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

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

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 28, 2022

SeaStar Medical Holding Corporation
(Exact Name of Registrant as Specified in its Charter)

Delaware	001-39927	85-3681132
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

3513 Brighton Blvd, Suite 410, Denver, CO	80216
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (844) 427-8100

(Former name or former address, if changed since last report)

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

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

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

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	ICU	The Nasdaq Stock Market LLC
Warrants, each whole warrant exercisable for one share of Common Stock for $11.50 per share	ICUCW	The Nasdaq Stock Market LLC

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

Emerging growth company ☒

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

INTRODUCTORY NOTE

This Amendment No. 1 on Form 8-K/A (this "Amendment No. 1") amends the Current Report on Form 8-K filed by SeaStar Medical Holding Corporation (f/k/a LMF Acquisition Opportunities, Inc. and the "Company") on November 4, 2022 (the "Original Report"), in which the Company reported, among other events, the completion of the Business Combination. This Amendment No. 1 is filed to (1) update the Item 2.01 information to reflect Management's Discussion and Analysis of Financial Condition and Results of Operations of SeaStar Medical for the three and nine months ended September 30, 2022 and September 30, 2021; and (2) amend the historical financial statements provided under Items 9.01(a) in the Original Report to include the unaudited interim financial statements of SeaStar Medical as of September 30, 2022 and for the three and nine months ended September 30, 2022 and September 30, 2021. This Amendment No. 1 does not amend any other item of the Original Report or purport to provide an update or a discussion of any developments at the Company subsequent to the filing date of the Original Report.

Capitalized terms used but not defined herein have the meanings given in the Original Report.

Item 2.01. Completion of Acquisition or Disposition of Assets.

Management's Disclosure and Analysis of Financial Condition and Results of Operations

The Form 10 information in Item 2.01 of the Original Report is hereby amended and supplemented by adding the following: "Reference is made to the disclosure contained in the section titled "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULT OF OPERATIONS OF SEASTAR MEDICAL" filed as Exhibit 99.4 to this Amendment No. 1, which is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

SeaStar Medical's audited balance sheets as of December 31, 2021 and 2020, the related statements of operations, statements of changes in convertible preferred stock and stockholders' deficit, and cash flows for each of the two years in the period ended December 31, 2021, and the related notes are incorporated herein by reference to such financial statements appearing on pages F-52 to F-57 of the Proxy Statement/Prospectus.

The unaudited condensed interim financial statements of SeaStar Medical as of September 30, 2022 and for the periods ended September 30, 2022 and September 30, 2021 are filed as Exhibit 99.3 to this Amendment No. 1 and incorporated herein by reference.

Also included herewith as Exhibit 99.4 and incorporated herein by reference is the Management's Discussion and Analysis of Financial Condition and Results of Operations for SeaStar Medical for the three and nine months ended September 30, 2022 and 2021.

(d) Exhibits

Exhibit Number	Description of Exhibit
99.3	Unaudited condensed interim financial statements of SeaStar Medical, Inc. as of and for the periods ended September 30, 2022 and September 30, 2021.
99.4	Management's Discussion and Analysis of Financial Condition and Results of Operations for SeaStar Medical, Inc. for the three and nine months ended September 30, 2022 and 2021.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURE

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

SEASTAR MEDICAL HOLDING CORPORATION

November 14, 2022	By:	/s/ Eric Schlorff
		Name: Eric Schlorff
		Title: Chief Executive Officer

SeaStar Medical, Inc.

Financial Statements (Unaudited)

September 30, 2022

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SeaStar Medical, Inc.
Condensed Balance Sheets
As of September 30, 2022 and December 31, 2021
(in thousands, except for share and per-share amounts)
(unaudited)

	September 30, 2022	December 31, 2021
ASSETS		
Current assets		
Cash	$ 49	$ 510
Other receivables	—	58
Prepaid expenses	36	33
Capitalized merger costs	1,005	—
Total current assets	1,090	601
Other assets	2	2
Total assets	$ 1,092	$ 603
LIABILITIES, CONVERTIBLE PREFERRED STOCK, AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	$ 1,291	$ 85
Accrued expenses	836	186
LMFA note payable	350	—
Convertible notes - related party, net of discount	413	2,378
Derivative liability	—	471
Total current liabilities	2,890	3,120
Long-term liabilities		
Notes payable - Government loans	63	63
Convertible notes - related party, net of discount, net of current portion	4,047	181
Derivative liability	—	55
Total long-term liabilities	4,110	299
Total liabilities	7,000	3,419
Commitments and contingencies (see Note 9)		
Convertible preferred stock: $0.001 par value, 3,702,505 and 2,965,505 shares authorized as of September 30, 2022 and December 31, 2021, respectively		
Series B preferred stock; 700,950 and 453,950 shares designated; 633,697 and 439,203 shares issued and outstanding with an aggregate liquidation preference of $7,821 and $5,421 as of September 30, 2022 and December 31, 2021, respectively	7,821	5,421
Series A-1 preferred stock; 1,601,060 shares designated; 1,576,154 shares issued and outstanding with an aggregate liquidation preference of $77,799 as of September 30, 2022 and December 31, 2021	19,451	19,451
Series A-2 preferred stock; 900,495 shares designated; 577,791 and 772,285 shares issued and outstanding with an aggregate liquidation preference of $7,130 and $9,530 as of September 30, 2022 and December 31, 2021, respectively	46,077	48,477
Total convertible preferred stock	73,349	73,349
Stockholders' deficit		
Common stock - $0.001 par value per share; 12,000,000 and 3,531,504 shares authorized at September 30, 2022 and December 31, 2021, respectively, and no shares issued or outstanding at September 30, 2022 and December 31, 2021	—	—
Additional paid-in capital	853	147
Accumulated deficit	(80,110)	(76,312)
Total stockholders' deficit	(79,257)	(76,165)
Total liabilities, convertible preferred stock and stockholders' deficit	$ 1,092	$ 603

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

SeaStar Medical, Inc.
Condensed Statements of Operations
For the Three and Nine Months Ended September 30, 2022 and 2021
(in thousands, except for share andper-share amounts)
(unaudited)

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Operating expenses				
Research and development	$ 727	$ 985	$ 1,678	$ 2,267
General and administrative	1,042	170	2,215	1,138
Total operating expenses	1,769	1,155	3,893	3,405
Loss from operations	(1,769)	(1,155)	(3,893)	(3,405)
Other Income (expense)				
Interest expense	(123)	(54)	(483)	(65)
Other income	1	—	1	91
Change in fair value of derivative liability	—	—	578	—
Total other income (expense)	(122)	(54)	96	26
Loss before income tax provision (benefit)	(1,891)	(1,209)	(3,797)	(3,379)
Income tax provision (benefit)	1	(2)	1	(1)
Net loss	$ (1,892)	$ (1,207)	$ (3,798)	$ (3,378)
Net loss per share of common stock, basic and diluted	$ —	$ —	$ —	$ —
Weighted-average shares outstanding, basic and diluted	—	—	—	—

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

SeaStar Medical, Inc.
Condensed Statements of Changes in Convertible Preferred Stock and Stockholders' Deficit
(in thousands, except for share and per-share amounts)
(unaudited)

	Convertible Preferred Stock							Stockholders' Deficit				
	Series B Preferred Stock		Series A-1 Preferred Stock		Series A-2 Preferred Stock			Common Shares		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Total	Shares	Amount			
Balance, December 31, 2020	426,977	$5,270	1,576,154	$19,451	784,511	$48,628	$73,349	—	$ —	$ 133	$ (71,716)	$ (71,583)
Stock-based compensation	—	—	—	—	—	—	—	—	—	3	—	3
Net loss	—	—	—	—	—	—	—	—	—	—	(1,065)	(1,065)
Balance, March 31, 2021	426,977	5,270	1,576,154	19,451	784,511	48,628	73,349	—	—	136	(72,781)	(72,645)
Stock-based compensation	—	—	—	—	—	—	—	—	—	3	—	3
Net loss	—	—	—	—	—	—	—	—	—	—	(1,106)	(1,106)
Balance, June 30, 2021	426,977	5,270	1,576,154	19,451	784,511	48,628	73,349	—	—	139	(73,887)	(73,748)
Stock-based compensation	—	—	—	—	—	—	—	—	—	3	—	3
Net loss	—	—	—	—	—	—	—	—	—	—	(1,207)	(1,207)
Balance, September 30, 2021	426,977	$5,270	1,576,154	$19,451	784,511	$48,628	$73,349	—	$ —	$ 142	$ (75,094)	$ (74,952)

	Convertible Preferred Stock											
	Series B Preferred Stock		Series A-1 Preferred Stock		Series A-2 Preferred Stock			Common Shares		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Total	Shares	Amount			
Balance, December 31, 2021	439,203	$5,421	1,576,154	$19,451	772,285	$48,477	$73,349	—	$ —	$ 147	$ (76,312)	$ (76,165)
Conversion of Series A-2 Preferred stock to Series B Preferred stock	194,494	2,400	—	—	(194,494)	(2,400)	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	—	—	—	4	—	4
Net loss	—	—	—	—	—	—	—	—	—	—	(1,004)	(1,004)
Balance, March 31, 2022	633,697	7,821	1,576,154	19,451	577,791	46,077	73,349	—	—	151	(77,316)	(77,165)
Stock-based compensation	—	—	—	—	—	—	—	—	—	345	—	345
Net loss	—	—	—	—	—	—	—	—	—	—	(902)	(902)
Balance, June 30, 2022	633,697	7,821	1,576,154	19,451	577,791	46,077	73,349	—	—	496	(78,218)	(77,722)
Stock-based compensation	—	—	—	—	—	—	—	—	—	357	—	357
Net loss	—	—	—	—	—	—	—	—	—	—	(1,892)	(1,892)
Balance, September 30, 2022	633,697	$7,821	1,576,154	$19,451	577,791	$46,077	$73,349	—	$ —	$ 853	$ (80,110)	$ (79,257)

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

SeaStar Medical, Inc.
Condensed Statements of Cash Flows
For the Nine Months Ended September 30, 2022 and 2021
(in thousands, except for shares and per-share amounts)
(unaudited)

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Cash flows from operating activities		
Net loss	$(3,798)	$(3,378)
Adjustments to reconcile net loss to net cash used in operating activities		
Amortization of discount on convertible notes	234	42
Non-cash interest related to convertible notes	249	2
Change in fair value of derivative liability	(578)	—
Stock-based compensation	706	9
Changes in operating assets and liabilities		
Inventory	—	55
Prepaid expenses	(3)	(7)
Capitalized merger costs	(1,005)	—
Accounts payable	1,206	(160)
Accrued expenses and other current liabilities	497	(582)
Net cash used in operating activities	(2,492)	(4,019)
Cash flows from financing activities		
Proceeds from issuance of convertible notes	1,681	1,900
Proceeds from borrowings on LMFA note payable	350	—
Repayment of PPP loan	—	(20)
Net cash provided by financing activities	2,031	1,880
Net decrease in cash	(461)	(2,139)
Cash, beginning of period	510	2,807
Cash, end of period	$ 49	$ 668
Supplemental disclosure of cash flow information		
Cash paid for income taxes	$ —	$ 1
Cash paid for interest	$ —	$ 1
Supplemental disclosure of noncash flow information		
Conversion of Series A-2 Preferred stock into Series B Preferred stock	$ 2,400	$ —
Value of derivative liability on issuance of convertible notes	52	444
Non-cash conversion of accrued expenses into convertible notes	96	—

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

1. DESCRIPTION OF BUSINESS

Organization and description of business

SeaStar Medical, Inc. (“the Company”, “we”, “SeaStar Medical”) was incorporated as a Delaware corporation in June 2007, and it is headquartered in Denver, Colorado. The Company is principally engaged in the research, development, and commercialization of a platform medical device technology designed to modulate inflammation in various patient populations. The primary target of this technology is for the treatment of acute kidney injuries.

The Company is in the pre-revenue stage focused on product development and to date, has funded its operations principally through private placements of its convertible preferred stock. Going forward, the Company will need to seek additional debt and equity financings.

On April 21, 2022, LMF Acquisition Opportunities, Inc., (“LMAO”) entered into an Agreement and Plan of Merger with LMF Merger Sub, Inc., a wholly owned subsidiary of LMAO, and the Company (Merger). Upon completion of the Merger, LMF Merger Sub Inc., will merge with and into the Company, with the Company surviving the Merger as a wholly owned subsidiary of LMAO (See also Note 12).

Basis of presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and applicable rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) for interim reporting. As permitted under those rules and regulations, certain notes or other financial information normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. The interim condensed financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal, recurring adjustments that are necessary to present fairly the Company’s results for the interim periods presented. The results from operations for the three and nine months ended September 30, 2022 are not necessarily indicative of the results to be expected for the year ending December 31, 2022, or for any future annual or interim period.

The accompanying interim unaudited condensed financial statements should be read in conjunction with the annual financial statements and the related notes thereto for the year ended December 31, 2021.

Liquidity and Going Concern

As of September 30, 2022, the Company has an accumulated deficit of $80,110 and cash of $49. We do not believe that will be sufficient to enable us to fund our operations, including clinical trial expenses and capital expenditure requirements for at least 12 months from the issuance of financial statements. We believe that this raises substantial doubt about our ability to continue as a going concern.

1. DESCRIPTION OF BUSINESS (continued)

Liquidity and Going Concern (continued)

Our need for additional capital will depend in part on the scope and costs of our development activities. To date, we have not generated any significant revenue from the sales of commercialized products. Our ability to generate product revenue will depend on the successful development and eventual commercialization of our product. Until such time, if ever, we expect to finance our operations through the sale of equity or debt, borrowing under credit facilities, or through potential collaborations, other strategic transactions or government and other grants. Adequate capital may not be available to the Company after the Merger, when needed or on acceptable terms (See also Note 12).

If we are unable to raise capital, we could be forced to delay, reduce, suspend or cease our research and development programs or any future commercialization efforts, which would have a negative impact on our business, prospects, operating results and financial condition. The accompanying interim financial statements have been prepared assuming that the Company will continue as a going concern and do not include adjustments that might result from the outcome of this uncertainty. This basis of accounting contemplates the recovery of the Company's assets and the satisfaction of liabilities in the normal course of business.

Risks and uncertainties

The Company is subject to risks common to early-stage companies in the medical technology industry including, but not limited to, new medical and technological innovations, dependence on key personnel, protection of proprietary technology, and product liability. There can be no assurance that the Company's products or services will be accepted in the marketplace, nor can there be any assurance that any future products or services can be developed or deployed at an acceptable cost and with appropriate performance characteristics, or that such products or services will be successfully marketed, if at all. These factors could have a materially adverse effect on the Company's future financial results, financial position and cash flows.

In March 2020, the World Health Organization declared the novel coronavirus disease ("COVID- 19") outbreak a pandemic. The Company cannot at this time predict the specific extent, duration, or full impact that the COVID-19 pandemic will have on its financial condition and operations. The future progression of the pandemic and its effects on our business and operations are uncertain. The COVID-19 pandemic may affect our ability to initiate and complete preclinical studies, delay our clinical trials or future clinical trials, disrupt regulatory activities, or have other adverse effects on our business and operations. The pandemic has already caused significant disruptions in the financial markets, and may continue to cause such disruptions, which could impact our ability to raise additional funds to support our operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Significant estimates include the valuation of derivative liabilities and the amount of share-based compensation expense. Although actual results could differ from those estimates, such estimates are developed based on the best information available to management and management's best judgments at the time.

Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash. Periodically, the Company may maintain deposits in financial institutions in excess of government insured limits. We believe that we are not exposed to significant credit risk as our deposits are held at financial institutions that management believes to be of high credit quality. The Company has not experienced any losses on deposits since inception.

Fair value disclosures

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). Inputs used to measure fair value are classified into the following hierarchy:

Level 1 – quoted prices in active markets for identical assets and liabilities.

Level 2 – other significant observable inputs (including quoted prices for similar assets and liabilities, interest rate, credit risk, etc.).

Level 3 – significant unobservable inputs (including the Company's own assumptions in determining the fair value of assets and liabilities).

The fair value of the derivative liabilities are classified as Level 3 in the fair value hierarchy.

(in thousands, except share and per-share amounts)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value disclosures (continued)

The following table presents the changes in the derivative liability for the nine months ended September 30, 2022 and 2021:

Level 3 Rollforward	Derivative Liability
Balance December 31, 2021	$ 526
Additions	52
Changes in fair value	(578)
Balance September 30, 2022	$ —
Balance December 31, 2020	$ —
Additions	444
Changes in fair value	—
Balance September 30, 2021	$ 444

Derivative liabilities in the amounts of $4, $0, $35 and $13, were recorded on January 31, 2022, February 28, 2022, March 16, 2022 and March 31, 2022, respectively, for the issuance of convertible notes along with a corresponding debt discount (see Note 6). The derivative liabilities are remeasured each reporting period using a probability-weighted model and assumption related to the conversion price and timing of conversion. The put option liability was valued based on the calculated returns as a result of the various discounts included in the Company's convertible notes and the related probability assessments of the various settlement scenarios.

The estimated fair value of prepaid expenses, accounts payable and accrued expenses approximate their fair value because of the short-term nature of these instruments.

Emerging growth company status

The Company is an "emerging growth company", as defined in the Jumpstart Our Business Startups Act of 2012 (JOBS Act). Under the JOBS Act, emerging growth companies can take advantage of an extended transition period for complying with new or revised accounting standards, delaying the adoption of these accounting standards until they would apply to private companies. The Company has elected to use this extended transition period for complying with certain new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that it is (1) no longer an emerging growth company or (2) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. In accordance with the JOBS Act, the Company has delayed adoption of ASU 2020-06—*Debt (Subtopic 470-20),* ASU 2019-12—*Income Taxes (Topic 740),* and ASU 2020-10—*Codification Improvements.* As a result, these financial statements may not be comparable to those companies that comply with the new or revised accounting pronouncements as of public company effective dates.

(in thousands, except share and per-share amounts)

3. CAPITALIZED MERGER COSTS

Capitalized merger costs as of September 30, 2022 consisted entirely of specific incremental costs directly attributable to the Agreement and Plan of Merger which have been deferred in accordance Staff Accounting Bulletin (SAB) Topic 5.A.

4. ACCRUED EXPENSES

Accrued expenses consisted of the following amounts as of September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Accrued interest	$ 321	$ 72
Accrued director remuneration	185	—
Accrued research and development	130	58
Accrued bonus	105	—
Accrued merger costs	57	—
Accrued other	24	29
Accrued legal	14	27
Total accrued expenses	$ 836	$ 186

5. LMFA Note Payable

On September 9, 2022, the Company entered into a credit agreement (“LMFA Note Payable”) with LM Funding America, Inc. (“LMFA”), an affiliate of LMAO, pursuant to which LMFA agreed to make advances to the Company of up to $700 for general corporate purposes at an interest rate of 15% per annum. All advances made to the Company under the LMFA Note Payable and accrued interest are due and payable to LMFA on the maturity date. The maturity date of the loan is the earlier of (a) October 25, 2022, (b) the consummation of the Merger, and (c) the termination of the Merger agreement. As of September 30, 2022, the Company has borrowed $350 under the LMFA Note Payable (See also Note 12).

(in thousands, except share and per-share amounts)

6. CONVERTIBLE NOTES

Dow Notes

The Company issued convertible note agreements to the Dow Employee's Pension Plan Trust (Dow Notes) in the amounts of $120, $480 and $120 on March 16, 2022, April 12, 2022 and April 18, 2022, respectively. The term for the March 16, 2022 note is two years from the issuance date and the term for the April 12, 2022 and April 18, 2022 notes is three years from the issuance date. Interest on the unpaid balances will accrue at the rate of eight percent per year. Upon the occurrence of a qualified financing event, as defined in the note agreements, prior to the maturity date, the principal plus accrued interest will convert into shares of the Company's stock at a 20% discount on the price per share of the stock price. On February 8, 2022 an amendment was issued that includes an offering to convert Series A-2 Preferred stock to Series B Preferred stock. At each issuance, the fair value of the conversion features was separated from the convertible notes and reported as a debt discount and derivative liability as discussed in Note 2, Recurring fair value measurements. For the nine months ended September 30, 2022, the Company recorded $21 as a debt discount and corresponding derivative liability. The fair value of the derivative liability is $0 as of September 30, 2022.

In August and September 2022, certain Dow Notes were amended to extend their maturity dates. The maturity dates for all Dow Notes as of September 30, 2022 are as follows:

Issue Date	Amount	Maturity Date
June 2021	$ 300	December 2022
September 2021	840	December 2024
October 2021	240	December 2024
November 2021	240	December 2024
March 2022	120	March 2024
April 2022	480	April 2025
April 2022	120	April 2025
	$2,340	

Union Carbide Notes

The Company issued convertible note agreements to the Union Carbide Employee Pension Plan Trust (Union Carbide Notes) in the amounts of $80, $320 and $80 on March 16, 2022, April 12, 2022 and April 18, 2022, respectively. The term for the March 16, 2022 note is two years from the issuance date and the term for the April 12, 2022 and April 18, 2022 notes is three years from the issuance date. Interest on the unpaid balance will accrue at the rate of eight percent per year. Upon the occurrence of a qualified financing event, as defined in the note agreements, prior to the maturity date, the principal plus accrued interest will convert into shares of the Company's stock at a 20% discount on the price per share of the stock price. On February 8, 2022 an amendment was issued that includes an offering to convert Series A-2 Preferred stock to Series B Preferred stock.

(in thousands, except share and per-share amounts)

6. CONVERTIBLE NOTES (continued)

Union Carbide Notes (continued)

In August and September 2022, certain Union Carbide Notes were amended to extend their maturity dates. The maturity dates for all Union Carbide Notes as of September 30, 2022 are as follows:

Issue Date	Amount	Maturity Date
June 2021	$ 200	December 2022
September 2021	560	December 2024
October 2021	160	December 2024
November 2021	160	December 2024
March 2022	80	March 2024
April 2022	320	April 2025
April 2022	80	April 2025
	$1,560	

The fair value of the conversion features was separated from the convertible notes and reported as a debt discount and derivative liability as discussed in Note 2, Recurring fair value measurements. For the note issuances during the nine months ended September 30, 2022, the Company recorded a $14 discount and corresponding derivative liability. The fair value of the derivative liability is $0 as of September 30, 2022.

Dow and Union Carbide notes issued on April12, 2022 and April 18, 2022

In connection with the notes issued to Dow and Union Carbide on April 12, 2022 and April 18, 2022, SeaStar Medical shareholders voted and agreed that, upon the filing of the Ninth Amended and Restated Certificate of Incorporation and immediately prior to the effective date of the Merger, SeaStar Medical shall convert or exchange each share of Series A-1 Preferred Stock held by Dow and Union Carbide Pension Funds into 3 shares of common stock.

IBT Notes

During the nine months ended September 30, 2022, the Company converted additional unpaid invoices in the amounts of $76 and $20 into convertible note agreements with IBT and David Humes, respectively, (collectively the “IBT Notes”). The term for the IBT Notes is three years. Interest on the unpaid balances will accrue at the rate of eight percent per year. Upon the occurrence of a qualified financing event, as defined in the note agreements, prior to the maturity date, the principal plus accrued interest will convert into shares of the Company’s stock at a 20% discount on the price per share of the stock price. At issuance, the fair value of the conversion feature was separated from the convertible notes and reported as a debt discount and derivative liability. The Company recorded debt discounts and corresponding derivative liabilities totaling $17 related to the IBT Notes issued during the nine months ended September 30, 2022. The fair value of the derivative liability is $0 as of September 30, 2022.

(in thousands, except share and per-share amounts)

6. CONVERTIBLE NOTES (continued)

Investor Notes

During the nine months ended September 30, 2022, the Company issued convertible notes to investors for a total amount of $422 (collectively the "Investor Notes"). The term of all notes is three years from the date of issuance. Interest on the unpaid principal balances will accrue at the rate of eight percent per year. Upon the occurrence of a qualified financing event, as defined in the note agreements, prior to the maturity date, the principal plus accrued interest will convert into shares of the Company's stock at a 20% discount on the price per share of the stock price.

Pursuant to the terms of the Bridge Note Financing, SeaStar Medical agreed to convert, immediately prior to the effective date of a Merger, each share of Series A-2 Preferred Stock and Series B Preferred Stock held by purchasers of notes into either (a) 1.4 shares of common stock of SeaStar Medical or (ii) 2 shares of common stock of SeaStar Medical, depending on the amount of participation. Accordingly, immediately prior to the effective date of a Merger, a total of 24,656 shares of Series A-2 Preferred Stock and 3,623 shares of Series B Preferred Stock held by David Humes will be converted into 56,558 shares of common stock of SeaStar Medical (based on 1:2 conversion ratio). The fair value of the derivative liability is $0 as of September 30, 2022.

Omnibus Amendment

On April 12, 2022, the Company amended all its convertible note agreements with an omnibus amendment to stipulate that in the event that a Merger is consummated on or prior to maturity date, the outstanding balance of the notes shall automatically convert into shares of common stock of the Company at a conversion price equal to $10 per share of common stock immediately prior to the consummation of a Merger. As a result of this settlement feature included in the amended convertible note agreements, the Company determined the fair value of the derivative liability was $0 as of September 30, 2022.

The convertible notes and debt discounts consist of the following at September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Dow Notes	$ 2,340	$ 1,620
Union Carbide Notes	1,560	1,080
IBT & David Humes Notes	210	114
Investor Notes	526	104
Unamortized Debt Discount	(176)	(359)
	4,460	2,559
Less current portion	(413)	(2,378)
	$ 4,047	$ 181

(in thousands, except share and per-share amounts)

6. CONVERTIBLE NOTES (continued)

Future maturities of principal repayment of the convertible notes as of September 30, 2022 are as follows:

Years ending December 31:	
2022 (remaining)	$ 500
2023	—
2024	2,618
2025	1,518
Total	$ 4,636

7. NOTES PAYABLE – GOVERNMENT LOANS

In June 2020, the Company received a loan in the amount of $63 from the U.S. Small Business Administration (“SBA”) under the Economic Injury Disaster Loan assistance program established as part of the CARES Act. The loan calls for monthly payments in the amount of $0.3 until maturity in May 2050. The loan accrues interest at 3.75%.

In March 2022, the Company was notified by the SBA that monthly payments on the $63 loan were deferred until 2023.

The future maturities of the notes payable – Government loans are as follows:

As of September 30,

2022 (remaining)	$ —
2023	1
2024	1
2025	1
2026	1
2027	1
Thereafter	58
	$ 63

(in thousands, except share and per-share amounts)

8. CONVERTIBLE PREFERRED STOCK AND COMMON STOCK

The Company's convertible preferred stock has been classified as temporary equity in the accompanying balance sheets given the voting interest held by convertible preferred stockholders which could cause certain events to occur that are outside of the Company's control whereby the Company could be obligated to redeem the convertible preferred stock. The Company has not adjusted the carrying values of the convertible preferred stock to the respective liquidation preferences of such shares as the instruments are currently not redeemable, and the Company believes it is not probable that the instruments will become redeemable at this point in time. Adjustments to increase the carrying values to the respective liquidation preferences will be made if and when it becomes probable that an event could occur obligating the Company to pay such amounts.

During the nine months ended September 30, 2022, the Company converted 194,494 shares of SeriesA-2 Preferred Stock to 194,494 shares of Series B Preferred Stock. As of September 30, 2022, 633,697 shares of Series B Preferred Stock were issued and outstanding.

In April 2022, the board of directors granted employees and members of the board restricted stock units (RSUs), under which the holders have the right to receive an aggregate of 255,000 shares of common stock. The majority of the RSUs granted vest 50% on the first anniversary of the grant date, with the remaining 50% of the awards vesting monthly over a 12 to 24 month period following the first anniversary of the grant date. At grant date, the fair market value of an RSU was $8.

On May 4, 2022, the Company amended its certificate of incorporation increasing the total number of shares of all classes of stock which the Company shall have authority to issue to 12 million shares of common stock, $0.001 par value per share, 3,702,505 shares of preferred stock, $0.001 par value per share, of which 700,950 share of preferred stock are designated Series B, 1,601,060 shares are designated Series A-1, 900,495 are designated Series A-2 and 500,000 shares of preferred stock are undesignated.

The following represents stock-based compensation expense in the Company's condensed Statements of Operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Research and development	$ 27	$ 3	$ 53	$ 9
General and administrative	330	—	653	—
Total	$ 357	$ 3	$ 706	$ 9

9. COMMITMENTS AND CONTINGENCIES

Common stock purchase agreement

On August 23, 2022, the Company, LMAO, and Tumim Stone Capital LLC ("Tumim Stone Capital") entered into an equity line financing arrangement through a common stock purchase agreement providing the right to sell Tumim Stone Capital up to $100,000 worth of shares of Common Stock. The common stock purchase agreement is subject to certain limitations and conditions and also provides for a $2,500 commitment fee payable to Tumim Stone Capital to be paid in shares of common stock.

9. COMMITMENTS AND CONTINGENCIES (continued)

Subscription agreements/PIPE investment

On August 23, 2022, LMAO entered into subscription agreements (the "Subscription Agreements") with certain third-party investors (the "PIPE Investors"), pursuant to which the PIPE Investors have agreed to purchase, and LMAO has agreed to issue and sell, an aggregate of 700,000 shares of Class A Common Stock at $10.00 per share and warrants to purchase up to 700,000 shares of Class A Common Stock (the "PIPE Warrants") for an aggregate purchase price of $7,000. The PIPE Warrants are exercisable starting on the closing of the Merger at an exercise price of $11.50 per share of Class A Common Stock and expire five years after the closing. The obligations to consummate the transaction contemplated by the Subscription Agreements are conditioned upon, among other things, the consummation of the transactions contemplated by the Merger Agreement.

Lease agreements

The Company is part of a membership agreement for shared office space and can cancel at any time. Rent expense was $8 for the three month periods ended September 30, 2022 and 2021, and $24 for the nine month periods ended September 30, 2022 and 2021.

Litigation

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. From time to time, the Company may become involved in legal proceedings arising in the ordinary course of business. The Company was not subject to any material legal proceedings during the three and nine months ended September 30, 2022 and 2021 and no material legal proceedings are currently pending or threatened.

10. INCOME TAXES

In accordance with U.S. GAAP, a valuation allowance should be provided if it is more likely than not that some or all of the Company's deferred tax assets will not be realized. The Company's ability to realize the benefit of its deferred tax assets will depend on the generation of future taxable income. Due to the uncertainty of future profitable operations and taxable income, the Company has recorded a full valuation allowance against its net deferred tax assets. The Company believes its tax filing positions and deductions related to tax periods subject to examination will be sustained under audit and, therefore, has no reserve for uncertain tax positions.

(in thousands, except share and per-share amounts)

11. NET LOSS PER SHARE

Basic net loss per common share is calculated by dividing the net loss by the weighted-average number of common shares outstanding during the period, without consideration of potentially dilutive securities. Diluted net loss per share is computed by dividing the net loss by the weighted-average number of common shares and potentially dilutive securities outstanding for the period. For purposes of the diluted net loss per share calculation, the convertible preferred stock and common stock options are considered to be potentially dilutive securities. Basic and diluted net loss per share is presented in conformity with the two-class method required for participating securities as the convertible preferred stock is considered a participating security. The Company's participating securities do not have contractual obligation to share in the Company's losses. As such, the net loss was attributed entirely to common stockholders. As the Company has reported net loss for all periods presented, diluted net loss per common share is the same as basic net loss per common share for those periods.

The following weighted-average outstanding shares of potentially dilutive securities were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented because including them would have been anti-dilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Options to purchase common stock	271,280	267,034	271,280	267,034
Restricted stock units	255,000	—	170,000	—
Convertible preferred stock	2,787,642	2,787,642	2,787,642	2,787,642
Total	3,313,922	3,054,676	3,228,922	3,054,676

While the net loss attributable to common shareholders is $1,892 and $1,207 for the three months ended September 30, 2022 and 2021, respectively, and $3,798 and $3,378 for the nine months ended September 30, 2022 and 2021, respectively, there are no common shareholders.

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition and disclosure through November 14, 2022, the date on which the financial statements were available to be issued and has determined that following should be disclosed:

Merger

On October 28, 2022 (the "Closing Date"), LMAO, a Delaware corporation, consummated a series of transactions that resulted in the combination of LMF Merger Sub, Inc. a Delaware corporation and a wholly-owned subsidiary of LMAO ("Merger Sub"), and SeaStar Medical, a Delaware corporation, pursuant to an Agreement and Plan of Merger by and among LMAO, Merger Sub and SeaStar Medical, as described further below. Pursuant to the terms of the Merger, a business combination between LMAO and SeaStar Medical was effected through the Merger of Merger Sub with and into SeaStar Medical, with SeaStar Medical surviving the Merger as a wholly-owned subsidiary of LMAO, following the approval by shareholders of LMAO at the extraordinary general meeting of the shareholders of LMAO held on October 18, 2022, (the "Special Meeting").

12. SUBSEQUENT EVENTS (continued)

Merger (continued)

Following the consummation of the Merger, LMAO was renamed to SeaStar Holding Corporation.

The Merger will be accounted for as a reverse recapitalization in accordance with U.S. GAAP. Under this method of accounting LMAO will be treated as the acquired company for financial reporting purposes. This determination is primarily based on the fact that subsequent to the Merger, the Company's stockholders have the majority of the voting power of the combined entity, the Company will comprise all of the ongoing operations of the combined entity, the Company will comprise a majority of the governing body of the combined entity, and the Company's senior management will comprise all of the senior management of the combined entity. Accordingly, for accounting purposes, the Merger will be treated as the equivalent of the Company issuing shares for the net assets of LMAO, accompanied by a recapitalization. The net assets of LMAO will be stated at historical costs. No goodwill or intangibles will be recorded. Operations prior to the Merger will be those of the Company.

The aggregate consideration payable to the stockholders of SeaStar Medical at the closing of the Merger was $85,408, which consisted of an aggregate equity value of SeaStar Medical of $85,000, minus deductions for indebtedness of SeaStar Medical and SeaStar Medical transaction expenses in excess of $800, plus the aggregate exercise price of (1) SeaStar Medical warrants issued and outstanding immediately prior to the Closing and (2) SeaStar Medical options issued and outstanding immediately prior to the Closing, less the value of the shares of Common Stock underlying the Assumed Equity (as defined below) (the "Closing Merger Consideration"). The Closing Merger Consideration was payable solely in shares of LMAO common stock, par value $0.0001 per share ("Common Stock"), valued at $10.00 per share, resulting in the issuance of 7,837,628 shares of common stock, par value $0.0001 per share, of Common Stock to holders of stock of SeaStar Medical immediately prior to the Closing. At the Closing, shares of class B common stock, par value $0.001 per share, of LMAO ("Class B Common Stock") automatically converted into shares of class A common stock, par value $0.001 per share, of LMAO ("Class A Common Stock") on a one-to-one basis, and pursuant to the charter of LMAO after the Merger, Class A Common Stock and Class B Common Stock was reclassified as Common Stock.

At the Closing, each of SeaStar Medical's issued and outstanding convertible notes automatically converted into shares of SeaStar Medical common stock. Immediately prior to the effectiveness of the Merger, each share of SeaStar Medical's issued and outstanding preferred stock automatically converted into shares of SeaStar Medical common stock and those SeaStar Medical warrants that would be exercised or exchanged in connection with the Merger pursuant to the terms thereof were exercised for shares of SeaStar Medical common stock. At Closing, the (i) SeaStar Medical warrants that would not be exercised or exchanged in connection with the Merger were assumed by LMAO and converted into warrants to purchase Common Stock, (ii) outstanding options for shares of SeaStar Medical common stock under SeaStar Medical's equity plan were assumed by LMAO and converted into options to purchase Common Stock, and (iii) issued and outstanding restricted stock unit awards under SeaStar Medical's current equity plan were assumed by LMAO and converted into LMAO restricted stock units.

12. SUBSEQUENT EVENTS (continued)

Common Stock Purchase Agreement

On October 28, 2022, LMAO, SeaStar Medical, and Tumim Stone Capital entered into a letter agreement to amend certain terms of the Common Stock Purchase Agreement, dated August 23, 2022 (the "Purchase Agreement"), by and among Tumim Stone Capital, LMAO, and SeaStar Medical, or the Company following the consummation of the Merger. Pursuant to the Tumim Letter Agreement, among other things, the parties agreed to the following amendments with respect to the Commitment Fee and Commitment Shares (each as defined in the Purchase Agreement): (a) LMAO, or the Company from and after the Closing Date shall pay to Tumim Stone Capital $1,000 of the Commitment Fee in cash on the Closing Date; (b) the Company shall pay to Tumim Stone Capital $500 of the Commitment Fee in cash no later than the earliest of (i) the 30th calendar day immediately following the Effective Date of the Initial Registration Statement (each as defined in the Purchase Agreement), (ii) the 30th calendar day immediately following the Effectiveness Deadline (as defined in the Purchase Agreement) of the Initial Registration Statement, and (iii) not later than the second trading date immediately after the date on which written notice of termination is delivered by the Company or Tumim Stone Capital pursuant to the terms of the Purchase Agreement; and (c) the Company shall pay to Tumim Stone Capital the balance of the Commitment Fee, or $1,000, as Commitment Shares as set forth under the terms in the Purchase Agreement.

LMFA Note Payable

On October 6, 2022, the Company borrowed an additional $350 advance on its LMFA Note Payable, bringing the total borrowings on the LMFA Note Payable to $700. On October 28, 2022, SeaStar Medical and LMFA entered into the First Amendment to the Credit Agreement, dated September 9, 2022 between LMFA and SeaStar Medical, pursuant to which the parties amended the Credit Agreement and entered into an Amended and Restated Promissory Note to (i) extend the maturity date of the loan under the Credit Agreement to October 30, 2022; (ii) permit the LMFA Note Payable be prepaid without premium or penalty; (iii) require the Company to use 5.0% of the gross cash proceeds received from any future debt and equity financing to pay outstanding balance of LMFA Note Payable, provided that such repayment is not required for the first $500 of cash proceeds; (iv) reduce the interest rate of the LMFA Note Payable from 15% to 7% per annum; and (iv) reduce the default interest rate from 18% to 15% and changes, the maturity date is extended to October 30, 2023. The LMFA Note Payable contains customary representations and warranties, affirmative and negative covenants and events of default. In addition, on October 28, 2022, the parties entered into a Security Agreement, pursuant to which the Company granted LMFA a security interest in substantially all of the assets and property of the Company, subject to certain exceptions, as collateral to secure the Company's obligations under the amended Credit Agreement. In addition, the Company entered into a Guaranty, dated October 28, 2022, pursuant to which the Company unconditionally guarantees and promises to pay to LMFA the outstanding principal amount under the LMFA Note Payable.

12. SUBSEQUENT EVENTS (continued)

Sponsor Note

On October 28, 2022, the Company entered into a Consolidated Amended and Restated Promissory Note with LMFAO Sponsor, LLC, LMAO's sponsor and the sole holder of founding shares (the "Sponsor") as the lender, for an aggregate principal amount of $2,785 (the "Sponsor Note") to amend and restate in its entirety (i) the Promissory Note, dated July 29, 2022, for $1,035 in aggregate principal amount issued by LMAO to the Sponsor and (ii) the Amended and Restated Promissory Note, dated July 28, 2022, for $1,750 in aggregate principal amount, issued by LMAO to the Sponsor (collectively, the "Original Notes"). The Sponsor Note amended the Original Notes to: (i) extend maturity dates of the Original Notes to October 30, 2023; (ii) permit outstanding amount due under the Sponsor Note to be prepaid without premium or penalty; and (iii) require the Company to use 5.0% of the gross cash proceeds received from any future debt and equity financing to pay outstanding balance of Sponsor Note, provided that such repayment is not required for the first $500 of cash proceeds. The Sponsor Note carries an interest rate of 7% per annum and contains customary representations and warranties and affirmative and negative covenants. The Sponsor Note is also subject to customary events of default, the occurrence of which may result in the Sponsor Promissory Note then outstanding becoming immediately due and payable, with interest being increased to 15.0% per annum. In addition, on October 28, 2022, the parties entered into a Security Agreement (the "Sponsor Security Agreement"), pursuant to which the Company granted Sponsor a security interest in substantially all of the assets and property of the Company, subject to certain exceptions, as collateral to secure the Company's obligations under the Sponsor Note. In addition, the Company entered into a Guaranty, dated October 28, 2022 (the "Sponsor Guaranty"), pursuant to which the Company unconditionally guarantees and promises to pay to LMFA the outstanding principal amount under the LMFA Note Payable.

Maxim Note

Pursuant to an engagement letter between SeaStar Medical and Maxim dated October 28, 2022, SeaStar Medical was required to pay Maxim, as its financial advisor, an amount equal to $4,182 in cash as professional fees. Upon the closing of the Merger, the parties agreed that such amount would be paid in the form of a promissory note. Accordingly, on October 28, 2022, the Company entered into a Promissory Note with Maxim as the lender, for an aggregate principal amount of $4,182 (the "Maxim Note"). The Maxim Note has a maturity date of October 30, 2023 and outstanding amounts may be prepaid without premium or penalty. If the Company receives any cash proceeds from a debt or equity financing transaction prior to the maturity date, then the Company is required to prepay the indebtedness equal to 25.0% of the gross amount of the cash proceeds, provided that such repayment obligation shall not apply to the first $500 of the cash proceeds received by the Company. Interest on the Maxim Note is due at 7.0% per annum. The Maxim Note contains customary representations and warranties, and affirmative and negative covenants. The Maxim Note is also subject to customary events of default, the occurrence of which may result in the Maxim Promissory Note then outstanding becoming immediately due and payable, with interest being increased to 15.0% per annum.

Note- Payable – Government Loan

On October 17, 2022, the Company pre-paid the full balance Note-Payable – Government Loan to the Small Business Administration in the amount of $63 principal and $5 accrued interest.

12. SUBSEQUENT EVENTS (continued)

Forward Purchase Agreements

On October 17, 2022, LMF, SeaStar Medical and Vellar Opportunity Fund SPV LLC – Series 4 (an "FPA Seller" and "Vellar"), entered into an agreement (the "Vellar Prepaid Forward Agreement"), prior to the Merger, for an equity prepaid forward transaction, whereby, prior to the Merger, Vellar purchased 523,400 LMF Class A Shares from redeeming holders (the "Recycled Shares"), and an additional 100,000 LMF Class A Shares constituting share consideration, each at an average price per share of $10.37. Pursuant to the Vellar Prepaid Forward Agreement, Vellar waived its redemption rights under the governing documents of LMF in connection with the Merger.

At the closing of the Merger, LMAO paid to Vellar, out of funds held in the LMAO trust account, aggregate amounts of (a) approximately $5,428 (the "Prepayment Amount"), an amount equal to (x) the number of shares underlying the transaction, multiplied by (y) redemption price (as defined in the Vellar Prepaid Forward Agreement), (b) approximately $1,037 for the purpose of repayment of Vellar having purchased 100,000 shares from third parties in the open market (the "Additional Purchased Shares"), an amount equal to the product of (x) 100,000 multiplied by (y) redemption price (as defined in the Vellar Prepaid Forward Agreement), and (c) a structuring fee in the amount of $5 at closing and on the first business day of each quarter.

On October 26, 2022, LMF, SeaStar Medical and HB Strategies LLC (an "FPA Seller" and "HB Strategies"), entered into an agreement (the "HB Strategies Prepaid Forward Agreement") for an equity prepaid forward transaction, whereby, prior the Merger, the HB Strategies purchased 700,000 LMF Class A Shares from redeeming holders (the "Recycled Shares"), and an additional 50,000 LMF Class A Shares constituting share consideration, each at an average price per share of $10.37. Pursuant to the HB Strategies Prepaid Forward Agreement, HB Strategies waived its redemption rights under the governing documents of LMF in connection with the Merger.

At the closing of the Merger, LMAO paid to the HB Strategies, out of funds held in the LMAO trust account, aggregate amounts of (a) approximately $7,259 (the "Prepayment Amount"), an amount equal to (x) the number of shares underlying the transaction, multiplied by (y) redemption price (as defined in the HB Strategies Prepaid Forward Agreement), (b) approximately $519 for the purpose of repayment of HB Strategies having purchased 50,000 shares from third parties in the open market (the "Additional Purchased Shares"), an amount equal to the product of (x) 50,000 multiplied by (y) redemption price (as defined in the HB Strategies Prepaid Forward Agreement), and (c) a structuring fee in the amount of approximately $3 at closing and on the first business day of each quarter.

The FPA Sellers may, in their discretion, sell subject shares, the effect of which is to terminate their respective Forward Agreements in respect of the subject shares sold (the Terminated Shares). The Company is entitled to proceeds from such sales of Terminated Shares equal to the product of (x) the number of Terminated Shares multiplied by (y) the Reset Price.

12. SUBSEQUENT EVENTS (continued)

Forward Purchase Agreements (continued)

The Reset Price is initially the per-share redemption price, but will be adjusted on a monthly basis to the lower of (a) the then-current Reset Price, (b) $10.00 and (c) the volume weighted average price (VWAP) price of the last ten trading days of the prior calendar month, but not lower than $5.00; provided, however, that if we offer and sell Class A Common Stock, or currently outstanding or future issued securities are exercised or converted, at a price lower than then then-current Reset Price, then the Reset Price shall be modified to equal such reduced price.

In the event that the VWAP Price is less than $3.00 per share for 20 trading days during any 30trading-day-period, then the FPA Sellers may accelerated the maturity date (the Maturity Date), which otherwise will be the third anniversary of the closing. Upon the occurrence of the Maturity Date, we are obligated to pay to the FPA Sellers an amount equal to the product of (a) (x) the number of Recycled Shares less (y) the number of terminated shares, multiplied by (b) $2.50 (the Maturity Consideration).

The Maturity Consideration shall be payable by the Company in cash, or at the Company's option, as equity, issued in Class A Common Stock, with a per share issue price based on the average daily VWAP Price over 30 scheduled trading days ending on (i) the Maturity Date to the extent the shares used to pay the Maturity Consideration are freely tradeable by the FPA Sellers, or (ii) if not freely tradeable by the FPA Sellers, the date on which the shares used to pay the Maturity Consideration are registered under the Securities Act and delivered to the FPA Sellers, which will be payable on a net basis such that the FPA Sellers retain a number of shares due to the Company upon the Maturity Date equal to the number of Maturity Consideration Shares payable to FPA Sellers, only to the extent the number of shares due to the Company upon the Maturity Date are equal to or more than the number of Maturity Consideration Shares payable to FPA Sellers, with any Maturity Consideration remaining due to be paid to Sellers in newly issued Shares. For the avoidance of doubt, in addition to the Maturity Consideration, at the Maturity Date, FPA Sellers will be entitled to retain a cash amount equal to the product of (y) the number of shares remaining in the transaction multiplied by (z) the Redemption Price, and FPA Sellers will deliver to the Company the number of shares that remain in the transaction.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULT OF OPERATIONS OF SEASTAR MEDICAL

The following discussion and analysis of the financial condition and results of operations of SeaStar Medical, Inc. ("SeaStar Medical") should be read in conjunction with its audited financial statements and interim unaudited financial statements and the notes related thereto which are included elsewhere in the Current Report on Form 8-K of which this exhibit is a part. Certain information contained in the discussion and analysis set forth below includes forward-looking statements. SeaStar Medical's actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those set forth under "*Cautionary Note Regarding Forward-Looking Statements*" contained in the Current Report on Form 8-K filed by SeaStar Medical Holding Corporation (f/k/a LMF Acquisition Opportunities, Inc., or the "Company") with the Securities and Exchange Commission (the "SEC") on November 4, 2022.

Unless the context otherwise requires, the use the terms "we," "us," and "our" in the following discussion and analysis is referring to SeaStar Medical prior to the completion of the Business Combination.

Overview

SeaStar Medical is a medical technology company developing a platform therapy to reduce the consequences of hyperinflammation on vital organs. In a normal inflammatory response, neutrophils are the first immune cells to arrive at the site and are key to the entire immune response that kills pathogens and promotes tissue repair. If the inflammatory response becomes excessive and dysregulated, normal neutrophil die off may be delayed, altering feedback mechanisms that regulate the immune system. This results in damaging hyperinflammation spreading uncontrollably to other parts of the body, often leading to acute chronic solid organ dysfunction or failure, including heart, lung, kidney and liver diseases. This hyperinflammatory response is also known as the cytokine storm, referring to the body's reaction to the category of small-secreted proteins released by hyperinflammatory cells that affect communication between cells. The cytokine storm, when left uncontrolled, can lead to organ damage and even death.

We are initially using our proprietary Selective Cytopheretic Device ("SCD") technology platform to clinically validate several acute organ injury indications, including kidneys and lungs. Our investigational SCD is an extracorporeal synthetic membrane device designed to be easily integrated into existing Continuous Renal Replacement Therapy ("CRRT") systems that are commonly installed in hospitals, including in ICUs throughout the United States. Once approved and commercialized, the SCD would initially target acute kidney injury in both the pediatric CRRT population as well as adults on CRRT. In addition, we are developing our SCD to address inflammation associated with chronic dialysis and chronic heart failure.

We have incurred net losses in each year since our inception in 2007. As of December 31, 2021 and 2020, we had an accumulated deficit of $76.3 million and $71.7 million, respectively. Our net losses were $4.6 million and $3.3 million for the years ended December 31, 2021 and 2020, respectively. Substantially all of our net losses resulted from costs incurred in connection with our research and development programs and from general and administrative costs associated with our operations.

As of September 30, 2022, we had an accumulated deficit of $80.1 million. Our net losses were $3.8 million for the nine months ended September 30, 2022. Substantially all of our net losses resulted from costs incurred in connection with our research and development programs and from general and administrative costs associated with our operations.

As of September 30, 2022 and December 31, 2021, we had cash of $0.05 million and $0.5 million, respectively. Since January 1, 2022, we have raised an aggregate of $1.7 million through the issuance of convertible promissory notes to certain existing stockholders of SeaStar Medical, and $0.35 from LM Funding America, Inc. ("LMFA").

Our accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liabilities in the normal course of business. Our financial statements do not include any adjustments relating to the recoverability and classification of asset amounts or the classification of liabilities that might be necessary should SeaStar Medical be unable to continue as a going concern. The recurring losses, working capital deficiency, the need for capital to fund SeaStar Medical's operations, including clinical trial and regulatory approval expenses, the amount of cash reserve and the dependency of closing the Business Combination are factors that raise substantial doubt about SeaStar Medical's ability to continue as a going concern for the twelve-month period from the date the financial statements included herein were made available. See Note 1 to our interim unaudited financial statements for the period ended September 30, 2022 included elsewhere in the Current Report on Form 8-K of which this exhibit is a part for additional information on our assessment.

Our need for additional capital will depend in part on the scope and costs of our development activities. To date, we have not generated any significant revenue from the sale of commercialized products. Our ability to generate product revenue will depend on the successful development and eventual commercialization of our products. Until such time, if ever, we expect to finance our operations through the sale of equity or debt, borrowings under credit facilities, potential collaborations, other strategic transactions or government and other grants. Adequate capital may not be available to us when needed or on acceptable terms. If we are unable to raise capital, we could be forced to delay, reduce, suspend or cease our research and development programs or any future commercialization efforts, which would have a negative impact on our business, prospects, operating results and financial condition. See the section titled "*Risk Factors*" contained in the final prospectus and definitive proxy statement (the "Proxy Statement/Prospectus") filed with the SEC on September 28, 2022 by LMF Acquisition Opportunities, Inc. ("LMAO") for additional information.

Business Combination with LMAO

On October 28, 2022 (the "Closing Date"), LMAO, a Delaware corporation, consummated a series of transactions that resulted in the combination of LMF Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of LMAO ("Merger Sub"), and SeaStar Medical pursuant to an Agreement and Plan of Merger, dated April 21, 2022 (the "Merger Agreement"), by and among LMAO, Merger Sub and SeaStar Medical, as described further below. Pursuant to the terms of the Merger Agreement, a business combination between LMAO and SeaStar Medical was effected through the merger of Merger Sub with and into SeaStar Medical, with SeaStar Medical surviving the merger as a wholly-owned subsidiary of LMAO (the "Business Combination"), following the approval by shareholders of LMAO at the special meeting of the stockholders of LMAO held on October 18, 2022, 2022. Following the consummation of the Business Combination, LMAO was renamed "SeaStar Medical Holding Corporation".

Impact of COVID-19 Pandemic

While the broader economic implications remain uncertain, the COVID-19 pandemic has, to date, not had any significant impact on our operations or the timeline of our development activities and regulatory approval process. However, our SCD products have been used in pilot studies in patients developing AKI or acute respiratory distress syndrome associated with COVID-19 infection, and these studies were designed to assess the safety and efficacy of our SCD in treating critically ill patients infected by COVID-19. We believe that the COVID-19 pandemic has increased the awareness in the medical community of the devastating consequences of hyperinflammatory reactions, and such awareness may allow us to expand the market opportunities of SCD.

Key Components of Results of Operations

Revenue

To date, we have not generated any revenue from the sale of commercialized products. Revenue has been primarily derived from government and other grants. We may generate revenue in the future based on payments from future license or collaboration agreements and government and other grants and from product sales if our products receive regulatory approval for commercialization. We expect that any revenue we generate will fluctuate from quarter to quarter. If we fail to complete the development of or obtain regulatory approval for commercialization of our products in a timely manner, our ability to generate future revenue and our results of operations and financial position would be materially adversely affected.

Research and Development Expenses

Since our inception, we have focused our resources on our research and development activities, including conducting preclinical studies and clinical trials, and developing our process and activities related to regulatory filings for our products. Subject to the availability of additional funding, we plan to further increase our research and development expenses for the foreseeable future as we continue the development of our products.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and related costs for employees, as well as stock-based compensation expenses and benefits for such employees. Other significant general and administrative expenses include facilities costs, professional fees for accounting and legal services, expenses associated with obtaining and maintaining patents and other consulting expenses. As we continue to expand and grow our operations, we expect that our general and administrative expenses will increase, including for additional expenses relating to new hires, travel, new enterprise resource planning platform, and branding.

Other Income (Expense), Net

Total other income (expense), net primarily consists of interest expense relating to interest incurred on our convertible notes, gains from the forgiveness of Paycheck Protection Program ("PPP") loans under the CARES Act, gains from early extinguishment of convertible notes and changes in fair value of the derivative liability related to the conversion option of convertible notes.

Results of Operations

Comparison of Three and Nine Months Ended September 30, 2022 to Three and Nine Months Ended September 30, 2021

The following table sets forth a summary of our results of operations. This information should be read together with our financial statements and related notes included elsewhere in the Current Report on Form 8-K of which this exhibit is a part.

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
($ in thousands)	**2022**	**2021**	$	%	**2022**	**2021**	$	%
Revenue	**$ —**	**$ —**			$ —	—		
Operating expenses								
Research and development	727	985	(258)	(26%)	1,678	2,267	(589)	(26%)
General and administrative	1,042	170	872	513%	2,215	1,138	1,077	95%
Total operating expenses	1,769	1,155	614	53%	3,893	3,405	488	14%
Loss from operations	(1,769)	(1,155)	(614)	53%	(3,893)	(3,405)	(488)	14%
Total other income (expense)	(122)	(54)	(68)	126%	96	26	70	269%
Loss before income tax provision	(1,891)	(1,209)	(682)	56%	(3,797)	(3,379)	(418)	12%
Income tax provision (benefit)	1	(2)	3	(150%)	1	(1)	2	(200%)
Net loss	$ (1,892)	$ (1,207)	(685)	57%	$(3,798)	$(3,378)	(420)	12%

Research and Development Expenses

The following table discloses the breakdown of research and development expenses:

($ in thousands)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Change $	Change %	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Change $	Change %
Clinical trials	$ —	$ 326	$(326)	(100%)	$ 4	$ 965	$(961)	(100%)
External services	578	570	8	1%	1,236	992	244	25%
Payroll and personnel expenses	110	88	22	25%	279	254	25	10%
Other research and development expenses	39	1	38	3,800%	159	56	103	184%
	$ 727	$ 985	$(258)	-26%	$ 1,678	$ 2,267	$(589)	(26%)

Research and development expenses during the three months ended September 30, 2022 and 2021 were $0.7 million and $1.0 million, respectively. The $0.3 decrease, or 26%, was primarily related to fewer activities in clinical trials in progress during the three months ended September 30, 2022.

Research and development expenses during the nine months ended September 30, 2022 and 2021 were $1.7 million and $2.3 million, respectively. The decrease of $0.6 million, or 26%, was primarily related to fewer activities in clinical trials in progress during the nine months ended September 30, 2022, partially offset by increases in legal fees and costs in laboratory testing.

General and Administrative Expenses

General and administrative expenses and development expenses during the three months ended September 30, 2022 and 2021 were $1.0 million and $0.2 million, respectively. The increase in general and administrative expenses of $0.8 million, or 513%, was driven primarily by the recording of employee stock expense related to the grant of restricted stock units (“RSUs”), as well as increases in bonus accruals, Directors’ compensation, costs related to hiring new employees, travel, and consulting services.

General and administrative expenses and development expenses during the nine months ended September 30, 2022 and 2021 were $2.2 million and $1.1 million, respectively. The increase in general and administrative expenses of $1.1 million, or 95%, was driven primarily by an increase of employee stock expense related to the grant of RSUs, as well as increases in bonus accruals, Directors’ compensation, and costs related to hiring new employees, travel, and consulting services.

Other Income (Expense)

Other income (expense) during the three months ended September 30, 2022 and 2021 were $0.1 million and $0.0 million, respectively. The increase in other expense of $0.1 million, or 126%, related to the increase in interest expense due to additional convertible notes and the issuance of the LMFA Note (as defined below).

Other income (expense) during the nine months ended September 30, 2022 and 2021 were $0.1 million and $0.0 million, respectively. The increase in other income of $0.1 million, or 269%, related to the change in fair value of the derivative liability related to the convertible notes, which was partially offset by an increase in interest expense due to the issuance of additional convertible notes and the issuance of the LMFA Note.

Income Tax Provision (Benefit)

SeaStar Medical recorded an income tax provision (benefit) of approximately $0.0 million and $0.0 million for the three months ended September 30, 2022 and 2021, respectively.

SeaStar Medical recorded an income tax provision (benefit) of approximately $0.0 million and $0.0 million for the nine months ended September 30, 2022 and 2021, respectively.

Under ASC 740-10-30-5, *Income Taxes*, deferred tax assets should be reduced by a valuation allowance if, based on the weight of available evidence, it is more-likely-than-not (i.e., a likelihood of more than 50%) that some portion or all of the deferred tax assets will not be realized. SeaStar Medical considers all positive and negative evidence available in determining the potential realization of deferred tax assets including, primarily, the recent history of taxable earnings or losses. Based on operating losses reported by SeaStar Medical during 2021 and 2020, SeaStar

Medical concluded there was not sufficient positive evidence to overcome this recent operating history. As a result, SeaStar Medical believes that a valuation allowance continues to be necessary based on the more-likely-than-not threshold noted above.

Net Loss

During the three months ended September 30, 2022, SeaStar Medical had a net loss of $1.9 million as compared to a net loss of $1.2 million for the three months ended September 30, 2021. The increased net loss of $0.7 million primarily resulted from the recording of employee stock expense related to the grant of RSUs, as well as increases in bonus accruals, Directors' compensation, costs related to hiring new employees, travel and consulting expenses, partially offset by the reduction in costs related to clinical trials.

During the nine months ended September 30, 2022, SeaStar Medical had a net loss of $3.8 million as compared to a net loss of $3.4 million for the nine months ended September 30, 2021. The increased net loss of $0.4 million primarily resulted from the recording of employee stock compensation expense related to the granting of RSUs and increases in interest expense, which was partially offset by the reduction in costs related to the clinical trial and the change in fair value of the derivative liability.

Comparison of Year Ended December 31, 2021 to Year Ended December 31, 2020

The following table sets forth a summary of our results of operations. This information should be read together with our financial statements and related notes included elsewhere in the Current Report on Form 8-K of which this exhibit is a part.

	Year Ended December 31,		Change	
($ in thousands)	**2021**	**2020**	$	%
Revenue	$ —	$ —	$ —	—
Operating expenses				
Research and development	2,766	4,025	(1,259)	(31)%
General and administrative	1,683	2,428	(745)	(31)%
Total operating expenses	4,449	6,453	(2,004)	(31)%
Loss from operations	(4,449)	(6,453)	(2,004)	(31)%
Total other income (expense)	(148)	3,186	(3,334)	(105)%
Loss before income tax provision	(4,597)	(3,267)	(1,330)	41%
Income tax provision (benefit)	(1)	9	(10)	(111)%
Net loss	$(4,596)	$(3,276)	$(1,320)	40%

Research and Development Expenses

The following table discloses the breakdown of research and development expenses:

($ in thousands)	Year Ended December 31, 2021	Year Ended December 31, 2020	Change $	Change %
Clinical trials	$ 989	$1,703	$ (714)	(42)%
External services	1,278	1,384	(106)	(8)%
Payroll and personnel expenses	353	291	62	21%
Other research and development expenses	146	647	(501)	(77)%
	$2,766	$4,025	$(1,259)	(31)%

Research and development expenses for the year ended December 31, 2021 and 2020 were $2.8 million and $4.0 million, respectively. The decrease of $1.2 million, or 31%, was primarily due to the suspension of our development efforts on an additional product offering.

General and Administrative Expenses

General and administrative expenses for the year ended December 31, 2021 and 2020 were $1.7 million and $2.4 million, respectively. The decrease in general and administrative expenses of $0.7 million, or 31%, was driven by a reduction in travel during the COVID-19 pandemic and our adoption of a lower operating budget in 2021. Additionally, we relocated to Colorado from California, reducing our facilities costs and other overhead.

Other Income (Expense)

Other income (expense) for the year ended December 31, 2021 and 2020 were $(0.1) million and $3.2 million, respectively. The decrease of $3.3 million primarily resulted from a gain on the early extinguishment of convertible notes of $6.3 million during the year ended December 31, 2020, partially offset by a $3.1 million decrease in interest expense.

Income Tax Provision (Benefit)

SeaStar Medical recorded an income tax provision (benefit) of approximately $0.0 million and $0.0 million for the years ended December 31, 2021 and 2020, respectively.

Under ASC 740-10-30-5, *Income Taxes*, deferred tax assets should be reduced by a valuation allowance if, based on the weight of available evidence, it is more-likely-than-not (i.e., a likelihood of more than 50%) that some portion or all of the deferred tax assets will not be realized. SeaStar Medical considers all positive and negative evidence available in determining the potential realization of deferred tax assets including, primarily, the recent history of taxable earnings or losses. Based on operating losses reported by SeaStar Medical during 2021 and 2020, SeaStar Medical concluded there was not sufficient positive evidence to overcome this recent operating history. As a result, SeaStar Medical believes that a valuation allowance continues to be necessary based on the more-likely-than-not threshold noted above. SeaStar Medical recorded a valuation allowance of approximately $18.2 million and $17.3 million for the year ended December 31, 2021 and 2020, respectively.

Net Loss

During the year ended December 31, 2021, SeaStar Medical had a net loss of $4.6 million as compared to a net loss of $3.3 million for the year ended December 31, 2020. The increased net loss of $1.3 million primarily resulted from a gain on early extinguishment of convertible notes of $6.3 million during the year ended December 31, 2020, partially offset by the decreases in operating expenses and interest expense mentioned above.

Liquidity and Capital Resources

Sources of Liquidity

To date, we have financed our operations primarily through the sale of equity securities and convertible debt and, to a lesser extent, through grants from governmental and other agencies. Since our inception, we have incurred significant operating losses and negative cash flows. As of September 30, 2022, we had an accumulated deficit of $80.1 million. As of December 31, 2021 and December 31, 2020, we had an accumulated deficit of $76.3 million and $71.7 million, respectively.

As of September 30, 2022, we had cash and cash equivalents of $0.05 million. As of December 31, 2021 and December 31, 2020, we had cash of $0.5 million and $2.8 million, respectively. Without giving effect to the anticipated net proceeds from the Business Combination, we expect that our existing cash will be insufficient to fund our operations, including clinical trial expenses and capital expenditure requirements, for 12 months from the issuance date of our interim unaudited financial statements and beyond. We believe that this raises doubt about our ability to continue as a going concern. To finance our operations beyond that point, we would need to raise additional capital, which cannot be assured. We have concluded that these circumstances raise doubt about our ability to continue as a going concern within one year after the issuance date of our interim unaudited financial statements. See Note 1 to our interim unaudited financial statements for the period ended September 30, 2022 included elsewhere in the Current Report on Form 8-K of which this exhibit is a part. We believe that the estimated net proceeds from the Business Combination will be insufficient to meet our capital requirements and fund our operations for the next 12 months. We expect to require additional funding to continue our operations following the first 12-month period after the closing of the Business Combination. For a more detailed discussion of various financing transactions that were completed in connection with the closing of the Business Combination, please see the Company's Current Report on Form 8-K filed with the SEC on November 4, 2022.

In April 2021 and 2020, we received loan proceeds in the amount of approximately $0.1 million and $0.1 million, respectively, under the PPP as established under the CARES Act. The loans and accrued interest were forgivable as long as we used the loan proceeds for eligible purposes, including payroll, employee benefits, rent and utilities, and maintained its payroll levels. During the year ended December 31, 2021, $0.1 million of our PPP loans were forgiven.

In June 2020, we received a loan in the amount of $0.1 million from the U.S. Small Business Administration ("SBA") under the Economic Injury Disaster Loan assistance program as part of the CARES Act. The loan has a maturity date of May 2050 and bears interest at 3.8%. As of September 30, 2022, principal of $0.1 million was outstanding under the loan agreement.

During the year ended December 31, 2021, we issued convertible notes totaling $2.9 million pursuant to certain note purchase agreements, including notes issued to our major stockholders, the Dow Pension Funds. The maturity dates for the convertible notes range from one to three years from their respective issuance dates. These notes are unsecured obligations of SeaStar Medical and borrowings on the convertible notes bear interest at 8.0%. Upon the occurrence of a qualified financing event, prior to the maturity dates, the principal and accrued interest will convert into shares of our common stock at a specified discount. In addition, immediately prior to the closing of the Business Combination, all principal amount and accrued interest under such convertible notes will be converted automatically into shares of our common stock at a conversion price of $10.00 per share. As of December 31, 2021, a total principal of $2.9 million was outstanding under the convertible notes. See "*Certain Relationships and Related Party Transactions – SeaStar Medical Related Party Transactions"* on page 265.

During the nine months ended September 30, 2022, we issued convertible notes totaling approximately $1.7 million to certain existing holders of our issued and outstanding preferred stock, including six convertible notes in the aggregate principal amount of $1.2 million to the Dow Pension Funds. The maturity dates for such convertible notes range from two to three years from their respective issuance dates. These notes are unsecured obligations of SeaStar Medical and borrowings under the convertible notes bear interest at 8.0%. Upon the occurrence of a qualified financing event, prior to the maturity dates, the principal and accrued interest will convert into shares of our common stock at a specified discount.

Future Funding Requirements

We expect to incur significant expenses in connection with our ongoing activities as we seek to (i) continue clinical development of our SCD product for FDA approval, and (ii) if regulatory approval is obtained, to launch and commercialize our product in the U.S. market, including subsequent launches in key international markets. We will need additional funding in connection with these activities. Our future funding requirements, both short- term and long-term, will depend on many factors, including:

- our ability to receive cash proceeds from our existing funding sources, including equity line of credit and prepaid forward agreements;
- the progress and results of our clinical trials and interpretation of those results by the FDA and other regulatory authorities;
- the costs and timing of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending any intellectual property-related claims; and
- the costs of operating as a public company, including hiring additional personnel as well as increased director and officer insurance premiums, audit and legal fees, investor relations fees and expenses related to compliance with public company reporting requirements under the Securities Exchange Act of 1934, as amended, and rules implemented by the SEC and Nasdaq.

Until such time, if ever, as we are able to successfully develop and commercialize our products, we expect to continue financing our operations through the sale of equity, debt, borrowings under credit facilities or through potential collaborations with other companies, other strategic transactions or government or other grants. Adequate capital may not be available to us when needed or on acceptable terms. We do not currently have any committed external source of funds beyond the Business Combination. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of stockholders. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making acquisitions or capital expenditures. Debt financing would also result in fixed payment obligations. If we are unable to raise additional funds through equity or debt financings or other arrangements when needed, we may be required to delay, reduce, suspend or cease our research and development programs or any future commercialization efforts, which would have a negative impact on our business, prospects, operating results and financial condition. See the section of the Proxy Statement/Prospectus titled “Risk Factors” for additional risks associated with our substantial capital requirements.

Cash Flows

The following table shows a summary of our cash flows for each of the periods shown below:

	Year Ended December 31,		Nine Months Ended September 30,	
($ in thousands)	**2021**	**2020**	**2022**	**2021**
Statement of cash flow data:				
Total cash (used in)/provided by:				
Operating activites	$(5,114)	$(5,572)	$(2,492)	$(4,019)
Investing activites	—	—	—	—
Financing activities	2,817	4,892	2,031	1,880
	$(2,297)	$ (680)	$ (461)	$(2,139)

Cash Flow from Operating Activities

Net cash used in operating activities for the nine months ended September 30, 2022 was $2.5 million as compared to $4.0 million for the nine months ended September 30, 2021. The change of $1.5 million is primarily due to the decrease of research and development activities and other clinical trial costs.

Net cash used in operating activities for the year ended December 31, 2021 was $5.1 million as compared to $5.6 million for the year ended December 31, 2020. The change of $0.5 million is due to the decrease of research and development activities.

Cash Flow from Financing Activities

Net cash provided by financing activities for the nine months ended September 30, 2022 was $2.0 million as compared to $1.9 million for the nine months ended September 30, 2021. The change of $0.1 million is related to proceeds from borrowings on the LMFA Note, partially offset by less proceeds from the issuance of convertible notes during the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021.

Net cash provided by financing activities for the year ended December 31, 2021 was $2.8 million as compared to $4.9 million provided for the year ended December 31, 2020. The change of $2.1 million is primarily due to proceeds from the issuance of convertible notes in 2021 and the proceeds from the issuance of Series B preferred stock in 2020.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations as of September 30, 2022:

($ in thousands)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual Obligations:					
Convertible notes	$4,460	$ 413	$2,529	$1,518	$ —
LMFA note	350	350	—	—	—
SBA loan	63	—	2	2	59
Total contractual obligations	**$4,873**	**$ 763**	**$2,531**	**$1,520**	**$ 59**

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and income and expenses during the periods reported. Actual results could materially differ from those estimates. A summary of our significant accounting policies is set forth in Note 2 to our financial statements.

Recent Accounting Pronouncements

See Note 2 to our financial statements contained elsewhere in the Current Report on Form8-K of which this exhibit is a part for a description of recent accounting pronouncements applicable to our financial statements.

Emerging Growth Company Status

We are an emerging growth company (“EGC”), as defined in the JOBS Act. The JOBS Act permits companies with EGC status to take advantage of an extended transition period to comply with new or revised accounting standards, delaying the adoption of these accounting standards until they would apply to private companies. We have elected to use this extended transition period to enable us to comply with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with the new or revised accounting standards as of public company effective dates.

In addition, we intend to rely on the other exemptions and reduced reporting requirements provided by the JOBS Act. Subject to certain conditions set forth in the JOBS Act, if, as an EGC, we intend to rely on such exemptions, we are not required to, among other things: (i) provide an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act; (ii) provide all of the compensation disclosure that may be required of non-emerging growth public companies under the Dodd-Frank Wall Street Reform and Consumer Protection Act; (iii) comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements (auditor discussion and analysis); and (iv) disclose certain executive compensation-related items such as the correlation between executive compensation and performance and comparisons of the Chief Executive Officer's compensation to median employee compensation.

We will remain an EGC under the JOBS Act until the earliest of (i) the last day of our first fiscal year following the fifth anniversary of the closing of this offering, (ii) the last date of our fiscal year in which we have total annual gross revenue of at least $1.07 billion, (iii) the date on which we are deemed to be a "large-accelerated filer" under the rules of the SEC with at least $700.0 million of outstanding securities held by non-affiliates, or (iv) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the previous three-years.

Recent Developments

Business Combination

On October 28, 2022, we closed the Business Combination and LMAO was renamed "SeaStar Medical Holding Corporation".

The aggregate consideration payable to the stockholders of SeaStar Medical at the closing of the Business Combination (the "Closing") was $85,408,328, which consisted of an aggregate equity value of SeaStar Medical of $85,000,000, minus deductions for indebtedness of SeaStar Medical and SeaStar Medical transaction expenses in excess of $800,000, plus the aggregate exercise price of (1) SeaStar Medical warrants issued and outstanding immediately prior to the Closing and (2) SeaStar Medical options issued and outstanding immediately prior to the Closing, less the value of the shares of Common Stock underlying the Assumed Equity (as defined below) (the "Closing Merger Consideration"). The Closing Merger Consideration was payable solely in shares of LMAO common stock, par value $0.0001 per share ("Common Stock"), valued at $10.00 per share, resulting in the issuance of 7,837,628 shares of common stock, par value $0.0001 per share, of Common Stock to holders of stock of SeaStar Medical immediately prior to the Closing. At the Closing, shares of class B common stock, par value $0.001 per share, of LMAO ("Class B Common Stock") automatically converted into shares of class A common stock, par value $0.001 per share, of LMAO ("Class A Common Stock") on a one-to-one basis, and pursuant to the charter of LMAO after the Business Combination, Class A Common Stock and Class B Common Stock was reclassified as Common Stock.

At the Closing, each of SeaStar Medical's issued and outstanding convertible notes automatically converted into shares of SeaStar Medical common stock (the "Note Conversion"). Immediately prior to the effectiveness of the Business Combination, each share of SeaStar Medical's issued and outstanding preferred stock automatically converted into shares of SeaStar Medical common stock (the "Preferred Conversion") and those SeaStar Medical warrants that would be exercised or exchanged in connection with the Business Combination pursuant to the terms thereof were exercised for shares of SeaStar Medical common stock. At Closing, the (i) SeaStar Medical warrants that would not be exercised or exchanged in connection with the Business Combination were assumed by LMAO and converted into warrants to purchase Common Stock, (ii) outstanding options for shares of SeaStar Medical common stock under SeaStar Medical's equity plan were assumed by LMAO and converted into options to purchase Common Stock, and (iii) issued and outstanding restricted stock unit awards under SeaStar Medical's current equity plan were assumed by LMAO and converted into LMAO restricted stock units.

Amended and Restated Registration Rights Agreement

As previously disclosed, on April 21, 2022 and in connection with the execution of the Merger Agreement, certain stockholders of SeaStar Medical and LMAO entered into the Amended and Restated Registration Statement with LMAO (the "Amended and Restated Registration Rights Agreement"), pursuant to which the Company is required to file, not later than 30 days after the Closing, a registration statement covering the shares of Common Stock issued or issuable to such stockholders (the "Registration Rights Stockholders"). The material features of the Amended and Restated Registration Rights Agreement are described in the Proxy Statement/Prospectus in the section titled "Shareholder Proposal 1: The Business Combination Proposal – Certain Related Agreements – Amended and Restated Registration Rights Agreement" and that information is incorporated herein by reference. In addition, the Amended and Restated Registration Rights Agreement imposes certain lockup restrictions on shares of common stock of the Company held by Registration Rights Stockholders following the consummation of the Business Combination.

On or about October 25, 2022, LMAO and SeaStar Medical agreed to waive the lockup restrictions with respect to shares of Common Stock held by two Registration Rights Stockholders, Mr. David Humes and Mr. Michael Humes ("Humes Lockup Release"). Also on October 25, 2022, LMAO and Registration Rights Stockholders entered into an Amendment No. 1 to the Amended and Restated Registration Rights Agreement and Waiver of Lock-Up Period, pursuant to which, among other things, LMAO and certain Registration Rights Stockholders agreed to waive their right to require the Company to release of their lockup restrictions as a result of the Humes Lockup Release.

Director Nomination Agreement

On the Closing Date, the sponsor of LMAO, LMFAO Sponsor, LLC, (the "Sponsor") and LMAO entered into the Director Nomination Agreement, providing the Sponsor certain director nomination rights, including the right to appoint or nominate for election to the Board, as applicable, two individuals, to serve as Class II directors of the Company, for a certain period following the Closing (the "Director Nomination Agreement") The material features of the Director Nomination Agreement are described in the Proxy Statement/Prospectus in the section titled "Shareholder Proposal 1: The Business Combination Proposal – Certain Related Agreements – Director Nomination Agreement" and that information is incorporated herein by reference.

Letter Agreements

On October 28, 2022, LMAO, SeaStar Medical, and Tumim Stone Capital LLC ("Tumim") entered into a letter agreement (the "Tumim Letter Agreement") to amend certain terms of the Common Stock Purchase Agreement, dated August 23, 2022 (the "Purchase Agreement"), by and among Tumim, LMAO, and SeaStar Medical, or the Company following the consummation of the Business Combination. Pursuant to the Tumim Letter Agreement, among other things, the parties agreed to the following amendments with respect to the Commitment Fee and Commitment Shares (each as defined in the Purchase Agreement): (a) LMAO, or the Company from and after the Closing Date shall pay to Tumim $1,000,000 of the Commitment Fee in cash on the Closing Date; (b) the Company shall pay to Tumim $500,000 of the Commitment Fee in cash no later than the earliest of (i) the 30th calendar day immediately following the Effective Date of the Initial Registration Statement (each as defined in the Purchase Agreement), (ii) the 30th calendar day immediately following the Effectiveness Deadline (as defined in the Purchase Agreement) of the Initial Registration Statement, and (iii) not later than the second trading date immediately after the date on which written notice of termination is delivered by the Company or Tumim pursuant to the terms of the Purchase Agreement; and (c) the Company shall pay to Tumim the balance of the Commitment Fee, or $1,000,000, as Commitment Shares as set forth under the terms in the Purchase Agreement. For a more detailed description of the Purchase Agreement, see the Company's Current Report on Form 8-K filed with the SEC on August 24, 2022.

Amendment to Credit Agreement with LM Funding America, Inc. ("LMFA") and Amended Promissory Note

On October 28, 2022, SeaStar Medical and LMFA entered into the First Amendment to Credit Agreement, dated September 9, 2022 between LMFA and SeaStar Medical (the "First Amendment to Credit Agreement"), pursuant to which the parties amended the Credit Agreement and entered into an Amended and Restated Promissory Note (the "LMFA Note") to (i) extend the maturity date of the loan under the Credit Agreement to October 30, 2023; (ii) permit the LMFA Note be prepaid without premium or penalty; (iii) require the Company to use 5.0% of the gross cash proceeds received from any future debt and equity financing to pay outstanding balance of LMFA Note, provided that such repayment is not required for the first $500,000 of cash proceeds; (iv) reduce the interest rate of the LMFA Note from 15% to 7% per annum; and (iv) reduce the default interest rate from 18% to 15% and changes. The LMFA Note contains customary representations and warranties, affirmative and negative covenants and events of default. In addition, on October 28, 2022, the parties entered into a Security Agreement (the “LMFA Security Agreement”), pursuant to which the Company granted LMFA a security interest in substantially all of the assets and property of the Company, subject to certain exceptions, as collateral to secure the Company’s obligations under the amended Credit Agreement. In addition, the Company entered into a Guaranty, dated October 28, 2022 (the “LMFA Guaranty”), pursuant to which the Company unconditionally guarantees and promises to pay to LMFA the outstanding principal amount under the LMFA Note.

Sponsor Promissory Note

On October 28, 2022, the Company entered into a Consolidated Amended and Restated Promissory Note with Sponsor as the lender, for an aggregate principal amount of $2,785,000 (the “Sponsor Note”) to amend and restate in its entirety (i) the Promissory Note, dated July 29, 2022, for $1,035,000 in aggregate principal amount issued by LMAO to the Sponsor and (ii) the Amended and Restated Promissory Note, dated July 28, 2022, for $1,750,000 in aggregate principal amount, issued by LMAO to the Sponsor (collectively, the “Original Notes”). The Sponsor Note amended the Original Notes to: (i) extend maturity dates of the Original Notes to October 30, 2023; (ii) permit outstanding amount due under the Sponsor Note be prepaid without premium or penalty; and (iii) require the Company to use 5.0% of the gross cash proceeds received from any future debt and equity financing to pay outstanding balance of Sponsor Note, *provided that* such repayment is not required for the first $500,000 of cash proceeds. The Sponsor Note carries an interest rate of 7% per annum and contains customary representations and warranties and affirmative and negative covenants. The Sponsor Note is also subject to customary events of default, the occurrence of which may result in the Sponsor Promissory Note then outstanding becoming immediately due and payable, with interest being increased to 15.0% per annum. In addition, on October 28, 2022, the parties entered into a Security Agreement (the “Sponsor Security Agreement”), pursuant to which the Company granted Sponsor a security interest in substantially all of the assets and property of the Company, subject to certain exceptions, as collateral to secure the Company’s obligations under the Sponsor Note. In addition, the Company entered into a Guaranty, dated October 28, 2022 (the “Sponsor Guaranty”), pursuant to which the Company unconditionally guarantees and promises to pay to LMFA the outstanding principal amount under the Sponsor Note.

Maxim Group LLC (“Maxim”) Promissory Note

Pursuant to an engagement letter between SeaStar Medical and Maxim dated October 28, 2022, SeaStar Medical, or the Company following the consummation of the Business Combination, was required to pay Maxim, as its financial advisor, an amount equal to $4,182,353 in cash as professional fees. Upon the closing of the Business Combination, the parties agreed that such amount would be paid in the form of a promissory note. Accordingly, on October 28, 2022, the Company entered into a Promissory Note with Maxim as the lender, for an aggregate principal amount of $4,182,353 (the “Maxim Note”). The Maxim Note has a maturity date of October 30, 2023 and outstanding amount may be prepaid without premium or penalty. If the Company receives any cash proceeds from a debt or equity financing transaction prior to the maturity date, then the Company is required to prepay the indebtedness equal to 25.0% of the gross amount of the cash proceeds, provided that such repayment obligation shall not apply to the first $500,000 of the cash proceeds received by the Company. Interest on the Maxim Note is due at 7.0% per annum. The Maxim Note contains customary representations and warranties, and affirmative and negative covenants. The Maxim Note is also subject to customary events of default, the occurrence of which may result in the Maxim Promissory Note then outstanding becoming immediately due and payable, with interest being increased to 15.0% per annum.

Intercreditor Agreement

On October 28, 2022, Maxim, LMFA, Sponsor (collectively, the “Creditors”), SeaStar Medical and the Company entered into the Intercreditor Agreement (the “Intercreditor Agreement”) in order to set forth their relative rights under the LMFA Note, Sponsor Note and Maxim Note, including the payments of amounts by the Company upon an event of default under such notes. Pursuant to the Intercreditor Agreement, each Creditor agrees and acknowledges that LMFA and Sponsor have been granted liens on the collateral as set forth in the applicable LMFA Security Agreement and Sponsor Security Agreement. Each Creditor also agrees and acknowledges that Maxim’s indebtedness under the Maxim Promissory Note is unsecured.