023 the Company completed the Business Combination and was listed on the NASDAQ under symbol MDAI. Legacy Spectral estimated its expected stock volatility based on the historical volatility of a publicly traded set of peer companies. Spectral AI continues to estimate its expected stock volatility based on the historical volatility of a publicly traded set of peer companies. Due to the lack of historical exercise history, the expected term of the Legacy Spectral's and Spectral AI's stock options for employees has been determined utilizing the simplified method by taking an average of the vesting periods and the original contractual terms for each award. The expected term of stock options granted to non-employees is equal to the contractual term of the option award. The risk-free interest rate is determined by reference to the US. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. Expected dividend yield is zero based on the fact that Legacy

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Spectral and Spectral AI have never paid cash dividends and Spectral AI does not expect to pay any cash dividends in the foreseeable future.

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The Company's stock options generally vest ratably annually over 3 years and have a contractual term of 10 years. The weighted-average assumptions used in determining the fair value of options granted were as follows in the years ended December 31, 2023 and 2022:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Fair value of common stock	$ 4.57	$ 4.52
Expected term (years)	6.0	5.9
Expected volatility (annual)	72%	68%
Risk-free interest rate	3.6%	2.7%
Dividend yield (per share)	0%	0%

A summary of stock options activity for the year ended December 31, 2023 is presented below:

	Stock Options	*Weighted Average Exercise Price*	*Weighted Average Remaining Contractual Life (in years)*	*Aggregate Intrinsic Value (in thousands)*
Outstanding at January 1, 2023	3,503,790	$ 2.06	7.3	$ 6,831
Options granted	253,250	$ 4.57		
Options forfeited	(31,846)	$ 6.30		
Options cancelled	(20,368)	$ 2.23		
Options exercised	(126,247)	$ 2.13		
Outstanding as of December 31, 2023	3,578,579	$ 2.20	6.5	$ 8,041
Options vested and exercisable as of December 31, 2023	2,898,508	$ 1.76	6.1	$ 6,636

The aggregate intrinsic value of options is calculated as the difference between the exercise price of the stock options and the fair value of the Company's common stock for those stock options that had exercise prices lower than the fair value of the common stock as of the respective date.

The weighted-average grant date fair value of stock options granted during the years ended December 31, 2023 and 2022 was $3.20 and $2.79 per share, respectively.

The Company recorded stock-based compensation expense for stock options, RSUs and restricted stock awards of $1.2 million for the years ended December 31, 2023 and December 31, 2022 in general and administrative expenses in the consolidated statements of operations.

As of December 31, 2023, there was approximately $1.2 million and $0.2 million of unrecognized stock-based compensation related to stock option grants and restricted stock unit grants, respectively, that will be amortized over a weighted average period of 0.8 years and 1.0 years, respectively.

During the year ended December 31, 2018, the Company granted of 973,803 stock options to investors (the "Investor Options") that were approved by the Board of Directors outside of the 2018 Plan, of which 939,024 Investor Options were outstanding as of December 31, 2022. During the year ended December 31, 2023, 34,779 of the Investor Options were exercised and the remaining 904,245 Investor Options expired in November 2023. The Investor Options had an exercise price of $2.06 per share. As of December 31, 2023, there is no unrecognized stock-based compensation expense related to the Investor Options.

As of December 31, 2023, the stock options issued to an investor to purchase 20,368 shares of the Company's common stock (the "Options") at a price of $1.96 per share expired. The Options had a grant date fair value of $2.17 per share and were equity-classified stock options. As of December 31, 2023, there is no unrecognized stock-based compensation expense related to the Investor Options.

On December 26, 2023, the Company entered into the Purchase Agreement and related Registration Rights Agreement with B. Riley Principal Capital II. Upon the terms and subject to the satisfaction of the conditions contained in the Purchase Agreement, the Company has the right to sell to B. Riley Principal Capital II up to $10.0 million of shares of Common Stock. In accordance with the Company's obligations under the Registration Rights Agreement, the Company filed the registration statement to register under the Securities Act, the offer and resale by B. Riley Principal Capital II of up to 3,249,360 shares of Common Stock, consisting of (i) up to 3,209,360 shares of Common Stock that the Company may elect sell to B. Riley Principal Capital II, from time to time and (ii) 40,000 shares of Common Stock the Company issued to B. Riley Principal Capital II upon the execution of the Purchase Agreement on December 26, 2023.

On March 20, 2024, the Company entered into the SEPA and related Registration Rights Agreement with Yorkville. Upon the terms and subject to the conditions contained in the SEPA, the Company has the right to sell to Yorkville up to $30.0 million of shares of Common Stock. In accordance with the Company's obligations under the Registration Rights Agreement, the Company is required to file a registration statement to register under the Securities Act, the offer and resale by Yorkville of up to 6,369,937 shares of Common Stock, consisting of (i) up to 6,275,000 shares of Common Stock (the "Purchase Shares") that

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the Company may elect sell to Yorkville from time to time and (ii) 94,937 shares of Common Stock the Company issued to Yorkville upon the execution of the SEPA on March 20, 2024.

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12. INCOME TAXES

Effective Tax Rate

The overall effective tax rate ("ETR") for the Company, as calculated under ASC 740 guidance for the tax period ended December 31, 2023, and 2022 is (0.05%) and (3.80%), respectively. The following table reconciles the federal statutory income rate to the Company's effective income tax rate:

	2023	2022
Federal income tax rate	21.00%	21.00%
State income tax benefit	(0.06)%	(2.80)%
Permanent items	(9.27)%	(7.30)%
Return to provision adjustments	0.02%	(2.50)%
Other	0.08%	-%
Change in valuation allowance	(11.82)%	(12.20)%
Effective income tax rate	**(0.05)%**	**(3.80)%**

The above schedule beaks out the key components of the ETR. The main drivers between the federal statutory rate of 21.00% and ETR of (0.06%) are permanent adjustments and change in valuation allowance.

Components of Income Tax Expense

The components of income tax expense for the periods ended December 31, 2023 and 2022 are as follows (in thousands):

	2023	2022
Current		
US Federal	$ (5)	$ 5
US State	16	101
Total current provision	11	106
Total provision for income taxes	**$ 11**	**$ 106**

The company is in a taxable loss position for the year ending December 31, 2023. The current tax expense results from the gross margin tax for the Company's state filing in Texas.

Deferred Income Taxes

The main components of deferred tax assets/(liabilities) for the periods ended December 31, 2023 and 2022, are as follows (in thousands):

	2023	2022
Deferred income tax assets:		
Net operating loss carryforwards	$ 2,403	$ 429
Capitalized research expenses	717	420
Intangible assets	437	-
Stock-based compensation	278	262
Lease liabilities	179	216
Tax credits	44	10
Other	438	269
Total deferred income tax assets	4,496	1,606
Valuation allowance	(4,333)	(1,388)
Net deferred tax assets	$ 163	$ 218
Deferred income tax liabilities:		
Right-of-use assets	(163)	(212)
Other	-	(6)
Total deferred income tax liabilities	$ (163)	$ (218)
Net deferred income tax assets	$ -	$ -

Valuation Allowance Considerations

A valuation allowance against a deferred tax asset must be established when it is "more likely than not" that all, or a portion of, deferred tax assets will not be realized. A review of all available positive and negative evidence needs to be considered, including the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies. After consideration of all the information available, management believes that uncertainty exists with respect to future realization of its deferred tax assets and has, therefore, established a full valuation allowance as of December 31, 2023 and 2022. The net change in valuation allowance for the years ended December 31, 2023 and 2022 was an increase of $2.9 million and $0.3 million, respectively.

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Section 174 Capitalization

The Tax Cuts and Jobs Act of 2017 (“TCJA”) made a significant change to Section 174 that went into effect for taxable years beginning after December 31, 2021. The change eliminated the ability to currently deduct R&D expenses. Instead, taxpayers must now capitalize and amortize these costs. Capitalized Section 174 costs must be amortized over 5 years (15 years for expenditures attributable to foreign research) beginning with the midpoint of the tax year in which the expenditures are paid or incurred.

The Company had an estimated $3.0 million and $1.7 million of domestic R&D expenses for the tax years ending December 31, 2023 and 2022, respectively. The domestic R&D expenses will be capitalized and amortized over a five-year period for federal income tax purposes.

Net Operating Losses

As of December 31, 2023 and 2022, the Company had available federal net operating loss carryforwards (“NOLs”) of $11.0 million and $3.1 million, respectively, which are available to offset future federal taxable income. Under the TCJA, all NOLs incurred after December 31, 2017 are carried forward indefinitely for federal tax purposes. Utilization of net operating losses and credits may be subject to substantial annual limitations due to the “change in ownership” provisions of the Internal Revenue Code of 1986 and similar state provisions. The annual limitations may result in the expiration of net operating losses before utilization.

Section 382 of the Internal Revenue Code limits the utilization of U.S. NOL carryforwards following a change of control. The Company has not performed an analysis of whether a change of control defined under Section 382 may have occurred. Upon performing an analysis of whether an ownership change has occurred, any future NOL deductions may be limited. However, the NOL carryforward discussed above does not expire.

The Company is subject to taxation in the U.S and in various state, local and foreign jurisdictions. The Company’s tax returns for years 2020 through present are open to tax examinations by U.S. Federal, state, local, and foreign tax authorities; however, carryforward attributes that were generated prior to January 1, 2018, remain subject to adjustment upon examination if they either have been utilized or will be utilized in a future period.

13. NET LOSS PER COMMON SHARE

Basic and diluted net loss per common share attributable to common stockholders are the same for the years ended December 31, 2023 and 2022, since the inclusion of all potential shares of common stock outstanding would have been anti-dilutive due to the Company’s net loss.

The table below summarizes potentially dilutive securities that were excluded from the computation of net loss per common share as of the periods presented because including them would be anti-dilutive.

	2023	2022
Common stock options	3,578,579	4,442,770
Common stock warrants	8,507,311	73,978
Unvested restricted stock units	58,197	-
Unvested restricted stock	-	30,318
Potentially dilutive securities	12,144,087	4,547,066

14. RELATED PARTY TRANSACTIONS

For the years ended December 31, 2023 and 2022, the Company did not have any transactions with related parties.

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15. SUBSEQUENT EVENTS

Proceeds from sales of Common Stock through B. Riley Committed Equity Facility

Through March 25, 2024, the Company utilized the B Riley Committed Equity Facility to sell 1,187,398 shares of Common Stock for proceeds totaling $2.7 million. The Company incurred $0.7 million in offering costs associated with these transactions with $0.6 million payable in cash and $0.1 million payable in Common Stock.

Proceeds from New Government Contract

On March 12, 2024, the Company entered into a new contract with the Defense Health Agency that provides significant additional support for the development of the handheld version of the Company's Deepview System. The contract was valued at approximately $500,000 and will build on the previous awards from other governmental agencies focused on advancing the handheld version of the Deepview System.

Spectral IP, Inc.

On March 7, 2024, the Company formed a new wholly-owned subsidiary, Spectral IP, Inc., a Delaware corporation ("Spectral IP"), to be utilized to advance artificial intelligent intellectual property with a specific emphasis on healthcare. On March 19, 2024, the Company announced that Spectral IP received a $1.0 million investment from an affiliate of its largest shareholder for the development of its artificial intelligence intellectual property portfolio. The investment is structured as a note payable with a one-year maturity, an interest rate of 8%, and requiring earlier prepayment if the Company spins off Spectral IP to the Company's shareholders or if Spectral IP is sold to a third party.

Yorkville Standby Equity Purchase Agreement

On March 20, 2024, the Company entered into the SEPA with Yorkville pursuant to which the Company has the right to sell to Yorkville up to $30.0 million of its shares of Common Stock, subject to certain limitations and conditions set forth in the SEPA, from time to time during the term of the SEPA. Sales of the shares of Common Stock to Yorkville under the SEPA, and the timing of any such sales, are at the Company's option, and the Company is under no obligation to sell any shares of Common Stock to Yorkville under the SEPA except in connection with notices that may be submitted by Yorkville, as described in the SEPA.

In connection with the SEPA, and subject to the conditions set forth therein, Yorkville has agreed to advance to the Company in the form of Convertible Notes an aggregate principal amount of up to $12.5 million (the "Pre-Paid Advance"), which will be paid in three tranches. The first Pre-Paid Advance was disbursed on March 20, 2024 in the amount of $5.0 million with a fixed conversion price of $3.16, the second Pre-Paid Advance shall be in a principal amount of $5.0 million and advanced after the earlier of the registration statement registering the resale of the shares of Common Stock issuable under the SEPA being declared effective and or shareholder approval to exceed the 19.99% threshold of the aggregate number of shares of Common Stock issued pursuant to the SEPA (the "Exchange Cap") (the "Second Pre-Advance Closing"), and the third Pre-Paid Advance shall be in a principal amount of $2.5 million and advanced sixty days following the Second Pre-Advance Closing. The purchase price for the Pre-Paid Advance is 92.0% of the principal amount of the Pre-Paid Advance. Interest shall accrue on the outstanding balance of any Pre-Paid Advance at an annual rate equal to 0%, subject to an increase to 18% upon an event of default as described in the Convertible Notes. The maturity date of the Convertible Note issue in connection with each Pre-Paid Advance will be 12 months after the issuance date of such Convertible Note.

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(b) Exhibits: The exhibits listed in the accompanying index to exhibits are filed or incorporated by reference as part of this Annual Report on Form 10-K.

Exhibit Index

Exhibit No. Number	Description of Exhibits
3.12.1†* *	Business Combination Agreement, by and among Rosecliff Acquisition Corp I, Merger Sub I, Merger Sub II and Spectral MD Holdings, Ltd., dated as of April 11, 2023 (incorporated by reference to Annex A of the Registration Statement on Form S-4 (File No. 333-271566)).
3.1**	Second Amended and Restated Certificate of Incorporation of Spectral AI, Inc. (incorporated by reference to the Company. Registrant's Current Report on Form 8-K filed with the SEC on September 15, 2023).
3.2(1) 3.2**	Amended and Restated Bylaws of Spectral AI, Inc. (incorporated by reference to the Company. Registrant's Current Report on Form 8-K filed with the SEC on September 15, 2023).
4.1(2) 4.1**	Warrant Agreement, dated February 11, 2021, between the Company Rosecliff Acquisition Corp I and Continental Stock Transfer & Trust Company, as warrant agent. agent (incorporated by reference to the Registrant's Current Report on Form 8-K filed with the SEC on February 17, 2021)
4.2(3) 4.2**	Description of the Company's securities. Registrant's Securities (incorporated by reference to the Registrant's Annual Report on Form 10-K filed on March 31, 2022)

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10.1(2) 4.3**		Letter Amended and Restated Registration Rights & Lock-up Agreement dated February 11, 2021, between (incorporated by reference to the Company and each of Registrant's Current Report on Form 8-K filed with the Sponsor, the Company's officers and directors and certain other security holders. SEC on September 15, 2023).
10.2(2) 4.4**	Investment Management Trust Agreement, dated February 11, 2021, between the Company and Continental Stock Transfer & Trust Company, as trustee.	
10.3(2)	Registration Rights Agreement, dated February 11, 2021 December 26, 2023, between the Company Registrant and each B. Riley Principal Capital II, LLC (incorporated by reference to Exhibit 10.2 of the Sponsor and certain other security holders. Registrant's Current Report on Form 8-K filed with the SEC on December 27, 2023).	
10.4(2) 10.1**		Support Services Form of Indemnification Agreement dated February 11, 2021, between (incorporated by reference to the Company and Registrant's Current Report on Form 8-K filed with the Sponsor. SEC on September 15, 2023).
10.5(2) 10.2**		Sponsor Warrants Purchase Agreement, dated February 11, 2021, between the Company Registrant and the Sponsor. Sponsor (incorporated by reference to the Registrant's Current Report on Form 8-K filed with the SEC on February 17, 2021)
10.6(2) 10.3**	Indemnity Agreement, dated February 11, 2021, between the Company and Michael P. Murphy.	
10.7(2)	Indemnity Agreement, dated February 11, 2021, between the Company and Jordan Zimmerman.	
10.8(2)	Indemnity Agreement, dated February 11, 2021, between the Company and Kieran Goodwin.	
10.9(2)	Indemnity Agreement, dated February 11, 2021, between the Company and Brian Radecki.	
10.10(2)	Indemnity Agreement, dated February 11, 2021, between the Company and Heather Bellini.	
10.11(2)	Indemnity Agreement, dated February 11, 2021, between the Company and Frank S. Edmonds.	

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10.12(4)	Termination Agreement, dated as of March 11, 2022 BARDA Award/Contract, July 1, 2019, by and between Spectral MD, Inc. and ASPR-BARDA (incorporated by reference to Exhibit 10.14 of the Registration Statement on Form S-4 (File No. 333-271566)).	
10.4**		Amendment of the Solicitation/Modification of the BARDA Contract, dated August 26, 2022, by and between Spectral MD, Inc. and ASPR-BARDA (incorporated by reference to Exhibit 10.15 of the Registration Statement on Form S-4 (File No. 333-271566)).
10.5**		Award/Contract for DHA, dated July 1, 2021, by and between Spectral MD, Inc. and U.S. Army Medical Materiel Development Activity (incorporated by reference to Exhibit 10.16 of the Registration Statement on Form S-4 (File No. 333-271566)).
10.6**		Amendment of the Solicitation/Modification of the DHA Contract, dated July 1, 2021, by and between Spectral MD, Inc. and U.S. Army medical Materiel Development Activity (incorporated by reference to Exhibit 10.17 of the Registration Statement on Form S-4 (File No. 333-271566)).
10.7**		MTEC Research Project Award, dated April 12, 2023, by and between Spectral. MD, Inc. and Advanced Technology International MTEC Consortium Manager (incorporated by reference to Exhibit 10.18 of the Registration Statement on Form S-4 (File No. 333-271566)).

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10.8**	Sponsor Letter Agreement, dated April 11, 2023, by and among Rosecliff Acquisition I Sponsor LLC, Spectral MD Holdings, Ltd., and Rosecliff Acquisition Corp I and GT Gettaxi Limited. (incorporated by reference to Annex F of the Registration Statement on Form S-4 (File No. 333-271566)).
14.01(3) 10.9†**	Common Stock Purchase Agreement, dated December 26, 2023, between the Registrant and B. Riley Principal Capital II, LLC (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on December 27, 2023).
10.10**	Spectral MD, Inc. 2018 Long Term Incentive Plan (incorporated by referenced to Exhibit 99.1 of Registrant's Registration Statement on Form S-8, filed with the SEC on February 9, 2024)
10.10.1**	Form of Stock Option Award Agreement under Spectral MD, Inc. 2018 Long-Term Incentive Plan (incorporated by referenced to Exhibit 99.3 of Registrant's Registration Statement on Form S-8, filed with the SEC on February 9, 2024)
10.10.2**	Form of RSU Award Agreement under Spectral MD, Inc. 2018 Long-Term Incentive Plan (incorporated by referenced to Exhibit 99.4 of Registrant's Registration Statement on Form S-8, filed with the SEC on February 9, 2024)
10.11**	Spectral MD Holdings, Ltd. 2022 Long Term Incentive Plan (incorporated by referenced to Exhibit 99.2 of Registrant's Registration Statement on Form S-8, filed with the SEC on February 9, 2024)
10.11.1**	Form of Stock Option Award Agreement under Spectral MD Holdings, Ltd. 2022 Long-Term Incentive Plan (incorporated by referenced to Exhibit 99.5 of Registrant's Registration Statement on Form S-8, filed with the SEC on February 9, 2024)
10.11.2**	Form of RSU Award Agreement under Spectral MD Holdings, Ltd. 2022 Long-Term Incentive Plan (incorporated by referenced to Exhibit 99.6 of Registrant's Registration Statement on Form S-8, filed with the SEC on February 9, 2024)
10.12	Spectral AI, Inc. 2023 Long Term Incentive Plan
14	Code of Ethics and Business Conduct of Rosecliff Acquisition Corp I. and Ethics
31.1* 19	Insider Trading Policy
21	List of Subsidiaries of the Registrant as of December 31, 2023.
23.1	Consent of KPMG LLP.
31.1	Certification of Principal the Chief Executive Officer Pursuant pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act Rules 13a-14(a), of 1934, as adopted Pursuant pursuant to Section 302 §302 of the Sarbanes-Oxley Act of 2002. 2002
31.2* 31.2	Certification of Principal the Chief Financial Officer Pursuant pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act Rules 13a-14(a), of 1934, as adopted Pursuant pursuant to Section 302 §302 of the Sarbanes-Oxley Act of 2002. 2002
32.1** 32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350 as adopted Pursuant to Section 906 Certifications of the Sarbanes-Oxley Act of 2002. Chief Executive Officer and the Chief Financial Officer
32.2** 97	Certification Policy relating to recovery of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. erroneously awarded compensation
101.INS* 101.INS	Inline XBRL Instance Document. Document
101.SCH* 101.SCH	Inline XBRL Taxonomy Extension Schema Document. Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document. Document
101.DEF* 101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document. Document
101.LAB* 101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document. Document
101.PRE* 101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document. Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

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* ***Filed herewith.***

** Furnished herewith.
Previously filed.

(1) † Incorporated by reference Certain portions of this Exhibit have been omitted pursuant to Regulation S-K Item 601(a)(5), Item 601(a)(6) or Item 601(b)(10), as applicable, promulgated under the Exchange Act. The Registrant agrees to furnish supplementally a copy of any omitted schedule to the Company's Form S-1 filed on January 17, 2021. SEC upon request.

(2) Incorporated by reference to the Company's Current Report on Form 8-K filed on February 17, 2021.

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(3) Incorporated by reference to the Company's Annual Report on Form 10-K filed on March 31, 2022.

(4) Incorporated by reference to the Company's Current Report on Form 8-K filed on March 14, 2022.

Item 16. Form 10-K Summary.

Item 16. Form 10-K Summary.

None.

None.

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SIGNATURES

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.

Date: March 31, 2023

	ROSECLIFF ACQUISITION CORP I
Signature	/s/ Michael P. Murphy
	By: Michael P. Murphy
Title	Chief Executive Officer
	(Principal Executive Officer)
Date: March 31, 2023	
	/s/ Kieran Goodwin
	By: Kieran Goodwin
	Chief Financial Officer
	(Principal Financial Officer and
	Principal Accounting 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.

Table of Contents***Date***

/s/ Michael P. Murphy

Name: Michael P. Murphy

Title: Chief Executive Officer and Director

(Principal Executive Officer)

Date: March 31, 2023

/s/ Kieran Goodwin

Name: Kieran Goodwin

Title: Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

Date: March 31, 2023

/s/ Jordan Zimmerman

Name: Jordan Zimmerman

Title: President and Director

Date: March 31, 2023

/s/ Brian Radecki

Name: Brian Radecki

Title: Chairman of the Board of Directors and Director

Date: March 31, 2023

/s/ Heather Bellini

Name: Heather Bellini

Title: Director

Date: March 31, 2023

/s/ Frank S. Edmonds

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Name: ***Frank S. Edmonds***

Title: ***Director***

Date: ***March 31, 2023***

Exhibit 3.1

State of Delaware
Secretary of State
Division of Corporations
Delivered 05:59 PM 02/11/2021
FILED 05:59 PM 02/11/2021
SR 20210427503 - File Number 4170710

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
ROSECLIFF ACQUISITION CORP I

February 11, 2021

Rosecliff Acquisition Corp I, a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), DOES HEREBY CERTIFY AS FOLLOWS:

1.***The name of the Corporation is "Rosecliff Acquisition Corp I". The original certificate of incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on November 17, 2020 (the "Original Certificate").***

2. ***This Amended and Restated Certificate of Incorporation (this "Amended and Restated Certificate") was duly adopted by the Board of Directors of the Corporation (the "Board') and the stockholders of the Corporation in accordance with Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware, as amended from time to time (the "DGCL").***

3. This Amended and Restated Certificate restates, integrates and amends the provisions of the Original Certificate. Certain capitalized terms used in this Amended and Restated Certificate are defined where appropriate herein.

4. The text of the Original Certificate is hereby restated and amended in its entirety to read as follows:

ARTICLE I
NAME

The name of the corporation is Rosecliff Acquisition Corp I (the "Corporation").

ARTICLE II
PURPOSE

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the DGCL. In addition to the powers and privileges conferred upon the Corporation by law and those incidental thereto, the Corporation shall possess and may exercise all the powers and privileges that are necessary or convenient to the conduct, promotion or attainment of the business or purposes of the Corporation, including, but not limited to, effecting a

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merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination, involving the Corporation and one or more businesses (a "Business Combination").

ARTICLE III
REGISTERED AGENT

The address of the Corporation's registered office in the State of Delaware is 251 Little Falls Drive, Wilmington, County of New Castle, Delaware 19808. The name of its registered agent at such address is Corporation Service Company.

ARTICLE IV
CAPITALIZATION

Section 4.1 Authorized Capital Stock. The total number of shares of all classes of capital stock, each with a par value of $0.0001 per share, which the Corporation is authorized to issue is 101,000,000, consisting of (a) I00,000,000 shares of common stock, including (i) 80,000,000 shares of Class A common stock (the "Class A Common Stock") and (ii) 20,000,000 shares of Class B common stock (the "Class B Common Stock", and together with the Class A Common Stock, the "Common Stock"), and (b) *1,000,000 shares of preferred stock (the "Preferred Stock").*

Effective February 11, 2021 (the "Effective Time"), each issued and outstanding share of Class B Common Stock of the Corporation that is outstanding immediately prior to the Effective Time shall be converted into one and one-tenth issued and outstanding shares of Class B Common Stock, without further action on the part of the Corporation or the holders thereof and whether or not certificates representing such shares are surrendered for cancellation.

Section 4.2 Preferred Stock. Subject to Article IX of this Amended and Restated Certificate, the Preferred Stock may be issued from time to time in one or more series. The Board is hereby expressly authorized to provide for the issuance of shares of the Preferred Stock in one or more series and to establish from time to time the number of shares to be included in each such series and to fix the voting rights, if any, designations, powers, preferences and relative, participating, optional and other special rights, if any, of each such series and any qualifications, limitations and restrictions thereof, as shall be stated in the resolution or resolutions adopted by the Board providing for the issuance of such series and included in a certificate of designation (a "Preferred Stock Designation") filed pursuant to the DGCL, and the Board is hereby expressly vested with the authority to the full extent provided by law, now or hereafter, to adopt any such resolution or resolutions.

Section 4.3 Common Stock.

(a) Except as otherwise required by law or this Amended and Restated Certificate (including any Preferred Stock Designation), the holders of the Common Stock shall exclusively possess all voting power with respect to the Corporation. Subject to the provisions in Article IX hereof, the holders of shares of Common Stock shall be entitled to one vote for each such share on each matter properly submitted to the stockholders on which the holders of the Common Stock are entitled to vote.

(b) Class B Common Stock.

(i) Shares of Class B Common Stock shall be convertible into shares of Class A Common Stock on a one- for-one basis (the "Initial Conversion Ratio") (A) at any time and from time to time at the option of the holder thereof and (B) automatically on the closing of the initial Business Combination.

(ii) Notwithstanding the Initial Conversion Ratio, in the case that additional shares of Class A Common Stock, or equity-linked securities, are issued or deemed issued in excess of the amounts issued in the Corporation's initial public offering of securities (the "Offering") and related to the closing of the initial Business Combination, all issued and outstanding shares of Class B Common Stock shall

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automatically convert into shares of Class A Common Stock at the time of the closing of the initial Business Combination at a ratio for which:

- *the numerator shall be equal to the sum of (A) 25% of all shares of Class A Common Stock issued or issuable (upon the conversion or exercise of any equity-linked securities or otherwise) in each case by the Corporation related to or in connection with the consummation of the initial Business Combination (net of the number of shares of Class A Common Stock redeemed in connection with the initial Business Combination and excluding any securities issued or issuable to any seller in the initial Business Combination) plus (B) the number of shares of Class B Common Stock issued and outstanding prior to the closing of the initial Business Combination; and*
- *the denominator shall be the number of shares of Class B Common Stock issued and outstanding prior to the closing of the initial Business Combination.*

As used herein, the term "equity-linked securities" means any debt or equity securities of the Corporation that are convertible, exercisable or exchangeable for Class A Common Stock issued in a financing transaction in connection with the initial Business Combination, including but not limited to a private placement of equity or debt.

Notwithstanding anything to the contrary contained herein, (i) the foregoing adjustment to the Initial Conversion Ratio may be waived as to any particular issuance or deemed issuance of additional shares of Class A Common Stock or equity-linked securities by the written consent or agreement of holders of a majority of the shares of Class B Common Stock then outstanding consenting or agreeing separately as a single class and (ii) in no event shall the Class B Common Stock convert into Class A Common Stock at a ratio that is less than one-for-one.

The foregoing conversion ratio shall also be adjusted to account for any subdivision (by stock split, subdivision, exchange, stock dividend, reclassification, recapitalization or otherwise) or combination (by reverse stock split, exchange, reclassification, recapitalization or otherwise) or similar reclassification or recapitalization of the outstanding shares of Class A Common Stock into a greater or lesser number of shares occurring after the original filing of this Amended and Restated Certificate without a proportionate and corresponding subdivision, combination or similar reclassification or recapitalization of the outstanding shares of Class B Common Stock.

Each share of Class B Common Stock shall convert into its pro rata number of shares of Class A Common Stock pursuant to this Section 4.3(b). The pro rata share for each holder of Class B Common Stock will be determined as follows: Each share of Class B Common Stock shall convert into such number of shares of Class A Common Stock as is equal to the product of one (1) multiplied by a fraction, the numerator of which shall be the total number of shares of Class A Common Stock into which all of the issued and outstanding shares of Class B Common Stock shall be converted pursuant to this Section 4.3(b) and the denominator of which shall be the total number of issued and outstanding shares of Class B Common Stock at the time of conversion.

(c) Except as otherwise required by law or this Amended and Restated Certificate (including any Preferred Stock Designation and Section 9.9 hereof), at any annual or special meeting of the stockholders of the Corporation, the holders of the Class A Common Stock and the holders of the Class B Common Stock, voting together as a single class, shall have the exclusive right to vote for the election of directors and on all other matters properly submitted to a vote of the stockholders. Notwithstanding the foregoing, except as otherwise required by law or this Amended and Restated Certificate (including a Preferred Stock Designation), the holders of the Common Stock shall not be entitled to vote on any amendment to this Amended and Restated Certificate (including any amendment to any Preferred Stock Designation) that relates solely to the terms of one or more outstanding series of the Preferred Stock if the holders of such affected series of Preferred Stock are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to this Amended and Restated Certificate (including any Preferred Stock Designation) or the DGCL.

(d) Subject to applicable law, the rights, if any, of the holders of any outstanding series of the Preferred Stock and the provisions of Article IX hereof, the holders of the shares of Common Stock shall be entitled to receive such

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dividends and other distributions (payable in cash, property or capital stock of the Corporation) when, as and if declared thereon by the Board from time to time out of any assets or funds of the Corporation legally available therefor, and shall share equally on a per share basis in such dividends and distributions.

(e) Subject to applicable law, the rights, if any, of the holders of any outstanding series of the Preferred Stock and the provisions of Article IX hereof, in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, after payment or provision for payment of the debts and other liabilities of the Corporation, the holders of the shares of Common Stock shall be entitled to receive all the remaining assets of the Corporation available for distribution to its stockholders, ratably in proportion to the number of shares of the Common Stock held by them.

Section 4.4 Rights and Options. The Corporation has the authority to create and issue rights, warrants and options entitling the holders thereof to purchase shares of any class or series of the Corporation's capital stock or other securities of the Corporation, and such rights, warrants and options shall be evidenced by or in instrument(s) approved by the Board. The Board is empowered to set the exercise price, duration, times for exercise and other terms and conditions of such rights, warrants or options; provided, however, that the consideration to be received for any shares of capital stock subject thereto may not be less than the par value thereof.

ARTICLE V
BOARD OF DIRECTORS

Section 5.1 Board Powers. The business and affairs of the Corporation shall be managed by, or under the direction of, the Board. In addition to the powers and authority expressly conferred upon the Board by statute, this Amended and Restated Certificate or the Bylaws of the Corporation (the "Bylaws"), the Board is hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the DGCL and this Amended and Restated Certificate and the Bylaws.

Section 5.2 Number, Election and Term.

(a)The number of directors of the Corporation shall be fixed from time to time in the manner provided in the Bylaws.

(b)Subject toSection 5.5 hereof, following the effectiveness of this Amended and Restated Certificate, each director shall hold office for a two-year term, with such term expiring at the second annual meeting of the stockholders following such appointment and until such director's successor is duly elected and qualified, or until such director's earlier death, resignation or removal. Subject to the rights of the holders of one or more series of Preferred Stock, voting separately by class or series, to elect directors pursuant to the terms of one or more series of Preferred Stock, the election of directors shall be determined by a plurality of the votes cast by the stockholders present in person or represented by proxy at the meeting and entitled to vote thereon.

(c)Subject to Section 5.5 hereof, a director shall hold office until the annual meeting for the year in which his or her term expires and until his or her successor has been elected and qualified, subject, however, to such director's earlier death, resignation, retirement, disqualification or removal.

(d) Unless and except to the extent that the Bylaws shall so require, the election of directors need not be by written ballot. The holders of shares of Common Stock shall not have cumulative voting rights.

Section 5.3 Newly Created Directorships and Vacancies. Subject to Sections 5.5 and 9.9 hereof, newly created directorships resulting from an increase in the number of directors and any vacancies on the Board resulting from death, resignation, retirement, disqualification, removal or other cause may be filled solely and exclusively by a majority vote of the remaining directors then in office, even if less than a quorum, or by a sole remaining director (and not by stockholders), and

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any director so chosen shall hold office for the remainder of the full term of the director to which the new directorship was added or in which the vacancy occurred and until his or her successor has been elected and qualified, subject, however, to such director's earlier death, resignation, retirement, disqualification or removal.

Section 5.4 Removal. Subject to Section 5.5 hereof and except as otherwise provided for by this Amended and Restated Certificate (including as set forth on Section 9.9hereof), any or all of the directors may be removed from office at any time, but only for cause and only by the affirmative vote of holders of a majority of the voting power of all then outstanding shares of capital stock of the Corporation then entitled to vote generally in the election of directors, voting together as a single class.

Section 5.5 Preferred StockDirectors. Notwithstanding any other provision of this Article V, and except as otherwise required by law, whenever the holders of one or more series of the Preferred Stock shall have the right, voting separately by class or series, to elect one or more directors, the term of office, the filling of vacancies, the removal from office and other features of such directorships shall be governed by the terms of such series of the Preferred Stock as set forth in this Amended and Restated Certificate (including any Preferred Stock Designation).

ARTICLE VI
BYLAWS

In furtherance and not in limitation of the powers conferred upon it by law, the Board shall have the power and is expressly authorized to adopt, amend, alter or repeal the Bylaws. The affirmative vote of a majority of the Board shall be required to adopt, amend, alter or repeal the Bylaws. The Bylaws also may be adopted, amended, altered or repealed by the stockholders of the Corporation; provided, however, that in addition to any vote of the holders of any class or series of capital stock of the Corporation required by law or by this Amended and Restated Certificate (including any Preferred Stock Designation), the affirmative vote of the holders of at least a majority of the voting power of all then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required for the stockholders of the Corporation to adopt, amend, alter or repeal the Bylaws; and provided further, however, that no Bylaws hereafter adopted by the stockholders of the Corporation shall invalidate any prior act of the Board that would have been valid if such Bylaws had not been adopted.

ARTICLE VII
MEETINGS OF STOCKHOLDERS; ACTION BY WRITTEN CONSENT

Section 7.1 Meetings. Subject to the rights, if any, of the holders of any outstanding series of the Preferred Stock, and to the requirements of applicable law, special meetings of stockholders of the Corporation may be called only by the Chairman of the Board, Chief Executive Officer of the Corporation or the Board pursuant to a resolution adopted by a majority of the Board, and the ability of the stockholders of the Corporation to call a special meeting is hereby specifically denied.

Section 7.2 Advance Notice. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws.

Section 7.3 Action by Written Consent. Subsequent to the consummation of the Offering, any action required or permitted to be taken by the stockholders of the Corporation must be effected by a duly called annual or special meeting of such holders and may not be effected by written consent of the stockholders of the Corporation other than with respect to Class B Common Stock with respect to which action may be taken by written consent.

ARTICLE VIII
LIMITED LIABILITY; INDEMNIFICATION

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Section 8.1 Limitation of Director Liability. A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL as the same exists or may hereafter be amended. Any amendment, modification or repeal of the foregoing sentence shall not adversely affect any right or protection of a director of the Corporation hereunder in respect of any act or omission occurring prior to the time of such amendment, modification or repeal.

Section 8.2 Indemnification and Advancement of Expenses.

(a) To the fullest extent permitted by Delaware law, as the same exists or may hereafter be amended, the Corporation shall indemnify, defend and hold harmless each person who is or was made a party or is threatened to be made a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding") by reason of the fact that he or she is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, other enterprise or nonprofit entity, including service with respect to an employee benefit plan (an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent, or in any other capacity while serving as a director, officer, employee or agent, against all liability and loss suffered and expenses (including, without limitation, attorneys' fees, judgments, fines, excise taxes and penalties under the Employee Retirement Income Security Act and amounts paid in settlement) reasonably incurred by such indemnitee in connection with such proceeding. The Corporation shall to the fullest extent not prohibited by applicable law pay the expenses (including attorneys' fees) incurred by an indemnitee in defending or otherwise participating in any proceeding in advance of its final disposition: provided, however, that, to the extent required by applicable law, such payment of expenses in advance of the final disposition of the proceeding shall be made only upon receipt of an undertaking, by or on behalf of the indemnitee, to repay all amounts so advanced if it shall ultimately be determined that the indemnitee is not entitled to be indemnified under this Section 8.2 or otherwise. The rights to indemnification and advancement of expenses conferred by this Section 8.2 shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators. Notwithstanding the foregoing provisions of this Section 8.2(a), except for proceedings to enforce rights to indemnification and advancement of expenses, the Corporation shall indemnify and advance expenses to an indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board.

(b) The rights to indemnification and advancement of expenses conferred on any indemnitee by this Section 8.2 shall not be exclusive of any other rights that any indemnitee may have or hereafter acquire under law, this Amended and Restated Certificate, the Bylaws, an agreement, vote of stockholders or disinterested directors, or otherwise.

(c)Any repeal or amendment of this Section 8.2 by the stockholders of the Corporation or by changes in law, or the adoption of any other provision of this Amended and Restated Certificate inconsistent with this Section 8.2,shall, unless otherwise required by law, be prospective only (except to the extent such amendment or change in law permits the Corporation to provide broader indemnification rights on a retroactive basis than permitted prior thereto), and shall not in any way diminish or adversely affect any right or protection existing at the time of such repeal or amendment or adoption of such inconsistent provision in respect of any proceeding (regardless of when such proceeding is first threatened, commenced or completed) arising out of, or related to, any act or omission occurring prior to such repeal or amendment or adoption of such inconsistent provision.

(d)This Section 8.2 shall not limit the right of the Corporation, to the extent and in the manner authorized or permitted by law, to indemnify and to advance expenses to persons other than indemnitees.

ARTICLE IX
BUSINESS COMBINATION REQUIREMENTS; EXISTENCE

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Section 9.1 General.

(a) The provisions of this Article IX shall apply during the period commencing upon the effectiveness of this Amended and Restated Certificate and terminating upon the consummation of the Corporation's initial Business Combination and no amendment to this Article IX shall be effective prior to the consummation of the initial Business Combination unless approved by the affirmative vote of the holders of at least sixty-five percent (65%) of all then outstanding shares of the Common Stock.

(b)***Immediately after the Offering, a certain amount of the net offering proceeds received by the Corporation in the Offering (including the proceeds of any exercise of the underwriters' over-allotment option) and certain other amounts specified in the Corporation's registration statement on Form S-1, as initially filed with the Securities and Exchange Commission (the "SEC") on December 25, as amended (the "Registration Statement"), shall be deposited in a trust account (the "Trust Account'), established for the benefit of the Public Stockholders (as defined below) pursuant to a trust agreement described in the Registration Statement. Except for the withdrawal of interest to pay taxes, none of the funds held in the Trust Account (including the interest earned on the funds held in the Trust Account) will be released from the Trust Account until the earliest of (i) the completion of the initial Business Combination, (ii) the redemption of 100% of the Offering Shares (as defined below) if the Corporation is unable to complete its initial Business Combination within 24 months from the closing of the Offering and (iii) the redemption of Offering Shares in connection with a vote seeking to amend any provisions of this Amended and Restated Certificate (A) to modify the substance or timing of the Corporation's obligation to allow redemptions in connection with the Corporation's initial Business Combination or to redeem 100% of the Offering Shares if the Corporation has not consummated an initial Business Combination within 24 months from the date of the closing of the Offering or (B) relating to stockholders' rights or pre-initial Business Combination activity (as described in Section 9.7). Holders of shares of the Corporation's Common Stock included as part of the units sold in the Offering (the "Offering Shares") (whether such Offering Shares were purchased in the Offering or in the secondary market following the Offering and whether or not such holders are Rosecliff Acquisition Sponsor I LLC (the "Sponsor") or officers or directors of the Corporation, or affiliates of any of the foregoing) are referred to herein as "Public Stockholders."***

Section 9.2 Redemption Rights.

(a) Prior to the consummation of the initial Business Combination, the Corporation shall provide all holders of Offering Shares with the opportunity to have their Offering Shares redeemed (which redemption may be in the form of a repurchase by the Corporation) upon the consummation of the initial Business Combination pursuant to, and subject to the limitations of, Sections and 9.2(c) (such rights of such holders to have their Offering Shares redeemed pursuant to such Sections, the "Redemption Rights") hereof for cash equal to the applicable redemption price per share determined in accordance with Section 9.2(b) hereof(the "Redemption Price"); provided, however, that the Corporation shall not redeem Offering Shares to the extent that such redemption would result in the Corporation having net tangible assets (as determined in accordance with Rule 3a51-1(g)(l) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (or any successor rule)) of less than $5,000,001 (such limitation hereinafter called the "Redemption Limitation"). Notwithstanding anything to the contrary contained in this Amended and Restated Certificate, there shall be no Redemption Rights or liquidating distributions with respect to any warrant issued pursuant to the Offering.

(b) If the Corporation offers to redeem the Offering Shares other than in conjunction with a stockholder vote on an initial Business Combination with a proxy solicitation pursuant to Regulation 14A of the Exchange Act (or any successor rules or regulations) and filing proxy materials with the SEC, the Corporation shall offer to redeem the Offering Shares upon the consummation of the initial Business Combination, subject to lawfully available funds therefor, in accordance with the provisions of Section 9.2(a) hereof pursuant to a tender offer in accordance with Rule 13e-4 and Regulation 14E of the Exchange Act (or any successor rule or regulation) (such rules and regulations hereinafter called the "Tender Offer Rules") which it shall commence prior to the consummation of the initial Business Combination and shall file tender offer documents with the SEC prior to the consummation of the initial Business Combination that contain substantially the same financial and other information about the initial Business Combination and the Redemption Rights as

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is required under Regulation 14A of the Exchange Act (or any successor rule or regulation) (such rules and regulations hereinafter called the "Proxy Solicitation Rules"), even if such information is not required under the Tender Offer Rules; provided, however, that if a stockholder vote is required by law to approve the proposed initial Business Combination, or the Corporation decides to submit the proposed initial Business Combination to the stockholders for their approval for business or other reasons, the Corporation shall offer to redeem the Offering Shares, subject to lawfully available funds therefor, in accordance with the provisions of Section 9.2(a) hereof in conjunction with a proxy solicitation pursuant to the Proxy Solicitation Rules (and not the Tender Offer Rules) at a price per share equal to the Redemption Price calculated in accordance with the following provisions of this Section 9.2(b). In the event that the Corporation offers to redeem the Offering Shares pursuant to a tender offer in accordance with the Tender Offer Rules, the Redemption Price per share of the Common Stock payable to holders of the Offering Shares tendering their Offering Shares pursuant to such tender offer shall be equal to the quotient obtained by dividing: (i) the aggregate amount on deposit in the Trust Account as of two business days prior to the consummation of the initial Business Combination, including interest (net of taxes payable), by (ii) the total number of then outstanding Offering Shares. If the Corporation offers to redeem the Offering Shares in conjunction with a stockholder vote on the proposed initial Business Combination pursuant to a proxy solicitation, the Redemption Price per share of the Common Stock payable to holders of the Offering Shares exercising their Redemption Rights shall be equal to the quotient obtained by dividing (a) the aggregate amount on deposit in the Trust Account as of two business days prior to the consummation of the initial Business Combination, including interest (net of taxes payable), by (b) the total number of then outstanding Offering Shares.

(c) If the Corporation offers to redeem the Offering Shares in conjunction with a stockholder vote on an initial Business Combination pursuant to a proxy solicitation, a Public Stockholder, together with any affiliate of such stockholder or any other person with whom such stockholder is acting in concert or as a "group" (as defined under Section t3(d)(3) of the Exchange Act), shall be restricted from redeeming Offering Shares with respect to more than an aggregate of 15% of the Offering Shares without the consent of the Corporation.

(d) In the event that the Corporation has not consummated an initial Business Combination within 24 months from the closing of the Offering, the Corporation shall (i) cease all operations except for the purpose of winding up, (ii) as promptly as reasonably possible but not more than ten business days thereafter subject to lawfully available funds therefor, redeem 100% of the Offering Shares in consideration of a per-share price, payable in cash, equal to the quotient obtained by dividing (A) the aggregate amount then on deposit in the Trust Account, including interest (net of taxes payable, and less up to $100,000 of such net interest to pay dissolution expenses), by (B) the total number of then outstanding Offering Shares, which redemption will completely extinguish rights of the Public Stockholders (including the right to receive further liquidating distributions, if any), and (iii) as promptly as reasonably possible following such redemption, subject to the approval of the remaining stockholders and the Board in accordance with applicable law, dissolve and liquidate, subject in each case to the Corporation's obligations under the DGCL to provide for claims of creditors and other requirements of applicable law.

(e) If the Corporation offers to redeem the Offering Shares in conjunction with a stockholder vote on an initial Business Combination, the Corporation shall consummate the proposed initial Business Combination only if (i) such initial Business Combination is approved by the affirmative vote of the holders of a majority of the shares of the Common Stock that are voted at a stockholder meeting held to consider such initial Business Combination (unless a greater vote is required by applicable law or stock exchange rules) and (ii) the Redemption Limitation is not exceeded.

(f)If the Corporation conducts a tender offer pursuant to Section 9.2(b). the Corporation shall consummate the proposed initial Business Combination only if the Redemption Limitation is not exceeded.

Section 9.3 Distributions from the Trust Account.

(a)A Public Stockholder shall be entitled to receive funds from the Trust Account only as provided in Sections 9.2(a), 9.2(b), 9.2(d) or 9.7 hereof. In no other circumstances shall a Public Stockholder have any right or interest

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of any kind in or to distributions from the Trust Account, and no stockholder other than a Public Stockholder shall have any interest in or to the Trust Account.

(b) Each Public Stockholder that does not exercise its Redemption Rights shall retain its interest in the Corporation and shall be deemed to have given its consent to the release of the remaining funds in the Trust Account to the Corporation, and following payment to any Public Stockholders exercising their Redemption Rights, the remaining funds in the Trust Account shall be released to the Corporation.

(c) The exercise by a Public Stockholder of the Redemption Rights (and any withdrawal of any exercise of such rights) shall be conditioned on such Public Stockholder following the specific procedures for redemptions (or withdrawals, as applicable) set forth by the Corporation in any applicable tender offer or proxy materials sent to the Corporation's Public Stockholders relating to the proposed initial Business Combination. Payment of the amounts necessary to satisfy the Redemption Rights properly exercised shall be made as promptly as practical after the consummation of the initial Business Combination.

Section 9.4 Share Issuances. Prior to the consummation of the Corporation's initial Business Combination, the Corporation shall not issue any additional shares of capital stock of the Corporation that would entitle the holders thereof to receive funds from the Trust Account or vote on any initial Business Combination or on any amendment to this Article IX.

Section 9.5 Transactions with Affiliates. In the event the Corporation enters into an initial Business Combination with a target business that is affiliated with the Sponsor, or the directors or officers of the Corporation, the Corporation, or a committee of the independent directors of the Corporation, shall obtain an opinion from an independent investment banking firm that is a member of the Financial Industry Regulatory Authority or from an independent accounting firm that such Business Combination is fair to the Corporation from a financial point of view.

Section 9.6 No Transactions with Other Blank Check Companies. The Corporation shall not enter into an initial Business Combination with solely another blank check company or a similar company with nominal operations.

Section 9.7 Additional Redemption Rights. If, in accordance with Section 9.l(a), any amendment is made to this Amended and Restated Certificate that would modify the substance or timing of the Corporation's obligation to allow redemptions in connection with the Corporation's initial Business Combination or to redeem 100% of the Offering Shares if the Corporation has not consummated an initial Business Combination within 24 months from the date of the closing of the Offering, or with respect to any other provision herein relating to stockholder's rights or pre-initial Business Combination activity, the Public Stockholders shall be provided with the opportunity to redeem their Offering Shares upon the approval of any such amendment, at a per-share price, payable in cash, equal to the aggregate amount then on deposit in the Trust Account, including interest (net of taxes payable), divided by the number of then outstanding Offering Shares. The Corporation's ability to provide such opportunity is subject to the Redemption Limitation.

Section 9.8 Minimum Value of Target. The Corporation's initial Business Combination must occur with one or more target businesses that together have an aggregate fair market value of at least 80% of the assets held in the Trust Account (excluding the amount of any deferred underwriting discount).

Section 9.9 Appointment and Removal of Directors. Notwithstanding any other provision in this Amended and Restated Certificate, prior to the closing of the initial Business Combination, the holders of Class B Common Stock shall have the exclusive right to elect, remove and replace any director, and the holders of Class A Common Stock shall have no right to vote on the election, removal or replacement of any director. This Section 9.9 may only be amended by a resolution passed by a majority of holders of at least ninety percent (90%) of the outstanding Common Stock entitled to vote thereon.

Section 9. 10 Approval of Business Combination. Notwithstanding any other provision in this Amended and Restated Certificate, approval of the initial Business Combination shall require the affirmative vote of a majority of the

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Board, which must include a majority of the Corporation's independent directors.

ARTICLE X
CORPORATE OPPORTUNITY

The doctrine of corporate opportunity, or any other analogous doctrine, shall not apply with respect to the Corporation or any of its officers or directors in circumstances where the application of any such doctrine to a corporate opportunity would conflict with any fiduciary duties or contractual obligations they may have as of the date of this Amended and Restated Certificate or in the future, and the Corporation renounces any expectancy that any of the directors or officers of the Corporation will offer any such corporate opportunity of which he or she may become aware to the Corporation. In addition to the foregoing, the doctrine of corporate opportunity shall not apply to any other corporate opportunity with respect to any of the directors or officers of the Corporation unless such corporate opportunity is offered to such person solely in his or her capacity as a director or officer of the Corporation and such opportunity is one the Corporation is legally and contractually permitted to undertake and would otherwise be reasonable for the Corporation to pursue and the director or officer is permitted to refer that opportunity to the Corporation without violating any legal obligation.

ARTICLE XI
AMENDMENT OF AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

The Corporation reserves the right to at any time and from time to time amend, alter, change or repeal any provision contained in this Amended and Restated Certificate (including any Preferred Stock Designation), and other provisions authorized by the laws of the State of Delaware at the time in force that may be added or inserted, in the manner now or hereafter prescribed by this Amended and Restated Certificate and the DGCL; and, except as set forth in Article VIII, all rights, preferences and privileges of whatever nature herein conferred upon stockholders, directors or any other persons by and pursuant to this Amended and Restated Certificate in its present form or as hereafter amended are granted subject to the right reserved in this Article XI; provided, however, that Article IX of this Amended and Restated Certificate may be amended only as provided therein.

ARTICLE XII
EXCLUSIVE FORUM FOR CERTAIN LAWSUITS

Section 12.1 Forum. Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by law, be the sole and exclusive forum for any stockholder (including a beneficial owner) to bring (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, employee or agent of the Corporation to the Corporation or the Corporation's stockholders, or any claim for aiding and abetting such alleged breach, (iii) any action asserting a claim against the Corporation, its directors, officers or employees arising pursuant to any provision of the DGCL or this Amended and Restated Certificate or the Bylaws, or (iv) any action asserting a claim against the Corporation, its directors, officers or employees governed by the internal affairs doctrine, except for, as to each of (i) through (iv) above, any claim as to which the Court of Chancery determines that there is an indispensable party not subject to the jurisdiction of the Court of Chancery (and the indispensable party does not consent to the personal jurisdiction of the Court of Chancery within ten days following such determination), which is vested in the exclusive jurisdiction of a court or forum other than the Court of Chancery, for which the Court of Chancery does not have subject matter jurisdiction, or arising under the federal securities laws, including the Securities Act of 1933, as amended, and the rules and regulations thereunder as to which the federal district courts of the United States of America shall, to the fullest extent permitted by law, be the sole and exclusive forum, unless the Corporation consents in writing to the selection of an alternative forum. Notwithstanding the foregoing, the provisions of this Section 12.1 shall not apply to suits brought to enforce any liability or duty created by the Exchange Act and the rules and regulations thereunder or any other claim for which the federal district courts of the United States of America shall be the sole and exclusive forum.

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Section 12.2 Consent to Jurisdiction. *If any action the subject matter of which is within the scope of* ***Section 12.1*** *immediately above is filed in a court other than a court located within the State of Delaware (a" Foreign Action") in the name of any stockholder, such stockholder shall be deemed to have consented to (i) the personal jurisdiction of the state and federal courts located within the State of Delaware in connection with any action brought in any such court to enforce* ***Section 12.1*** *immediately above (an "FSC Enforcement Action") and (ii) having service of process made upon such stockholder in any such FSC Enforcement Action by service upon such stockholder's counsel in the Foreign Action as agent for such stockholder.*

Section 12.3 Severability. *If any provision or provisions of this Article XII shall be held to be invalid, illegal or unenforceable as applied to any person or entity or circumstance for any reason whatsoever, then, to the fullest extent permitted by law, the validity, legality and enforceability of such provisions in any other circumstance and of the remaining provisions of this Article XII (including, without limitation, each portion of any sentence of this Article XII containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) and the application of such provision to other persons or entities and circumstances shall not in any way be affected or impaired thereby. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article XII.*

[Signature Page Follows]

IN WITNESS WHEREOF, Rosecliff Acquisition Corp I has caused this Amended and Restated Certificate to be duly executed and acknowledged in its name and on its behalf by an authorized officer as of the date first set forth above.

Rosecliff Acquisition Corp I

/s/ Peter M. Carlson	***By:***	*/s/ Michael Murphy***	***March 29, 2024***
		Director and Chief Executive Officer	
Peter M. Carlson		***(Principal Executive Officer)***	
		Name: Michael Murphy	
/s/ Vincent Capone		***Chief Financial Officer***	***March 29, 2024***
Vincent Capone		*(Principal Financial Officer, General Counsel And Principal Accounting Officer)*	
		Title: Chief Executive Officer	

State of Delaware	***Director***	***March 29, 2024***
Secretary /s/ Cynthia Cai		
Cynthia Cai		

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/s/ Richard Cotton	***Chairman of State Division the Board of Corporations Delivered 02:59 PM 12/22/2022 FILED 02:59 PM 12/22/2022 SR 20224355093- File Number 4170710***	***March 29, 2024***
	Directors	
Richard Cotton		
/s/ Martin Mellish	***Director***	***March 29, 2024***
Martin Mellish		
/s/ Deepak Sadagopan	***Director***	***March 29, 2024***
Deepak Sadagopan		
/s/ Erich Spangenberg	***Director***	***March 29, 2024***
Erich Spangenberg		
/s/ J. Michael DiMaio	***Director***	***March 29, 2024***
J. Michael DiMaio		

CERTIFICATE

Exhibit 10.12

SPECTRAL AI, INC.
2023 LONG TERM INCENTIVE PLAN

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TO THE

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
ROSECLIFF ACQUISITION CORP I

SPECTRAL AI, INC.
2023 LONG TERM INCENTIVE PLAN

1. General. The purpose of the Spectral AI, Inc. 2023 Long Term Incentive Plan (the "**Plan**") is to provide a means through which Spectral AI, Inc., a Delaware corporation (the "**Company**"), and its Subsidiaries may attract and retain able persons as employees, directors and consultants of the Company, and its Subsidiaries, and to provide a means whereby those persons upon whom the responsibilities of the successful administration and management of the Company and its Subsidiaries rest, and whose present and potential contributions to the welfare of the Company and its Subsidiaries are of importance, can acquire and maintain stock ownership or awards, the value of which is tied to the performance of the Company, thereby strengthening their concern for the welfare of the Company and its Subsidiaries and their desire to remain employed. A further purpose of this Plan is to provide such employees, directors and consultants with additional incentive and reward opportunities designed to enhance the profitable growth of the Company. Accordingly, this Plan primarily provides for the granting of Incentive Stock Options, Nonstatutory Stock Options, Restricted Stock, Restricted Stock Units, Stock Appreciation Rights, Bonus Stock, Dividend Equivalent, Other Stock-Based Award, or any combination of the foregoing, as is best suited to the circumstances of the particular individual as provided herein and as determined under the tax laws of the United States of America. UK resident or tax-resident employees of companies in the Company's Group (as defined in the UK Sub-Plan), including the Company, or employees of such companies who are subject to UK taxation, may be granted similar awards pursuant to the UK Sub-Plan which is made under this Plan and as substantially set forth in **Exhibit A** - "SPECTRAL AI, INC.: 2023 LONG TERM INCENTIVE PLAN UK SUB-PLAN".

2. Definitions. For purposes of this Plan, the following terms shall be defined as set forth below, in addition to such terms defined in Section 1 hereof:

a. "Award" means any Option, Stock Appreciation Rights, Restricted Stock Award, Restricted Stock Unit, Bonus Stock, Dividend Equivalent, or Other Stock-Based Award, together with any other right or interest granted to a Participant under this Plan.

b. "Award Agreement" means any written or electronic instrument that establishes the terms, conditions, restrictions and/or limitations applicable to an Award granted to the Participant.

c. "Beneficiary" means one or more Persons which have been designated by a Participant, in his or her most recent written beneficiary designation filed with the Committee, to receive the benefits specified under this Plan upon such Participant's death or to which Awards or other rights are transferred if and to the extent permitted under Subsection 9(a) hereof. If, upon a Participant's death, there is no designated Beneficiary or surviving designated Beneficiary, then the term Beneficiary means the Persons entitled by will or the laws of descent and distribution to receive such benefits.

d. "Board" means the Board of Directors of the Company.

e. "Bonus Stock" means unrestricted shares of Stock granted as a bonus pursuant to Subsection 6(f).

f. "Cause" means, unless such term or an equivalent term is otherwise defined with respect to an Award by the Participant's Award Agreement or written contract of employment or service with the Company or a Subsidiary, any of the following: (i) the Participant's theft, dishonesty, willful misconduct, breach of fiduciary duty for personal profit, or falsification of the Company's or any Subsidiary's documents or records; (ii) the Participant's material failure to abide by the Company's or any Subsidiary's code of conduct or other policies (including, without limitation, policies relating to confidentiality and reasonable workplace conduct); (iii) the Participant's unauthorized use, misappropriation, destruction or diversion of any tangible or intangible asset or corporate opportunity of the Company or a Subsidiary Company (including, without limitation, the Participant's improper use or disclosure of confidential or proprietary information); (iv) any intentional act by the Participant which has a material detrimental effect on the Company's or a Subsidiary's reputation or business; (v) the Participant's repeated failure or inability to perform any reasonable assigned duties after written notice from the Company or a Subsidiary of, and a reasonable opportunity to cure, such failure or inability; (vi) any material breach by the Participant of any employment or service agreement between the Participant and the Company or a Subsidiary, which breach is not cured pursuant to the terms of such agreement; (vii) the Participant's conviction (including any plea of guilty or nolo contendere) of any criminal act constituting a felony; or (viii) the Participant's commission of any act against the Company or a Subsidiary involving fraud, dishonesty, misappropriation or moral turpitude, or which impairs the Participant's ability to perform his or her duties with the Company or a Subsidiary.

g. "Change in Control" means the occurrence of any of the following events:

i. any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the total power to vote for the election of directors of the Company;

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ii. during any twelve month period, individuals who at the beginning of such period constitute the Board and any new director (other than a director designated by a Person who has entered into an agreement with the Company to effect a transaction described in Subsection 1(g)(i), Subsection 1(g)(iii), Subsection 1(g)(iv) or Subsection 1(g)(v) hereof) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of the period of whose election or nomination for election was previously approved, cease for any reason to constitute a majority thereof;

iii. the merger or consolidation of the Company with another corporation where the stockholders of the Company, immediately prior to the merger or consolidation, will not beneficially own, immediately after the merger or consolidation, shares entitling such stockholders to 50% or more of all votes to which all stockholders of the surviving corporation would be entitled in the election of directors (without consideration of the rights of any class of stock to elect directors by a separate class vote);

iv. the sale or other disposition of all or substantially all of the assets of the Company;

v. a liquidation or dissolution of the Company;

vi. acceptance by stockholders of the Company of shares in a share exchange if the stockholders of the Company immediately before such share exchange do not or will not own directly or indirectly immediately following such share exchange more than fifty percent (50%) of the combined voting power of the outstanding voting securities of the entity resulting from or surviving such share exchange in substantially the same proportion as their ownership of the voting securities outstanding immediately before such share exchange; or

vii. such other event deemed to constitute a "Change in Control" by the Board.

Notwithstanding anything in the Plan or an Award Agreement to the contrary, to the extent necessary to comply with Section 409A of the Code, no event that, but for the application of this paragraph, would be a Change in Control, as applicable, shall be a Change in Control unless such event is also a "change in control event" as defined in Section 409A of the Code.

h. "Clawback Policy" has the meaning set forth in Section 9(l).

i. "Code" means the Internal Revenue Code of 1986, as amended from time to time, including regulations thereunder and successor provisions and regulations thereto.

j. "Committee" means the compensation committee of the Board (or other committee or subcommittee of the Board duly appointed to administer the Plan) and having such powers as shall be specified by the Board. Unless the powers of the Committee have been specifically limited, the Committee shall have all of the powers of the Board granted herein, including, without limitation, the power to amend or terminate the Plan at any time, subject to the terms of the Plan and any applicable limitations imposed by law.

k. "Common Stock" means the common stock of the Company.

l. "Company" means Spectral AI, Inc., a Delaware corporation, and any successor company thereto.

m. "Disability" means, unless such term or an equivalent term is otherwise defined with respect to an Award by the Participant's Award Agreement or written contract of employment or service, the termination of a Participant's Service due to a permanent and total disability as defined in Section 22(e)(3) of the Code, which Disability shall only be deemed to occur at the time of the determination by the Board of the Disability. Notwithstanding the foregoing, for Awards that are subject to Section 409A of the Code, Disability shall mean that a Participant is disabled under Section 409A(a)(2)(C)(i) or (ii) of the Code.

n. "Dividend Equivalent" means a right, granted to a Participant under Subsection 6(g), to receive cash, Stock, other Awards or other property equal in value to dividends paid with respect to a specified number of shares of Stock, or other periodic payments.

o. "Effective Date" means April [23], 2024.

p. "Eligible Person" means all officers and employees of the Company or of any Subsidiary, as specifically set forth herein, and other persons who provide services to the Company or any of its Subsidiaries, including directors of the Company. An employee on leave of absence may be considered as still in the employ of the Company or a Subsidiary for purposes of eligibility for participation in this Plan.

q. "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, including rules thereunder and successor provisions and rules thereto.

r. "Exercise Price" has the meaning set forth in Section 6(b)(i).

s. "Fair Market Value" means, as of any specified date, the value of Stock determined as follows:

i. if the Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq Global Select Market, the Nasdaq Global Market or the Nasdaq Capital Market of the Nasdaq Stock Market, its Fair Market Value will be the closing sales price for such stock (or, if no closing sales price was reported on that date, as applicable, on the last trading date such closing sales price was reported) as quoted on such exchange or system on the day of determination, as reported in *The Wall Street Journal* or such other source as the Committee deems reliable;

ii. If the Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share will be the mean between the high bid and low asked prices for the Common Stock on the day of determination (or, if no bids and asks were reported on that date, as applicable, on the last trading date such bids and asks were reported), as reported in *The Wall Street Journal* or such other source as the Committee deems reliable;

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iii. If the Stock is not publicly traded at the time a determination of its Fair Market Value is required to be made under the Plan, the Fair Market Value will be determined by the Committee in its discretion in such manner as it deems appropriate, taking into consideration all factors the Committee deems appropriate including without limitation, the Nonqualified Deferred Compensation Rules.

t. "Good Reason" means, a termination of a Participant's employment with the Company, in accordance with Section 409A of the Code, due to any of the following:

i. A material diminution in the Participant's base compensation;

ii. A material diminution in the Participant's authority, duties or responsibilities;

iii. A material diminution in the authority, duties or responsibilities of the supervisor to whom the Participant reports;

iv. A material diminution in the budget over which the Participant retains authority;

v. A material change in geographic location at which the Participant is employed; or

vi. Any action or inaction by the Company, Subsidiary or purchaser that constitutes a material breach of the Participant's applicable employment agreement.

u. "Incentive Stock Option" or "ISO" means any Option intended to be and designated as an incentive stock option within the meaning of Section 422 of the Code or any successor provision thereto.

v. "Insider" means an officer, a director, or other Person whose transactions in Stock are subject to Section 16 of the Exchange Act.

w. "Nonqualified Deferred Compensation Rules" means the limitations or requirements of section 409A of the Code and the regulations promulgated thereunder.

x. "Nonstatutory Stock Option" or "NSO" means any Option that, by its terms, does not qualify or is not intended to qualify as an Incentive Stock Option.

y. "Option" means an option to purchase Stock pursuant to the Plan.

z. "Option Expiration Date" has the meaning set forth in Section 7(a)(i).

aa."Other Stock-Based Awards" means Awards granted to a Participant under Subsection 6(h) hereof.

bb."Participant" means a Person who has been granted an Award under this Plan which remains outstanding, including a Person who is no longer an Eligible Person.

cc."Person" means any person or entity of any nature whatsoever, specifically including an individual, a firm, a company, a corporation, organized a partnership, a limited liability company, a trust or other entity; a Person, together with that Person's Affiliates and existing Associates (as those terms are defined in Rule 12b-2 under the Exchange Act, provided that "registrant" as used in Rule 12b-2 shall mean the Company), and any Persons acting as a partnership, limited partnership, joint venture, association, syndicate or other group (whether or not formally organized), or otherwise acting jointly or in conceit or in a coordinated or consciously parallel manner (whether or not pursuant to any express agreement), for the purpose of acquiring, holding, voting or disposing of securities of the Company with such Person, shall be deemed a single "Person."

dd."Plan" means this Spectral AI, Inc. 2023 Long Term Incentive Plan.

ee."Recapitalization" has the meaning set forth in Section 8(c)(i).

ff."Restricted Stock" means Stock granted to a Participant under Subsection 6(d) hereof, that is subject to certain restrictions and to a risk of forfeiture.

gg."Restricted Stock Unit" means a right, granted to a Participant under Subsection 6(e) hereof, to receive Stock, cash or a combination thereof at the end of a specified deferral period.

hh."Rule 16b-3" means Rule 16b-3 under the Exchange Act, as amended from time to time, or any successor rule or regulation.

ii. "Securities Act" means the Securities Act of 1933 and the rules and regulations promulgated thereunder, or any successor law, as it may be amended from time to time.

jj."Service" means a Participants employment or other service relationship with the Company.

kk."Stock" means the Company's Common Stock, as may be adjusted from time to time pursuant to Section 8.

ll."Stock Appreciation Rights" or "SAR" means a right granted to a Participant under Subsection 6(c) hereof.

mm."Stockholders Agreement" has the meaning set forth in Section 6(c)(v).

nn."Subsidiary" shall have the meaning defined in Section 424(f) of the Code, with respect to the Company, any corporation or other entity of which a majority of the voting power of the voting equity securities or equity interest is owned, directly or indirectly, by the Company, a parent or subsidiary of the Company, as defined in Section 424 of the Code (substituting "Company" for "employer corporation"), or any other entity that is a parent or subsidiary of the Company, including a parent or subsidiary which becomes such after the Effective Date.

oo. "Ten Percent Stockholder" means a Person who owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of any parent corporation or Subsidiary.

3. **Administration.**

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a. Authority of the Committee. This Plan shall be administered by the Committee except to the extent the Board elects to administer this Plan, in which case references herein to the "Committee" shall be deemed to include references to the "Board." The Committee shall have the authority, in its sole and absolute discretion, to (i) adopt, amend, and rescind administrative and interpretive rules and regulations relating to the Plan; (ii) determine the Eligible Persons to whom, and the time or times at which, Awards shall be granted; (iii) determine the amount of cash and the number of shares of Stock, Stock Appreciation Rights, Restricted Stock Units or Restricted Stock Awards, or any combination thereof, that shall be the subject of each Award; (iv) determine the terms and provisions of each Award agreement (which need not be identical), including provisions defining or otherwise relating to (A) the term and the period or periods and extent of exercisability of the Options, (B) the extent to which the transferability of shares of Stock issued or transferred pursuant to any Award is restricted, (C) except as otherwise provided herein, the effect of termination of employment, or the service relationship with the Company, of a Participant on the Award, and (D) the effect of approved leaves of absence (consistent with any applicable regulations of the Internal Revenue Service); (v) accelerate the time of exercisability of any Award that has been granted; (vi) construe the respective Award agreements and the Plan; (vii) make determinations of the Fair Market Value of the Stock pursuant to the Plan; (viii) adopt special guidelines and provisions for Eligible Persons who are residing in or employed in, or subject to, the taxes of, any domestic or foreign jurisdictions to comply with applicable tax and securities laws of such domestic or foreign jurisdictions (ix) delegate its duties under the Plan to such agents as it may appoint from time to time; and (x) make all other determinations, perform all other acts, and exercise all other powers and authority necessary or advisable for administering the Plan, including making factual determinations and the delegation of those ministerial acts and responsibilities as the Committee deems appropriate. The Committee may correct any defect, supply any omission, or reconcile any inconsistency in the Plan, in any Award, or in any Award agreement in the manner and to the extent it deems necessary or desirable to carry the Plan into effect, and the Committee shall be the sole and final judge of that necessity or desirability. The determinations of the Committee on the matters referred to in this Subsection 3(a) shall be final, conclusive, and binding upon all Persons.

b. Manner of Exercise of Committee Authority. Any action of the Committee shall be final, conclusive and binding on all Persons, including the Company, its Subsidiaries, stockholders, Participants, Beneficiaries, and transferees under Subsection 9(a) hereof or other Persons claiming rights from or through a Participant. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. The Committee may delegate to officers or managers of the Company or any Subsidiary, or committees thereof, the authority, subject to such terms as the Committee shall determine, to perform such functions, including administrative functions, as the Committee may determine.

c. Limitation of Liability. The Committee and each member thereof shall be entitled to, in good faith, rely or act upon any report or other information furnished to him or her by any officer or employee of the Company or a Subsidiary, the Company's legal counsel, independent auditors, consultants or any other agents assisting in the administration of this Plan. Members of the Committee and any officer or employee of the Company or a Subsidiary acting at the direction or on behalf of the Committee shall not be personally liable for any action or determination taken or made in good faith with respect to this Plan, and shall, to the fullest extent permitted by law, be indemnified and held harmless by the Company with respect to any such action or determination.

d. Indemnification. In addition to such other rights of indemnification as they may have as members of the Board or as officers or employees of the Participating Company Group, members of the Board and any officers or employees of the Participating Company Group to whom authority to act for the Board or the Company is delegated shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct in duties; provided, however, that within sixty (60) days after the institution of such action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same

e. Administration with Respect to Insiders. With respect to participation by Insiders in the Plan, at any time that any class of equity security of the Company is registered pursuant to Section 12 of the Exchange Act, the Plan shall be administered in compliance with the requirements, if any, of Rule 16b-3.

4. **Stock Subject to Plan.**

a. Overall Number of Shares Available for Delivery. Subject to adjustment in a manner consistent with any adjustment made pursuant to Section 8, the maximum aggregate number of shares that may be issued under the Plan shall not exceed 8,000,000, plus the number of shares that are automatically added on January 1st of each year for a period of up to ten years, commencing on January 1, 2024 and ending on (and including) January 1, 2033, in an amount equal to the lesser of (i) five percent (5%) of the total number of shares of Stock outstanding on December 31st of the preceding calendar year, and (ii) an amount determined by the Board. The terms of any Incentive Stock Option granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code, or any successor provision, as amended from time to time. All of the shares issuable under the Plan may be issued as ISOs.

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b. Application of Limitation to Grants of Awards. No Award may be granted if the number of shares of Stock to be delivered in connection with such Award exceeds the number of shares of Stock remaining available under this Plan minus the number of shares of Stock issuable in settlement of or relating to then-outstanding Awards. The Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting (as, for example, in the case of tandem or substitute awards) and make adjustments if the number of shares of Stock actually delivered differs from the number of shares previously counted in connection with an Award.

The Committee may only grant an Award in accordance with the then applicable securities and other regulatory laws, including, but not limited to the rules and regulations promulgated by Securities and Exchange Commission and the rules of any stock exchange or automated quotation system on which the Stock may then be listed or quoted.

c. Availability of Shares Not Issued under Awards. Shares of Stock subject to an Award under this Plan that expire or are canceled, forfeited, settled in cash or otherwise terminated without an issuance of shares to the Participant, including (i) the number of shares withheld in payment of any exercise or purchase price of an Award or taxes relating to Awards, and (ii) the number of shares surrendered in payment of any exercise or purchase price of an Award or taxes relating to any Award, will again be available for Awards under this Plan.

d. Stock Offered. The shares to be delivered under the Plan shall be made available from (i) authorized but unissued shares of Stock, (ii) Stock held in the treasury of the Company, or (iii) previously issued shares of Stock reacquired by the Company, including shares purchased on the open market.

5. **Eligibility.** Awards may be granted under this Plan only to Persons who are Eligible Persons at the time of grant thereof or in connection with the severance or retirement of Eligible Persons.

6. **Specific Terms of Awards.**

a. General. Awards may be granted on the terms and conditions set forth in this Section 6. In addition, the Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter (subject to Subsection 9(c)), such additional terms and conditions, not inconsistent with the provisions of this Plan, as the Committee shall determine, including terms requiring forfeiture of Awards in the event of termination of employment by the Participant, or termination of the Participant's service relationship with the Company, and terms permitting a Participant to make elections relating to his or her Award. The Committee shall retain full power and discretion to accelerate, waive or modify, at any time, any term or condition of an Award that is not mandatory under this Plan.

b. Options. The Committee is authorized to grant Options to Participants on the following terms and conditions:

i. Exercise Price. Each Award Agreement evidencing a grant of Options shall state the exercise price per share of Stock (the "**Exercise Price**"); provided, however, that the Exercise Price per share of Stock subject to an ISO shall not be less than the greater of (A) the par value per share of the Stock or (B) 100% of the Fair Market Value per share of the Stock as of the date of grant of the Option (or in the case of a Ten Percent Stockholder, 110% of the Fair Market Value per share of the Stock on the date of grant).

ii. Time and Method of Exercise. The Committee shall determine the time or times at which or the circumstances under which an Option may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the methods by which such Exercise Price may be paid or deemed to be paid, the form of such payment, including without limitation cash, Stock, other Awards or awards granted under other plans of the Company or any Subsidiary, or other property (including notes or other contractual obligations of Participants to make payment on a deferred basis), and the methods by or forms in which Stock will be delivered or deemed to be delivered to Participants, including, but not limited to, the delivery of Restricted Stock subject to Subsection 6(d). In the case of an exercise whereby the Exercise Price is paid with Stock, such Stock shall be valued as of the date of exercise.

iii. ISOs. The terms of any ISO granted under this Plan shall comply in all respects with the provisions of Section 422 of the Code. Anything in this Plan to the contrary notwithstanding, no term of this Plan relating to ISOs (including any SAR in tandem therewith) shall be interpreted, amended or altered, nor shall any discretion or authority granted under this Plan be exercised, so as to disqualify either this Plan or any ISO under Section 422 of the Code, unless the Participant has first requested the change that will result in such disqualification. ISOs shall not be granted more than ten years after the earlier of the adoption of this Plan or the approval of this Plan by the Company's stockholders. Notwithstanding the foregoing, the Fair Market Value of shares of Stock subject to an ISO and the aggregate Fair Market Value of shares of stock of any parent or subsidiary corporation (within the meaning of Sections 424(e) and (t) of the Code) subject to any other ISO (within the meaning of Section 422 of the Code) of the Company or a parent or subsidiary corporation (within the meaning of Sections 424(e) and (t) of the Code) that first becomes purchasable by a Participant in any calendar year may not (with respect to that Participant) exceed $100,000, or such other amount as may be prescribed under Section 422 of the Code or applicable regulations or rulings from time to time. As used in the previous sentence, Fair Market Value shall be determined as of the date the ISOs are granted. Failure to comply with this provision shall not impair the enforceability or exercisability of any Option but shall cause the excess amount of shares to be reclassified in accordance with the Code.

iv. Time and Method of Exercise. The Committee shall determine the time or times at which or the circumstances under which an Option may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the methods by which such exercise price may be paid or deemed to be paid, the form of such payment, including without limitation cash, Stock, other Awards or awards granted under other plans of the Company or

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any Subsidiary, or other property (including notes or other contractual obligations of Participants to make payment on a deferred basis), and the methods by or forms in which Stock will be delivered or deemed to be delivered to Participants, including, but not limited to, the delivery of Restricted Stock subject to Subsection 6(d). In the case of an exercise whereby the Exercise Price is paid with Stock, such Stock shall be valued as of the date of exercise.

c. Stock Appreciation Rights. The Committee is authorized to grant SARs to Participants on the following terms and conditions:

i. Right to Payment. A SAR shall confer on the Participant to whom it is granted a right to receive, upon exercise thereof, the excess of (A) the Fair Market Value of one share of Stock on the date of exercise over (B) the grant price of the SAR as determined by the Committee.

ii. Rights Related to Options. A SAR granted in connection with an Option shall entitle a Participant, upon exercise, to surrender that Option or any portion thereof, to the extent unexercised, and to receive payment of an amount computed pursuant to Subsection 6(c)(ii)(B). That Option shall then cease to be exercisable to the extent surrendered. SARs granted in connection with an Option shall be subject to the terms of the Award agreement governing the Option, which shall comply with the following provisions in addition to those applicable to Options:

1. A SAR granted in connection with an Option shall be exercisable only at such time or times and only to the extent that the related Option is exercisable.

2. Upon the exercise of a SAR related to an Option, a Participant shall be entitled to receive payment (in the form determined by the Committee) from the Company of an amount determined by multiplying:

a. the difference obtained by subtracting the exercise price of a share of Stock specified in the related Option from the Fair Market Value of a share of Stock on the date of exercise of the SAR, by

b. the number of shares as to which that SAR has been exercised.

iii. Right Without Option. An SAR granted independent of an Option shall be exercisable as determined by the Committee and set forth in the Award agreement governing the SAR, which Award agreement shall comply with the following provisions:

1. Each Award agreement shall state the total number of shares of Stock to which the SAR relates.

2. Each Award agreement shall state the time or periods in which the right to exercise the SAR or a portion thereof shall vest and the number of shares of Stock for which the right to exercise the SAR shall vest at each such time or period.

3. Each Award agreement shall state the date at which the SARs shall expire if not previously exercised.

4. Each SAR shall entitle a Participant, upon exercise thereof, to receive payment of an amount determined by multiplying:

a. the difference obtained by subtracting the Fair Market Value of a share of Stock on the date of grant of the SAR from the Fair Market Value of a share of Stock on the date of exercise of that SAR, by

b. the number of shares as to which the SAR has been exercised.

iv. Terms. Except as otherwise provided herein, the Committee shall determine at the date of grant or thereafter, the time or times at which and the circumstances under which an SAR may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the method of exercise, method of settlement, form of consideration payable in settlement, method by or forms in which Stock will be delivered or deemed to be delivered to Participants, whether or not an SAR shall be in tandem or in combination with any other Award, and any other terms and conditions of any SAR. SARs may be either freestanding or in tandem with other Awards.

Options and SARs shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Committee and set forth in the Award Agreement evidencing such Option; provided, however, that no Option or SAR shall be exercisable after the expiration of ten (10) years after the effective date of grant of such Option and provided further that in no event shall the term of an Incentive Stock Option granted to a Ten Percent Stockholder be greater than five (5) years from the date of grant. Subject to the foregoing, unless otherwise specified by the Committee in the grant of an Option, any Option granted hereunder shall terminate ten (10) years after the effective date of grant of the Option, unless earlier terminated in accordance with its provisions.

v. Rights as a Stockholder. A Participant shall have no rights as a stockholder with respect to any Stock covered by an Award until the date of the issuance of such Stock (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions, or other rights for which the record date is prior to the date such Shares are issued, except as provided in Section 4 or another provision of the Plan. No Shares shall be issued pursuant to an Award unless the recipient of such Shares has executed a deed of adherence to the Stockholders Agreement. Notwithstanding the foregoing, to the extent that any provision in the Stockholders Agreement would result in the imposition of tax under Section 409A of the Code, such provision shall not apply to Shares received pursuant to any Award.

d. Restricted Stock. The Committee is authorized to grant Restricted Stock to Participants on the following terms and conditions:

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i. Grant and Restrictions. Restricted Stock shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, which restrictions may lapse separately or in combination at such times, under such circumstances (including based on achievement of performance goals and/or future service requirements), in such installments or otherwise, as the Committee may determine at the date of grant or thereafter. During the restricted period applicable to the Restricted Stock, the Restricted Stock may not be sold, transferred, pledged, hypothecated, margined or otherwise encumbered by the Participant.

ii. Certificates for Stock. Restricted Stock granted under this Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Participant, the Committee may require that such certificates bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Stock, that the Company retain physical possession of the certificates, and that the Participant deliver a stock power to the Company, endorsed in blank, relating to the Restricted Stock.

iii. Dividends and Splits. As a condition to the grant of an Award of Restricted Stock, the Committee may require or permit a Participant to elect that any cash dividends paid on a share of Restricted Stock be automatically reinvested in additional shares of Restricted Stock or applied to the purchase of additional Awards under this Plan. Unless otherwise determined by the Committee, Stock distributed in connection with a Stock split or Stock dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Stock or other property has been distributed.

e. Restricted Stock Units. The Committee is authorized to grant Restricted Stock Units to Participants, which are rights to receive Stock or cash, as determined by the Committee, at the end of a specified deferral period, subject to the following terms and conditions:

i. Award and Restrictions. Settlement of an Award of Restricted Stock Units shall occur upon expiration of the deferral period specified for such Restricted Stock Unit by the Committee (or, if permitted by the Committee, as elected by the Participant). In addition, Restricted Stock Units shall be subject to such restrictions (which may include a risk of forfeiture) as the Committee may impose, if any, which restrictions may lapse at the expiration of the deferral period or at earlier specified times (including based on achievement of performance goals and/or future service requirements), separately or in combination, in installments or otherwise, as the Committee may determine. Restricted Stock Units shall be satisfied by the delivery of cash or Stock in the amount equal to the Fair Market Value of the specified number of shares of Stock covered by the Restricted Stock Units, or a combination thereof, as determined by the Committee at the date of grant or thereafter.

ii. Dividend Equivalents. Unless otherwise determined by the Committee at date of grant, any Dividend Equivalents on the specified number of shares of Stock covered by an Award of Restricted Stock Units shall be either (A) paid with respect to such Restricted Stock Units on the dividend payment date in cash or in shares of unrestricted Stock having a Fair Market Value equal to the amount of such dividends, or (B) deferred with respect to such Restricted Stock Units and the amount or value thereof automatically deemed reinvested in additional Restricted Stock Units, other Awards or other investment vehicles, as the Committee shall determine or permit the Participant to elect.

f. Bonus Stock and Awards in Lieu of Obligations. The Committee is authorized to grant Stock as a bonus, or to grant Stock or other Awards in lieu of obligations to pay cash or deliver other property under this Plan or under other plans or compensatory arrangements. Stock or Awards granted hereunder shall be subject to such other terms as shall be determined by the Committee. In the case of any grant of Stock to an officer of the Company or a Subsidiary in lieu of salary or other cash compensation, the number of shares granted in place of such compensation shall be reasonable, as determined by the Committee.

g. Dividend Equivalents. The Committee is authorized to grant Dividend Equivalents to a Participant, entitling the Participant to receive cash, Stock, other Awards, or other property equal in value to dividends paid with respect to a specified number of shares of Stock, or other periodic payments. Dividend Equivalents may be awarded on a free-standing basis or in connection with another Award. The Committee may provide in an Award Agreement that Dividend Equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional Stock, Awards, or other investment vehicles, and subject to such restrictions on transferability and risks of forfeiture, as the Committee may specify.

h. Other Stock-Based Awards. The Committee is authorized, subject to limitations under applicable law, to grant to Participants such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Stock, as deemed by the Committee to be consistent with the purposes of this Plan, including without limitation convertible or exchangeable debt securities, other rights convertible or exchangeable into Stock, purchase rights for Stock, Awards with value and payment contingent upon performance of the Company or any other factors designated by the Committee, and Awards valued by reference to the book value of Stock or the value of securities of, or the performance of, specified Subsidiaries. The Committee shall determine the terms and conditions of such Awards. Stock delivered pursuant to an Award in the nature of a purchase right granted under this Subsection 6(h) shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, cash, Stock, other Awards, or other property, as the Committee shall determine. Cash awards, as an element of or supplement to any other Award under this Plan, may also be granted pursuant to this Subsection 6(h).

7. **Certain Provisions Applicable to Awards.**

a. Termination of Services. Subject to earlier termination of the Option or SAR as otherwise provided by this Plan and unless a longer exercise period is provided by the Board in an Award Agreement, an Option or SAR shall terminate

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immediately upon the Participant's termination of Service to the extent that it is then unvested and shall be exercisable after the Participant's termination of Service to the extent it is then vested only during the applicable time period determined in accordance with this Section 7 and thereafter shall terminate:

i. Disability. If the Participant's Service terminates because of the Disability of the Participant, the Option or SAR, to the extent unexercised and exercisable for vested Shares on the date on which the Participant's Service terminated, may be exercised by the Participant (or the Participant's guardian or legal representative) at any time prior to the expiration of twelve (12) months after the date on which the Participant's Service terminated, but in any event no later than the date of expiration of the Option's or SAR's term as set forth in the Award Agreement evidencing such Option (the "**Option Expiration Date**").

ii. Death. If the Participant's Service terminates because of the death of the Participant, the Option, to the extent unexercised and exercisable for vested Shares on the date on which the Participant's Service terminated, may be exercised by the Participant's legal representative or other Person who acquired the right to exercise the Option or SAR by reason of the Participant's death at any time prior to the expiration of twelve (12) months after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date. The Participant's Service shall be deemed to have terminated on account of death if the Participant dies within three (3) months after the Participant's termination of Service.

iii. Termination for Cause. Notwithstanding any other provision of the Plan to the contrary, if the Participant's Service is terminated for Cause or is terminated within six (6) months after the occurrence of an event that would be grounds for a termination for Cause, the Option or SAR, whether vested or unvested, shall terminate in its entirety and cease to be exercisable immediately upon such termination of Service.

iv. Other Termination of Service. If the Participant's Service terminates for any reason, except Disability, death or Cause, the Option or SAR, to the extent unexercised and exercisable for vested Shares on the date on which the Participant's Service terminated, be exercised by the Participant at any time prior to the expiration of three (3) months after the date on which the Participant's Service terminated, but in any event no later than the Option Expiration Date.

b. Stand-Alone, Additional, Tandem, and Substitute Awards. Awards granted under this Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under another plan of the Company, any Subsidiary, or any business entity to be acquired by the Company or a Subsidiary, or any other right of a Participant to receive payment from the Company or any Subsidiary. Such additional, tandem and substitute or exchange Awards may be granted at any time. If an Award is granted in substitution or exchange for another Award or award, the Committee shall require the surrender of such other Award or award in consideration for the grant of the new Award. In addition, Awards may be granted in lieu of cash compensation, including in lieu of cash amounts payable under other plans of the Company or any Subsidiary, in which the value of Stock subject to the Award is equivalent in value to the cash compensation, or in which the exercise price, grant price or purchase price of the Award in the nature of a right that may be exercised is equal to the Fair Market Value of the underlying Stock minus the value of the cash compensation surrendered.

c. Term of Awards. Except as specified herein, the term of each Award shall be for such period as may be determined by the Committee; provided, however, that in no event shall the term of any Option or SAR exceed a period of ten years (or such shorter term as may be required in respect of an ISO under Section 422 of the Code).

d. Form and Timing of Payment under Awards; Deferrals. Subject to the terms of this Plan and any applicable Award agreement, payments to be made by the Company or a Subsidiary upon the exercise of an Option or other Award or settlement of an Award may be made in such forms as the Committee shall determine, including without limitation cash, Stock, other Awards or other property, and may be made in a single payment or transfer, in installments, or on a deferred basis. Except as otherwise provided herein, the settlement of any Award may be accelerated, and cash paid in lieu of Stock in connection with such settlement, in the discretion of the Committee or upon occurrence of one or more specified events (in addition to a Change in Control). Installment or deferred payments may be required by the Committee (subject to Subsection 9(c) of this Plan, including the consent provisions thereof in the case of any deferral of an outstanding Award not provided for in the original Award agreement) or permitted at the election of the Participant on terms and conditions established by the Committee. Payments may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents or other amounts in respect of installment or deferred payments denominated in Stock. Any deferral shall only be allowed as is provided in a separate deferred compensation plan adopted by the Company. This Plan shall not constitute an "employee benefit plan" for purposes of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended.

e. Non-Competition Agreement. Each Participant to whom an Award is granted under this Plan may be required to agree in writing as a condition to the granting of such Award not to engage in conduct in competition with the Company or any of its Subsidiaries for a period after the termination of such Participant's employment with the Company and its Subsidiaries as determined by the Committee.

8. **Subdivision or Consolidation; Recapitalization; Change in Control; Reorganization.**

a. Existence of Plan and Awards. The existence of this Plan and the Awards granted hereunder shall not affect in any way the right or power of the Board or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation

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of the Company, any issue of debt or equity securities ahead of or affecting Stock or the rights thereof, the dissolution or liquidation of the Company or any sale, lease, exchange or other disposition of all or any part of its assets or business or any other corporate act or proceeding.

b. Subdivision or Consolidation of Shares. The terms of an Award and the number of shares of Stock authorized pursuant to Section 4 for issuance under the Plan shall be subject to adjustment from time to time, in accordance with the following provisions:

i. If at any time, or from time to time, the Company shall subdivide as a whole (by a Stock split, by the issuance of a distribution on Stock payable in Stock, or otherwise) the number of shares of Stock then outstanding into a greater number of shares of Stock, then (A) the maximum number of shares of Stock available in connection with the Plan or Awards as provided in Section 4 shall be increased proportionately, and the kind of shares or other securities available for the Plan shall be appropriately adjusted, (B) the number of shares of Stock (or other kind of shares or securities) that may be acquired under any Award shall be increased proportionately, and (C) the price (including the exercise price) for each share of Stock (or other kind of shares or securities) subject to then outstanding Awards shall be reduced proportionately, without changing the aggregate purchase price or value as to which outstanding Awards remain exercisable or subject to restrictions.

ii. If at any time, or from time to time, the Company shall consolidate as a whole (by reverse Stock split, or otherwise) the number of shares of Stock then outstanding into a lesser number of shares of Stock, (A) the maximum number of shares of Stock available in connection with the Plan or Awards as provided in Section 4 shall be decreased proportionately, and the kind of shares or other securities available for the Plan shall be appropriately adjusted, (B) the number of shares of Stock (or other kind of shares or securities) that may be acquired under any Award shall be decreased proportionately, and (C) the price (including the exercise price) for each share of Stock (or other kind of shares or securities) subject to then outstanding Awards shall be increased proportionately, without changing the aggregate purchase price or value as to which outstanding Awards remain exercisable or subject to restrictions.

iii. Whenever the number of shares of Stock subject to outstanding Awards and the price for each share of Stock subject to outstanding Awards are required to be adjusted as provided in this Subsection 8(b), the Committee shall promptly prepare, and deliver to each Participant, a notice setting forth, in reasonable detail, the event requiring adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the change in price and the number of shares of Stock, other securities, cash, or property purchasable subject to each Award after giving effect to the adjustments.

iv. Adjustments under Subsections 8(b)(i) and (ii) shall be made by the Committee, and its determination as to what adjustments shall be made and the extent thereof shall be final, binding, and conclusive. No fractional interest shall be issued under the Plan on account of any such adjustments.

c. **Corporate Recapitalization.**

i. If the Company recapitalizes, reclassifies its capital stock, or otherwise changes its capital structure (a "**Recapitalization**"), the number and class of shares of Stock covered by an Option or an SAR theretofore granted shall be adjusted so that such Option or SAR shall thereafter cover the number and class of shares of stock and securities to which the holder would have been entitled pursuant to the terms of the Recapitalization if, immediately prior to the Recapitalization, the holder had been the holder of record of the number of shares of Stock then covered by such Option or SAR and the share limitations provided in Section 4 shall be adjusted in a manner consistent with the Recapitalization.

ii. In the event of changes in the outstanding Stock by reason of Recapitalization, reorganizations, mergers, consolidations, combinations, exchanges or other relevant changes in capitalization occurring after the date of the grant of any Award and not otherwise provided for by this Section 8, any outstanding Awards and any agreements evidencing such Awards shall be subject to adjustment by the Committee at its discretion as to the number and price of shares of Stock or other consideration subject to such Awards. In the event of any such change in the outstanding Stock, the share limitations provided in Section 4 may be appropriately adjusted by the Committee, whose determination shall be conclusive.

d. Additional Issuances. Except as hereinbefore expressly provided, the issuance by the Company of shares of stock of any class or securities convertible into shares of stock of any class, for cash, property, labor or services, upon direct sale, upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, and in any case whether or not for fair value, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of shares of Stock subject to Awards theretofore granted or the purchase price per share, if applicable.

e. Change in Control.

i. Notwithstanding anything to the contrary set forth in the Plan, upon or in anticipation of any Change in Control, the Board or Committee may, whatever the case may be, in its sole and absolute discretion and without the need for the consent of any Participant, issue an Award Agreement to the Participant that provides for one or more of the following actions contingent upon the occurrence of that Change in Control:

1. cause any or all outstanding Awards to become vested and immediately exercisable (as applicable), in whole or in part;

2. cause any outstanding Option or Stock Appreciation Right to become fully vested and immediately exercisable in accordance with the specific Award Agreement for a reasonable period in advance of the Change in

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Control and, to the extent not exercised prior to that Change in Control, cancel that Option or Stock Appreciation Right upon closing of the Change in Control;

3. cancel any unvested Award or unvested portion thereof, with or without consideration;

4. cancel any Award in exchange for a substitute award;

5. redeem any Restricted Stock or Restricted Stock Unit for cash and/or other substitute consideration with value equal to the Fair Market Value of an unrestricted Share on the date of the Change in Control;

6. cancel any Option or Stock Appreciation Right in exchange for cash and/or other substitute consideration with a value equal to: (A) the number of Shares subject to that Option or Stock Appreciation Right, multiplied by (B) the difference, if any, between the Fair Market Value per Share on the date of the Change in Control and the exercise price of that Option or the base price of the Stock Appreciation Right; provided, that if the Fair Market Value per Share on the date of the Change in Control does not exceed the exercise price of any such Option or the base price of any such Stock Appreciation Right, the Committee may cancel that Option or Stock Appreciation Right without any payment of consideration therefor; and/or

7. take such other action as the Board or Committee shall determine to be reasonable under the circumstances.

ii. In addition to the foregoing (subject to Section 7), upon a Change in Control of the Company, if the Participant's Service terminates without Cause or for Good Reason within the first anniversary of such Change in Control, the Board or Committee may cause any or all outstanding Awards to become vested and immediately exercisable.

iii. Notwithstanding anything to the contrary set forth in the Plan, the Board or Committee may, whatever the case may be, in its sole and absolute discretion and without the need for the consent of any Participant, issue an Award Agreement that provides for the automatic vesting of a Participant's unvested Options upon a Change in Control.

iv. Notwithstanding any provision of this Subsection 8(e), in the case of any Award subject to Section 409A of the Code, the Committee shall only be permitted to take actions under this Subsection 8(e) to the extent that such actions would be consistent with the intended treatment of such Award under Section 409A of the Code.

9.General Provisions.

a. Transferability. Except as may be permitted by the Committee or as specifically provided in an Award Agreement, (i) no Award and no right under any Award shall be assignable, alienable, saleable or transferable by a Participant otherwise than by will or pursuant to this Subsection 9(a) and (ii) during a Participant's lifetime, each Award, and each right under any Award, shall be exercisable only by the Participant or, if permissible under applicable law, by the Participant's guardian or legal representative; provided, however, that the Committee shall not permit, and an Award Agreement shall not provide for, any Award to be transferred or transferable to a third party for value or consideration without the approval of the Board. The provisions of this Subsection 9(a) shall not apply to any Award that has been fully exercised or settled, as the case may be, and shall not preclude forfeiture of an Award in accordance with the terms thereof.

b. Taxes. The Company and any Subsidiary are authorized to withhold from any Award granted, or any payment relating to an Award under this Plan, including from a distribution of Stock, amounts of withholding and other taxes due or potentially payable in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company and Participants to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include authority to withhold or receive Stock or other property and to make cash payments in respect thereof in satisfaction of a Participant's tax obligations, either on a mandatory or elective basis in the discretion of the Committee.

c. Changes and Amendments to this Plan and Awards. The Board may amend, alter, suspend, discontinue or terminate this Plan or the Committee's authority to grant Awards under this Plan without the consent of stockholders or Participants, except that any amendment or alteration to this Plan, shall be subject to the approval of the Company's stockholders if such stockholder approval is required by any federal or state law or regulation or the rules of any stock exchange or automated quotation system on which the Stock may then be listed or quoted, and the Board may otherwise, in its discretion, determine to submit other such changes to this Plan to stockholders for approval; provided further, that, without the consent of an affected Participant, no such Board action may materially and adversely affect the rights of such Participant under any previously granted and outstanding Award. The Committee may waive any conditions or rights under, or amend, alter, suspend, discontinue or terminate any Award theretofore granted and any Award agreement relating thereto, except as otherwise provided in this Plan; provided, however, that, without the consent of an affected Participant, no such Committee action may materially and adversely affect the rights of such Participant under such Award.

d. Limitation on Rights Conferred under this Plan. Neither this Plan nor any action taken hereunder shall be construed as (i) giving any Eligible Person or Participant the right to continue as an Eligible Person or Participant or in the employ or service of the Company or a Subsidiary, (ii) interfering in any way with the right of the Company or a Subsidiary to terminate any Eligible Person's or Participant's employment or service relationship at any time, (iii) giving an Eligible Person or Participant any claim to be granted any Award under this Plan or to be treated uniformly with other Participants or employees or other service providers, or (iv) conferring on a Participant any of the rights of a stockholder of the Company unless and until the Participant is duly issued or transferred shares of Stock in accordance with the terms of an Award.

e. Unfunded Status of Awards. This Plan is intended to constitute an "unfunded" plan for certain incentive awards.

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f. Nonexclusivity of this Plan. Neither the adoption of this Plan by the Board nor its submission to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board or a committee thereof to adopt such other incentive arrangements as it may deem desirable. Nothing contained in this Plan shall be construed to prevent the Company or any Subsidiary from taking any corporate action which is deemed by the Company or such Subsidiary to be appropriate or in its best interest, whether or not such action would have an adverse effect on this Plan or any Award made under this Plan. No employee, Beneficiary or other Person shall have any claim against the Company or any Subsidiary as a result of any such action.

g. Fractional Shares. No fractional shares of Stock shall be issued or delivered pursuant to this Plan or any Award. The Committee shall determine whether cash, other Awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

h. Severability. If any provision of this Plan is held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions hereof, but such provision shall be fully severable, and the Plan shall be construed and enforced as if the illegal or invalid provision had never been included herein. If any of the terms or provisions of this Plan or any Award agreement conflict with the requirements of Section 422 of the Code (with respect to Incentive Stock Options), then those conflicting terms or provisions shall be deemed inoperative to the extent they so conflict with the requirements of Section 422 of the Code. With respect to Incentive Stock Options, if this Plan does not contain any provision required to be included herein under Section 422 of the Code, that provision shall be deemed to be incorporated herein with the same force and effect as if that provision had been set out at length herein; provided, further, that, to the extent any Option that is intended to qualify as an Incentive Stock Option cannot so qualify, that Option (to that extent) shall be deemed an Option not subject to Section 422 of the Code for all purposes of the Plan.

i. Governing Law. All questions arising with respect to the provisions of the Plan and Awards shall be determined by application of the laws of the State of Delaware, hereby certifies without giving effect to any conflict of law provisions thereof, except to the extent Delaware state law is preempted by federal law. The obligation of the Company to sell and deliver Stock hereunder is subject to applicable federal and state laws and to the approval of any governmental authority required in connection with the authorization, issuance, sale, or delivery of such Stock.

j. Section 409A of the Code. Notwithstanding other provisions of the Plan or any Award Agreements hereunder, no Award shall be granted, deferred, accelerated, extended, paid out or modified under this Plan in a manner that would result in the imposition of an additional tax under Section 409A of the Code upon a Participant. In the event that it is reasonably determined by the Board or, if delegated by the Board to the Committee, by the Committee that, as follows:a result of Section 409A of the Code, payments in respect of any Award under the Plan may not be made at the time contemplated by the terms of the Plan or the relevant Award Agreement, as the case may be, without causing the Participant holding such Award to be subject to taxation under Section 409A of the Code, including as a result of the fact that the Participant is a "specified employee" under Section 409A of the Code, the Company will make such payment on the first day that would not result in the Participant incurring any tax liability under Section 409A of the Code. The Company shall use commercially reasonable efforts to implement the provisions of this Subsection 9(j) in good faith; provided that neither the Company, the Board nor any of the Company's employees, directors or representatives shall have any liability to Participants with respect to this Subsection 9(j).

k. Conditions to Delivery of Stock. Nothing herein or in any Award granted hereunder or any Award agreement shall require the Company to issue any shares with respect to any Award if that issuance would, in the opinion of counsel for the Company, constitute a violation of the Securities Act or any similar or superseding statute or statutes, any other applicable statute or regulation, or the rules of any applicable securities exchange or securities association, as then in effect. At the time of any exercise of an Option or Stock Appreciation Right, or at the time of any grant of a Restricted Stock Award, Restricted Stock Unit, or other Award the Company may, as a condition precedent to the exercise of such Option or Stock Appreciation Right or settlement of any Restricted Stock Award, Restricted Stock Unit or other Award, require from the Participant (or in the event of his or her death, his or her legal representatives, heirs, legatees, or distributees) such written representations, if any, concerning the holder's intentions with regard to the retention or disposition of the shares of Stock being acquired pursuant to the Award and such written covenants and agreements, if any, as to the manner of disposal of such shares as, in the opinion of counsel to the Company, may be necessary to ensure that any disposition by that holder (or in the event of the holder's death, his or her legal representatives, heirs, legatees, or distributees) will not involve a violation of the Securities Act or any similar or superseding statute or statutes, any other applicable state or federal statute or regulation, or any rule of any applicable securities exchange or securities association, as then in effect.

l. Forfeiture. The Committee may specify in an Award Agreement that the Participant's rights, payments, and benefits with respect to an Award will be subject to reduction, cancellation, forfeiture, recoupment, reimbursement, or reacquisition upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include, without limitation, breach of non-competition, non-solicitation, confidentiality, or other restrictive covenants that are contained in the Award Agreement or otherwise applicable to the Participant, a termination of the Participant's service for Cause, or other conduct by the Participant that is detrimental to the business or reputation of the Company and/or its Subsidiaries. Notwithstanding any provisions to the contrary under this Plan, an Award is subject to the Company's Clawback Policy, as may be amended from time to time (including without limitation pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as may be required by the Dodd-Frank Wall Street Reform and Consumer Protection Act) (the "**Clawback Policy**"). The

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Committee may require a Participant to forfeit, return or reimburse the Company all or a portion of the Award and any amounts paid thereunder pursuant to the terms of the Clawback Policy or as necessary or appropriate to comply with applicable laws.

m. Plan Effective Date. This Plan has been adopted by the Board effective as of the Effective Date.

Exhibit 14

SPECTRAL AI, INC.
CODE OF ETHICS AND BUSINESS CONDUCT
Effective: September11, 2023

I. Introduction

The board of directors (the "***Board***") of Spectral AI, Inc., a Delaware corporation (the "***Company***") has adopted this Code of Ethics and Business Conduct (the "***Code***") in order to:

1. promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest;
2. promote full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with, or submits to, the Securities and Exchange Commission (the "***SEC***") and in other public communications made by the Company;
3. promote compliance with applicable governmental laws, rules and regulations;
4. promote the protection of Company assets, including corporate opportunities and confidential information;
5. promote fair dealing practices;
6. deter wrongdoing; and
7. ensure accountability for adherence to the Code.

All directors, officers and employees are required to be familiar with the Code, comply with its provisions and report any suspected violations as described below in Section X, Reporting and Enforcement.

II. Honest and Ethical Conduct

1. The Company's policy is to promote high standards of integrity by conducting its affairs honestly and ethically.
2. Each director, officer and employee must act with integrity and observe the highest ethical standards of business conduct in their dealings with the Company's customers, suppliers, partners, service providers, competitors, employees and anyone else with whom they have contact in the course of performing their job.

III. Conflicts of Interest

1. A conflict of interest occurs when an individual's private interest (or the interest of a member of their family) interferes, or even appears to interfere, with the interests of the Company as a whole. A conflict of interest can arise when an employee, officer or director (or a member of their family) takes actions or has interests that may make it difficult to perform their work for the Company objectively and effectively. Conflicts of interest also arise when an employee, officer or director (or a member of their family) receives improper personal benefits as a result of their position in the Company.

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2. Loans by the Company to, or guarantees by the Company of obligations of, employees or their family members are of special concern and could constitute improper personal benefits to the recipients of such loans or guarantees, depending on the facts and circumstances. Loans by the Company to, or guarantees by the Company of obligations of, any director or executive officer or their family members are expressly prohibited.

3. Whether or not a conflict of interest exists or will exist can be unclear. Conflicts of interest should be avoided unless specifically authorized as described in Section III.4.

4. Persons other than directors and executive officers who have questions about a potential conflict of interest or who become aware of an actual or potential conflict should discuss the matter with, and seek a determination and prior authorization or approval from, their supervisor or the Legal Department. A supervisor may not authorize or approve conflict of interest matters or make determinations as to whether a problematic conflict of interest exists without first providing the Chief Compliance Officer with a written description of the activity and seeking the Legal Department's written approval. If the supervisor/ is themself involved in the potential or actual conflict, the matter should instead be discussed directly with the Legal Department.

5. Directors and executive officers must seek determinations and prior authorizations or approvals of potential conflicts of interest exclusively from the Audit Committee.

IV. Compliance

1. Employees, officers and directors should comply, both in letter and spirit, with all applicable laws, rules and regulations in the cities, states and countries in which the Company operates.

2. Although not all employees, officers and directors are expected to know the details of all applicable laws, rules and regulations, it is important to know enough to determine when to seek advice from appropriate personnel. Questions about compliance should be addressed to the Legal Department.

3. No director, officer or employee may purchase or sell any Company securities while in possession of material nonpublic information regarding the Company, nor may any director, officer or employee purchase or sell another company's securities while in possession of material nonpublic information regarding that company. It is against Company policies and illegal for any director, officer or employee to use material nonpublic information regarding the Company or any other company to (1) obtain profit for himself or herself or (2) directly or indirectly "tip" others who might make an investment decision on the basis of that information.

V. Disclosure

1. The name of the Corporation is "Rosecliff Acquisition Corp I". The original Certificate of Incorporation of the Corporation was Company's periodic reports and other documents filed with the Secretary Securities Exchange Commission (the "***SEC***"), including all financial statements and other financial information, must comply with applicable federal securities laws and SEC rules.

2. Each director, officer and employee who contributes in any way to the preparation or verification of the State of Delaware on November 17, 2020. An Amended Company's financial statements and Restated Certificate of Incorporation other financial information must ensure that the Company's books, records and accounts are accurately maintained. Each director, officer and employee must cooperate fully with the Company's accounting and internal audit departments, as well as the Company's independent public accountants and counsel.

3. Each director, officer and employee who is involved in the Company's disclosure process must:

   (a) be familiar with and comply with the Company's disclosure controls and procedures and its internal control over financial reporting; and

   (b) take all necessary steps to ensure that all filings with the SEC and all other public communications about the financial and business condition of the Corporation was filed with Company provide full, fair, accurate, timely and understandable disclosure.

VI. Protection and Proper Use of Company Assets

1. All directors, officers and employees should protect the Secretary Company's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on the Company's profitability and are prohibited.

2. All Company assets should be used only for legitimate business purposes, though incidental personal use may be permitted. Any suspected incident of State fraud or theft should be reported for investigation immediately.

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3. The obligation to protect Company assets includes the Company's proprietary information. Proprietary information includes intellectual property such as trade secrets, patents, trademarks, and copyrights, as well as business and marketing plans, engineering and manufacturing ideas, designs, databases, records and any nonpublic financial data or reports. Unauthorized use or distribution of this information is prohibited and could also be illegal and result in civil or criminal penalties.

VII. Corporate Opportunities

All directors, officers and employees owe a duty to the Company to advance its interests when the opportunity arises. Directors, officers and employees are prohibited from taking for themselves personally (or for the benefit of friends or family members) opportunities that are discovered through the use of Company assets, property, information or position. Directors, officers and employees may not use Company assets, property, information or position for personal gain (including gain of friends or family members). In addition, no director, officer or employee may compete with the Company.

VIII. Confidentiality

Directors, officers and employees should maintain the confidentiality of information entrusted to them by the Company or by its customers, suppliers or partners, except when disclosure is expressly authorized or is required or permitted by law. Confidential information includes all nonpublic information (regardless of its source) that might be of use to the Company's competitors or harmful to the Company or its customers, suppliers or partners if disclosed.

IX. Fair Dealing

Each director, officer and employee must deal fairly with the Company's customers, suppliers, partners, service providers, competitors, employees and anyone else with whom they have contact in the course of performing their job. No director, officer or employee may take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of facts or any other unfair dealing practice.

X. Reporting and Enforcement

Reporting and Investigation of Violations

1. Actions prohibited by this Code involving directors or executive officers must be reported to the Audit Committee.
2. Actions prohibited by this Code involving anyone other than a director or executive officer must be reported to the reporting person's supervisor or the Legal Department.
3. After receiving a report of an alleged prohibited action, the Audit Committee, the relevant supervisor or the Legal Department must promptly take all appropriate actions necessary to investigate.
4. All directors, officers and employees are expected to cooperate in any internal investigation of misconduct.

Enforcement

1. The Company must ensure prompt and consistent action against violations of this Code.
2. If, after investigating a report of an alleged prohibited action by a director or executive officer, the Audit Committee determines that a violation of this Code has occurred, the Audit Committee will report such determination to the Board.
3. If, after investigating a report of an alleged prohibited action by any other person, the relevant supervisor or the Legal Department determines that a violation of this Code has occurred, the supervisor or the Legal Department will report such determination to the General Counsel.
4. Upon receipt of a determination that there has been a violation of this Code, the Board or the General Counsel will take such preventative or disciplinary action as it deems appropriate, including, but not limited to, reassignment, demotion, dismissal and, in the event of criminal conduct or other serious violations of the State law, notification of Delaware on February 11, 2021 (the ***"Amended appropriate governmental authorities.***

Waivers

1. Each of the Board or the Company's other independent committees (in the case of a violation by a director or executive officer) and Restated Certificate"). the General Counsel (in the case of a violation by any other person) may, in its discretion, waive any violation of this Code.
2. Any waiver for a director or an executive officer shall be disclosed as required by Securities Exchange Commission and Nasdaq Stock Market LLC's rules.

Prohibition on Retaliation

1. The Company does not tolerate acts of retaliation against any director, officer or employee who makes a good faith report of known or suspected acts of misconduct or other violations of this Code.

Adopted: September___, 2023

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ACKNOWLEDGMENT OF RECEIPT AND REVIEW

Acknowledgment of Receipt and Review

To be signed and returned to the Legal Department.

I, _____, acknowledge that I have received and read a copy of Spectral AI, Inc.'s Code of Ethics and Business Conduct. I understand the contents of the Code and I agree to comply with the policies and procedures set out in the Code.

I understand that I should approach the Legal Department if I have any questions about the Code generally or any questions about reporting a suspected conflict of interest or other violation of the Code.

[NAME]

[PRINTED NAME]

[DATE]

Exhibit 19

SPECTRAL AI, INC.
INSIDER TRADING POLICY
Effective September 11, 2023

This Insider Trading Policy describes the standards of Spectral AI, Inc., a Delaware corporation and its subsidiaries (the "**Company**") on trading, and causing the trading of, the Company's securities or securities of certain other publicly traded companies while in possession of confidential information. This Policy is divided into two parts: the first part prohibits trading in certain circumstances and applies to all directors, officers and employees of the Company and their respective immediate family members, and the second part imposes special additional trading restrictions and applies to all (i) directors of the Company, (ii) executive officers of the Company (together with the directors, "**Company Insiders**"), (iii) the employees listed on Appendix A (collectively, "**Covered Persons**") and (iv) certain other employees that the Company may designate from time to time as "Covered Persons" because of their position, responsibilities or their actual or potential access to material information.

One of the principal purposes of the federal securities laws is to prohibit so-called "insider trading." Simply stated, insider trading occurs when a person uses material nonpublic information obtained through involvement with the Company to make decisions to purchase, sell, give away or otherwise trade the Company's securities or the securities of certain other companies or to provide that information to others outside the Company. The prohibitions against insider trading apply to trades, tips and recommendations by virtually any person, including all persons associated with the Company, if the information involved is "material" and "nonpublic." These terms are defined in this Policy under Part I, Section 3 below. The prohibitions would apply to any director, officer or employee who buys or sells securities on the basis of material nonpublic information that he or she obtained about the Company, its customers, suppliers, partners, competitors or other companies with which the Company has contractual relationships or may be negotiating transactions.

PART I

1. Applicability

This Policy applies to all trading or other transactions in (i) the Company's securities, including common stock, options and any other securities that the Company may issue, such as preferred stock, notes, bonds and convertible securities, as well as to derivative securities relating to any of the Company's securities, whether or not issued by the Company and (ii) the securities of certain other companies, including common stock, options and other securities issued by those companies as well as derivative securities relating to any of those companies' securities, where the person trading used information obtained while working for the Company.

This Policy applies to all employees and officers of the Company and to all members of the Company's board of directors and their respective family members.

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2. This AmendmentGeneral Policy: No Trading or Causing Trading While in Possession of Material Nonpublic Information

(a) No director, officer or employee or any of their immediate family members may purchase or sell, or offer to purchase or sell, any Company security, whether or not issued by the Company, while in possession of material nonpublic information about the Company. (The terms "material" and "nonpublic" are defined in Part I, Section 3(a) and (b) below.)

(b) No director, officer or employee or any of their immediate family members who knows of any material nonpublic information about the Company may communicate that information to ("**tip**") any other person, including family members and friends, or otherwise disclose such information without the Company's authorization.

(c) No director, officer or employee or any of their immediate family members may purchase or sell any security of any other company while in possession of material nonpublic information that was obtained in the course of his or her involvement with the Company. No director, officer or employee or any of their immediate family members who knows of any such material nonpublic information may communicate that information to, or tip, any other person, including family members and friends, or otherwise disclose such information without the Company's authorization.

(d) For compliance purposes, you should never trade, tip or recommend securities (or otherwise cause the purchase or sale of securities) while in possession of information that you have reason to believe is material and nonpublic unless you first consult with, and obtain the advance approval of, the Compliance Officer (which is defined in Part I, Section 3(c) below).

(e) Covered Persons must "pre-clear" all trading in securities of the Company in accordance with the procedures set forth in Part II, Section 3 below.

3. Definitions

(a) **Material.** Insider trading restrictions come into play only if the information you possess is "material." Materiality, however, involves a relatively low threshold. Information is generally regarded as "material" if it has market significance, that is, if its public dissemination is likely to affect the market price of securities, or if it otherwise is information that a reasonable investor would want to know before making an investment decision.

Information dealing with the following subjects is reasonably likely to be found material in particular situations:

(i) significant changes in the Company's prospects;

(ii) significant write-downs in assets or increases in reserves;

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(iii) developments regarding significant litigation or government agency investigations;

(iv) liquidity problems;

(v) changes in earnings estimates or unusual gains or losses in major operations;

(vi) major changes in the Company's management or the board of directors;

(vii) changes in dividends;

(viii) extraordinary borrowings;

(ix) major changes in accounting methods or policies;

(x) award or loss of a significant contract;

(xi) cybersecurity risks and incidents, including vulnerabilities and breaches;

(xii) changes in debt ratings;

(xiii) proposals, plans or agreements, even if preliminary in nature, involving mergers, acquisitions, divestitures, recapitalizations, strategic alliances, licensing arrangements, or purchases or sales of substantial assets; and

(xiv) offerings of Company securities.

Material information is not limited to historical facts but may also include projections and forecasts. With respect to a future event, such as a merger, acquisition or introduction of a new product, the point at which negotiations or product development are determined to be material is determined by balancing the probability that the event will occur against the magnitude of the effect the event would have on a company's operations or stock price should it occur. Thus, information concerning an event that would have a large effect on stock price, such as a merger, may be material even if the possibility that the event will occur is relatively small. When in doubt about whether particular nonpublic information is material, you should presume it is material. **If you are unsure whether information is material, you should either consult the Compliance Officer before making any decision to disclose such information (other than to persons who need to know it) or to trade in or recommend securities to which that information relates or assume that the information is material.**

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(b) **Nonpublic.** Insider trading prohibitions come into play only when you possess information that is material and "nonpublic." The fact that information has been disclosed to a few members of the public does not make it public for insider trading purposes. To be "public" the information must have been disseminated in a manner designed to reach investors generally, and the investors must be given the opportunity to absorb the information. Even after public disclosure of information about the Company, you must wait until the close of business on the second trading day after the information was publicly disclosed before you can treat the information as public.

Nonpublic information may include:

(i) information available to a select group of analysts or brokers or institutional investors;

(ii) undisclosed facts that are the subject of rumors, even if the rumors are widely circulated; and

(iii) information that has been entrusted to the Amended and Restated Certificate Company on a confidential basis until a public announcement of Incorporation (this ***"Amendment")*** the information has been duly adopted made and enough time has elapsed for the market to respond to a public announcement of the information (normally two trading days).

As with questions of materiality, if you are not sure whether information is considered public, you should either consult with the Compliance Officer or assume that the information is nonpublic and treat it as confidential.

(c) **Compliance Officer.** The Company has appointed the General Counsel as the Compliance Officer for this Policy (the "**Compliance Officer**"). The duties of the Compliance Officer include, but are not limited to, the following:

(i) assisting with implementation and enforcement of this Policy;

(ii) circulating this Policy to all employees and ensuring that this Policy is amended as necessary to remain up-to-date with insider trading laws;

(iii) pre-clearing all trading in securities of the Company by Covered Persons in accordance with the procedures set forth in Part II, Section 3 below; and

(iv) providing approval of any Rule 10b5-1 plans under Part II, Section 1(c) below and any prohibited transactions under Part II, Section 4 below.

(v) providing a reporting system with an effective whistleblower protection mechanism.

4. Exceptions

The trading restrictions of this Policy do not apply to the following:

(a) **401(k) Plan.** Investing 401(k) plan contributions in a Company stock fund in accordance with the terms of the Company's 401(k) plan. However, any changes in your investment election regarding the Company's stock are subject to trading restrictions under this Policy.

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(b) **ESPP.** Purchasing Company stock through periodic, automatic payroll contributions to the Company's Employee Stock Purchase Plan ("**ESPP**"). However, electing to enroll in the ESPP, making any changes in your elections under the ESPP and selling any Company stock acquired under the ESPP are subject to trading restrictions under this Policy.

(c) **Options.** Exercising stock options granted under the Company's 2023 Long Term Incentive Plan for cash or the delivery of previously owned Company stock. However, the sale of any shares issued on the exercise of Company-granted stock options and any cashless exercise of Company-granted stock options are subject to trading restrictions under this Policy.

5. Violations of Insider Trading Laws

Penalties for trading on or communicating material nonpublic information can be severe, both for individuals involved in such unlawful conduct and their employers and supervisors, and may include jail terms, criminal fines, civil penalties and civil enforcement injunctions. Given the severity of the potential penalties, compliance with this Policy is absolutely mandatory.

(a) **Legal Penalties.** A person who violates insider trading laws by engaging in transactions in a company's securities when he or she has material nonpublic information can be sentenced to a substantial jail term and required to pay a criminal penalty of several times the amount of profits gained or losses avoided.

In addition, a person who tips others may also be liable for transactions by the tippees to whom he or she has disclosed material nonpublic information. Tippers can be subject to the same penalties and sanctions as the tippees, and the SEC has imposed large penalties even when the tipper did not profit from the transaction.

The SEC can also seek substantial civil penalties from any person who, at the time of an insider trading violation, "directly or indirectly controlled the person who committed such violation," which would apply to the Company and/or management and supervisory personnel. These control persons may be held liable for up to the greater of $2,301,065 or three times the amount of the profits gained or losses avoided. Even for violations that result in a small or no profit, the SEC can seek penalties from a company and/or its management and supervisory personnel as control persons.

(b) **Company-Imposed Penalties.** Employees who violate this Policy may be subject to disciplinary action by the Board of Directors Company, including dismissal for cause. Any exceptions to the Policy, if permitted, may only be granted by the Compliance Officer and must be provided before any activity contrary to the above requirements takes place.

6. Inquiries

If you have any questions regarding any of the provisions of this Policy, please contact the Compliance Officer at capone@spectralmd.com.

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PART II

1. Blackout Periods

All Covered Persons are prohibited from trading in the Company's securities during blackout periods as defined below.

(a) **Quarterly Blackout Periods.** Trading in the Company's securities is prohibited during the period beginning at the close of the Corporation market 14 calendar days before the end of each fiscal quarter and ending at the close of business on the second trading day following the date the Company's financial results are publicly disclosed and Form 10-Q or Form 10-K is filed. During these periods, Covered Persons generally possess or are presumed to possess material nonpublic information about the Company's financial results.

(b) **Other Blackout Periods.** From time to time, other types of material nonpublic information regarding the Company (such as negotiation of mergers, acquisitions or dispositions, investigation and assessment of cybersecurity incidents or new product developments) may be pending and not be publicly disclosed. While such material nonpublic information is pending, the Company may impose special blackout periods during which Covered Persons are prohibited from trading in the Company's securities. If the Company imposes a special blackout period, it will notify the Covered Persons affected.

(c) **Exception.** These trading restrictions do not apply to transactions under a pre- existing written plan, contract, instruction, or arrangement under Rule 10b5-1 under the Securities Exchange Act of 1934 (an "**Approved 10b5-1 Plan**") that meet the following requirements:

(i) it has been reviewed and approved by the Corporation's stockholders Compliance Officer at least five days in accordance with advance of being entered into (or, if revised or amended, such proposed revisions or amendments have been reviewed and approved by the provisions Compliance Officer at least five days in advance of being entered into);

(ii) it provides that no trades may occur thereunder until expiration of the Amended applicable cooling-off period specified in Rule 10b5-1(c)(ii)(B), and Restated Certificate and Section 242 no trades occur until after that time. The appropriate cooling-off period will vary based on the status of the General Corporation Law Covered Person. For directors and officers, the cooling-off period ends on the later of (x) ninety days after adoption or certain modifications of the State 10b5-1 plan; or (y) two business days following disclosure of Delaware.the Company's financial results in a Form 10-Q or Form 10- K for the quarter in which the 10b5-1 plan was adopted. For all other Covered Persons, the cooling-off period ends 30 days after adoption or modification of the 10b5-1 plan. This required cooling-off period will apply to the entry into a new 10b5-1 plan and any revision or modification of a 10b5-1 plan;

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(iii) it is entered into in good faith by the Covered Person, and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1, at a time when the Covered Person is not in possession of material nonpublic information about the Company; and, if the Covered Person is a director or officer, the 10b5-1 plan must include representations by the Covered Person certifying to that effect;

(iv) it gives a third party the discretionary authority to execute such purchases and sales, outside the control of the Covered Person, so long as such third party does not possess any material nonpublic information about the Company; or explicitly specifies the security or securities to be purchased or sold, the number of shares, the prices and/or dates of transactions, or other formula(s) describing such transactions; and

(v) it is the only outstanding Approved 10b5-1 Plan entered into by the Covered Person (subject to the exceptions set out in Rule 10b5-1(c)(ii)(D)).

If you are considering entering into, modifying or terminating an Approved 10b5- 1 Plan or have any questions regarding Approved Rule 10b5-1 Plans, please contact the Compliance Officer at capone@spectralmd.com. You should consult your own legal and tax advisors before entering into, or modifying or terminating, an Approved 10b5-1 Plan. A trading plan, contract, instruction or arrangement will not qualify as an Approved 10b5-1 Plan without the prior review and approval of the Compliance Officer as described above.

2. Trading Window

Covered Persons are permitted to trade in the Company's securities when no blackout period is in effect. Generally, this means that Covered Persons can trade during the period beginning on the close of business on the second trading day following the date the Company's financial results are publicly disclosed and ending 14 calendar days before the end of each fiscal quarter. However, even during this trading window, a Covered Person who is in possession of any material nonpublic information should not trade in the Company's securities until the information has been made publicly available or is no longer material. In addition, the Company may close this trading window if a special blackout period under Part II, Section 1(b) above is imposed and will re-open the trading window once the special blackout period has ended.

3. This Amendment further amends Pre-Clearance of Securities Transactions

(a) Because Company Insiders are likely to obtain material nonpublic information on a regular basis, the provisions Company requires all such persons to refrain from trading, even during a trading window under Part II, Section 2 above, without first pre-clearing all transactions in the Company's securities.

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(b) Subject to the exemption in subsection (d) below, no Company Insider may, directly or indirectly, purchase or sell (or otherwise make any transfer, gift, pledge or loan of) any Company security at any time without first obtaining prior approval from the Compliance Officer. These procedures also apply to transactions by such person's spouse, other persons living in such person's household and minor children and to transactions by entities over which such person exercises control.

(c) The Compliance Officer shall record the date each request is received and the date and time each request is approved or disapproved. Unless revoked, a grant of permission will normally remain valid until the close of trading two business days following the day on which it was granted. If the transaction does not occur during the two-day period, pre-clearance of the Amended transaction must be re-requested.

(d) Pre-clearance is not required for purchases and Restated Certificate. sales of securities under an Approved 10b5-1 Plan once the applicable cooling-off period has expired. No trades may be made under an Approved 10b5-1 Plan until expiration of the applicable cooling-off period. With respect to any purchase or sale under an Approved 10b5-1 Plan, the third party effecting transactions on behalf of the Company Insider should be instructed to send duplicate confirmations of all such transactions to the Compliance Officer.

4. This AmendedProhibited Transactions

(a) Company Insiders are prohibited from trading in the Company's equity securities during a blackout period imposed under an "individual account" retirement or pension plan of the Company, during which at least 50% of the plan participants are unable to purchase, sell or otherwise acquire or transfer an interest in equity securities of the Company, due to a temporary suspension of trading by the Company or the plan fiduciary.

(b) Covered Persons, including any person's spouse, other persons living in such person's household and Restated Certificate is hereby amended by deleting Article IX, Section 9.1(b) minor children and entities over which such person exercises control, are prohibited from engaging in its entirety and inserting the following transactions in lieu thereof: the Company's securities unless advance approval is obtained from the Compliance Officer:

(b) (i) ImmediatelyShort-term trading. Company Insiders who purchase Company securities may not sell any Company securities of the same class for at least six months after the Offering, a certain amount of purchase;

(ii) Short sales. Company Insiders and Covered Persons may not sell the net offering proceeds received by the Corporation in Company's securities short;

(iii) Options trading. Covered Persons may not buy or sell puts or calls or other derivative securities on the Offering (including the proceeds of any exercise of the underwriters' overallotment option) and certain other amounts specified in the Corporation's registration statement Company's securities;

(iv) Trading on Form S-1, as initially filed with the Securities and Exchange Commission (the **"SEC")** on January 27, 2021, as amended (the ***"Registration Statement"),*** shall be depositedmargin or pledging. Covered Persons may not hold Company securities in a trust account(the ***"Trust Account"),*** established margin account or pledge Company securities as collateral for the benefit of the Public Stockholders (as defined below) pursuant to a trust agreement described in the Registration Statement. Except for the withdrawal of interest to pay taxes, none of the funds held in the Trust Account (including the interest earned on the funds held in the Trust Account) will be released from the Trust Account until the earliest of (i) the completion of the initial Business Combination, (ii) the redemption of one hundred percent (100%) of the Offering Shares (as defined below) if the Corporation is unable to complete its initial Business Combination within 36 months from the closing of the Offering loan; and (iii) the redemption of Offering Shares in connection with a vote seeking to amend any provisions of this Amended and Restated Certificate***(A)*** to modify the substance or timing of the Corporation's obligation to allow redemptions in connection with the Corporation's initial Business Combination or to redeem one hundred percent (l00%) of the Offering Shares if the Corporation has not consummated an initial Business Combination within 36 months from the date of the closing of the Offering or (B) relating to stockholders' rights or pre-initial Business Combination activity (as described in Section 9.7). Holders of shares of the Corporation's Common Stock included as part of the units sold in the Offering (the ***"Offering Shares")*** (whether such Offering Shares were purchased in the Offering or in the secondary market following the Offering and whether or not such holders are Rosecliff Acquisition Sponsor I LLC (the ***"Sponsor")*** or officers or directors of the Corporation, or affiliates of any of the foregoing) are referred to herein as ***"Public Stockholders."***

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5. (v) This Amended and Restated Certificate is hereby amended by deleting Article IX, Section 9.2(d) in its entirety and inserting the following in lieu thereof:

(d) In the event that the Corporation has Hedging. Covered Persons may not consummated an initial Business Combination within 36 months from the closing of the Offering, the Corporation shall (i) cease all operations except for the purpose of winding up, (ii) as promptly as reasonably possible but not more than ten business days thereafter subject to lawfully available funds therefor, redeem one hundred percent (100%) of the Offering Shares in consideration of a per-share price, payable in cash, equal to the quotient obtained by dividing (A) the aggregate amount then on deposit in the Trust Account, including interest (net of taxes payable, and less up to $100,000 of such net interest to pay dissolutionexpenses), by (B) the total number of then outstanding Offering Shares, which redemption will completely extinguish rights of the Public Stockholders (including the right to receive further liquidating distributions, if any), and (iii) as promptly as reasonably possible following such redemption, subject to the approval of the remaining stockholders and the Board in accordance with applicable law, dissolve and liquidate, subject in each case to the Corporation's obligations under the DGCL to provide for claims of creditors and other requirements of applicable law.

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6. The Amended and Restated Certificate is hereby amended by deleting Article IX, Section 9.2(a) in its entirety and inserting the following in lieu thereof:

(a) Prior to the consummation of the initial Business Combination, the Corporation shall provide all holders of Offering Shares with the opportunity to have their Offering Shares redeemed (which redemption may be in the form of a repurchase by the Corporation) upon the consummation of the initial Business Combination pursuant to, and subject to the limitations of, Sections 9.2(b) and 9.2(c) (such rights of such holders to have their Offering Shares redeemed pursuant to such Sections, the "Redemption Rights") hereof for cash equal to the applicable redemption price per share determined in accordance with Section 9.2(b) hereof (the "Redemption Price"). Notwithstanding anything to the contrary contained in this Amended and Restated Certificate, there shall be no Redemption Rights or liquidating distributions enter into hedging or monetization transactions or similar arrangements with respect to any warrant issued pursuant to the Offering.
Company securities.

7. 5. The AmendedAcknowledgment and Restated Certificate is hereby amended by deleting Article IX, Section 9.2(e) in its entirety and inserting the following in lieu thereof: Certification

All Covered Persons are required to sign the attached acknowledgment and certification.

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(e) If the Corporation offers to redeem the Offering Shares in conjunction with a stockholder vote on an initial Business Combination, the Corporation shall consummate the proposed initial Business Combination only if such initial Business Combination is approved by the affirmative vote of the holders of a majority of the shares of the Common Stock that are voted at a stockholder meeting held to consider such initial Business Combination (unless a greater vote is required by applicable law or stock exchange rules).

8. The Amended and Restated Certificate is hereby amended by deleting Article IX, Section 9.2(f) in its entirety.

9. The Amended and Restated Certificate is hereby amended by deleting the first sentence of Article IX, Section 9.7 in its entirety and inserting the following in lieu thereof:

Section 9.7 Additional Redemption Rights. If, in accordance with Section 9.l (a), any amendment is made to this Amended and Restated Certificate that would modify the substance or timing

ACKNOWLEDGMENT AND CERTIFICATION

The undersigned does hereby acknowledge receipt of the Corporation's obligation Company's Insider Trading Policy. The undersigned has read and understands (or has had explained) such Policy and agrees to allow redemptions be governed by such Policy at all times in connection with the Corporation's initial Business Combination or to redeem one hundred percent (100%) purchase and sale of securities and the Offering Shares if the Corporation has not consummated an initial Business Combination within 36 months from the date confidentiality of the closing of the Offering, or with respect to any other provision herein relating to stockholder's rights or pre-initial Business Combination activity, the Public Stockholders shall be provided with the opportunity to redeem their Offering Shares upon the approval of any such amendment, at a per-share price, payable in cash, equal to the aggregate amount then on deposit in the Trust Account, including interest (net of taxes payable), *divided* by the number of then outstanding Offering Shares.

nonpublic information.

10. The Amended and Restated Certificate is hereby amended by deleting the second sentence of Article IX, Section 9.7 in its entirety.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Amendment on this 22nd day of December, 2022.

ROSECLIFF ACQUISITION CORP I

By: /s/ Michael P. Murphy (Signature)

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Name: ***Michael P. Murphy*** ***(Please print name)***

Date: _____

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APPENDIX A

Sara Prendergast
David Bronson

Exhibit 21

Spectral AI Annual Report on Form 10-K
For Fiscal Year Ended December 31, 2023

Subsidiaries of Spectral AI Inc.
The following are the only subsidiaries of Spectral AI, Inc.:

Name of Subsidiary	Jurisdiction of Incorporation or Organization
Spectral MD, Inc.	Delaware
Spectral MD Holdings LLC	Delaware
Spectral MD UK Limited	United Kingdom
Spectral Deepview Limited	Ireland

Exhibit 23.1

Title: Chief Executive Officer and Director KPMG LLP Suite 1400 2323 Ross Avenue Dallas, TX 75201-2721

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements (Nos. 333-275218 and 333-276406) on Form S-1 and (No. 333-271566) on Form S-4, and in the registration statement filed on February 9, 2024 on Form S-8 of our report dated March 29, 2024, with respect to the consolidated financial statements of Spectral AI, Inc.

Dallas, Texas

March 29, 2024

KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Exhibit 31.1

CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER
CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Michael P. Murphy, Peter M. Carlson, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2023, of Rosecliff Acquisition Corp I, Spectral AI, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) c. Evaluated the effectiveness of the registrant's registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) d. Disclosed in this report any change in the registrant's registrant's internal control over financial reporting that occurred during the registrant's registrant's most recent fiscal quarter (the registrant's registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's registrant's internal control over financial reporting; and reporting.

5. The registrant's registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's registrant's auditors and the audit committee of the registrant's registrant's board of directors (or persons performing the equivalent functions):

(a) a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's registrant's ability to record, process, summarize and report financial information; and

(b) b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's registrant's internal control over financial reporting.

Date: March 31, 2023 March 29, 2024

By: /s/ Peter M. Carlson

/s/ Michael P. Murphy Peter M. Carlson
Michael P. Murphy
Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

CERTIFICATIONS OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO SECTION 302 203 OF THE
SARBANES-OXLEY ACT OF 2002

I, Kieran Goodwin, Vincent Capone, certify that:

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1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2023, of Rosecliff Acquisition Corp I; Spectral AI, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) c. Evaluated the effectiveness of the registrant's registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) d. Disclosed in this report any change in the registrant's registrant's internal control over financial reporting that occurred during the registrant's registrant's most recent fiscal quarter (the registrant's registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's registrant's internal control over financial reporting; and reporting.

5. The registrant's registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's registrant's auditors and the audit committee of the registrant's registrant's board of directors (or persons performing the equivalent functions):

(a) a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's registrant's ability to record, process, summarize and report financial information; and

(b) 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 31, 2023 March 29, 2024

By: /s/ Vincent Capone

/s/ Kieran Goodwin Vincent Capone
Kieran Goodwin
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO
SECTION 906 OF THE

SARBANES-OXLEY ACT OF 2002

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2002*

In connection with the Annual Report of Rosecliff Acquisition Corp I (the "Company" Spectral AI, Inc. ("Spectral AI") on Form 10-K for the period ending December 31, 2022 fiscal year ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, certify, in the capacity Peter M. Carlson, Chief Executive Officer of Spectral AI, and on the date indicated below, I, Vincent Capone, Chief Financial Officer of Spectral AI, certify, pursuant to Section 1350 of Chapter 63 of Title 18 U.S.C. § 1350, of the United States Code, as adopted pursuant to § Section 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; 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the consolidated financial condition and results of operations of the Company. Spectral AI and its subsidiaries.

Date: March 29, 2024
March 31, 2023

By: /s/ Peter M. Carlson

/s/ Michael P. Murphy Peter M. Carlson
Michael P. Murphy
Chief Executive Officer and Director
(Principal Executive Officer)

Date: March 29, 2024

By: /s/ Vincent Capone
Vincent Capone
Chief Financial Officer

* This certification is being furnished as required by Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code, and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that Section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

Exhibit 97

SPECTRAL AI, INC.
CLAWBACK POLICY
Effective September 11, 2023

I. Introduction

The board of directors (the "***Board***") of Spectral AI, Inc., a Delaware corporation (the "***Company***") believes that it is in the best interests of the Company and its shareholders to create and maintain a culture that emphasizes integrity and accountability and that reinforces the Company's pay-for-performance compensation philosophy. The Board has therefore adopted this policy which provides for the recoupment of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under the federal securities laws (the "***Policy***"). This Policy is designed to comply with Section 10D of the Securities Exchange Act of 1934 (the "***Exchange Act***").

II. Administration

This Policy shall be administered by the Board or, if so designated by the Board, the Compensation Committee, in which case references herein to the Board shall be deemed references to the Compensation Committee. Any determinations made by the Board shall be final and binding on all affected individuals.

III. Covered Executives

This Policy applies to the Company's current and former executive officers, as determined by the Board in accordance with Section 10D of the Exchange Act and the listing standards of the national securities exchange on which the Company's securities are listed, and such other senior executives/employees who may from time to time be deemed subject to the Policy by the Board ("***Covered Executives***").

IV. Recoupment; Accounting Restatement

In the event the Company is required to prepare an accounting restatement of its financial statements due to the Company's material noncompliance with any financial reporting requirement under the securities laws, the Board will require

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reimbursement or forfeiture of any excess Incentive Compensation received by any Covered Executive during the three completed fiscal years immediately preceding the date on which the Company is required to prepare an accounting restatement.

V. Incentive Compensation

For purposes of this Policy, "***Incentive Compensation***" means any of the following; provided that, such compensation is granted, earned, or vested based wholly or in part on the attainment of a financial reporting measure:

1. Annual bonuses and other short- and long-term cash incentives;
2. Stock options;
3. Stock appreciation rights;
4. Restricted stock;
5. Restricted stock units;
6. Performance shares; and
7. Performance units.

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Exhibit 32.2

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

In connection

Financial reporting measures include:

1. Company stock price;
2. Total shareholder return;
3. Revenues;
4. Net income;
5. Earnings before interest, taxes, depreciation, and amortization (EBITDA);
6. Funds from operations;
7. Liquidity measures such as working capital or operating cash flow;
8. Return measures such as return on invested capital or return on assets; and
9. Earnings measures such as earnings per share.

VI. Excess Incentive Compensation: Amount Subject to Recovery

The amount to be recovered will be the excess of the Incentive Compensation paid to the Covered Executive based on the erroneous data over the Incentive Compensation that would have been paid to the Covered Executive had it been based on the restated results, as determined by the Board.

If the Board cannot determine the amount of excess Incentive Compensation received by the Covered Executive directly from the information in the accounting restatement, then it will make its determination based on a reasonable estimate of the effect of the accounting restatement.

VII. Method of Recoupment

The Board will determine, in its sole discretion, the method for recouping Incentive Compensation hereunder which may include, without limitation:

1. requiring reimbursement of cash Incentive Compensation previously paid;
2. seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards;
3. offsetting the recouped amount from any compensation otherwise owed by the Company to the Covered Executive;
4. cancelling outstanding vested or unvested equity awards; and/or
5. taking any other remedial and recovery action permitted by law, as determined by the Board.

VIII. No Indemnification

The Company shall not indemnify any Covered Executives against the loss of any incorrectly awarded Incentive Compensation.

IX. Interpretation

The Board is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. It is intended that this Policy be interpreted in a manner that is consistent with the Annual Report requirements of Rosecliff Acquisition Corp I (the "Company") on Form 10-K for Section 10D of the period ending December 31, 2022 as filed with Exchange Act and any applicable rules or standards adopted by the Securities and Exchange Commission or any national securities exchange on which the date hereof (the "Report"), I certify, in the capacity and on the date indicated below, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

Company's securities are listed.

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1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and X.

The Board may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary to reflect final regulations adopted by the Securities and Exchange Commission under Section 10D of the Exchange Act and to comply with any rules or standards adopted by a national securities exchange on which the Company's securities are listed. The Board may terminate this Policy at any time.

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. XI.

Other Recoupment Rights

The Board intends that this Policy will be applied to the fullest extent of the law. The Board may require that any employment agreement, equity award agreement, or similar agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

Date: March 31, 2023

XII.

/s/ Kieran Goodwin

Kieran Goodwin

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer) Impracticability

The Board shall recover any excess Incentive Compensation in accordance with this Policy unless such recovery would be impracticable, as determined by the Board in accordance with Rule 10D-1 of the Exchange Act and the listing standards of the national securities exchange on which the Company's securities are listed.

XIII. Successors

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

Adopted: September 11, 2023

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