UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023

OR

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

For the transition period from _____ to _____

Commission File Number: 001-37685

PAVMED INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**47-1214177** (IRS Employer Identification No.)
360 Madison Avenue **25th Floor** **New York, NY** (Address of Principal Executive Offices)	**10017** (Zip Code)

(917) 813-1828
(Registrant's Telephone Number, Including Area Code)

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

Title of each Class	Trading Symbol(s)	Name of each Exchange on which Registered
Common Stock, $0.001 par value per share	PAVM	The NASDAQ Stock Market LLC
Series Z Warrants, each to purchase one share of Common Stock	PAVMZ	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large Accelerated filer	☐	Accelerated filed	☐
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(c) of the Exchange Act
☐

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

As of November 9, 2023, there were 120,759,886 shares of the registrant's Common Stock, par value $0.001 per share, issued and outstanding (with such number of shares inclusive of shares of common stock underlying unvested restricted stock awards granted under the PAVmed Inc. 2014 Long-Term Incentive Equity Plan as of such date).

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Part I - Financial Information

Item 1. Financial Statements

PAVMED INC.
and SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands except number of shares and per share data - unaudited)

	September 30, 2023	December 31, 2022
Assets:		
Current assets:		
Cash	$ 26,408	$ 39,744
Accounts receivable	36	17
Prepaid expenses, deposits, and other current assets	6,017	4,165
Total current assets	32,461	43,926
Fixed assets, net	1,820	2,451
Operating lease right-of-use assets	4,663	3,037
Intangible assets, net	1,929	3,445
Other assets	1,147	1,121
Total assets	$ 42,020	$ 53,980
Liabilities, Preferred Stock and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 2,165	$ 2,704
Accrued expenses and other current liabilities	5,485	3,705
Operating lease liabilities, current portion	1,574	1,141
Senior Secured Convertible Notes - at fair value	44,990	33,650
Derivative liability - at fair value	291	—
Total current liabilities	54,505	41,200
Operating lease liabilities, less current portion	3,343	1,846
Total liabilities	57,848	43,046
Commitments and contingencies (Note 9)		
Stockholders' Equity:		
Preferred stock, $0.001 par value. Authorized, 20,000,000 shares; Series B Convertible Preferred Stock, par value $0.001, issued and outstanding 1,279,601 at September 30, 2023 and 1,205,759 shares at December 31, 2022	2,916	2,695
Common stock, $0.001 par value. Authorized, 250,000,000 shares; 119,701,959 and 94,510,537 shares outstanding as of September 30, 2023 and December 31, 2022, respectively	120	95
Additional paid-in capital	232,234	216,106
Accumulated deficit	(278,529)	(228,169)
Treasury stock	—	(408)
Total PAVmed Inc. Stockholders' Equity (Deficit)	(43,259)	(9,681)
Noncontrolling interests	27,431	20,615
Total Stockholders' Equity (Deficit)	(15,828)	10,934
Total Liabilities and Stockholders' Equity (Deficit)	$ 42,020	$ 53,980

See accompanying notes to the unaudited condensed consolidated financial statements.

PAVMED INC.
and SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands except number of shares and per share data - unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Revenue	$ 791	$ 76	$ 1,403	$ 265
Operating expenses:				
Cost of revenue	1,779	1,626	4,809	1,996
Sales and marketing	4,016	4,736	12,893	13,559
General and administrative	6,858	10,374	23,916	31,254
Amortization of acquired intangible assets	505	505	1,516	1,278
Research and development	3,161	6,202	10,681	18,664
Total operating expenses	16,319	23,443	53,815	66,751
Operating loss	(15,528)	(23,367)	(52,412)	(66,486)
Other income (expense):				
Interest income	124	54	408	63
Interest expense	(159)	(525)	(570)	(1,049)
Change in fair value - Senior Secured Convertible Notes	(4,392)	261	(5,772)	(1,739)
Loss on issue and offering costs - Senior Secured Convertible Note	—	(1,232)	(1,186)	(4,332)
Debt extinguishments loss - Senior Secured Convertible Notes	(1,764)	(5,123)	(3,032)	(5,123)
Change in fair value - derivative liability	(31)	—	(291)	—
Gain on sale of intellectual property	—	—	1,000	—
Other income (expense), net	(6,222)	(6,565)	(9,443)	(12,180)
Loss before provision for income tax	(21,750)	(29,932)	(61,855)	(78,666)
Provision for income taxes	—	—	—	—
Net loss before noncontrolling interests	(21,750)	(29,932)	(61,855)	(78,666)
Net loss attributable to the noncontrolling interests	4,079	3,806	11,716	10,143
Net loss attributable to PAVmed Inc.	(17,671)	(26,126)	(50,139)	(68,523)
Less: Series B Convertible Preferred Stock dividends earned	(77)	(71)	(226)	(209)
Net loss attributable to PAVmed Inc. common stockholders	$ (17,748)	$ (26,197)	$ (50,365)	$ (68,732)
Per share information:				
Net loss per share attributable to PAVmed Inc. - basic and diluted	$ (0.16)	$ (0.29)	$ (0.48)	$ (0.78)
Net loss per share attributable to PAVmed Inc. common stockholders – basic and diluted	$ (0.16)	$ (0.29)	$ (0.48)	$ (0.78)
Weighted average common shares outstanding, basic and diluted	111,941,269	89,758,927	104,516,464	87,724,124

See accompanying notes to the unaudited condensed consolidated financial statements.

PAVMED INC.
and SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIT)
for the THREE MONTHS ENDED September 30, 2023
(in thousands except number of shares and per share data)

	PAVmed Inc. Stockholders' Equity (Deficit)								
	Series B Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Non controlling Interest	Total
	Shares	Amount	Shares	Amount					
Balance - June 30, 2023	1,254,497	$ 2,841	108,537,994	$ 109	$ 226,321	$ (260,783)	$ —	$ 30,682	$ (830)
Dividends declared - Series B Convertible Preferred Stock	25,104	75	—	—	—	(75)	—	—	—
Conversions - Senior Secured Convertible Note	—	—	10,859,964	10	3,978	—	—	—	3,988
Conversions - majority-owned subsidiary common stock - Senior Secured Convertible Note	—	—	—	—	—	—	—	167	167
Purchase - Employee Stock Purchase Plan	—	—	304,001	1	76	—	—	—	77
Purchase - majority-owned subsidiary common stock - Employee Stock Purchase Plan	—	—	—	—	—	—	—	275	275
Impact of subsidiary equity transactions	—	—	—	—	651	—	—	(651)	—
Stock-based compensation - PAVmed Inc.	—	—	—	—	978	—	—	—	978
Stock-based compensation - majority-owned subsidiary	—	—	—	—	230	—	—	1,037	1,267
Net loss	—	—	—	—	—	(17,671)	—	(4,079)	(21,750)
Balance - September 30, 2023	1,279,601	$ 2,916	119,701,959	$ 120	$ 232,234	$ (278,529)	$ —	$ 27,431	$ (15,828)

See accompanying notes to the unaudited condensed consolidated financial statements.

PAVMED INC.
and SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIT)
for the NINE MONTHS ENDED September 30, 2023
(in thousands, except number of shares and per share data - unaudited)

	PAVmed Inc. Stockholders' Equity (Deficit)								
	Series B Convertible Preferred Stock		Common Stock		Additional Paid-In	Accumulated	Treasury	Non controlling	
	Shares	Amount	Shares	Amount	Capital	Deficit	Stock	Interest	Total
Balance - December 31, 2022	1,205,759	$ 2,695	94,510,537	$ 95	$ 216,106	$ (228,169)	$ (408)	$ 20,615	$ 10,934
Dividends declared - Series B Convertible Preferred Stock	73,842	221	—	—	—	(221)	—	—	—
Issue common stock - PAVM ATM Facility	—	—	2,330,747	2	1,164	—	—	—	1,166
Vest - restricted stock awards	—	—	100,000	—	—	—	—	—	—
Conversions - Senior Secured Convertible Note	—	—	20,383,445	20	8,388	—	—	—	8,408
Conversions - majority-owned subsidiary common stock - Senior Secured Convertible Note	—	—	—	—	—	—	—	167	167
Purchase - Employee Stock Purchase Plan	—	—	688,384	1	198	—	60	—	259
Purchase - majority-owned subsidiary common stock - Employee Stock Purchase Plan	—	—	—	—	—	—	—	551	551
Issuance - majority-owned subsidiary common stock - At-The-Market Facility, net of financing charges	—	—	—	—	—	—	—	284	284
Impact of subsidiary equity transactions	—	—	—	—	1,984	—	—	(1,984)	—
Issuance - majority-owned subsidiary common stock - Settlement APA-RDx - Termination Payment	—	—	—	—	—	—	—	713	713
Issuance - vendor service agreement	—	—	1,500,000	2	600	—	—	147	749
Issuance - majority-owned subsidiary preferred stock	—	—	—	—	—	—	—	13,625	13,625
Stock-based compensation - PAVmed Inc.	—	—	—	—	3,266	—	—	—	3,266
Stock-based compensation - majority-owned subsidiaries	—	—	—	—	876	—	—	5,029	5,905
Treasury stock	—	—	188,846	—	(348)	—	348	—	—
Net loss	—	—	—	—	—	(50,139)	—	(11,716)	(61,855)
Balance - September 30, 2023	1,279,601	$ 2,916	119,701,959	$ 120	$ 232,234	$ (278,529)	$ —	$ 27,431	$ (15,828)

See accompanying notes to the unaudited condensed consolidated financial statements.

PAVMED INC.
and SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIT)
for the THREE MONTHS ENDED September 30, 2022
(in thousands, except number of shares and per share data - unaudited)

	PAVmed Inc. Stockholders' Equity (Deficit)								
	Series B Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Non controlling Interest	Total
	Shares	Amount	Shares	Amount					
Balance - June 30, 2022	1,158,950	$ 2,554	87,023,211	$ 87	$ 201,327	$ (181,442)	$ (548)	$ 19,426	$ 41,404
Dividends declared - Series B Convertible Preferred Stock	23,196	70	—	—	—	(70)	—	—	—
Conversions - Series B Convertible Preferred Stock	(45)	—	45	—	—	—	—	—	—
Conversions - Senior Secured Convertible Note	—	—	5,013,908	5	10,107	—	—	—	10,112
Exercise - stock options of majority-owned subsidiary	—	—	—	—	—	—	—	6	6
Purchase - Employee Stock Purchase Plan	—	—	—	—	—	—	140	—	140
Purchase - majority-owned subsidiary common stock - Employee Stock Purchase Plan	—	—	—	—	—	—	—	109	109
Issuance - majority-owned subsidiary common stock - Committed Equity Facility, net of financing charges	—	—	—	—	—	—	—	1,767	1,767
Impact of subsidiary equity transactions	—	—	—	—	1,363	—	—	(1,363)	—
Issuance - majority-owned subsidiary common stock - Settlement APA-RDx - Installment Payment	—	—	—	—	—	—	—	186	186
Stock-based compensation - PAVmed Inc.	—	—	—	—	1,481	—	—	—	1,481
Stock-based compensation - majority-owned subsidiary	—	—	—	—	—	—	—	3,283	3,283
Treasury stock	—	—	191,698	—	—	—	—	—	—
Net loss	—	—	—	—	—	(26,126)	—	(3,806)	(29,932)
Balance - September 30, 2022	1,182,101	$ 2,624	92,228,862	$ 92	$ 214,278	$ (207,638)	$ (408)	$ 19,608	$ 28,556

See accompanying notes to the unaudited condensed consolidated financial statements.

PAVMED INC.
and SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIT)
for the NINE MONTHS ENDED September 30, 2022
(in thousands, except number of shares and per share data - unaudited)

	PAVmed Inc. Stockholders' Equity (Deficit)								
	Series B Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Non controlling Interest	Total
	Shares	Amount	Shares	Amount					
Balance - December 31, 2021	1,113,919	$ 2,419	86,367,845	$ 86	$ 198,071	$ (138,910)	$ —	$ 17,752	$ 79,418
Dividends declared - Series B Convertible Preferred Stock	68,227	205	—	—	—	(205)	—	—	—
Conversions - Series B Convertible Preferred Stock	(45)	—	45	—	—	—	—	—	—
Vest - restricted stock awards	—	—	541,666	—	(1)	—	—	—	(1)
Exercise - Series Z warrants	—	—	5	—	—	—	—	—	—
Conversions - Senior Secured Convertible Note	—	—	5,013,908	5	10,107	—	—	—	10,112
Exercise - stock options	—	—	299,999	1	302	—	—	—	303
Exercise - stock options of majority-owned subsidiary	—	—	—	—	—	—	—	694	694
Purchase - Employee Stock Purchase Plan	—	—	194,240	—	218	—	140	—	358
Purchase - majority-owned subsidiary common stock - Employee Stock Purchase Plan	—	—	—	—	—	—	—	109	109
Issuance - majority-owned subsidiary common stock - Committed Equity Facility, net of financing charges	—	—	—	—	—	—	—	1,767	1,767
Impact of subsidiary equity transactions	—	—	—	—	1,375	—	—	(1,375)	—
Issuance - majority-owned subsidiary common stock - Settlement APA-RDx - Installment Payment	—	—	—	—	—	—	—	427	427
Stock-based compensation - PAVmed Inc.	—	—	—	—	4,206	—	—	—	4,206
Stock-based compensation - majority-owned subsidiaries	—	—	—	—	—	—	—	10,377	10,377
Treasury stock	—	—	(188,846)	—	—	—	(548)	—	(548)
Net Loss	—	—	—	—	—	(68,523)	—	(10,143)	(78,666)
Balance - September 30, 2022	1,182,101	$ 2,624	92,228,862	$ 92	$ 214,278	$ (207,638)	$ (408)	$ 19,608	$ 28,556

See accompanying notes to the unaudited condensed consolidated financial statements.

PAVMED INC.
and SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, except number of shares and per share data - unaudited)

	Nine Months Ended September 30,	
	2023	**2022**
Cash flows from operating activities		
Net loss - before noncontrolling interest ("NCI")	$ (61,855)	$ (78,666)
Adjustments to reconcile net loss - before NCI to net cash used in operating activities		
Depreciation and amortization expense	2,207	1,731
Stock-based compensation	9,171	14,583
Gain on sale of intellectual property	(1,000)	—
APA-RDx: Issue common stock of majority-owned subsidiary - settle termination payment	713	427
Issue common stock - vendor service agreement	625	—
Change in fair value - Senior Secured Convertible Notes	5,772	1,739
Loss on issue - Senior Secured Convertible Note	1,111	3,523
Debt extinguishment loss - Senior Secured Convertible Note	3,032	5,123
Change in fair value - derivative liability	291	—
Non-cash lease expense	304	82
Changes in operating assets and liabilities:		
Accounts receivable	(18)	169
Prepaid expenses, deposits and current and other assets	(1,757)	(563)
Accounts payable	(538)	(981)
Accrued expenses and other current liabilities	1,780	(1,329)
Net cash flows used in operating activities	(40,162)	(54,162)
Cash flows from investing activities		
Purchase of equipment	(59)	(1,242)
Proceeds from sale of intellectual property	1,000	—
Asset acquisitions	—	(3,200)
Net cash flows used in investing activities	941	(4,442)
Cash flows from financing activities		
Proceeds – issue of preferred stock - majority-owned subsidiary	13,625	—
Proceeds – issue of Senior Secured Convertible Note	10,000	35,227
Proceeds – issue of common stock - At-The-Market Facility	1,166	—
Proceeds – majority-owned subsidiary common stock - Committed Equity Facility and At-The-Market Facility	284	1,807
Proceeds – exercise of stock options	—	302
Proceeds – issue common stock – Employee Stock Purchase Plan	259	358
Proceeds – majority-owned subsidiary common stock – Employee Stock Purchase Plan	551	109
Proceeds – exercise of stock options issued under equity plan of majority owned subsidiary	—	694
Purchase Treasury Stock – payment of employee payroll tax obligation in connection with stock-based compensation	—	(366)
Net cash flows provided by financing activities	25,885	38,131
Net increase (decrease) in cash	(13,336)	(20,473)
Cash, beginning of period	39,744	77,258
Cash, end of period	$ 26,408	$ 56,785

See accompanying notes to the unaudited condensed consolidated financial statements.

Note 1 — The Company

Description of the Business

PAVmed Inc. and Subsidiaries, referred to herein as "PAVmed" or the "Company," is comprised of PAVmed Inc. and its wholly-owned subsidiary and its majority-owned subsidiaries, inclusive of Lucid Diagnostics Inc. ("Lucid Diagnostics" or "Lucid") and Veris Health Inc. ("Veris Health" or "Veris").

PAVmed is a diversified commercial-stage medical technology company operating in the medical device, diagnostics, and digital health sectors, including through Lucid Diagnostics, a commercial-stage cancer prevention diagnostics company, and Veris Health, a private digital health company focused on enhanced personalized cancer care through remote patient monitoring using implantable biologic sensors with wireless communication along with a custom suite of connected external devices. The Company's current central focus is on the commercialization of Lucid's EsoGuard assay and Veris Health's Veris Cancer Care Platform. As resources permit, we will continue to explore internal and external innovations that fulfill our project selection criteria without limiting ourselves to any target specialty or condition.

Liquidity

The Company has financed its operations principally through public and private issuances of its common stock, preferred stock, common stock purchase warrants, and debt. The Company is subject to all of the risks and uncertainties typically faced by medical device and diagnostic companies that devote substantially all of their efforts to the commercialization of their initial product and services and ongoing research and development activities and conducting clinical trials. The Company expects to continue to experience recurring losses from operations and will continue to fund its operations with debt and equity financing transactions, including current obligations on the Company's existing convertible debt which in accordance with management's plans may include conversions to equity and refinancing our existing debt obligations to extend maturity dates. Notwithstanding, however, with the cash on-hand as of the date hereof and other debt and equity committed sources of financing, conversion and refinancing of existing convertible notes, the Company expects to be able to fund its operations for one year from the date of the issue of the Company's consolidated financial statements included herein in the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2023.

Note 2 — Summary of Significant Accounting Policies

Significant Accounting Policies

The Company's significant accounting policies are as disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 as filed with the SEC on March 14, 2023, except as otherwise noted herein below.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of PAVmed and its subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), and applicable rules and regulations of the United States Securities and Exchange Commission ("SEC"), and include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. The Company holds a majority-ownership interest and has controlling financial interest in each of: Lucid Diagnostics and Veris Health, with the corresponding noncontrolling interest included as a separate component of consolidated stockholders' equity (deficit), including the recognition in the unaudited condensed consolidated statement of operations of a net loss attributable to the noncontrolling interest based on the respective minority-interest equity ownership of each majority-owned subsidiary. See Note 15, *Noncontrolling Interest*, for a discussion of each of the majority-owned subsidiaries noted above. The Company manages its operations as a single operating segment for the purposes of assessing performance and making operating decisions.

As permitted under SEC rules, certain footnotes or other financial information normally required by U.S. GAAP have been condensed or omitted. The balance sheet as of December 31, 2022 has been derived from audited consolidated financial statements at such date. The accompanying unaudited condensed consolidated financial statements have been prepared on the same basis as the Company's annual consolidated financial statements, and in the opinion of management, include all adjustments, consisting only of routine recurring adjustments, necessary for a fair statement of the Company's unaudited condensed consolidated financial information.

The consolidated results of operations for the three and nine months ended September 30, 2023 are not necessarily indicative of the consolidated results to be expected for the year ending December 31, 2023 or for any other interim period or for any other future periods. The accompanying unaudited condensed consolidated financial statements and related unaudited condensed consolidated financial information should be read in conjunction with the Company's audited consolidated financial statements and related notes thereto as of and for the year ended December 31, 2022 included in the Company's Annual Report on Form 10-K as filed with the SEC on March 14, 2023.

All amounts in the accompanying unaudited condensed consolidated financial statements and the notes thereto are presented in thousands of dollars, if not otherwise noted as being presented in millions of dollars, except for shares and per share amounts.

Note 2 — Summary of Significant Accounting Policies - continued

Use of Estimates

In preparing the unaudited condensed consolidated financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and the determination of corresponding carrying value reserve, if any, and liabilities and the disclosure of contingent losses, as of the date of the consolidated financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Significant estimates in these unaudited condensed consolidated financial statements include those related to the estimated fair value of debt obligations, stock-based equity awards, intangible assets and common stock purchase warrants. Other significant estimates include the estimated incremental borrowing rate, the provision or benefit for income taxes and the corresponding valuation allowance on deferred tax assets. Additionally, management's assessment of the Company's ability to continue as a going concern involves the estimation of the amount and timing of future cash inflows and outflows. On an ongoing basis, the Company evaluates its estimates and assumptions. The Company bases its estimates on historical experience and on various other assumptions believed to be reasonable. Due to inherent uncertainty involved in making estimates, actual results reported in future periods may be affected by changes in these estimates.

Revenue Recognition

Revenues are recognized when the satisfaction of the performance obligation occurs, in an amount that reflects the consideration the Company expects to collect in exchange for those services. The Company's revenue is primarily generated by its laboratory testing services utilizing its EsoGuard Esophageal DNA tests. The services are completed upon release of a patient's test result to the ordering healthcare provider. Revenue recognized is inclusive of both variable consideration in connection with an individual patient's third-party insurance coverage policy and fixed consideration in connection with a contracted services arrangement with an unrelated third party legal entity. To determine revenue recognition for the arrangements that the Company determines are within the scope of ASC 606, Revenue from Contracts with Customers, the Company performs the following five steps: (1) identify the contract(s) with a customer, (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 entity satisfies a performance obligation.

The key aspects considered by the Company include the following:

Contracts—The Company's customer is primarily the patient, but the Company does not enter into a formal reimbursement contract with a patient. The Company establishes a contract with a patient in accordance with other customary business practices, which is the point in time an order is received from a provider and a patient specimen has been returned to the laboratory for testing. Payment terms are a function of a patient's existing insurance benefits, including the impact of coverage decisions with Center for Medicare & Medicaid Services ("CMS") and applicable reimbursement contracts established between the Company and payers. However, when a patient is considered self-pay, the Company requires payment from the patient prior to the commencement of the Company's performance obligations. The Company's consideration can be deemed variable or fixed depending on the structure of specific payer contracts, and the Company considers collection of such consideration to be probable to the extent that it is unconstrained.

Performance obligations—A performance obligation is a promise in a contract to transfer a distinct good or service (or a bundle of goods or services) to the customer. The Company's contracts have a single performance obligation, which is satisfied upon rendering of services, which culminates in the release of a patient's test result to the ordering healthcare provider. The Company elects the practical expedient related to the disclosure of unsatisfied performance obligations, as the duration of time between providing testing supplies, the receipt of a sample, and the release of a test result to the ordering healthcare provider is far less than one year.

Transaction price—The transaction price is the amount of consideration that the Company expects to collect in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes). The consideration expected to be collected from a contract with a customer may include fixed amounts, variable amounts, or both.

If the consideration derived from the contracts is deemed to be variable, the Company estimates the amount of consideration to which it will be entitled in exchange for the promised goods or services. The Company limits the amount of variable consideration included in the transaction price to the unconstrained portion of such consideration. In other words, the Company recognizes revenue up to the amount of variable consideration that is not subject to a significant reversal until additional information is obtained or the uncertainty associated with the additional payments or refunds is subsequently resolved.

When the Company does not have significant historical experience or that experience has limited predictive value, the constraint over estimates of variable consideration may result in no revenue being recognized upon delivery of patient EsoGuard test results to the ordering healthcare provider. As such, the Company recognizes revenue up to the amount of variable consideration not subject to a significant reversal until additional information is obtained or the uncertainty associated with additional payments or refunds, if any, is subsequently resolved. Differences between original estimates and subsequent revisions, including final settlements, represent changes in estimated expected variable consideration, with the change in estimate recognized in the period of such revised estimate. With respect to a contracted service arrangement, the fixed consideration revenue is recognized on an as-billed basis upon delivery of the laboratory test report with realization of such fixed consideration deemed probable based upon actual historical experience.

Allocate transaction price—The transaction price is allocated entirely to the performance obligation contained within the contract with a customer on the basis of the relative standalone selling prices of each distinct good or service.

Practical Expedients—The Company does not adjust the transaction price for the effects of a significant financing component, as at contract inception, the Company expects the collection cycle to be one year or less.

Note 2 — Summary of Significant Accounting Policies - continued

Fair Value Option ("FVO") Election

Under a Securities Purchase Agreement dated March 31, 2022, the Company issued a Senior Secured Convertible Note dated April 4, 2022, referred to herein as the "April 2022 Senior Convertible Note", and a Senior Secured Convertible Note dated September 8, 2022, referred to herein as the "September 2022 Senior Convertible Note", which are accounted under the "fair value option election" as discussed below.

Under a Securities Purchase Agreement dated March 13, 2023, Lucid Diagnostics issued a Senior Secured Convertible Note dated March 21, 2023, referred to herein as the "Lucid March 2023 Senior Convertible Note", which is accounted under the "fair value option election" as discussed below.

Under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 815, *Derivative and Hedging*, ("ASC 815"), a financial instrument containing embedded features and/or options may be required to be bifurcated from the financial instrument host and recognized as separate derivative asset or liability, with the bifurcated derivative asset or liability initially measured at estimated fair value as of the transaction issue date and then subsequently remeasured at estimated fair value as of each reporting period balance sheet date.

Alternatively, FASB ASC Topic 825, *Financial Instruments*, ("ASC 825") provides for the "fair value option" ("FVO") election. In this regard, ASC 825-10-15-4 provides for the FVO election (to the extent not otherwise prohibited by ASC 825-10-15-5) to be afforded to financial instruments, wherein the financial instrument is initially measured at estimated fair value as of the transaction issue date and then subsequently remeasured at estimated fair value as of each reporting period balance sheet date, with changes in the estimated fair value recognized as other income (expense) in the statement of operations. The estimated fair value adjustment of the April 2022 Senior Convertible Note, the September 2022 Senior Convertible Note and the Lucid March 2023 Senior Convertible Note are presented in a single line item within other income (expense) in the accompanying unaudited condensed consolidated statement of operations (as provided for by ASC 825-10-50-30(b)). Further, as required by ASC 825-10-45-5, to the extent a portion of the fair value adjustment is attributed to a change in the instrument-specific credit risk, such portion would be recognized as a component of other comprehensive income ("OCI") (for which there was no such adjustment with respect to the April 2022 Senior Convertible Note, the September 2022 Senior Convertible Note or the Lucid March 2023 Senior Convertible Note).

See Note 10, *Financial Instruments Fair Value Measurements*, with respect to the FVO election; and Note 11, *Debt*, for a discussion of the April 2022 Senior Convertible Note, the September 2022 Senior Convertible Note and the Lucid March 2023 Senior Convertible Note.

Reclassifications

Certain prior-year amounts have been reclassified to conform to the current year presentation, which includes presenting costs of revenue within operating expenses on the statements of operations, in the unaudited condensed consolidated financial statements and accompanying notes to the unaudited condensed consolidated financial statements. The impact of the reclassifications made to prior year amounts is not material and did not affect net loss.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments-Credit Losses (Topic In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The updated guidance requires companies to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets, including trade receivables. The guidance was adopted by the Company on January 1, 2023. The adoption of the ASU did not have an impact on the Company's unaudited condensed consolidated financial statements.

Note 3 — Revenue from Contracts with Customers

EsoGuard Commercialization Agreement

The Company, through its majority-owned subsidiary, Lucid Diagnostics, entered into the EsoGuard Commercialization Agreement, dated August 1, 2021, with its former commercial laboratory service provider, ResearchDx Inc. ("RDx"), an unrelated third-party. The EsoGuard Commercialization Agreement was on a month-to-month basis, and was terminated on February 25, 2022 upon the execution of an asset purchase agreement ("APA") dated February 25, 2022, between LucidDx Labs Inc. (a wholly-owned subsidiary of Lucid Diagnostics) and RDx, with such agreement further discussed in Note 5, *Asset Purchase Agreement and Management Services Agreement.*

Note 3 — Revenue from Contracts with Customers - continued

Revenue Recognized

In the three and nine months ended September 30, 2023, the Company recognized total revenue of $791 and $1,403, respectively, primarily resulting from the delivery of patient EsoGuard test results. Revenue recognized from customer contracts deemed to include a variable consideration transaction price is limited to the unconstrained portion of the variable consideration. The Company's revenue for the three months ended September 30, 2022 was $76, primarily resulting from the delivery of patient EsoGuard test results. The Company's revenue for the nine months ended September 30, 2022 was $265, and includes the activity described for the three months ended September 30, 2022, along with the revenue recognized under the EsoGuard Commercialization Agreement, which represented the minimum fixed monthly fee of $100 for the period January 1, 2022 to the February 25, 2022 termination date as discussed above. The monthly fee was deemed to be collectible for such period as RDx has timely paid the applicable respective monthly fee.

Cost of Revenue

The cost of revenues principally includes the costs related to the Company's laboratory operations (excluding estimated costs associated with research activities), the costs related to the EsoCheck cell collection device, cell sample mailing kits and license royalties.

In the three and nine months ended September 30, 2023, the cost of revenue was $1,779 and $4,809, respectively, and was primarily related to costs for our laboratory operations and EsoCheck device supplies. The Company's cost of revenue for the three months ended September 30, 2022 was $1,626, and was primarily related to costs for our laboratory operations and EsoCheck device supplies. The Company's cost of revenue for the nine months ended September 30, 2022 was $1,996, and includes the activity described for the three months ended September 30, 2022, along with the costs attributable to delivering the services under the EsoGuard Commercialization Agreement for the period January 1, 2022 thru its termination on February 25, 2022.

Note 4 — Related Party Transactions

Case Western Reserve University and Physician Inventors - Amended CWRU License Agreement

Case Western Reserve University ("CWRU") and each of the three physician inventors ("Physician Inventors") of the intellectual property licensed under the amended and restated patent license agreement with CWRU, dated August 23, 2021 (the "Amended CWRU License Agreement"), each hold a minority equity ownership interest in Lucid Diagnostics Inc. The expenses incurred with respect to the Amended CWRU License Agreement and the three Physician Inventors, as classified in the accompanying unaudited condensed consolidated statement of operations for the periods indicated are summarized as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Cost of Revenue				
CWRU – Royalty Fees	$ 42	$ 4	$ 76	$ 13
General and Administrative Expense				
Amended CWRU – License Agreement - reimbursement of patent legal fees	343	—	732	209
Stock-based compensation expense – Physician Inventors' restricted stock awards	—	275	180	819
Research and Development Expense				
Fees - Physician Inventors' consulting agreements	5	15	15	32
Sponsored research agreement	—	4	—	6
Stock-based compensation expense – Physician Inventors' stock options	52	52	157	151
Total Related Party Expenses	$ 442	$ 350	$ 1,160	$ 1,230

As of September 30, 2023, Lucid had an outstanding payable of $820.

Note 4 — Related Party Transactions - continued

See Note 12, *Stock-Based Compensation*, for information regarding each of the "PAVmed Inc. 2014 Long-Term Incentive Equity Plan" and the separate "Lucid Diagnostics Inc 2018 Long-Term Incentive Equity Plan"; and Note 15, *Noncontrolling Interest*, for a discussion of Lucid Diagnostics Inc. and the corresponding noncontrolling interests.

Other Related Party Transactions

Effective June 2021, Veris Health entered into a consulting agreement with Andrew Thoreson, M.D. which provides for compensation on a contractual rate per hour for consulting services provided. Dr. Thoreson holds a partial ownership interest in the legal entity which holds a minority interest in Veris Health. Veris Health recognized general and administrative expense of $0 and $25 in the three and nine months ended September 30, 2023, respectively, and $8 and $45 in the three and nine months ended September 30, 2022, respectively, in connection with the consulting agreement.

Note 5 — Asset Purchase Agreement and Management Services Agreement

Asset Purchase Agreement and Management Services Agreement - ResearchDx Inc.

LucidDx Labs, a wholly-owned subsidiary of Lucid Diagnostics, entered into an asset purchase agreement ("APA") dated February 25, 2022, with ResearchDx, Inc. ("RDx"), an unrelated third-party ("APA-RDx"). Under the APA-RDx, LucidDx Labs acquired certain assets from RDx which were combined with LucidDx Labs purchased and leased property and equipment to establish a Company-owned Commercial Lab Improvements Act ("CLIA") certified, College of American Pathologists ("CAP") accredited commercial clinical laboratory capable of performing the EsoGuard® Esophageal DNA assay, inclusive of DNA extraction, next generation sequencing ("NGS") and specimen storage. Prior to February 25, 2022, RDx provided such laboratory services at its owned CLIA-certified, CAP-accredited clinical laboratory. In connection with the execution and delivery of the APA-RDx, LucidDx Labs and RDx entered into a separate management services agreement ("MSA-RDx"), dated and effective February 25, 2022, pursuant to which RDx provided certain testing and related services for the Laboratory.

The total purchase price consideration payable under the APA-RDx is a face value of $3,200 comprised of three contractually specified periodic payments. The APA-RDx is being accounted for as an asset acquisition, with the recognition of an intangible asset of approximately $3,200, which is included in "Intangible assets, net" on the accompanying unaudited condensed consolidated balance sheet, as further discussed in Note 8, *Intangible Assets, net.*

Termination of Management Services Agreement and Modification of Other Payment Obligations - ResearchDx Inc

On February 14, 2023, Lucid Diagnostics and LucidDx Labs entered into an agreement (the "MSA Termination Agreement") with RDx, pursuant to which the parties mutually agreed to terminate the MSA-RDx without cause. The termination was effective as February 10, 2023. Until the termination of the management service agreement with RDx, RDx had continued to provide certain testing and related services for the Laboratory in accordance with the terms of the MSA-RDx.

The MSA Termination Agreement reduces the remaining amounts of the earnout payments and management fees due under the APA-RDx and the MSA-RDx to $713. The payment was satisfied through the issuance of 553,436 shares of Lucid Diagnostics' common stock in February 2023. Lucid Diagnostics was not required to make any cash payments in connection with the termination.

Note 6 — Prepaid Expenses, Deposits, and Other Current Assets

Prepaid expenses and other current assets consisted of the following as of:

	September 30, 2023	December 31, 2022
Advanced payments to service providers and suppliers	$ 432	$ 599
Prepaid insurance	479	300
Deposits	4,581	3,005
EsoCheck cell collection supplies	190	59
EsoGuard mailer supplies	—	52
Veris Box supplies	335	150
Total prepaid expenses, deposits and other current assets	$ 6,017	$ 4,165

Note 7 — Leases

During the nine months ended September 30, 2023, the Company entered into additional lease agreements that have commenced and are classified as operating leases and short-term leases, including for each of: principal corporate offices and additional Lucid Test Centers.

The Company's future lease payments as of September 30, 2023, which are presented as operating lease liabilities, current portion and operating lease liabilities, less current portion on the Company's unaudited condensed consolidated balance sheets are as follows:

2023 (remainder of year)	$	485
2024		1,852
2025		835
2026		787
2027		617
Thereafter		1,319
Total lease payments	$	5,895
Less: imputed interest		(978)
Present value of lease liabilities	$	4,917

Supplemental disclosure of cash flow information related to the Company's cash and non-cash activities with its leases are as follows:

	Nine Months Ended September 30,			
	2023		2022	
Cash paid for amounts included in the measurement of lease liabilities				
Operating cash flows from operating leases	$	1,080	$	763
Non-cash investing and financing activities				
Right-of-use assets obtained in exchange for new operating lease liabilities	$	2,728	$	3,753
Weighted-average remaining lease term - operating leases (in years)		4.68		3.08
Weighted-average discount rate - operating leases		7.875%		7.875%

As of September 30, 2023 and December 31, 2022, the Company's right-of-use assets from operating leases were $4,663 and $3,037, respectively, which are reported in operating lease right-of-use assets in the unaudited condensed consolidated balance sheets. As of September 30, 2023 and December 31, 2022, the Company had outstanding operating lease obligations of $4,917 and $2,987, respectively, of which $1,574 and $1,141, respectively, are reported in operating lease liabilities, current portion and $3,343 and $1,846, respectively, are reported in operating lease liabilities less current portion in the Company's unaudited condensed consolidated balance sheets. The Company calculates its incremental borrowing rates for specific lease terms, used to discount future lease payments, as a function of the financing terms the Company would likely receive on the open market.

In September 2022, the Company entered into a lease agreement for its principal corporate offices, in New York, New York. The lease agreement term is from the September 15, 2022 execution date to the date which is seven years and eight months from the lease commencement date, with the rent abated for the first eight months of the lease term. The lease commenced on February 1, 2023. The aggregate (undiscounted) rent payments are approximately $3.2 million over the lease term.

Note 8 — Intangible Assets, net

Intangible assets, less accumulated amortization, consisted of the following as of:

	Estimated Useful Life	September 30, 2023	December 31, 2022
Defensive asset	60 months	$ 2,105	$ 2,105
Laboratory licenses and certifications and laboratory information management software	24 months	3,200	3,200
Other	1 year	70	70
Total Intangible assets		5,375	5,375
Less Accumulated Amortization		(3,446)	(1,930)
Intangible Assets, net		$ 1,929	$ 3,445

The defensive technology intangible asset was recognized upon its acquisition of CapNostics, an unrelated third-party, for total purchase consideration paid on the October 5, 2021 acquisition date of approximately $2.1 million in cash. The CapNostics transaction was accounted for as an asset acquisition, resulting in the recognition of the defensive technology intangible asset. The defensive technology intangible asset is being amortized on a straight-line basis over an expected useful life 60 months commencing on the acquisition date.

The intangible assets recognized under the APA-RDx are the laboratory licenses and certifications, inclusive of a CLIA certification, CAP accreditation, and clinical laboratory licenses for five (5) U.S. States transfer to the Company from RDx, and a laboratory information management software perpetual-use royalty-free license granted under the APA-RDx, with such intangible asset having a useful life of twenty-four months commencing on the APA-RDx February 25, 2022 transaction date.

Amortization expense of the intangible assets discussed above was $505 and $505 for the three month periods ended September 30, 2023 and 2022, respectively, and $1,516 and $1,278 for the nine month periods ended September 30, 2023 and 2022, respectively, and is included in amortization of acquired intangible assets in the accompanying unaudited condensed consolidated statements of operations. As of September 30, 2023, the estimated future amortization expense associated with the Company's finite-lived intangible assets for each of the five succeeding fiscal years is as follows:

2023 (remainder of year)	$ 505
2024	688
2025	421
2026	315
Total	$ 1,929

Note 9 — Commitment and Contingencies

Other Matters

In the ordinary course of PAVmed business, particularly as it begins commercialization of its products, the Company may be subject to certain other legal actions and claims, including product liability, consumer, commercial, tax and governmental matters, which may arise from time to time. The Company is not aware of any such pending legal or other proceedings that are reasonably likely to have a material impact on the Company. Notwithstanding, legal proceedings are subject-to inherent uncertainties, and an unfavorable outcome could include monetary damages, and excessive verdicts can result from litigation, and as such, could result in a material adverse impact on the Company's business, financial position, results of operations, and /or cash flows. Additionally, although the Company has specific insurance for certain potential risks, the Company may in the future incur judgments or enter into settlements of claims which may have a material adverse impact on the Company's business, financial position, results of operations, and /or cash flows.

Note 10 — Financial Instruments Fair Value Measurements

Recurring Fair Value Measurements

The fair value hierarchy table for the periods indicated is as follows:

	Fair Value Measurement on a Recurring Basis at Reporting Date Using[1]			
	Level-1 Inputs	Level-2 Inputs	Level-3 Inputs	Total
September 30, 2023				
Senior Secured Convertible Note - April 2022	$ —	$ —	$ 19,400	$ 19,400
Senior Secured Convertible Note - September 2022	—	—	11,100	11,100
Lucid Senior Secured Convertible Note - March 2023	—	—	14,490	14,490
Derivative liability	—	—	291	291
Totals	$ —	$ —	$ 45,281	$ 45,281

	Level-1 Inputs	Level-2 Inputs	Level-3 Inputs	Total
December 31, 2022				
Senior Secured Convertible Note - April 2022	$ —	$ —	$ 22,000	$ 22,000
Senior Secured Convertible Note - September 2022	—	—	11,650	11,650
Totals	$ —	$ —	$ 33,650	$ 33,650

1 There were no transfers between the respective Levels during the period ended September 30, 2023.

As discussed in Note 11, *Debt*, the Company issued Senior Secured Convertible Notes dated April 4, 2022 and September 8, 2022, with an initial $27.5 million face value principal (“April 2022 Senior Convertible Note”) and an initial $11.25 million face value principal (“September 2022 Senior Convertible Note”), respectively. Both convertible notes are accounted for under the ASC 825-10-15-4 fair value option (“FVO”) election, wherein, the financial instrument is initially measured at its issue-date estimated fair value and subsequently remeasured at estimated fair value on a recurring basis at each reporting period date.

As discussed in Note 11, *Debt*, Lucid Diagnostics issued a Senior Secured Convertible Note dated March 21, 2023, with an initial $11.1 million face value principal (“Lucid March 2023 Senior Convertible Note”). This convertible note is also accounted for under the ASC 825-10-15-4 fair value option (“FVO”) election, wherein, the financial instrument is initially measured at its issue-date estimated fair value and subsequently remeasured at estimated fair value on a recurring basis at each reporting period date.

The estimated fair value of the financial instruments classified within the Level 3 category was determined using both observable inputs and unobservable inputs. Unrealized gains and losses associated with liabilities within the Level 3 category include changes in fair value attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in unobservable long- dated volatilities) inputs.

The estimated fair value of the Lucid March 2023 Senior Convertible Note as of each of March 21, 2023 and September 30, 2023, and the estimated fair value of the April 2022 Senior Convertible Note and the September 2022 Senior Convertible Note as of September 30, 2023, were computed using a Monte Carlo simulation of the present value of its cash flows using a synthetic credit rating analysis and a required rate-of-return, using the following assumptions:

	April 2022 Senior Convertible Note: September 30, 2023	September 2022 Senior Convertible Note: September 30, 2023	Lucid March 2023 Senior Convertible Note: March 21, 2023	Lucid March 2023 Senior Convertible Note: September 30, 2023
Fair Value	$ 19,400	$ 11,100	$ 11,900	$ 14,490
Face value principal payable	$ 17,602	$ 10,043	$ 11,111	$ 11,019
Required rate of return	11.350%	11.300%	11.00%	11.10%
Conversion Price	$ 5.00	$ 5.00	$ 5.00	$ 5.00
Value of common stock	$ 0.30	$ 0.30	$ 1.54	$ 1.17
Expected term (years)	0.51	0.94	2.00	1.47
Volatility	240.00%	240.00%	75.00%	65.00%
Risk free rate	5.40%	5.32%	4.09%	5.13%
Dividend yield	—%	—%	—%	—%

Note 10 — Financial Instruments Fair Value Measurements - continued

Derivative Liability - Written Protective Put

The Company, through its majority-owned subsidiary Veris Health, entered into a Research and Development Agreement, with an effective date of May 31, 2023, with an unrelated third-party technical services provider (the "May 31, 2023 R&D Agreement"). The principal service to be provided by the service provider under the May 31, 2023 R&D Agreement was the continued development of the electronics and firmware for the Veris Health implantable physiologic monitor.

As discussed in Note 14, *Common Stock and Common Stock Purchase Warrants*, 1.5 million shares of PAVmed common stock were issued to the service provider as the consideration for a $750 portion of the services to be rendered under the May 31, 2023 R&D Agreement. The issued shares of common stock are (contingently) settlement-in-full of the consideration obligations of the Company under the May 31, 2023 R&D Agreement, subject-to a contractual "minimum fair market value" as such amount is discussed below.

The resolution of the contingent settlement-in-full with respect to the issued shares of common stock of the Company is predicated on and subject-to such issued shares having a $750 minimum "fair market value" (as defined), with such derived fair market value computed using a contractual formula based on the PAVmed Inc. common stock volume weighted average price per share ("VWAP") during the last ten days of the six month anniversary of the May 31, 2023 R&D Agreement.

If the fair market value, as such amount is computed as described above, is equal-to or greater than $750, then no further contractual consideration is required. However, if such fair market value is less than $750, then, the Company will incur an additional contractual consideration obligation in amount equal to the difference between the required minimum fair market value of $750 and the contractual formula based computed fair market value. At the election of the Company, the additional contractual consideration obligation, if any, may be paid in cash or settled with the issue of additional shares of PAVmed common stock.

The contingent additional contractual consideration obligation is deemed to be a separate unit-of-account, in the form of a written protective put, and recognized as a derivative liability measured at estimated fair value. The derivative liability had an initial May 31, 2023 estimated fair value of approximately $262 which was recognized as an initial period charge classified in other income (expense) in the accompanying (unaudited) condensed consolidated statement of operations. Further, such recognized derivative liability is further remeasured at estimated fair value as of each quarterly reporting period date, with changes in the estimated fair value recognized as current period other income (expense), with such remeasurement recognized through the date of the final determination and settlement or extinguishment of the contingent additional contractual consideration obligation, if any. In this regard, as of September 30, 2023, the remeasured estimated fair value was approximately $291, with the change in the estimated fair value recognized as other income (expense).

The estimated fair value of the written protective put derivative liability, as such is discussed above, were computed using a Monte Carlo simulation to generate stock price paths (assuming geometric-Brownian motion) of the PAVmed Inc. common stock to compute the respective written protective put expected fair value, with the principal assumptions of such estimated fair value computation, for the respective measurement dates noted, as follows:

	As of: May 31, 2023	As of: September 30, 2023
Fair Value	$ 262	$ 291
Contractual minimum effective conversion price	$ 0.50	$ 0.50
Price per share	$ 0.40	$ 0.30
Remaining expected term (years)	0.50	0.17
Volatility	160.00%	240.00%
Risk free rate	5.30%	5.40%
Dividend yield	—%	—%

The estimated fair values recognized with respect to the senior secured convertible debt and the written protective put derivative liability, as each is discussed above, utilized PAVmed and Lucid Diagnostics common stock prices, along with certain Level 3 inputs (as presented in the respective tables above), in the development of Monte Carlo simulation models, discounted cash flow analyses, and /or Black-Scholes valuation models. The estimated fair values are subjective and are affected by changes in inputs to the valuation models and analyses, including the respective common stock prices, the dividend yields, the risk-free rates based on U.S. Treasury security yields, and certain other Level-3 inputs including, assumptions regarding the estimated volatility in the value of the respective common stock prices. Changes in these assumptions can materially affect the recognized estimated fair values.

Note 11 — Debt

The fair value and face value principal outstanding of the Senior Convertible Notes as of the dates indicated are as follows:

	Contractual Maturity Date	Stated Interest Rate	Conversion Price per Share	Face Value Principal Outstanding	Fair Value
April 2022 Senior Convertible Note	April 4, 2024	7.875%	$ 5.00	$ 17,602	$ 19,400
September 2022 Senior Convertible Note	September 6, 2024	7.875%	$ 5.00	$ 10,043	$ 11,100
Lucid March 2023 Senior Convertible Note	March 21, 2025	7.875%	$ 5.00	$ 11,019	$ 14,490
Balance as of September 30, 2023				$ 38,664	$ 44,990

	Contractual Maturity Date	Stated Interest Rate	Conversion Price per Share	Face Value Principal Outstanding	Fair Value
April 2022 Senior Convertible Note	April 4, 2024	7.875%	$ 5.00	$ 21,497	$ 22,000
September 2022 Senior Convertible Note	September 6, 2024	7.875%	$ 5.00	$ 11,250	$ 11,650
Balance as of December 31, 2022				$ 32,747	$ 33,650

The changes in the fair value of debt during the three and nine months ended September 30, 2023 is as follows:

	April 2022 Senior Convertible Note	September 2022 Senior Convertible Note	Lucid March 2023 Senior Convertible Note	Sum of Balance Sheet Fair Value Components	Other Income (expense)
Fair Value - June 30, 2023	$ 19,530	$ 11,850	$ 11,610	$ 42,990	$ —
Installment repayments – common stock	(952)	(1,207)	(92)	(2,251)	—
Non-installment payments – common stock	(41)	(51)	(49)	(141)	—
Change in fair value	863	508	3,021	4,392	(4,392)
Fair Value at September 30, 2023	$ 19,400	$ 11,100	$ 14,490	$ 44,990	
Other Income (Expense) - Change in fair value – three months ended September 30, 2023					$ (4,392)

	April 2022 Senior Convertible Note	September 2022 Senior Convertible Note	Lucid March 2023 Senior Convertible Note	Sum of Balance Sheet Fair Value Components	Other Income (expense)
Fair Value - December 31, 2022	$ 22,000	$ 11,650	$ —	$ 33,650	$ —
Face value principal – issue date	—	—	11,111	11,111	—
Fair value adjustment – issue date	—	—	789	789	(789)
Installment repayments – common stock	(3,895)	(1,207)	(92)	(5,194)	—
Non-installment payments – common stock	(249)	(51)	(49)	(349)	—
Change in fair value	1,544	708	2,731	4,983	(4,983)
Fair Value at September 30, 2023	$ 19,400	$ 11,100	$ 14,490	$ 44,990	
Other Income (Expense) - Change in fair value – nine months ended September 30, 2023					$ (5,772)

Note 11 — Debt - continued

PAVmed - Senior Secured Convertible Notes

The Company entered into a Securities Purchase Agreement ("SPA") dated March 31, 2022, with an accredited institutional investor ("Investor", "Lender", and /or "Holder"), wherein, the Company agreed to sell, and the Investor agreed to purchase an aggregate of $50.0 million face value principal of debt - comprised of: an initial issuance of $27.5 million face value principal; and up to an additional $22.5 million of face value principal (upon the satisfaction of certain conditions). The debt was issued in a registered direct offering under the Company's effective shelf registration statement.

Under the SPA, the Company issued a Senior Secured Convertible Note dated April 4, 2022, referred to herein as the "April 2022 Senior Convertible Note", with such note having a $27.5 million face value principal, a 7.875% annual stated interest rate, a contractual conversion price of $5.00 per share of the Company's common stock (subject to standard adjustments in the event of any stock split, stock dividend, stock combination, recapitalization or other similar transaction), and a contractual maturity date of April 4, 2024. The April 2022 Senior Convertible Note may be converted into shares of common stock of the Company at the Holder's election.

Under the same SPA, the Company issued an additional Senior Secured Convertible Note dated September 8, 2022, referred to herein as the "September 2022 Senior Convertible Note", with such note having a $11.25 million face value principal, a 7.875% annual stated interest rate, a contractual conversion price of $5.00 per share of the Company's common stock (subject to standard adjustments in the event of any stock split, stock dividend, stock combination, recapitalization or other similar transaction), and a contractual maturity date of September 6, 2024. The September 2022 Senior Convertible Note may be converted into shares of common stock of the Company at the Holder's election.

The Company is subject to financial covenants requiring: (i) a minimum of $8.0 million of available cash at all times; (ii) the ratio of (a) the outstanding principal amount of the total senior convertible notes outstanding, accrued and unpaid interest thereon and accrued and unpaid late charges to (b) the Company's average market capitalization over the prior ten trading days, to not exceed 30% (the "Debt to Market Cap Ratio Test"); and (iii) the Company's market capitalization to at no time be less than $75 million (the "Market Cap Test" and, together with the Debt to Market Cap Ratio Test, the "Financial Tests"). From time to time from and after June 1, 2023 through August 14, 2023, the Company was not in compliance with the Financial Tests. As of August 14, 2023, the Investor agreed to waive any such non-compliance during such time period and thereafter through November 30, 2023.

In the nine months ended September 30, 2023, approximately $5,102 of principal repayments along with approximately $300 of interest expense thereon, were settled through the issuance of 20,383,445 shares of common stock of the Company, with such shares having a fair value of approximately $8,408 (with such fair value measured as the respective conversion date quoted closing price of the common stock of the Company). The conversions resulted in a debt extinguishment loss of $1,738 and $3,006 in the three and nine months ended September 30, 2023.

Lucid Diagnostics - Senior Secured Convertible Note

Lucid Diagnostics entered into a Securities Purchase Agreement ("Lucid SPA") dated March 13, 2023, with an accredited institutional investor ("Investor", "Lender", and /or "Holder"), wherein, Lucid agreed to sell, and the Investor agreed to purchase an aggregate of $11.1 million face value principal of debt. The debt was issued in a registered direct offering under the Lucid's effective shelf registration statement.

Under the SPA dated March 13, 2023, Lucid issued a Senior Secured Convertible Note dated March 21, 2023, referred to herein as the "Lucid March 2023 Senior Convertible Note", with such note having a $11.1 million face value principal, a 7.875% annual stated interest rate, a contractual conversion price of $5.00 per share of Lucid's common stock (subject to standard adjustments in the event of any stock split, stock dividend, stock combination, recapitalization or other similar transaction), and a contractual maturity date of March 21, 2025. The Lucid March 2023 Senior Convertible Note may be converted into shares of common stock of Lucid at the Holder's election.

The Lucid March 2023 Senior Convertible Note proceeds were $9.925 million after deducting a $1.186 million lender fee and offering costs. The lender fee and offering costs were recognized as of the March 21, 2023 issue date as a current period expense in other income (expense) in the Company's unaudited condensed consolidated statement of operations.

During the period from March 21, 2023 to September 20, 2023, Lucid is required to pay interest expense only (on the $11.1 million face value principal), at 7.875% per annum, computed on a 360 day year. Lucid paid in cash interest expense of $148 and $391 for the three and nine months ended September 30, 2023.

Commencing September 21, 2023, and then on each of the successive first and tenth trading day of each month thereafter through to and including March 14, 2025 (each referred to as an "Installment Date"); and on the March 21, 2025 maturity date, Lucid will be required to make a principal repayment of $292 together with accrued interest thereon, with such 38 payments referred to herein as the "Installment Amount", settled in shares of common stock of Lucid, subject to customary equity conditions, including minimum share price and volume thresholds, or at the election of Lucid, in cash, in whole or in part.

Note 11 — Debt - continued

In addition to the Installment Amount repayments, the Holder may elect to accelerate the conversion of future Installment Amount repayments, and interest thereon, subject to certain restrictions, as defined, utilizing the then current conversion price of the most recent Installment Date conversion price.

The payment of all amounts due and payable under this senior convertible note is guaranteed by Lucid's subsidiaries; and the obligations under this senior convertible note are secured by all of the assets of Lucid and its subsidiaries.

Lucid is subject to certain customary affirmative and negative covenants regarding the rank of the note, along with the incurrence of further indebtedness, the existence of liens, the repayment of indebtedness and the making of investments, the payment of cash in respect of dividends, distributions or redemptions, the transfer of assets, the maturity of other indebtedness, and transactions with affiliates, among other customary matters.

Lucid is subject to financial covenants requiring: (i) a minimum of $5.0 million of available cash at all times; (ii) the ratio of (a) the outstanding principal amount of the total senior convertible notes outstanding, accrued and unpaid interest thereon and accrued and unpaid late charges to (b) Lucid's average market capitalization over the prior ten trading days, as of the last day of any fiscal quarter commencing with September 30, 2023, to not exceed 30%; and (iii) Lucid's market capitalization to at no time be less than $30 million.

In the nine months ended September 30, 2023, approximately $92 of principal repayments along with approximately $48 of interest expense thereon, were settled through the issuance of 115,388 shares of common stock of Lucid, with such shares having a fair value of approximately $166 (with such fair value measured as the respective conversion date quoted closing price of the common stock of Lucid). The conversions resulted in a debt extinguishment loss of $26 in the three and nine months ended September 30, 2023.

During the three and nine months ended September 30, 2023, the Company recognized debt extinguishment losses in total of approximately $1,764 and $3,032, in connection with issuing common stock for principal repayments on convertible debt mentioned above. During the three and nine months ended September 30, 2022, the Company recognized debt extinguishment losses in total of approximately $5,123, in connection with issuing common stock for principal repayments on convertible debt mentioned above.

See Note 10, *Financial Instruments Fair Value Measurements*, for a further discussion of fair value assumptions.

Note 12 — Stock-Based Compensation

PAVmed Inc. 2014 Long-Term Incentive Equity Plan

The PAVmed Inc. 2014 Long-Term Incentive Equity Plan (the "PAVmed 2014 Equity Plan") is designed to enable PAVmed to offer employees, officers, directors, and consultants, as defined, an opportunity to acquire shares of common stock of PAVmed. The types of awards that may be granted under the PAVmed 2014 Equity Plan include stock options, stock appreciation rights, restricted stock, and other stock-based awards subject to limitations under applicable law. All awards are subject to approval by the PAVmed compensation committee.

A total of 21,052,807 shares of common stock of PAVmed are reserved for issuance under the PAVmed 2014 Equity Plan, with 1,570,086 shares available for grant as of September 30, 2023. The share reservation is not diminished by a total of 600,854 PAVmed Inc. stock options and restricted stock awards granted outside the PAVmed 2014 Equity Plan as of September 30, 2023. In January 2023, the number of shares available for grant was increased by 4,700,000 in accordance with the evergreen provisions of the plan.

Note 12 — Stock-Based Compensation - continued

PAVmed Stock Options

PAVmed stock options granted under the PAVmed 2014 Equity Plan and stock options granted outside such plan are summarized as follows:

	Number of Stock Options	Weighted Average Exercise Price	Remaining Contractual Term (Years)	Intrinsic Value[2]
Outstanding stock options at December 31, 2022	11,568,655	$ 2.71	7.4	$ —
Granted[1]	7,455,000	$ 0.47		
Exercised	—	$ —		
Forfeited	(1,944,170)	$ 1.75		
Outstanding stock options at September 30, 2023[3]	17,079,485	$ 1.85	7.5	$ —
Vested and exercisable stock options at September 30, 2023	8,379,277	$ 2.89	5.9	$ —

(1) Stock options granted under the PAVmed 2014 Equity Plan and those granted outside such plan generally vest one-third in one year then ratably over the next eight quarters, and have a ten-year contractual term from date-of-grant.

(2) The intrinsic value is computed as the difference between the quoted price of the PAVmed common stock on each of September 30, 2023 and December 31, 2022 and the exercise price of the underlying PAVmed stock options, to the extent such quoted price is greater than the exercise price.

(3) The outstanding stock options presented in the table above, are inclusive of 500,854 stock options granted outside the PAVmed 2014 Equity Plan, as of September 30, 2023 and December 31, 2022.

Subsequent to September 30, 2023, on November 7, 2023, the company granted to employees 775,000 stock options under the PAVmed Inc 2014 Equity Plan with a weighted average exercise price of $0.28 for which will generally vest one-third after one year then ratably over the next eight quarters.

PAVmed Restricted Stock Awards

PAVmed restricted stock awards granted under the PAVmed 2014 Equity Plan and restricted stock awards granted outside such plan are summarized as follows:

	Number of Restricted Stock Awards	Weighted Average Grant Date Fair Value
Unvested restricted stock awards as of December 31, 2022[1]	975,000	$ 3.05
Granted	182,927	0.39
Vested	(100,000)	3.10
Forfeited	—	—
Unvested restricted stock awards as of September 30, 2023	1,057,927	$ 2.58

(1) The unvested restricted stock awards presented in the table above, are inclusive of 100,000 restricted stock awards granted outside the PAVmed 2014 Equity Plan as of December 31, 2022. These 100,000 restricted stock awards were fully vested during the period ended September 30, 2023.

Lucid Diagnostics Inc. 2018 Long-Term Incentive Equity Plan

The Lucid Diagnostics Inc. 2018 Long-Term Incentive Equity Plan (“Lucid Diagnostics 2018 Equity Plan”) is separate and apart from the PAVmed 2014 Equity Plan discussed above. The Lucid Diagnostics 2018 Equity Plan is designed to enable Lucid Diagnostics to offer employees, officers, directors, and consultants, an opportunity to acquire shares of common stock of Lucid Diagnostics. The types of awards that may be granted under the Lucid Diagnostics 2018 Equity Plan include stock options, stock appreciation rights, restricted stock, and other stock-based awards subject to limitations under applicable law. All awards are subject to approval by the Lucid Diagnostics compensation committee.

A total of 11,644,000 shares of common stock of Lucid Diagnostics are reserved for issuance under the Lucid Diagnostics 2018 Equity Plan, with 3,929,301 shares available for grant as of September 30, 2023. The share reservation is not diminished by a total of 423,300 stock options and 50,000 restricted stock awards granted outside the Lucid Diagnostics 2018 Equity Plan, as of September 30, 2023. In January 2023, the number of shares available for grant was increased by 2,500,000 in accordance with the evergreen provisions of the plan.

Note 12 — Stock-Based Compensation - continued

Lucid Diagnostics Stock Options

Lucid Diagnostics stock options granted under the Lucid Diagnostics 2018 Equity Plan and stock options granted outside such plan are summarized as follows:

	Number of Stock Options	Weighted Average Exercise Price	Remaining Contractual Term (Years)	Intrinsic Value[2]
Outstanding stock options at December 31, 2022	2,565,377	$ 3.14	8.3	$ 428
Granted[1]	2,982,500	$ 1.32		
Exercised	—	$ —		
Forfeited	(590,662)	$ 2.70		
Outstanding stock options at September 30, 2023[3]	4,957,215	$ 2.10	8.6	$ 347
Vested and exercisable stock options at September 30, 2023	1,439,442	$ 2.77	7.0	$ 347

(1) Stock options granted under the Lucid Diagnostics 2018 Equity Plan and those granted outside such plan generally vest one-third in one year then ratably over the next eight quarters, and have a ten-year contractual term from date-of-grant.

(2) The intrinsic value is computed as the difference between the quoted price of the Lucid Diagnostics common stock on each of September 30, 2023 and December 31, 2022 and the exercise price of the underlying Lucid Diagnostics stock options, to the extent such quoted price is greater than the exercise price.

(3) The outstanding stock options presented in the table above, are inclusive of 423,300 stock options granted outside the Lucid Diagnostics 2018 Equity Plan, as of September 30, 2023 and December 31, 2022.

Subsequent to September 30, 2023, on November 6, 2023, the company granted to employees 500,000 stock options under the Lucid Diagnostics Inc 2018 Equity Plan with a weighted average exercise price of $1.29 for which will generally vest one-third after one year then ratably over the next eight quarters.

Lucid Diagnostics Restricted Stock Awards

Lucid Diagnostics restricted stock awards granted under the Lucid Diagnostics 2018 Equity Plan and restricted stock awards granted outside such plan are summarized as follows:

	Number of Restricted Stock Awards	Weighted Average Grant Date Fair Value
Unvested restricted stock awards as of December 31, 2022[1]	2,091,420	$ 11.44
Granted	—	—
Vested	(303,980)	11.95
Forfeited	—	—
Unvested restricted stock awards as of September 30, 2023	1,787,440	$ 11.36

(1) The unvested restricted stock awards presented in the table above, are inclusive of 50,000 restricted stock awards granted outside the Lucid Diagnostics 2018 Equity Plan as of December 31, 2022. These 50,000 restricted stock awards were fully vested during the period ended September 30, 2023.

Subsequent to September 30, 2023, on November 6, 2023, 550,000 restricted stock awards were granted under the Lucid Diagnostics Inc 2018 Equity Plan, with such restricted stock awards vesting one third each year for the next three years with the final vesting date on November 6, 2026, and an aggregate grant date fair value of approximately $0.7 million, measured as the grant date closing price of Lucid Diagnostics Inc. common stock, with such aggregate estimated fair value recognized as stock-based compensation expense ratably on a straight-line basis over the vesting period, which is commensurate with the service period. The restricted stock awards are subject to forfeiture if the requisite service period is not completed.

Consolidated Stock-Based Compensation Expense

The consolidated stock-based compensation expense recognized by each of PAVmed and Lucid Diagnostics for both the PAVmed 2014 Equity Plan and the Lucid Diagnostics 2018 Equity Plan, with respect to stock options and restricted stock awards as discussed above, for the periods indicated, was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Cost of revenue	$ 32	$ 9	$ 86	$ 9
Sales and marketing expenses	403	643	1,302	1,859
General and administrative expenses	1,499	3,854	6,761	12,016
Research and development expenses	311	258	1,022	699
Total stock-based compensation expense	$ 2,245	$ 4,764	$ 9,171	$ 14,583

Note 12 — Stock-Based Compensation - continued

Stock-Based Compensation Expense Recognized by Lucid Diagnostics

As noted, the consolidated stock-based compensation expense presented above is inclusive of stock-based compensation expense recognized by Lucid Diagnostics, inclusive of each of: stock options granted under the PAVmed 2014 Equity Plan to the three physician inventors of the intellectual property underlying the CWRU License Agreement ("Physician Inventors") (as discussed above in Note 4, *Related Party Transactions*); and stock options and restricted stock awards granted to employees of PAVmed and non-employee consultants under the Lucid Diagnostics 2018 Equity Plan. The stock-based compensation expense recognized by Lucid Diagnostics for both the PAVmed 2014 Equity Plan and the Lucid Diagnostics 2018 Equity Plan, with respect to stock options and restricted stock awards as discussed above, for the periods indicated, was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Lucid Diagnostics 2018 Equity Plan – cost of revenue	$ 16	$ 9	$ 44	$ 9
Lucid Diagnostics 2018 Equity Plan – sales and marketing	228	253	697	733
Lucid Diagnostics 2018 Equity Plan – general and administrative	721	2,990	4,069	9,504
Lucid Diagnostics 2018 Equity Plan – research and development	67	28	204	125
PAVmed 2014 Equity Plan - cost of revenue	10	—	26	—
PAVmed 2014 Equity Plan - sales and marketing	106	161	359	497
PAVmed 2014 Equity Plan - general and administrative	7	78	170	224
PAVmed 2014 Equity Plan - research and development	97	52	290	159
Total stock-based compensation expense – recognized by Lucid Diagnostics	$ 1,252	$ 3,571	$ 5,859	$ 11,251

The consolidated unrecognized stock-based compensation expense and weighted average remaining requisite service period with respect to stock options and restricted stock awards issued under each of the PAVmed 2014 Equity Plan and the Lucid Diagnostics 2018 Equity Plan, as discussed above, is as follows:

	Unrecognized Expense	Weighted Average Remaining Service Period (Years)
PAVmed 2014 Equity Plan		
Stock Options	$ 4,736	2.0
Restricted Stock Awards	$ 316	1.4
Lucid Diagnostics 2018 Equity Plan		
Stock Options	$ 3,620	2.1
Restricted Stock Awards	$ 633	1.0

Stock-based compensation expense recognized with respect to stock options granted under the PAVmed 2014 Equity Plan was based on a weighted average estimated fair value of such stock options of $0.35 per share and $1.08 per share during the periods ended September 30, 2023 and 2022, respectively, calculated using the following weighted average Black-Scholes valuation model assumptions:

	Nine Months Ended September 30,	
	2023	2022
Expected term of stock options (in years)	5.7	5.8
Expected stock price volatility	88%	86%
Risk free interest rate	3.7%	2.9%
Expected dividend yield	—%	—%

Note 12 — Stock-Based Compensation - continued

Stock-based compensation expense recognized with respect to stock options granted under the Lucid Diagnostics 2018 Equity Plan was based on a weighted average estimated fair value of such stock options of $0.88 per share and $1.61 per share during the periods ended September 30, 2023 and 2022, respectively, calculated using the following weighted average Black-Scholes valuation model assumptions:

	Nine Months Ended September 30,	
	2023	**2022**
Expected term of stock options (in years)	5.6	5.8
Expected stock price volatility	75%	72%
Risk free interest rate	3.7%	3.2%
Expected dividend yield	—%	—%

PAVmed Inc. Employee Stock Purchase Plan ("PAVmed ESPP")

A total of 573,229 shares and 194,240 shares of common stock of the Company were purchased for proceeds of approximately $182 and $218, on March 31, 2023 and 2022, respectively, under the PAVmed ESPP. A total of 304,001 shares and 191,698 shares of common stock of the Company were purchased for proceeds of approximately $76 and $140, on September 30, 2023 and 2022, respectively, under the PAVmed ESPP. The March 31, 2023 purchase was partially settled through the redeployment of 188,846 shares of treasury stock. The September 30, 2022 purchase was settled through the redeployment of treasury stock. The PAVmed ESPP has a total reserve of 2,000,000 shares of common stock of PAVmed of which 112,913 shares are available for issue as of September 30, 2023. In January 2023, the number of shares available-for-issue was increased by 250,000 in accordance with the evergreen provisions of the plan.

Lucid Diagnostics Inc. Employee Stock Purchase Plan ("Lucid ESPP")

A total of 231,987 shares of common stock of Lucid Diagnostics were purchased for proceeds of approximately $276 on March 31, 2023 under the Lucid ESPP. A total of 276,213 and 84,030 shares of common stock of Lucid Diagnostics were purchased for proceeds of approximately $275 and $109 on September 30, 2023 and 2022, respectively, under the Lucid ESPP.The Lucid ESPP has a total reserve of 1,000,000 shares of common stock of Lucid Diagnostics of which 407,770 shares are available-for-issue as of September 30, 2023. In January 2023, the number of shares available for issue was increased by 500,000 in accordance with the evergreen provisions of the plan.

Note 13 — Preferred Stock

As of September 30, 2023 and December 31, 2022, there were 1,279,601 and 1,205,759 shares of PAVmed Series B Convertible Preferred Stock, classified in permanent equity, issued and outstanding, respectively.

Series B Convertible Preferred Stock Dividends

The PAVmed Inc. Series B Convertible Preferred Stock dividends are 8.0% per annum based on the $3.00 per share stated value of the Series B Convertible Preferred Stock, with such dividends compounded quarterly, accumulate, and are payable in arrears upon being declared by the Company's board of directors. Such dividends may be settled, at the discretion of the board of directors, through any combination of the issue of additional shares of Series B Convertible Preferred Stock, the issue shares of common stock of the Company, and /or cash payment.

Series B Convertible Preferred Stock Dividends Earned

The Series B Convertible Preferred Stock dividends earned are included in the calculation of basic and diluted net loss attributable to PAVmed common stockholders for each of the respective corresponding periods presented in the accompanying unaudited condensed consolidated statement of operations, inclusive of $77 and $226 of such dividends earned in the three and nine months ended September 30, 2023, respectively; and $71 and $209 of such dividends earned in the three and nine months ended September 30, 2022, respectively.

Series B Convertible Preferred Stock Dividends Declared

In the nine months ended September 30, 2023, the Company's board-of-directors declared Series B Convertible Preferred Stock dividends of an aggregate of $221, inclusive of $72 earned as of December 31, 2022; and $74 earned as of March 31, 2023; and $75 earned as of June 30, 2023; with such dividends settled by the issue of an aggregate 73,842 additional shares of Series B Convertible Preferred Stock, inclusive of 24,128 shares issued with respect to the dividends earned as of December 31, 2022; and 24,610 shares issued with respect to the dividends earned as of March 31, 2023; and 25,104 shares issued with respect to the dividends earned as of June 30, 2023.

Note 13 — Preferred Stock - continued

In the nine months ended September 30, 2022, the Company's board-of-directors declared Series B Convertible Preferred Stock dividends of an aggregate of $205, inclusive of: $67 earned as of December 31, 2021; and $68 earned as of March 31, 2022; and $70 earned as of June 30, 2022; with such dividends settled by the issue of an aggregate 68,227 additional shares of Series B Convertible Preferred Stock, inclusive of 22,291 shares issued with respect to the dividends earned as of December 31, 2021; and 22,740 shares issued with respect to the dividends earned as of March 31, 2022; and 23,196 shares issued with respect to the dividends earned as of June 30, 2022.

Subsequent to September 30, 2023, in October 2023, the Company's board of directors declared a Series B Convertible Preferred Stock dividend, earned as of September 30, 2023, of $77, to be settled by the issue of 25,612 additional shares of Series B Convertible Preferred Stock.

The Series B Convertible Preferred Stock dividends are recognized as a dividend payable liability only upon the dividend being declared payable by the Company's board of directors. Accordingly, the dividends declared payable subsequent to the date of the accompanying condensed consolidated balance sheet were not recognized as a dividend payable liability as the Company's board of directors had not declared the dividends payable as of each such date.

Note 14 — Common Stock and Common Stock Purchase Warrants

Common Stock

On December 29, 2022, the Company received a notice from the Listing Qualifications Department of Nasdaq stating that, for the prior 30 consecutive business days (through December 28, 2022), the closing bid price of the Company's common stock had been below the minimum of $1 per share required for continued listing on the Nasdaq Capital Market under Nasdaq Listing Rule 5550(a)(2). The notification letter stated that the Company would be afforded 180 calendar days (until June 27, 2023) to regain compliance. On June 28, 2023, the Company received a second notice from the Listing Qualifications Department of Nasdaq granting the Company a 180-day extension (or until December 26, 2023) to regain compliance with the minimum bid price requirement. In order to regain compliance, the closing bid price of the Company's common stock must be at least $1 for a minimum of ten consecutive business days. During the special meeting ("Special Meeting") of shareholders held on March 31, 2023, the shareholders approved a proposal to amend the Company's Certificate of Incorporation, to effect, at any time prior to the one-year anniversary date of the Special Meeting, (i) a reverse split of the Company's outstanding shares of common stock at a specific ratio, ranging from 1-for-5 to 1-for-15, to be determined by the board of directors of the Company in its sole discretion, and (ii) an associated reduction in the number of shares of common stock the Company is authorized to issue, from 250,000,000 shares to 50,000,000 shares. If the Company's board of directors authorizes the Company to consummate the reverse stock split, the Company anticipates it will regain compliance with the Nasdaq requirements for continued listing through such transaction.

As discussed above in Note 10, *Financial Instruments Fair Value Measurements*, a total of 1,500,000 shares of PAVmed common stock was issued to a service provider as the consideration for the services rendered under the May 31, 2023 R&D Agreement. The issued shares of common stock had a fair value of approximately $602 (with such fair value measured using the quoted closing price of the common stock of the Company on the effective date of the respective underlying agreement). The issued shares of common stock are nonrefundable. As the service provider has substantially rendered the services under the May 31, 2023 R&D Agreement as of September 30, 2023, the estimated fair value of the issued shares was recognized as a research and development expense in the accompanying (unaudited) condensed consolidated statement of operations for the three and nine months ended September 30, 2023. See Note 10, *Financial Instruments Fair Value Measurements*, for a further discussion of the May 31, 2023 R&D Agreement, including the contingent additional contractual consideration obligation.

During the nine months ended September 30, 2023 a total of 877,230 shares of common stock of the Company were issued under the PAVmed ESPP. See Note 12, *Stock-Based Compensation*, for a discussion of each of the PAVmed 2014 Equity Plan and the PAVmed ESPP.

In the nine months ended September 30, 2023, 20,383,445 shares of the Company's common stock were issued upon conversion, at the election of the holder, of the April 2022 Senior Convertible Note and the September 2022 Senior Convertible Note, for $5,102 face value principal repayments, as discussed in Note 11, *Debt*.

In the nine months ended September 30, 2023, the Company sold 2,330,747 shares through their at-the-market equity facility for net proceeds of approximately $1,165, after payment of 3% commissions.

Common Stock Purchase Warrants

As of September 30, 2023 and December 31, 2022, Series Z Warrants outstanding totaled 11,937,450. The Series Z Warrants are exercisable to purchase one share of common stock of the Company at an exercise price of $1.60 per share, and expire April 30, 2024. There were no Series Z Warrants exercised during the nine months ended September 30, 2023.

Note 15 — Noncontrolling Interest

The noncontrolling interest ("NCI") included as a component of consolidated total stockholders' equity is summarized for the periods indicated as follows:

NCI – equity – December 31, 2022	$	20,615
Net loss attributable to NCI		(11,716)
Impact of subsidiary equity transactions		(1,984)
Lucid Diagnostics Inc. proceeds from issuance of preferred stock		13,625
Lucid Diagnostics Inc. proceeds from At-The-Market Facilities, net of deferred financing charges		284
Lucid Diagnostics Inc. issuance of common stock for settlement of APA-RDx installment and termination payment		713
Lucid Diagnostics Inc. issuance of common stock for settlement of vendor service agreement		147
Lucid Diagnostics Inc. Employee Stock Purchase Plan Purchase		551
Conversion of Lucid Diagnostics Inc. common stock for Senior Secured Convertible Debt		167
Stock-based compensation expense - Lucid Diagnostics Inc. 2018 Equity Plan		5,014
Stock-based compensation expense - Veris Health Inc. 2021 Equity Plan		15
NCI – equity – September 30, 2023	$	27,431

The consolidated NCI presented above is with respect to the Company's consolidated majority-owned subsidiaries as a component of consolidated total stockholders' equity as of September 30, 2023 and December 31, 2022; and the recognition of a net loss attributable to the NCI in the unaudited condensed consolidated statement of operations for the periods beginning on the acquisition date of the respective majority-owned subsidiaries.

Lucid Diagnostics

As of September 30, 2023, there were 42,329,864 shares of common stock of Lucid Diagnostics issued and outstanding, of which, PAVmed holds 31,302,420 shares, representing a majority ownership equity interest and PAVmed has a controlling financial interest in Lucid Diagnostics, and accordingly, Lucid Diagnostics is a consolidated majority-owned subsidiary of PAVmed.

On March 7, 2023, Lucid issued 13,625 shares of newly designated Lucid Series A Convertible Preferred Stock (the "Lucid Series A Preferred Stock"). Each share of the Lucid Series A Preferred Stock has a stated value of $1,000 and a conversion price of $1.394. The Lucid Series A Preferred Stock is convertible into shares of Lucid Diagnostics' common stock at any time at the option of the holder from and after the six-month anniversary of its issuance, and automatically converts into shares of Lucid Diagnostics' common stock on the second anniversary of its issuance. The terms of the Lucid Series A Preferred Stock also include a one times preference on liquidation and a right to receive dividends equal to 20% of the number of shares of Lucid common stock into which such Lucid Series A Preferred Stock is convertible, payable on the one-year and two-year anniversary of the issuance date. The Lucid Series A Preferred Stock is a non-voting security, other than with respect to limited matters related to changes in terms of the Lucid Series A Preferred Stock. The aggregate gross proceeds from the sale of shares in such offering were $13.625 million.

In November 2022, Lucid Diagnostics entered into an "at-the-market offering" for up to $6.5 million of its common stock that may be offered and sold under a Controlled Equity Offering Agreement between Lucid Diagnostics and Cantor Fitzgerald & Co. In the nine months ended September 30, 2023, Lucid Diagnostics sold 230,068 shares through their at-the-market equity facility for net proceeds of approximately $0.3 million, after payment of 3% commissions. No shares were sold through Lucid's at-the-market equity facility during the three months ended September 30, 2023.

Subsequent to September 30, 2023, on October 17, 2023, Lucid issued 5,000 shares of newly designated Lucid Series A-1 Convertible Preferred Stock (the "Lucid Series A-1 Preferred Stock"). The terms of the Lucid Series A-1 Preferred Stock are substantially identical to the terms of the Lucid Series A Preferred Stock, except that the Lucid Series A-1 Preferred Stock has a conversion price of $1.2592. The aggregate gross proceeds from the sale of shares in such offering were $5.0 million.

Veris Health

As of September 30, 2023, there were 8,000,000 shares of common stock of Veris Health issued and outstanding, of which PAVmed holds an 80.44% majority-interest ownership and PAVmed has a controlling financial interest, with the remaining 19.56% minority-interest ownership held by an unrelated third-party. Accordingly, Veris Health is a consolidated majority-owned subsidiary of the Company, for which a provision of a noncontrolling interest (NCI) is included as a separate component of consolidated stockholders' equity in the accompanying unaudited condensed consolidated balance sheets.

Note 16 — Net Loss Per Share

The Net loss per share - attributable to PAVmed Inc. - basic and diluted and Net loss per share - attributable to PAVmed Inc. common stockholders - basic and diluted - for the respective periods indicated - is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Numerator				
Net loss - before noncontrolling interest	$ (21,750)	$ (29,932)	$ (61,855)	$ (78,666)
Net loss attributable to noncontrolling interest	4,079	3,806	11,716	10,143
Net loss - as reported, attributable to PAVmed Inc.	$ (17,671)	$ (26,126)	$ (50,139)	$ (68,523)
Series B Convertible Preferred Stock dividends – earned	$ (77)	$ (71)	$ (226)	$ (209)
Net loss attributable to PAVmed Inc. common stockholders	$ (17,748)	$ (26,197)	$ (50,365)	$ (68,732)
Denominator				
Weighted average common shares outstanding, basic and diluted	111,941,269	89,758,927	104,516,464	87,724,124
Net loss per share				
Basic and diluted				
Net loss - as reported, attributable to PAVmed Inc.	$ (0.16)	$ (0.29)	$ (0.48)	$ (0.78)
Net loss attributable to PAVmed Inc. common stockholders	$ (0.16)	$ (0.29)	$ (0.48)	$ (0.78)

The common stock equivalents have been excluded from the computation of diluted weighted average shares outstanding as their inclusion would be anti-dilutive, are as follows:

The Series B Convertible Preferred Stock dividends earned as of each of the respective periods noted, are included in the calculation of basic and diluted net loss attributable to PAVmed common stockholders for each respective period presented. Notwithstanding, the Series B Convertible Preferred Stock dividends are recognized as a dividend payable only upon the dividend being declared payable by the Company’s board of directors.

Basic weighted-average number of shares of common stock outstanding for the periods ended September 30, 2023 and 2022 include the shares of the Company issued and outstanding during such periods, each on a weighted average basis. The basic weighted average number of shares of common stock outstanding excludes common stock equivalent incremental shares, while diluted weighted average number of shares outstanding includes such incremental shares. However, as the Company was in a loss position for all periods presented, basic and diluted weighted average shares outstanding are the same, as the inclusion of the incremental shares would be anti-dilutive. The common stock equivalents excluded from the computation of diluted weighted average shares outstanding are as follows:

	September 30,	
	2023	2022
Stock options and restricted stock awards	18,137,412	12,586,571
Series Z Warrants	11,937,450	11,937,450
Series B Convertible Preferred Stock	1,279,601	1,182,101
Total	31,354,463	25,706,122

The total stock options and restricted stock awards are inclusive of 500,854 stock options as of September 30, 2023 and 2022; and 100,000 restricted stock awards as of September 30, 2022 granted outside the PAVmed 2014 Equity Plan. These 100,000 restricted stock awards were fully vested during the period ended September 30, 2023.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our unaudited condensed consolidated financial condition and results of operations should be read together with our Annual Report on Form 10-K for the year ended December 31, 2022 (the "Form 10-K"), as filed with the Securities and Exchange Commission (the "SEC").

Unless the context otherwise requires, (i) "we", "us", and "our", and the "Company" and "PAVmed" refer to PAVmed Inc. and its subsidiaries, including its majority-owned subsidiary Lucid Diagnostics Inc. ("Lucid Diagnostics" or "Lucid") and its majority-owned subsidiary Veris Health Inc. ("Veris Health" or "Veris"), (ii) "FDA" refers to the Food and Drug Administration, (iii) "510(k)" refers to a premarket notification, submitted to the FDA by a manufacturer pursuant to § 510(k) of the Food, Drug and Cosmetic Act and 21 CFR § 807 subpart E, (iv) "CLIA" refers to the Clinical Laboratory Improvement Amendments of 1988 and associated regulations set forth in 42 CFR § 493, and (v) "LDT" refers to a diagnostic test, defined by the FDA as "an IVD that is intended for clinical use and designed, manufactured and used within a single laboratory," which is generally subject only to self-certification of analytical validity under the CMS CLIA program.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Form 10-Q") including the following discussion and analysis of our unaudited condensed consolidated financial condition and results of operations, contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, contained in this Form 10-Q, including statements regarding our future results of operations and financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. The words "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements are not guarantees of future performance and the Company's actual results may differ significantly from those expressed or implied in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in Item 1A of Part I of the Form 10-K under the heading "Risk Factors."

Important factors that may affect our actual results include:

- our limited operating history;
- our financial performance, including our ability to generate revenue;
- our ability to obtain regulatory approval for the commercialization of our products;
- the risk that the FDA will cease to exercise enforcement discretion with respect to LDTs, like EsoGuard;
- the ability of our products to achieve market acceptance;
- our success in retaining or recruiting, or changes required in, our officers, key employees or directors;
- our potential ability to obtain additional financing when and if needed;
- our ability to protect our intellectual property;
- our ability to complete strategic acquisitions;
- our ability to manage growth and integrate acquired operations;
- the potential liquidity and trading of our securities;
- our regulatory and operational risks;
- cybersecurity risks;
- risks related to the COVID-19 pandemic and other health-related emergencies; and
- our estimates regarding expenses, future revenue, capital requirements and needs for additional financing.

In addition, our forward-looking statements do not reflect the potential impact of any future financings, acquisitions, mergers, dispositions, joint ventures or investments we may make.

We may not actually achieve the plans, intentions, and/or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. You should read this Form 10-Q and the documents we have filed as exhibits to this Form 10-Q and the Form 10-K completely and with the understanding our actual future results may be materially different from what we expect. We do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

Overview

PAVmed is a diversified commercial-stage medical technology company operating in the medical device, diagnostics, and digital health sectors, including through its majority-owned subsidiaries Lucid Diagnostics, a publicly-traded commercial-stage cancer prevention diagnostics company, and Veris Health, a private digital health company focused on enhanced personalized cancer care through remote patient monitoring using implantable biologic sensors with wireless communication along with a custom suite of connected external devices. Our current central focus is on the commercialization of Lucid Diagnostics's EsoGuard and Veris Health's Veris Cancer Care Platform. As resources permit, we will continue to explore internal and external innovations that fulfill our project selection criteria without limiting ourselves to any target specialty or condition. More broadly, we strive to maintain balance within our pipeline with shorter-term, lower-risk projects with the prospect for rapid commercialization and revenue generation supporting development of longer-term projects. At the same time, we are continuously re-assessing each project's long-term commercial potential relative to other projects in our pipeline, accelerating or decelerating the project and reallocating resources.

See Part I, Item 1, "Business," in the Form 10-K for a more detailed summary of the medical device, diagnostics, and digital health sectors and our key products, including in particular EsoGuard and the Veris Cancer Care Platform, which are currently our two leading products.

Recent Developments

Business

PAVmed Strategic Business Update

In January 2023, PAVmed launched a strategic initiative designed to maximize cash runway and protect long-term shareholder interests through adjustments in near-term strategic priorities and associated resource allocation. The Company is currently focusing substantially all of its resources and near-term efforts on the commercialization of Lucid's and Veris' products.

Status of Lucid Clinical Trials and Publications

Lucid continues to accelerate its collection and publication of clinical utility data through a range of trials. These efforts include an investigator-initiated, retrospective analysis of prospectively collected data on San Antonio firefighters who underwent testing as part of a community-sponsored cancer awareness event described below; a virtual-patient randomized controlled trial with intended recruitment of at least 100 physician participants; a Lucid-sponsored multi-center, prospective, observational study with 500 patients; and two Lucid-sponsored registries, in which Lucid collects real-world clinical utility and clinical validity data on EsoGuard Esophageal DNA testing for the detection of esophageal precancer in two distinct populations.

With regard to the two registries, the Prospective REView of Esophageal Precancer DetectioN in AT-Risk Patients (PREVENT) Registry collects data on EsoGuard testing in the commercial increased-risk population, while the PREVENT-Fire Fighters (PREVENT-FF) Registry focuses exclusively on increased-risk firefighters. Complete data for the San Antonio firefighter study has been accepted for peer review publication in Journal of Gastrointestinal & Digestive System (ISSN: 2161-069X). Combined early interim results from the PREVENT and PREVENT-FF registries focusing on provider decision impact has also been accepted for peer review publication in Journal of Gastroenterology & Digestive Systems (ISSN: 2640-7477).

Interim results for the Lucid-sponsored observational study have been posted in preprint on medRxiv and are undergoing journal peer review. Enrollment for the Lucid-sponsored observational study is expected to be completed by the end of the year. Similarly, results for the Lucid-sponsored virtual-patient study are expected to be ready for analysis before the end of 2023.

#CheckYourFoodTube Events

In January 2023, Lucid completed its first #CheckYourFoodTube Precancer Testing Event, with the San Antonio Fire Department (the "SAFD") during Firefighter Cancer Awareness Month as designated by the International Association of Fire Fighters (IAFF). A total of 391 members who were deemed to be at-risk for esophageal precancer, underwent a brief, on-site, noninvasive cell collection procedure, performed by our clinical personnel using EsoCheck. Firefighters with suspected esophageal precancer based on a positive EsoGuard result were identified, including some less than 40 years of age, and will undergo appropriate monitoring and treatment, as indicated by clinical practice guidelines, to prevent progression to esophageal cancer.

Since then, additional testing events have been hosted with the SAFD, and similar events have been held with fire departments throughout the country. These events are ongoing and are an extension of Lucid's satellite Lucid Test Center ("sLTC") program, which brings Lucid precancer testing directly to patients—at their physician's office and now at testing day events.

Launch of Direct Contracting Strategic Initiative

In March 2023, Lucid launched a Direct Contracting Strategic Initiative ("DCSI") to engage directly with large Administrative Services Only ("ASO") self-insured employers, unions and other entities, seeking to replicate the successes of other diagnostic companies that have deployed similar strategies. In August 2023, the company announced it had contracted with the Ancira Automotive Group as a result of this initiative, providing access to esophageal precancer testing for its employees at all 12 San Antonio locations.

Business - continued

New Revenue Cycle Management Provider

In May 2023, Lucid began to transition claims submission responsibility to a new revenue cycle management provider that offered more robust capabilities for, among other things, claims processing and appeals. The provider upgrade has been completed and claim submissions resumed in June 2023. Since completing the transition, the upgrade has continued to demonstrate an improvement in speed of collections, turnaround time to claim submission, percentage of claims paid, and actionable data for appeals.

Lucid Personnel Update

Effective on November 6, 2023, the Lucid board of directors appointed Shaun M. O'Neil as the President of Lucid. Mr. O'Neil, who is 41 years old, also continues to serve as the Chief Operating Officer of PAVmed and as the Chief Operating Officer of Lucid. For additional biographical information about Mr. O'Neil, please refer to PAVmed's definitive proxy statement on Schedule 14A filed on May 1, 2023, which information is incorporated herein by reference. Other than in connection with his service as an officer of PAVmed and Lucid, Mr. O'Neil has not engaged in any transactions with PAVmed that are required to be reported pursuant to Item 404(a) of Regulation S-K.

Veris Health Commercialization Update

In December 2022 Veris Health, PAVmed's digital health subsidiary, commercially launched its Veris Cancer Care Platform by executing its first commercial contract with New Jersey Cancer Care, PA ("NJCC"), an oncology practice and member of the prestigious Quality Cancer Care Alliance. In February 2023, the Veris Cancer Care Platform went live following successful onboarding of the first cohort of cancer patients and their clinicians at NJCC. Enrolled patients received a VerisBox and began connecting their Bluetooth-enabled health care devices to transmit real-time physiologic data to the cloud-based Veris Cancer Care Platform clinician portal. The patients also began reporting symptoms and quality-of-life parameters through the Veris Cancer Care Platform patient smartphone app, which is now available for patients on the Apple App Store and Google Play. The cloud-based clinician portal was concurrently integrated into the oncology practice and the cancer care team began using it to review physiologic and clinical data and other remote patient monitoring ("RPM") services. Since the Veris Cancer Care Platform went "live" in February, Veris added two additional accounts, expanding utilization of the product to a total of six locations across three oncology practices while continuing to seek to build a pipeline of prospective customers.

Under the leadership of its new President, Veris is actively restructuring and expanding its commercial team seeking to accelerate patient enrollment and subscription revenue, while also launching two strategic initiatives which expand its long-term commercial potential. These include:

- Building a Biopharma Companion Digital Platform module to extend the Veris Cancer Care Platform as a companion solution for biopharmaceutical companies developing novel cancer therapeutics. The module will provide these companies with a long-term patient monitoring solution tightly linked to their cancer therapeutic—from clinical-stage through full commercialization. This includes support for clinical trials and post-marketing surveillance to enhance safety by reducing adverse events, expedite regulatory filings, lower regulatory hurdles, and accelerate speed to market. The business model seeks to replicate the widespread success of companion diagnostics tightly linked to therapeutics.

- Upgrading the Veris Cancer Care Platform from an FDA-designated Medical Device Data System ("MDDS"), limited to displaying medical data for clinicians without modification, to a Software-as-a-Medical-Device ("SaMD"). As a SaMD, the platform will have unlimited potential to grow into a full-bore clinical decision support tool that includes threshold alarms for faster provider response, analytical algorithms for effective triage, and digital biomarkers based on artificial intelligence and machine learning that will provide a risk assessment for cancer patients. The first step will be to incorporate the key features in the next generation product and initiate validation testing to support FDA 510(k) submission as a SaMD next year.

Veris also has continued to make progress toward regulatory submission of its implantable cardiac and physiologic monitor, The device, which is designed to be implanted in conjunction with a vascular access port, is targeted for FDA submission and commercial launch in 2024 and will further the power of the Veris Cancer Care Platform by better assuring patient compliance with RPM data reporting requirements. Veris recently completed an animal study which demonstrated intended device performance, consistent with its design and clinical specifications, over an extended implant period and pre-submission meetings seeking feedback on various design features have been ongoing.

NASDAQ Notice

On December 29, 2022, the Company received a notice from the Listing Qualifications Department of Nasdaq stating that, for the prior 30 consecutive business days (through December 28, 2022), the closing bid price of the Company's common stock had been below the minimum of $1 per share required for continued listing on the Nasdaq Capital Market under Nasdaq Listing Rule 5550(a)(2). The notification letter stated that the Company would be afforded 180 calendar days (until June 27, 2023) to regain compliance, and that the Company could be eligible for additional time. Although the Company did not regain compliance within the initial 180 calendar day period, Nasdaq determined that the Company was eligible for an additional 180 calendar day period to regain compliance (until December 26, 2023). In order to regain compliance, the closing bid price of the Company's common stock must be at least $1 for a minimum of ten consecutive business days during the additional 180 calendar day period. The Company intends to consider all available options to regain compliance with the Nasdaq listing standards. On March 31, 2023, the Company's stockholders approved an amendment to its certificate of incorporation, authorizing the Company to effect, at any time prior to March 31, 2024, (i) a reverse split of the Company's outstanding shares of common stock at a specific ratio, ranging from 1-for-5 to 1-for-15, to be determined by the board of directors of the Company in its sole discretion, and (ii) an associated reduction in the number of shares of common stock the Company is authorized to issue, from 250,000,000 shares to 50,000,000 shares. If the Company's board of directors authorizes the Company to consummate the reverse stock split, the Company anticipates it will regain compliance with the Nasdaq requirements for continued listing through such transaction.

Financing

Lucid Diagnostics - Series A Preferred Stock Offering

On March 7, 2023, Lucid sold 13,625 shares of newly designated Lucid Series A Convertible Preferred Stock (the "Lucid Series A Preferred Stock"), solely to accredited investors. Each share of the Lucid Series A Preferred Stock has a stated value of $1,000 and a conversion price of $1.394. The Lucid Series A Preferred Stock is convertible into shares of Lucid's common stock at any time at the option of the holder from and after the six-month anniversary of its issuance (or, if later, the effective date of an increase in Lucid Diagnostics' authorized share capital or the effective date of a registration statement covering the resale of the underlying shares), and automatically converts into shares of Lucid's common stock on the second anniversary of its issuance. The terms of the Lucid Series A Preferred Stock also include a preference on liquidation and a right to receive dividends equal to 20% of the number of shares of Lucid common stock into which such Lucid Series A Preferred Stock is convertible, payable on each of the one-year and two-year anniversary of the issuance date. The Lucid Series A Preferred Stock is a non-voting security, other than with respect to limited matters related to changes in terms of the Lucid Series A Preferred Stock. The sale of the Lucid Series A Preferred Stock generated $13.625 million in aggregate gross proceeds.

Lucid Diagnostics - Series A-1 Preferred Stock Offering

On October 17, 2023, Lucid sold 5,000 shares of Lucid Series A-1 Convertible Preferred Stock (the "Lucid Series A-1 Preferred Stock"), solely to accredited investors. The terms of the Lucid Series A-1 Preferred Stock are substantially identical to the terms of the Lucid Series A Preferred Stock, except that the Lucid Series A-1 Preferred Stock has a conversion price of $1.2592. The sale of the Lucid Series A-1 Preferred Stock generated $5.0 million in aggregate gross proceeds.

Lucid Diagnostics - Securities Purchase Agreement - March 13, 2023 - Senior Secured Convertible Note - March 21, 2023

Effective as of March 13, 2023, Lucid Diagnostics entered into a Securities Purchase Agreement ("Lucid SPA") with an accredited institutional investor, pursuant to which Lucid Diagnostics agreed to sell, and the investor agreed to purchase a Senior Secured Convertible Note with a face value principal of $11.1 million (the "Lucid March 2023 Senior Convertible Note"). Lucid Diagnostics issued the Lucid March 2023 Senior Convertible Note on March 21, 2023 pursuant to the Lucid SPA. The sale of the Lucid March 2023 Senior Convertible Note generated $9.925 million in proceeds, after deducting a $1.186 million lender fee and offering costs.

The Lucid March 2023 Senior Convertible Note has a 7.875% annual stated interest rate, a contractual conversion price of $5.00 per share of Lucid Diagnostics' common stock (subject to standard adjustments in the event of any stock split, stock dividend, stock combination, recapitalization or other similar transaction), and a contractual maturity date of the two-year anniversary of the date of issuance. The principal of the Lucid March 2023 Senior Convertible Note and accrued interest thereon is convertible at the option of the holder into Lucid Diagnostics' common stock at the contractual conversion price. In addition, the principal of the Lucid March 2023 Senior Convertible Note amortizes over 18 months commencing six months after its issuance. The amortization payments and accrued interest on the Lucid March 2023 Senior Convertible Note are payable in shares of Lucid Diagnostics' common stock (subject to the satisfaction of certain customary equity conditions and except for interest payable prior to September 21, 2023), at prices based on the then current market price.

PAVmed Inc. ATM Facility

In December 2021, we entered into an "at-the-market offering" for up to $50 million of our common stock that may be offered and sold under a Controlled Equity Offering Agreement between us and Cantor. In March 2023, the "at-the-market offering" became subject to General Instruction I.B.6 of Form S-3, which limits sales of our securities under this instruction in any 12-month period to one-third of the aggregate market value of our public float (unless our public float rises to $75 million or more, in which case the instruction will cease to apply). As a result of this limitation and our then-current public float, in May 2023, we amended our "at-the-market offering" to cover up to an additional $18 million of our common stock. In the nine months ended September 30, 2023, the Company sold 2,330,747 shares through its at-the-market equity facility for net proceeds of approximately $1.2 million, after payment of 3% commissions. No shares were sold through the Company's at-the-market equity facility during the three months ended September 30, 2023.

Lucid Diagnostics Inc. - Committed Equity Facility and ATM Facility

In March 2022, Lucid Diagnostics entered into a committed equity facility with a Cantor affiliate. Under the terms of the committed equity facility, the Cantor affiliate has committed to purchase up to $50 million of Lucid Diagnostics' common stock from time to time at Lucid Diagnostics' request. While there are distinct differences, the committed equity facility is structured similarly to a traditional at-the-market equity facility, insofar as it allows Lucid Diagnostics to raise primary equity capital on a periodic basis at prices based on the existing market price. Cumulatively a total of 680,263 shares of Lucid Diagnostics' common stock were issued for net proceeds of approximately $1.8 million, after a 4% discount, as of September 30, 2023. No shares were sold through this facility during the three months ended September 30, 2023.

In November 2022, Lucid Diagnostics also entered into an "at-the-market offering" for up to $6.5 million of its common stock that may be offered and sold under a Controlled Equity Offering Agreement between Lucid Diagnostics and Cantor. In the nine months ended September 30, 2023, Lucid Diagnostics sold 230,068 shares through its at-the-market equity facility for net proceeds of approximately $0.3 million, after payment of 3% commissions. No shares were sold through Lucid's at-the-market equity facility during the three months ended September 30, 2023.

Results of Operations

Overview

Revenue

The Company recognized revenue resulting from the delivery of patient EsoGuard test results when the Company considered the collection of such consideration to be probable to the extent that it is unconstrained. Additionally, in the three months ended March 31, 2022, revenue was recognized with respect to the EsoGuard Commercialization Agreement, dated August 1, 2021, between the Lucid Diagnostics and ResearchDx Inc. ("RDx"), a CLIA certified commercial laboratory service provider. On February 25, 2022, the EsoGuard Commercialization Agreement was terminated upon Lucid's acquisition, pursuant to the APA-RDx, of certain assets necessary to operate its own CLIA certified laboratory. For a fuller description of the APA-RDx, see Note 5, *Asset Purchase Agreement and Management Services Agreement*, to our accompanying unaudited condensed consolidated financial statements.

Cost of revenue

Cost of revenues recognized from the delivery of patient EsoGuard test results includes costs related to EsoCheck device usage, shipment of test collection kits, royalties and the cost of services to process tests and provide results to physicians. We incur expenses for tests in the period in which the activities occur, therefore, gross margin as a percentage of revenue may vary from quarter to quarter due to costs being incurred in one period that relate to revenues recognized in a later period.

We expect that gross margin for our services will continue to fluctuate and be affected by EsoGuard test volume, our operating efficiencies, patient compliance rates, payor mix, the levels of reimbursement, and payment patterns of payors and patients.

The cost of revenue recognized with respect to the revenue recognized under the EsoGuard Commercialization Agreement is inclusive of: a royalty fee incurred under the Amended CWRU License Agreement (as defined in Note 4, *Related Party Transactions*, to our accompanying unaudited condensed consolidated financial statements); the cost of EsoCheck devices and EsoGuard mailers (cell sample shipping costs) distributed to medical practitioners locations and the Lucid Test Centers; and Lucid Test Centers operating expenses, including rent expense and supplies.

Sales and marketing expenses

Sales and marketing expenses consist primarily of salaries and related costs for employees engaged in sales and marketing activities, as well as advertising and promotion expenses. We anticipate our sales and marketing expenses will increase in the future, to the extent we expand our commercial sales and marketing operations as resources permit.

General and administrative expenses

General and administrative expenses consist primarily of salaries and related costs for personnel, travel expenses, facility-related costs, professional fees for accounting and legal services, salaries and related costs for employees involved in third-party payor reimbursement contract negotiations and consulting and other expenses associated with obtaining and maintaining patents within our intellectual property portfolio.

We anticipate our general and administrative expenses will increase in the future as and to the extent our business operations grow. We also anticipate continued expenses related to being a public company, including fees and expenses for audit, legal, regulatory, and tax-related services associated with maintaining compliance as a public company, insurance premiums and investor relations costs.

Research and development expenses

Research and development expenses are recognized in the period they are incurred and consist principally of internal and external expenses incurred for the research and development of our products, including:

- consulting costs for engineering design and development;
- salary and benefit costs associated with our chief medical officer and engineering personnel;
- costs associated with regulatory filings;
- patent license fees;
- cost of laboratory supplies and acquiring, developing, and manufacturing preclinical prototypes;
- product design engineering studies; and
- rental expense for facilities maintained solely for research and development purposes.

Our current research and development activities, including our clinical trials, are focused principally on the acceleration of EsoGuard and Veris Cancer Care Platform commercialization. We will resume research and development activities with respect to other products in our pipeline as well as applicable new technologies, as resources permit.

Other Income and Expense, net

Other income and expense, net, consists principally of changes in fair value of our convertible notes and losses on extinguishment of debt upon repayment of such convertible notes.

Results of Operations - continued

Presentation of Dollar Amounts

All dollar amounts in this Management's Discussion and Analysis of Financial Condition and Results of Operations are presented as dollars in millions, except for share and per share amounts.

The three months ended September 30, 2023 as compared to three months ended September 30, 2022

Revenue

In the three months ended September 30, 2023, revenue was $0.8 million as compared to $0.1 million for the corresponding period in the prior year. The $0.7 million increase principally relates to the increase in volume of our EsoGuard Esophageal DNA Tests performed in our own CLIA laboratory for the period and the consideration received for the performance of the EsoGuard Esophageal DNA Tests.

Cost of revenue

In the three months ended September 30, 2023, cost of revenue was approximately $1.8 million as compared to $1.6 million for the corresponding period in the prior year. The $0.2 million increase principally related to:

- approximately $0.4 million increase in compensation costs at Lucid and Veris;
- approximately $0.3 million decrease in laboratory facility and operations costs; and
- approximately $0.1 million increase in EsoCheck and EsoGuard supplies costs.

Sales and marketing expenses

In the three months ended September 30, 2023, sales and marketing costs were approximately $4.0 million as compared to $4.7 million for the corresponding period in the prior year. The net decrease of $0.7 million was principally related to:

- approximately $0.3 million decrease related to a reduction of third party marketing and corporate information technology expenses;
- approximately $0.2 million decrease in stock based compensation from RSA and stock option grants to Lucid and PAVmed employees and non-employees; and
- approximately $0.2 million decrease in compensation costs primarily related to a reduction in headcount in the first quarter of 2023. This decrease is inclusive of an increase in compensation related costs at Lucid.

General and administrative expenses

In the three months ended September 30, 2023, general and administrative costs were approximately $6.9 million as compared to $10.4 million for the corresponding period in the prior year. The net decrease of $3.5 million was principally related to:

- approximately $2.4 million decrease in stock based compensation from RSA and stock option grants to Lucid and PAVmed employees and non-employees; and
- approximately $1.1 million decrease in third-party professional fees and expenses related to legal services and professional recruiting services.

Research and development expenses

In the three months ended September 30, 2023, research and development costs were approximately $3.2 million as compared to $6.2 million for the corresponding period in the prior year. The net decrease of $3.0 million was principally related to:

- approximately $2.6 million decrease in development costs, particularly in clinical trial activities and outside professional and consulting fees; and
- approximately $0.4 million decrease in compensation related costs related to a reduction in headcount in the first quarter of 2023. This decrease is inclusive of an increase in compensation related costs at Lucid.

As mentioned above, above we have paused research and development with respect to CarpX, EsoCure, NextFlo and PortIO. Until such time as resources permit, we expect to devote substantially all of our research and development efforts to EsoGuard, EsoCheck and the Veris Cancer Care Platform.

Amortization of Acquired Intangible Assets

The amortization of acquired intangible assets remained relatively level, at approximately $0.5 million, in the three months ended September 30, 2023, as compared to the corresponding period in the prior year.

Results of Operations - continued

The three months ended September 30, 2023 as compared to the three months ended September 30, 2022 - *continued*

Other Income and Expense

Change in fair value of convertible debt

In the three months ended September 30, 2023, the change in the fair value of our convertible notes was approximately $4.4 million of expense, related to the April 2022 Senior Convertible Note (as defined in "*Liquidity and Capital Resources*" below), the September 2022 Senior Convertible Note (as defined in "*Liquidity and Capital Resources*" below), and the Lucid March 2023 Senior Convertible Note. The April 2022 Senior Convertible Note, the September 2022 Senior Convertible Note, and the Lucid March 2023 Senior Convertible Note were initially measured at their issue-date estimated fair value and subsequently remeasured at estimated fair value as of each reporting period date. The Company initially recognized an aggregate of $4.3 million of fair value non-cash expense on the issue dates.

Loss on Debt Extinguishment

In the three months ended September 30, 2023, a debt extinguishment loss in the aggregate of approximately $1.8 million was recognized in connection with our April 2022 Senior Convertible Note and September 2022 Senior Convertible Note as discussed below.

- In the three months ended September 30, 2023, approximately $2.2 million of principal repayments, along with less than $0.1 million of interest expense thereon, were settled through the issuance of 10,859,964 shares of common stock of the Company, with such shares having a fair value of approximately $4.0 million (with such fair value measured as the respective conversion date quoted closing price of the common stock of the Company). The conversions resulted in a debt extinguishment loss of $1.8 million in the three months ended September 30, 2023.

In comparison, in the three months ended September 30, 2022, a debt extinguishment loss in the aggregate of approximately $5.1 million was recognized in connection with our April 2022 Senior Convertible Note as discussed below.

- In August 2022, approximately $5.0 million of principal repayments along with less than $0.1 million of interest expense thereon, were settled through the issuance of 5,013,908 shares of common stock of the Company, with such shares having a fair value of approximately $10.1 million (with such fair value measured as the respective conversion date quoted closing price of the common stock of the Company). The conversions resulted in a debt extinguishment loss of $5.1 million in the three months ended September 30, 2022.

See Note 11, *Debt*, to the Financial Statements, for additional information with respect to the April 2022 Senior Convertible Note, the September 2022 Senior Convertible Note, and the Lucid March 2023 Senior Convertible Note.

The nine months ended September 30, 2023 as compared to nine months ended September 30, 2022

Revenue

In the nine months ended September 30, 2023, revenue was $1.4 million as compared to $0.3 million for the corresponding period in the prior year. The $1.1 million increase principally relates to the revenue for our EsoGuard Esophageal DNA Test performed in our own CLIA laboratory, as compared to revenue from the EsoGuard Commercialization Agreement with RDx, recognized in first two months of the prior year period, which was terminated on February 25, 2022 when Lucid Diagnostics transitioned to its own laboratory operations.

Cost of revenue

In the nine months ended September 30, 2023, cost of revenue was approximately $4.8 million as compared to $2.0 million for the corresponding period in the prior year. The $2.8 million increase principally related to:

- approximately $1.1 million increase in EsoCheck and EsoGuard supplies costs;
- approximately $1.0 million increase in compensation related costs, including stock-based compensation at Lucid and Veris; and
- approximately $0.7 million increase in laboratory facility and operations costs.

Sales and marketing expenses

In the nine months ended September 30, 2023, sales and marketing costs were approximately $12.9 million as compared to $13.6 million for the corresponding period in the prior year. The net decrease of $0.7 million was principally related to:

- approximately $1.4 million decrease in third party marketing expenses;
- approximately $0.5 million increase in compensation related costs, including stock-based compensation, primarily related to an increase in headcount at Lucid. The increase is inclusive of a decrease related to a reduction in headcount in first quarter of 2023 at PAVmed and Veris; and
- approximately $0.2 million increase in facility-related costs.

Results of Operations - continued

The nine months ended September 30, 2023 as compared to nine months ended September 30, 2022 - *continued*

General and administrative expenses

In the nine months ended September 30, 2023, general and administrative costs were approximately $23.9 million as compared to $31.3 million for the corresponding period in the prior year. The net decrease of $7.3 million was principally related to:

- approximately $5.3 million decrease in stock-based compensation, primarily related to decreases at Lucid, partially offset by increases at PAVmed;
- approximately $2.7 million decrease in third-party professional fees and expenses related to legal services, consulting fees and professional recruiting services;
- approximately $0.9 million increase in compensation related costs; and
- approximately $0.2 million decrease related to facility related costs, partially offset by an increase in facility related costs at PAVmed.

Research and development expenses

In the nine months ended September 30, 2023, research and development costs were approximately $10.7 million as compared to $18.7 million for the corresponding period in the prior year. The net decrease of $8.0 million was principally related to:

- approximately $8.8 million decrease in development costs, particularly in clinical trial activities and outside professional and consulting fees; and
- approximately $0.8 million increase in compensation related costs, including stock-based compensation.

As mentioned above, we have paused research and development with respect to CarpX, EsoCure, NextFlo and PortIO. Until such time as resources permit, we expect to devote substantially all of our research and development efforts to EsoGuard, EsoCheck and the Veris Cancer Care Platform.

Amortization of Acquired Intangible Assets

The amortization of acquired intangible assets increased to $1.5 million in the nine months ended September 30, 2023, as compared to $1.3 million in the corresponding period in the prior year. The increase of $0.2 million in the current period was due to the timing of the acquired intangible assets in 2022.

Other Income and Expense

Change in fair value of convertible debt

In the nine months ended September 30, 2023, the change in the fair value of our convertible notes was approximately $5.8 million of expense, related to the April 2022 Senior Convertible Note, the September 2022 Senior Convertible Note, and the Lucid March 2023 Senior Convertible Note. The April 2022 Senior Convertible Note, the September 2022 Senior Convertible Note, and the Lucid March 2023 Senior Convertible Note were initially measured at their issue-date estimated fair value and subsequently remeasured at estimated fair value as of each reporting period date. The Company initially recognized an aggregate of $4.3 million of fair value non-cash expense on the issue dates.

Loss on Issue and Offering Costs - Senior Secured Convertible Note

In the nine months ended September 30, 2023, in connection with the issue of the Lucid March 2023 Senior Convertible Note, we recognized a total of approximately $1.2 million of lender fees and offering costs paid by us. In the nine months ended September 30, 2022, in connection with the issue of the April 2022 Senior Convertible Note and the September 2022 Senior Convertible Note, we recognized a total of approximately $4.3 million of lender fees and offering costs.

Loss on Debt Extinguishment

In the nine months ended September 30, 2023, a debt extinguishment loss in the aggregate of approximately $3.0 million was recognized in connection with our April 2022 Senior Convertible Note and September 2022 Senior Convertible Note as discussed below.

- In the nine months ended September 30, 2023, approximately $5.1 million of principal repayments along with $0.3 million of interest expense thereon, were settled through the issuance of 20,383,445 shares of common stock of the Company, with such shares having a fair value of approximately $8.4 million (with such fair value measured as the respective conversion date quoted closing price of the common stock of the Company). The conversions resulted in a debt extinguishment loss of $3.0 million in the nine months ended September 30, 2023.

Results of Operations - continued

The nine months ended September 30, 2023 as compared to nine months ended September 30, 2022 - *continued*

In comparison, in the nine months ended September 30, 2022, a debt extinguishment loss in the aggregate of approximately $5.1 million was recognized in connection with our April 2022 Senior Convertible Note as discussed below.

- In August 2022, approximately $5.0 million of principal repayments along with less than $0.1 million of interest expense thereon, were settled through the issuance of 5,013,908 shares of common stock of the Company, with such shares having a fair value of approximately $10.1 million (with such fair value measured as the respective conversion date quoted closing price of the common stock of the Company). The conversions resulted in a debt extinguishment loss of $5.1 million in the nine months ended September 30, 2022.

See Note 11, *Debt*, to the Financial Statements, for additional information with respect to the April 2022 Senior Convertible Note, the September 2022 Senior Convertible Note, and the Lucid March 2023 Senior Convertible Note.

Liquidity and Capital Resources

Our current operational activities are principally focused on the commercialization of EsoGuard and the Veris Cancer Care Platform, and, as resources permit, our development activities would be focused on pursuing FDA approval and clearance of other lead products in our product portfolio pipeline. Our ability to generate revenue depends upon successfully advancing the commercialization of EsoGuard and the Veris Cancer Care Platform while, as resources permit, also completing the development and the necessary regulatory approvals of our other products and services. There are no assurances, however, we will be able to obtain an adequate level of financial resources required for the short-term or long-term commercialization and development of our products and services.

We have financed our operations principally through the public and private issuances of our common stock, preferred stock, common stock purchase warrants, and debt. We are subject to all of the risks and uncertainties typically faced by medical device and diagnostic and medical device companies that devote substantially all of their efforts to the commercialization of their initial product and services and ongoing R&D and clinical trials. We experienced a net loss before noncontrolling interests of approximately $61.9 million and used approximately $40.2 million of cash in operations for the nine months ended September 30, 2023. Financing activities provided $25.9 million of cash during the nine months ended September 30, 2023. We ended the quarter with cash on-hand of $26.4 million as of September 30, 2023. We expect to continue to experience recurring losses and negative cash flows from operations, and will continue to fund our operations with debt and/or equity financing transactions, including current obligations on the Company's existing convertible debt which in accordance with management's plans may include conversions to equity and refinancing our existing debt obligations to extend the maturity date. Notwithstanding, however, with the cash on-hand as of the date hereof and the other debt and equity committed sources of financing, described below, and conversion and refinancing of existing convertible notes, we expect to be able to fund our future operations for the one year period from the date of the issue of the our unaudited condensed consolidated Financial Statements, as included herein this Form 10-Q.

Issue of Shares of Our Common Stock

During the nine months ended September 30, 2023

- We issued 877,230 shares of our common stock for proceeds of approximately $0.3 million under the PAVmed Employee Stock Purchase Plan ("ESPP"), as such plan is discussed in Note 12, *Stock-Based Compensation*, to the Financial Statements.
- We issued 2,330,747 shares of our common stock for net proceeds of approximately $1.2 million, after payment of 3% commissions, from the sale of shares through PAVmed's at-the-market equity facility through Cantor. See below for more information.
- We issued 1,500,000 shares of our common stock to a service provider as the consideration for services rendered. The issued shares of common stock had a fair value of approximately $0.6 million. See Note 14, Common Stock and Common Stock Purchase Warrants for additional discussion. On the six-month anniversary of the issuance of the shares, the then-current market value of the shares will be determined based on the volume weighted average price per share of the common stock during the last ten trading days of such six-month period. If the aggregate market value of the shares as so determined is less than $750,000, the Company shall, at its election, either pay to the service provider an amount in cash equal to the shortfall or issue to the service provider a number of additional shares equal to the shortfall divided by the greater of the market value and $0.10. In no event will the number of shares issued exceed 9.99% of the Company's outstanding common stock as of May 31, 2023.
- We issued 20,383,445 shares of our common stock in satisfaction of approximately $5.1 million of principal repayments along with approximately $0.3 million of interest expense thereon under the April 2022 Senior Convertible Note and September 2022 Senior Convertible Note.

Liquidity and Capital Resources - continued

Securities Purchase Agreement - March 31, 2022 - Senior Secured Convertible Notes - April 4, 2022 and September 8, 2022

Effective as of March 31, 2022, we entered into the SPA with an accredited investor, pursuant to which we agreed to sell, and the investor agreed to purchase an aggregate of $50.0 million face value principal of Senior Secured Convertible Notes. The SPA provided for the sale of the initial Senior Secured Convertible Note with a face value principal of $27.5 million, which closed on April 4, 2022 (referred to as the "April 2022 Senior Convertible Note"). The SPA also provided for sales of additional Senior Secured Convertible Notes in one or more additional closings (upon the satisfaction of certain conditions), with an aggregate face value principal of up to an additional $22.5 million. The April 2022 Senior Secured Convertible Note has a 7.875% annual stated interest rate, a contractual conversion price of $5.00 per share of the Company's common stock (subject to standard adjustments in the event of any stock split, stock dividend, stock combination, recapitalization or other similar transaction), and a contractual maturity date of April 4, 2024. The April 2022 Senior Convertible Note may be converted into or otherwise paid in shares of our common stock as described in Note 11, Debt. The April 2022 Senior Convertible Note proceeds were $24.4 million after deducting a $2.5 million lender fee and the Company's offering costs of approximately $0.6 million, inclusive primarily of $0.5 million placement agent fees.

On September 8, 2022, we completed an additional closing under the SPA, in which we sold to the investor an additional Senior Secured Convertible Note with a face value principal of $11.25 million (referred to as the "September 2022 Senior Convertible Note"). The September 2022 Senior Secured Convertible Note has a 7.875% annual stated interest rate, a contractual conversion price of $5.00 per share of the Company's common stock (subject to standard adjustments in the event of any stock split, stock dividend, stock combination, recapitalization or other similar transaction), and a contractual maturity date of September 6, 2024. The September 2022 Senior Convertible Note may be converted into or otherwise paid in shares of our common stock as described in Note 11, Debt. The September 2022 Senior Convertible Note proceeds were $10.0 million after deducting a $1.0 million lender fee and the Company's total offering costs of approximately $0.2 million, inclusive primarily of placement agent fees.

Under the April 2022 Senior Convertible Note, the September 2022 Senior Convertible Note and the SPA, we are subject to certain customary affirmative and negative covenants regarding the incurrence of indebtedness, the existence of liens, the repayment of indebtedness and the making of investments, the payment of cash in respect of dividends, distributions or redemptions, the transfer of assets, the maturity of other indebtedness, and transactions with affiliates, among other customary matters. We also are subject to financial covenants requiring that (i) the amount of our available cash equal or exceed $8.0 million at all times, (ii) the ratio of (a) the outstanding principal amount of the notes issued under the SPA, accrued and unpaid interest thereon and accrued and unpaid late charges to (b) our average market capitalization over the prior ten trading days, not exceed 30% (except that such maximum percentage was 50% for the period from September 8, 2022 through March 5, 2023) (the "Debt to Market Cap Ratio Test"), and (iii) that our market capitalization shall at no time be less than $75 million (the "Market Cap Test" and, together with the Debt to Market Cap Ratio Test, the "Financial Tests"). From time to time from and after June 1, 2023 through August 14, 2023, the Company was not in compliance with the Financial Tests. As of August 14, 2023, the investor agreed to waive any such non-compliance during such time period and thereafter through November 30, 2023. Based on the waiver, as of September 30, 2023, the Company was in compliance with the Financial Tests. In addition, based on the waiver, the Company presently is in compliance with the Financial Tests.

See Note 11, *Debt*, to the Financial Statements for additional information about the SPA, the April 2022 Senior Convertible Note, and the September 2022 Senior Convertible Note.

Lucid Diagnostics - Series A Preferred Stock and Series A-1 Preferred Stock Offerings

On March 7, 2023, Lucid Diagnostics sold 13,625 shares of the Lucid Series A Preferred Stock. Each share of the Lucid Series A Preferred Stock has a stated value of $1,000 and a conversion price of $1.394. The Lucid Series A Preferred Stock is convertible into shares of Lucid Diagnostics' common stock at any time at the option of the holder from and after the six-month anniversary of its issuance (or, if later, the effective date of an increase in Lucid Diagnostics' authorized share capital or the effective date of a registration statement covering the resale of the underlying shares), and automatically converts into shares of Lucid Diagnostics' common stock on the second anniversary of its issuance. The terms of the Lucid Series A Preferred Stock also include a preference on liquidation and a right to receive dividends equal to 20% of the number of shares of Lucid common stock into which such Lucid Series A Preferred Stock is convertible, payable on each of the one-year and two-year anniversary of the issuance date. The Lucid Series A Preferred Stock is a non-voting security, other than with respect to limited matters related to changes in terms of the Lucid Series A Preferred Stock. The aggregate gross proceeds from the sale of shares in such offering were $13.625 million.

On October 17, 2023, Lucid Diagnostics sold 5,000 shares of Lucid Series A-1 Convertible Preferred Stock (the "Lucid Series A-1 Preferred Stock"). The terms of the Lucid Series A-1 Preferred Stock are substantially identical to the terms of the Lucid Series A Preferred Stock, except that the Lucid Series A-1 Preferred Stock has a conversion price of $1.2592. The aggregate gross proceeds from the sale of shares in such offering were $5.0 million.

Liquidity and Capital Resources - continued

Lucid Diagnostics - Securities Purchase Agreement - March 13, 2023 - Senior Secured Convertible Note - March 21, 2023

Effective as of March 13, 2023, Lucid Diagnostics entered into the Lucid SPA with an accredited institutional investor, pursuant to which Lucid Diagnostics agreed to sell, and the investor agreed to purchase the Lucid March 2023 Senior Convertible Note with a face value principal of $11.1 million. Lucid Diagnostics issued the Lucid March 2023 Senior Convertible Note on March 21, 2023 pursuant to the Lucid SPA. The Lucid March 2023 Senior Convertible Note proceeds were $9.925 million after deducting a $1.186 million lender fee and offering costs.

The Lucid March 2023 Senior Convertible Note has a 7.875% annual stated interest rate, a contractual conversion price of $5.00 per share of Lucid Diagnostics' common stock (subject to standard adjustments in the event of any stock split, stock dividend, stock combination, recapitalization or other similar transaction), and a contractual maturity date of the two-year anniversary of the date of issuance. The principal of the Lucid March 2023 Senior Convertible Note and accrued interest thereon is convertible at the option of the holder into Lucid Diagnostics' common stock at the contractual conversion price. In addition, the principal of the Lucid March 2023 Senior Convertible Note amortizes over 18 months commencing six months after its issuance. The amortization payments and accrued interest on the Lucid March 2023 Senior Convertible Note are payable in shares of Lucid Diagnostics' common stock (subject to the satisfaction of certain customary equity conditions and except for interest payable prior to September 21, 2023), at prices based on the then current market price.

Under the Lucid March 2023 Senior Convertible Note, Lucid Diagnostics is subject to certain customary affirmative and negative covenants regarding the incurrence of indebtedness, the existence of liens, the repayment of indebtedness and the making of investments, the payment of cash in respect of dividends, distributions or redemptions, the transfer of assets, the maturity of other indebtedness, and transactions with affiliates, among other customary matters. Under the Lucid March 2023 Senior Convertible Note, Lucid Diagnostics is also subject to financial covenants requiring that (i) the amount of its available cash equal or exceed $5.0 million at all times, (ii) the ratio of (a) the outstanding principal amount of the notes issued under the Lucid SPA, accrued and unpaid interest thereon and accrued and unpaid late charges, as of the last day of any fiscal quarter commencing with September 30, 2023, to (b) Lucid Diagnostics' average market capitalization over the prior ten trading days, not exceed 30%, and (iii) that Lucid Diagnostics' market capitalization shall at no time be less than $30 million (the "Lucid Financial Tests"). As of September 30, 2023, Lucid Diagnostics was in compliance with the Lucid Financial Tests. In addition, Lucid Diagnostics presently is in compliance with the Lucid Financial Tests.

PAVmed Inc. ATM Facility

In December 2021, we entered into an "at-the-market offering" for up to $50 million of our common stock that may be offered and sold under a Controlled Equity Offering Agreement between us and Cantor. In March 2023, the "at-the-market offering" became subject to General Instruction I.B.6 of Form S-3, which limits sales of our securities under this instruction in any 12-month period to one-third of the aggregate market value of our public float (unless our public float rises to $75 million or more, in which case the instruction will cease to apply). As a result of this limitation and our then-current public float, in May 2023, we amended our "at-the-market offering" to cover up to an additional $18 million of our common stock. In the nine months ended September 30, 2023, the Company sold 2,330,747 shares through its at-the-market equity facility for net proceeds of approximately $1.2 million, after payment of 3% commissions. No shares were sold through the Company's at-the-market equity facility during the three months ended September 30, 2023.

Lucid Diagnostics Inc. - Committed Equity Facility and ATM Facility

In March 2022, Lucid Diagnostics entered into a committed equity facility with a Cantor affiliate. Under the terms of the committed equity facility, the Cantor affiliate has committed to purchase up to $50 million of Lucid Diagnostics' common stock from time to time at Lucid Diagnostics' request. While there are distinct differences, the committed equity facility is structured similarly to a traditional at-the-market equity facility, insofar as it allows Lucid Diagnostics to raise primary equity capital on a periodic basis at prices based on the existing market price. Cumulatively a total of 680,263 shares of Lucid Diagnostics' common stock were issued for net proceeds of approximately $1.8 million, after a 4% discount, as of September 30, 2023. No shares were sold through this facility during the three months ended September 30, 2023.

In November 2022, Lucid Diagnostics also entered into an "at-the-market offering" for up to $6.5 million of its common stock that may be offered and sold under a Controlled Equity Offering Agreement between Lucid Diagnostics and Cantor. In the nine months ended September 30, 2023, Lucid Diagnostics sold 230,068 shares through its at-the-market equity facility for net proceeds of approximately $0.3 million, after payment of 3% commissions. No shares were sold through Lucid's at-the-market equity facility during the three months ended September 30, 2023.

Critical Accounting Policies and Significant Judgments and Estimates

The discussion and analysis of our financial condition and results of operations is based on our unaudited condensed consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). The preparation of these unaudited condensed consolidated financial statements requires us to make estimates and assumptions that affect the amounts reporting in our unaudited condensed consolidated financial statements and accompanying notes. On an ongoing basis, we evaluate our estimates and judgements. In accordance with U.S. GAAP, we base our estimates on historical experience and on various other factors that are believed to be appropriate under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. Our critical accounting policies are as disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 as filed with the SEC on March 14, 2023. There have been no material changes to our critical accounting policies and estimates in the nine months ended September 30, 2023.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and our principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2023. Based on such evaluation, our principal executive officer and principal financial officer concluded our disclosure controls and procedures (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) were effective as of such date to provide reasonable assurance the information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes to Internal Controls Over Financial Reporting

There has been no change in internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our fiscal quarter ended September 30, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

In the ordinary course of PAVmed business, particularly as it begins commercialization of its products, the Company may be subject to legal actions and claims, including product liability, consumer, commercial, tax and governmental matters, which may arise from time to time. The Company is not aware of any such pending legal or other proceedings that are reasonably likely to have a material impact on the Company. Notwithstanding, legal proceedings are subject-to inherent uncertainties, and an unfavorable outcome could include monetary damages, and excessive verdicts can result from litigation, and as such, could result in a material adverse impact on the Company's business, financial position, results of operations, and /or cash flows. Additionally, although the Company has specific insurance for certain potential risks, the Company may in the future incur judgments or enter into settlements of claims which may have a material adverse impact on the Company's business, financial position, results of operations, and /or cash flows.

Item 3. Defaults Upon Senior Securities

The information set forth in Part I, Item 2 under the caption "*Liquidity and Capital Resources — Securities Purchase Agreement - March 31, 2022 - Senior Secured Convertible Notes - April 4, 2022 and September 8, 2022*" is incorporated herein by reference.

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits filed as part of this Quarterly Report on Form 10-Q are set forth in the "*Exhibit Index*" below.

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.

PAVmed Inc.

November 13, 2023

By: */s/ Dennis M McGrath*

Dennis M McGrath
President and Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit No.	Description	Incorporation by Reference		
		Form	Exhibit No.	Date
10.1	Form of Registration Rights Agreement.	8-K (Lucid)	10.1	10/18/2023
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	*		
31.2	Certification of Principal Financial and Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	*		
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	*		
32.2	Certification of Principal Financial and Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	*		
101.INS	Inline XBRL Instance Document	*		
101.CAL	Inline XBRL Taxonomy Extension Schema	*		
101.DEF	Inline XBRL Taxonomy Extension Calculation Linkbase	*		
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase	*		
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase	*		
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)	*		

Exhibit 31.1

CERTIFICATION BY PRINCIPAL EXECUTIVE OFFICER

I, Lishan Aklog, M.D., certify that:

1 I have reviewed this Quarterly Report on Form 10-Q of PAVmed Inc. and Subsidiaries;

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4 The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5 The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2023

By: */s/ Lishan Aklog, M.D.*

Lishan Aklog, M.D.,
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION BY PRINCIPAL FINANCIAL OFFICER

I, Dennis M. McGrath, certify that:

1 I have reviewed this Quarterly Report on Form 10-Q of PAVmed Inc. and Subsidiaries;

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4 The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5 The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2023

By: */s/ Dennis M. McGrath*
Dennis M. McGrath
President & Chief Financial Officer
(Principal Financial and 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

In connection with the Quarterly Report on Form 10-Q of PAVmed Inc. and Subsidiaries (the "Company") for the quarter ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Lishan Aklog, M.D., Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 13, 2023

By: */s/ Lishan Aklog, M.D.*
Lishan Aklog, M.D.
Chief Executive Officer
(Principal Executive Officer)

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 with the Quarterly Report on Form 10-Q of PAVmed Inc. and Subsidiaries (the "Company") for the quarter ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Dennis M. McGrath, President & Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 13, 2023

By: */s/ Dennis M. McGrath*
Dennis M. McGrath
President & Chief Financial Officer
(Principal Financial and Accounting Officer)