

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

FORM 10-Q

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

For the quarterly period ended June 30, 2023

or

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

For the transition period from ___ to ___

Commission File Number: 001-36305

SEMLER SCIENTIFIC, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

26-1367393

(I.R.S. Employer Identification No.)

2340-2348 Walsh Avenue, Suite 2344

Santa Clara, CA 95051

(Address of principal executive offices) (Zip Code)

(877) 774-4211

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.001 per share	SMLR	The Nasdaq Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232,405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input checked="" type="checkbox"/>	Smaller Reporting Company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

As of August 7, 2023, there were 6,855,956 shares of the issuer's common stock, \$0.001 par value per share, outstanding.

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In this report, unless otherwise stated or as the context otherwise requires, references to “Semler Scientific,” “the Company,” “we,” “us,” “our” and similar references refer to Semler Scientific, Inc. The Semler Scientific logo, QuantaFlo and other trademarks or service marks of Semler Scientific, Inc. appearing in this report are the property of Semler Scientific, Inc. This report also contains registered marks, trademarks and trade names of other companies. All other trademarks, registered marks and trade names appearing in this report are the property of their respective holders.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains forward-looking statements. Such forward-looking statements include those that express plans, anticipation, intent, contingency, goals, targets or future development and/or otherwise are not statements of historical fact. In some cases, you can identify forward-looking statements by terminology, such as “expects,” “anticipates,” “intends,” “estimates,” “plans,” “believes,” “seeks,” “may,” “should,” “continue,” “could” or the negative of such terms or other similar expressions. The forward-looking statements in this report include, but are not limited to, statements regarding:

- our QuantaFlo business, including efforts to develop QuantaFlo HD for heart dysfunction;
- the effects of the 2024 Medicare Advantage and Part D Final Rate Announcement issued by the Centers for Medicare and Medicaid Services, or CMS, on our revenues; and
- anticipated costs and savings from our recently announced strategic streamlining;

Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this report. These forward-looking statements are based on our current expectations and projections about future events and they are subject to risks and uncertainties known and unknown that could cause actual results and developments to differ materially from those expressed or implied in such statements, including risks associated with:

- implementation of our business strategy and the fact that we actively market only two U.S. Food and Drug Administration, or FDA, cleared products and may not benefit from our recent investments in other companies developing complementary products or the extension of QuantaFlo to test for other cardiovascular diseases;
- changes in the regulatory reimbursement landscape, such as the recent 2024 Medicare Advantage and Part D Final Rate Announcement issued by CMS could impact the perceived value of using our products to aid diagnosis of cardiovascular diseases;
- our recently announced strategic streamlining, as well as the recent changes in our executive team and board of directors;
- the failure of physicians and other customers to widely adopt our products, or to determine that our product provides a safe and effective alternative to existing ankle brachial index, or ABI, devices;
- our testing product is generally but not specifically approved for reimbursement under any third-party payor codes;
- our reliance on the talents of a small number of key personnel, and a small direct sales force;
- not requiring customers to enter into long-term licenses;
- concentration of our revenues and accounts receivable with a limited number of customers;
- our reliance on a small number of independent suppliers and facilities for the manufacturing of our product;
- our business being subject to many laws and government regulations, including governing the manufacture and sale of medical devices, patient data, and others;
- our ability to protect our intellectual property;
- impacts of the ongoing Covid-19 pandemic and macroeconomic factors that could impact our business, such as the effects of the Russian invasion of Ukraine on the global economy and supply chain and inflation, as well as the recent bank failures; and
- the other factors set forth under the caption “Risk Factors” in our annual report on Form 10-K filed with the Securities and Exchange Commission, or SEC, on March 23, 2023.

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Because the risks and uncertainties referred to above and in our SEC reports could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us or on our behalf, you should not place undue reliance on any forward-looking statements.

You should read this quarterly report and the documents that we reference herein and therein and have filed as exhibits to this report and our other filings with the SEC. You should assume that the information appearing in this quarterly report is accurate as of the date of this quarterly report only. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict which factors will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of the information presented in this quarterly report, and particularly our forward-looking statements, by these cautionary statements.

PART I—FINANCIAL INFORMATION**Item 1. Financial Statements.**

Semler Scientific, Inc.
Condensed Statements of Income
Unaudited
(In thousands of U.S. Dollars, except share and per share data)

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues	\$ 18,605	\$ 14,828	\$ 36,811	\$ 28,845
Operating expenses:				
Cost of revenues	1,219	963	2,488	1,932
Engineering and product development	1,762	1,074	3,392	2,200
Sales and marketing	4,985	4,201	10,177	8,878
General and administrative	3,459	3,412	7,318	6,715
Total operating expenses	11,425	9,650	23,375	19,725
Income from operations	7,180	5,178	13,436	9,120
Interest income	597	13	1,080	14
Change in fair value of notes held for investment	(111)	—	(217)	—
Other income, net	486	13	863	14
Pre-tax net income	7,666	5,191	14,299	9,134
Income tax provision	1,787	1,117	3,451	1,700
Net income	\$ 5,879	\$ 4,074	\$ 10,848	\$ 7,434
Net income per share, basic	\$ 0.88	\$ 0.60	\$ 1.62	\$ 1.10
Weighted average number of shares used in computing basic net income per share	6,707,341	6,761,050	6,704,306	6,769,552
Net income per share, diluted	\$ 0.75	\$ 0.51	\$ 1.38	\$ 0.92
Weighted average number of shares used in computing diluted net income per share	7,867,001	8,029,302	7,887,584	8,071,509

See accompanying notes to unaudited condensed financial statements.

Semler Scientific, Inc.
Condensed Balance Sheets
Unaudited
(In thousands of U.S. Dollars, except share and per share data)

	<u>June 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 39,495	\$ 23,014
Short-term investments	12,330	20,073
Trade accounts receivable, net of reserves of \$154 and \$109, respectively	6,032	3,884
Inventory, net	476	469
Prepaid expenses and other current assets	2,418	1,468
Total current assets	<u>60,751</u>	<u>48,908</u>
Assets for lease, net	2,891	2,478
Property and equipment, net	796	667
Long-term investments	821	821
Notes held for investment (includes measured at fair value of \$3,962 and \$3,679, respectively)	4,962	4,679
Other non-current assets	2,736	2,842
Long-term deferred tax assets	2,505	2,298
Total assets	<u>\$ 75,462</u>	<u>\$ 62,693</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 509	\$ 835
Accrued expenses	8,243	4,748
Deferred revenue	1,188	1,160
Other short-term liabilities	143	114
Total current liabilities	<u>10,083</u>	<u>6,857</u>
Long-term liabilities:		
Other long-term liabilities	116	160
Total long-term liabilities	<u>116</u>	<u>160</u>
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Common stock, \$0.001 par value; 50,000,000 shares authorized; 6,923,446, and 6,906,544 shares issued, and 6,709,024 and 6,692,122 shares outstanding (treasury shares of 214,422 and 214,422), respectively	7	7
Additional paid-in capital	15,188	16,449
Retained earnings	50,068	39,220
Total stockholders' equity	<u>65,263</u>	<u>55,676</u>
Total liabilities and stockholders' equity	<u>\$ 75,462</u>	<u>\$ 62,693</u>

See accompanying notes to unaudited condensed financial statements.

Semler Scientific, Inc.
Condensed Statements of Stockholders' Equity
Unaudited
(In thousands of U.S. Dollars, except share and per share data)

	For the Three Months Ended June 30, 2022						
	Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Total Stockholders' Equity
	Shares Issued	Common Stock Amount	Shares	Amount			
Balance at March 31, 2022	6,855,168	\$ 7	(67,952)	\$ —	\$ 21,130	\$ 28,255	\$ 49,392
Treasury stock acquired	—	—	(99,012)	—	(2,846)	—	(2,846)
Employee stock grants	1,204	—	—	—	45	—	45
Taxes paid related to net share settlement of equity awards	(292)	—	—	—	(8)	—	(8)
Stock option exercises	8,545	—	—	—	10	—	10
Stock-based compensation	—	—	—	—	3	—	3
Net income	—	—	—	—	—	4,074	4,074
Balance at June 30, 2022	6,864,625	\$ 7	(166,964)	\$ —	\$ 18,334	\$ 32,329	\$ 50,670

	For the Six Months Ended June 30, 2022						
	Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Total Stockholders' Equity
	Shares Issued	Common Stock Amount	Shares	Amount			
Balance at December 31, 2021	6,824,380	\$ 7	(65,922)	\$ —	\$ 20,645	\$ 24,895	\$ 45,547
Treasury stock acquired	—	—	(101,042)	—	(2,945)	—	(2,945)
Employee stock grants	9,610	—	—	—	673	—	673
Taxes paid related to net share settlement of equity awards	(1,710)	—	—	—	(114)	—	(114)
Stock option exercises	32,345	—	—	—	72	—	72
Stock-based compensation	—	—	—	—	3	—	3
Net income	—	—	—	—	—	7,434	7,434
Balance at June 30, 2022	6,864,625	\$ 7	(166,964)	\$ —	\$ 18,334	\$ 32,329	\$ 50,670

	For the Three Months Ended June 30, 2023						
	Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Total Stockholders' Equity
	Shares Issued	Common Stock Amount	Shares	Amount			
Balance at March 31, 2023	6,920,643	\$ 7	(214,422)	\$ —	\$ 17,005	\$ 44,189	\$ 61,201
Common stock warrants acquired	—	—	—	—	(1,949)	—	(1,949)
Employee stock grants	3,875	—	—	—	152	—	152
Taxes paid related to net share settlement of equity awards	(1,072)	—	—	—	(27)	—	(27)
Stock-based compensation	—	—	—	—	7	—	7
Net income	—	—	—	—	—	5,879	5,879
Balance at June 30, 2023	6,923,446	\$ 7	(214,422)	\$ —	\$ 15,188	\$ 50,068	\$ 65,263

	For the Six Months Ended June 30, 2023						
	Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Total Stockholders' Equity
	Shares Issued	Common Stock Amount	Shares	Amount			
Balance at December 31, 2022	6,906,544	\$ 7	(214,422)	\$ —	\$ 16,449	\$ 39,220	\$ 55,676
Common stock warrants acquired	—	—	—	—	(1,949)	—	(1,949)
Employee stock grant	21,923	—	—	—	846	—	846
Taxes paid related to net share settlement of equity awards	(5,021)	—	—	—	(172)	—	(172)
Stock-based compensation	—	—	—	—	14	—	14
Net income	—	—	—	—	—	10,848	10,848
Balance at June 30, 2023	6,923,446	\$ 7	(214,422)	\$ —	\$ 15,188	\$ 50,068	\$ 65,263

See accompanying notes to unaudited condensed financial statements

Semler Scientific, Inc.
Condensed Statements of Cash Flows
Unaudited
(In thousands of U.S. Dollars)

	<u>Six months ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 10,848	\$ 7,434
Reconciliation of Net Income to Net Cash Provided by Operating Activities:		
Depreciation	279	309
Deferred tax income	(207)	(160)
Loss on disposal of assets for lease	114	215
Allowance for credit losses	92	38
Change in fair value of notes held for investment	217	—
Gain on short-term investments	(237)	—
Stock-based compensation	860	676
Changes in Operating Assets and Liabilities:		
Trade accounts receivable	(2,240)	(1,962)
Inventory	(7)	26
Prepaid expenses and other current assets	(950)	1,276
Other non-current assets	106	(1,960)
Accounts payable	(326)	20
Accrued expenses	3,495	1,800
Other current and non-current liabilities	13	20
Net Cash Provided by Operating Activities	<u>12,057</u>	<u>7,732</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(260)	(258)
Purchase of notes held for investment	(500)	(1,179)
Proceeds from maturities of short-term investments	57,707	—
Purchase of short-term investments	(49,728)	—
Purchase of assets for lease	(674)	(600)
Net Cash Provided by (Used in) Investing Activities	<u>6,545</u>	<u>(2,037)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Taxes paid related to net settlement of equity awards	(172)	(114)
Common stock warrants acquired	(1,949)	—
Treasury stock acquired	—	(2,945)
Proceeds from exercise of stock options	—	72
Net Cash Used in Financing Activities	<u>(2,121)</u>	<u>(2,987)</u>
INCREASE IN CASH	<u>16,481</u>	<u>2,708</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>23,014</u>	<u>37,323</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 39,495</u>	<u>\$ 40,031</u>

See accompanying notes to unaudited condensed financial statements

Semler Scientific, Inc.
Notes to Condensed Financial Statements
Unaudited
(In thousands of U.S. Dollars, except share and per share data)

1. Basis of Presentation

Semler Scientific, Inc., a Delaware corporation (“Semler” or “the Company”), prepared the unaudited interim financial statements included in this report in accordance with United States generally accepted accounting principles (“GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. As such, the information included in this quarterly report on Form 10-Q should be read in conjunction with the audited financial statements and notes thereto included in the Company’s annual report on Form 10-K for the year ended December 31, 2022 filed with the SEC on March 23, 2023 (the “Annual Report”). In the opinion of management, these financial statements include all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of the financial position, results of operations and cash flows for the periods presented. The results of operations for the interim periods shown in this report are not necessarily indicative of the results that may be expected for any future period, including the full year.

Credit Losses on Financial Instruments

In accordance with Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“Topic 326”), the Company periodically reviews the financial assets for credit losses. Financial instruments include cash, cash equivalents, marketable and non-marketable securities, and accounts receivable.

In determining the amount of the allowance for credit losses, the Company considers historical collectability based on past due status and make judgments about the creditworthiness of customers based on ongoing credit evaluations. The Company also considers customer-specific information, current market conditions, and reasonable and supportable forecasts of future economic conditions. Any credit loss is recorded as a charge to other income, net, not to exceed the amount of the unrealized loss. Unrealized losses other than the credit loss are recognized in accumulated other comprehensive income (“AOCI”). If the Company has an intent to sell, or if it is more likely than not that the Company will be required to sell a debt security in an unrealized loss position before recovery of its amortized cost basis, the Company will write down the security to its fair value and record the corresponding charge as a component of other income, net.

Recently Issued Accounting Pronouncements

Accounting Pronouncements Recently Adopted

In June 2016, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“Topic 326”). This ASU requires timelier recording of credit losses on loans and other financial instruments held. Instead of reserves based on a current probability analysis, Topic 326 requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. All organizations will now use forward-looking information to better inform their credit loss estimates. Topic 326 requires enhanced disclosures regarding significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization’s portfolio. These disclosures include qualitative and quantitative requirements that provide information about the amounts recorded in the financial statements. In addition, Topic 326 amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. In April 2019, the FASB issued ASU No. 2019-04, *Codification Improvements to Topic 326 Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*, to introduce amendments which will affect the recognition and measurement of financial instruments, including derivatives and hedging. In May 2019, the FASB issued ASU No. 2019-05, *Financial Instruments – Credit Losses (Topic 326); Targeted Transition Relief*. The amendments in this ASU provide entities that have certain instruments within the scope of Subtopic 326-20 with an option to irrevocably elect the fair value option in Subtopic 825-10, applied on an instrument-by-instrument basis for eligible instruments upon adoption of Topic 326. This standard and related amendments are effective for the Company’s fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company adopted this ASU prospectively effective January 1, 2023 and determined that the adoption of this new accounting standard did not have a material impact on its financial statements.

Semler Scientific, Inc.
Notes to Condensed Financial Statements
Unaudited
(In thousands of U.S. Dollars, except share and per share data)

In March 2020, FASB issued ASU No. 2020-03, *Codification Improvements to Financial Instruments*. This ASU improves and clarifies various financial instruments topics, including the current expected credit losses standard issued in 2016 (ASU No. 2016-13). The ASU includes seven different issues that describe the areas of improvement and the related amendments to GAAP, intended to make the standards easier to understand and apply by eliminating inconsistencies and providing clarifications. The amendments have different effective dates. The issues 1-5 are conforming amendments, which are effective upon issuance of this final update. The Company determined that issues 1-5 have no impact on its financials. The amendments related to issue 6 and 7 effect ASU No. 2016-13, *Financial instruments – credit losses (Topic 326): measurement of credit losses on financial statements*. Effective dates of issue 6 and 7 are the same as the effective date of ASU No. 2016-13. The Company adopted this ASU prospectively effective January 1, 2023 and determined that the adoption of this new accounting standard did not have a material impact on its financial statements.

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. This ASU improves the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency related to recognition of an acquired contract liability and payment terms and their effect on subsequent revenue recognized by the acquirer. For public business entities, this guidance will be effective for fiscal years beginning after December 15, 2022 and for interim periods within those fiscal years. This ASU should be applied prospectively to all business combinations in the year of adoption. The Company adopted this ASU prospectively effective January 1, 2023 and determined that the adoption of this new accounting standard did not have a material impact on its financial statements.

In March 2022, the FASB issued ASU No. 2022-02, *Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, which eliminates the troubled debt restructuring accounting model in Accounting Standards Codification (“ASC”) 310-40 for creditors that have adopted the guidance on measurement of credit losses in ASU 2016-13. Additionally, the ASU requires the public business entities to disclose current period gross write-offs by year of origination for financing receivables and net investments in leases as part of their vintage disclosures under ASC 326. For entities that have adopted the amendments in ASU 2022-02, the amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. For entities that have not yet adopted the amendments in ASU 2022-02, the effective dates are the same as effective dates in ASU 2016-13. The Company adopted this ASU prospectively effective January 1, 2023 and determined that the adoption of this new accounting standard did not have a material impact on its financial statements.

2. Variably-Priced Revenue

The Company recognizes variable-fee licenses (i.e., fee per test) and sales of hardware equipment and accessories in accordance with ASC 606, *Revenue from Contracts with Customers*. Total fees from variable-fee licenses represent approximately \$8,376 and \$6,012 for the three months ended June 30, 2023 and 2022, respectively. Total fees from variable-fee licenses represent approximately \$16,938 and \$11,855 for the six months ended June 30, 2023 and 2022, respectively. Total sales of hardware and equipment accessories represent approximately \$611 and \$268 of revenues for the three months ended June 30, 2023 and 2022. Total sales of hardware and equipment accessories represent approximately \$951 and \$553 of revenues for the six months ended June 30, 2023 and 2022, respectively. The remainder of the revenue is earned from leasing the Company's testing product for a fixed fee, which is not subject to Topic 606.

Upon shipment under variable-fee license contracts, assets for lease are sold to the customers, and the asset is recognized as cost of revenue.

3. Accounts Receivable and Allowance for Credit Losses

Accounts receivable are recorded at the invoiced amount, net of allowance for credit losses. The allowance for credit losses is based on management's assessment of the collectability of accounts. The Company regularly reviews the adequacy of this allowance for credit losses by considering historical experience, the age of the accounts receivable balances, the credit quality of the customers, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect customers' ability to pay to determine whether a specific reserve is appropriate. Accounts receivable deemed uncollectable are charged against the allowance for credit losses when identified.

Semler Scientific, Inc.
Notes to Condensed Financial Statements
Unaudited
(In thousands of U.S. Dollars, except share and per share data)

4. Inventory

Inventory, which is made up of finished goods, is recorded at the lower of cost or net realizable value. Cost is determined on the first-in, first-out method. The Company periodically analyzes its inventory levels to identify inventory that has a cost basis in excess of its estimated realizable value and writes down such inventory as appropriate. Inventory balance was \$476 and \$469 as of June 30, 2023 and December 31, 2022, respectively.

5. Assets for Lease, net

The Company enters into contracts with customers for the Company's QuantaFlo product. The Company has determined these contracts meet the definition of a lease under Topic 842. Operating leases are short-term in nature (monthly, quarterly or one year), and all of which have renewal options. The assets that may be associated with these leasing arrangements are identified below as assets for lease. Upon shipment under operating leases, assets for lease are depreciated. During the three months ended June 30, 2023 and 2022, the Company recognized approximately \$9,618 and \$8,548, respectively, in lease revenues related to these arrangements, which is included in Revenues on the Condensed Statements of Income. During the six months ended June 30, 2023 and 2022, the Company recognized approximately \$18,922 and \$16,437, respectively, in lease revenues related to these arrangements, which is included in Revenues on the Unaudited Condensed Statements of Income.

Assets for lease consist of the following:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Assets for lease	\$ 3,998	\$ 3,702
Less: accumulated depreciation	(1,107)	(1,224)
Assets for lease, net	<u>\$ 2,891</u>	<u>\$ 2,478</u>

Depreciation expense amounted to \$77 and \$103 for the three months ended June 30, 2023 and 2022, respectively. Depreciation expense amounted to \$147 and \$212 for the six months ended June 30, 2023 and 2022, respectively. Reduction to accumulated depreciation for returned and retired items was \$67 and \$57 for the three months ended June 30, 2023 and 2022, respectively. Reduction to accumulated depreciation for returned items was \$264 and \$147 for the six months ended June 30, 2023 and 2022, respectively. The Company recognized a loss on disposal of assets for lease in the amount of \$36 and \$141 for the three months ended June 30, 2023 and 2022, respectively. The Company recognized a loss on disposal of assets for lease in the amount of \$114 and \$215 for the six months ended June 30, 2023 and 2022, respectively.

6. Property and Equipment, net

Capital assets consist of the following:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Capital assets	\$ 1,467	\$ 1,206
Less: accumulated depreciation	(671)	(539)
Capital assets, net	<u>\$ 796</u>	<u>\$ 667</u>

Depreciation expense amounted to \$73 and \$51 for the three months ended June 30, 2023 and 2022, respectively. Depreciation expense amounted to \$132 and \$97 for the six months ended June 30, 2023 and 2022, respectively.

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7. Long-Term Investments

Long term investments consist of the following for the periods presented:

	June 30, 2023	December 31, 2022
Investments in SYNAPS Dx	\$ 512	\$ 512
Investments in Mellitus Health Inc.	309	309
Total initial cost	<u>\$ 821</u>	<u>\$ 821</u>

In September 2020, the Company acquired a promissory note from NeuroDiagnostics Inc., which is doing business as SYNAPS Dx, in the principal amount of \$500, \$100 of which was retained for expense reimbursement. Subsequently, in December 2020, the Company agreed to convert the promissory note, together with all accrued interest thereon, into shares of preferred stock of SYNAPS Dx as repayment in full of the promissory note. The value of the note exchanged for the shares of preferred stock of SYNAPS Dx held by the Company as of June 30, 2023 and December 31, 2022 was approximately \$512.

In October 2020, the Company acquired from a seller a convertible promissory note previously issued by Mellitus Health Inc. ("Mellitus") to such seller for a purchase price of \$59, which represented the \$50 principal amount of the note and all accrued and unpaid interest thereon.

Subsequently, in October 2020, the Company purchased \$250 of shares of preferred stock of Mellitus, and in connection with such transaction, the convertible promissory note, together with all accrued interest thereon, also converted pursuant to its terms into shares of preferred stock of Mellitus as repayment in full of such convertible promissory note. The value of consideration exchanged for the shares of preferred stock of Mellitus held by the Company as of June 30, 2023 and December 31, 2022 was approximately \$309.

The investments in SYNAPS Dx and Mellitus securities that were retained by the Company as of June 30, 2023 were recorded in accordance with ASC 321, *Investments – equity securities*, which provides that investments in equity securities in privately-held companies without readily determinable fair values are generally recorded at cost, plus or minus subsequent observable price changes in orderly transactions for identical or similar investments, less impairments. The Company elected the practical expedient permitted by ASC 321 and recorded the above investments on a cost basis. As a part of the assessment for impairment indicators, the Company considers significant deterioration in the earnings performance and overall business prospects of the investee as well as significant adverse changes in the external environment these investments operate. If qualitative assessment indicates the investments are impaired, the fair value of these equity securities would be estimated, which would involve a significant degree of judgement and subjectivity.

The Company qualitatively assessed both investments for impairment in accordance with ASC 321. As of June 30, 2023 and December 31, 2022, the Company determined that there was no impairment for the investment in SYNAPS Dx and the investment in Mellitus.

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8. Fair Value Measurements

The following table presents fair value hierarchy of the Company’s financial assets measured at fair value on a recurring basis:

	Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total
As of June 30, 2023				
U.S. Treasury bills	\$ 12,330	\$ —	\$ —	\$ 12,330
(Included in short-term investments)				
Investment in debt securities	—	—	3,962	3,962
(Included in notes held for investment)				
Total Assets	\$ 12,330	\$ —	\$ 3,962	\$ 16,292
As of December 31, 2022				
U.S. Treasury bill	\$ 20,073	\$ —	\$ —	\$ 20,073
(Included in short-term investments)				
Investment in debt securities	—	—	3,679	3,679
(Included in notes held for investment)				
Total Assets	\$ 20,073	\$ —	\$ 3,679	\$ 23,752

Fair value is defined as the exchange price that would be received for an asset or an exit price paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy under FASB ASC 820, Fair Value Measurement, are described as follows:

Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 — Inputs other than quoted prices included in Level I that are observable, unadjusted quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data; and

Level 3 — Unobservable inputs that are supported by little or no market activity, which requires the Company to develop its own models.

The financial instruments of the Company consist primarily of cash, money market accounts, receivable, and accounts payable. These items are considered Level 1 due to their short-term nature and their market interest rates and are therefore considered a reasonable estimate of fair value at June 30, 2023 and December 31, 2022. The Company classifies short-term investments within Level 1 in the fair value hierarchy, because quoted prices for identical assets in active markets are used to determine fair value. The Company estimates the fair value of the investment in debt securities using Level 3 inputs. See Note 9 for description of methodologies and significant assumptions used in those valuations. The Company also invested in non-convertible promissory note, prepayment for inventory and equity securities of two privately held companies, which were recorded on cost basis. See Note 7, 9 and 10 to the financial statements for more information.

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Treasury bills were purchased on May 12, 2023 and June 23, 2023, at a cost of \$10,154 and \$2,077, respectively, and fair values accrete to maturity dates at an interest rate of 5.02% and 5.14%, respectively. As of June 30, 2023, the interest income recorded on these bills was \$99.

The Company's privately held debt securities are recorded at fair value on a recurring basis. The estimation of fair value for these investments requires the use of significant unobservable inputs, and as a result, the Company deems these assets as Level 3 within the fair value measurement framework. For investments without a readily determinable fair value, the Company applies valuation methods based on information available, including the market approach and bond plus call pricing approach. Observable transactions, such as the issuance of new equity by an investee and changes in market yield, are indicators of investee enterprise value and are used to estimate the fair value of the Company's investments.

The Company valued the debt security issued by Monarch Medical Technology LLC ("Monarch") using a bond plus call option model reflecting the cash flow from the Monarch debt security and assuming a 20% probability of an equity financing, a 20% probability of a change of control, and a 60% probability of payment at maturity or an insolvency event. The Company valued the Mellitus debt security using a bond plus call option model reflecting the cash flow from the Mellitus debt securities and assuming a 70% probability of an equity financing, 8% probability of a change of control, and a 22% probability of payment at maturity or an insolvency event. The fair value of the Company's privately held debt securities were estimated at \$3,962 and \$3,679 as of June 30, 2023 and December 31, 2022, respectively.

The key inputs for the valuation model are:

	June 30, 2023
Risk-free rate	4.32% - 5.33%
Cash flow discount rate	25.8% - 26.9%
Expert term in years	0.50- 3.43
Expected volatility	110.0%- 315.0%

The following table represents changes in the notes held for the investments with significant unobservable inputs (Level 3):

	Convertible Notes
Balance as of December 31, 2022	\$ 3,679
Purchased	500
Change in fair value of the notes held for investment	(217)
Balance as of June 30, 2023	<u>\$ 3,962</u>

9. Notes Held for Investment

Notes receivable consist of the following for the periods presented:

	June 30 2023	December 31 2022
Senior secured promissory notes	\$ 1,000	\$ 1,000
Secured convertible promissory notes	3,962	3,679
Total notes held for investment	<u>\$ 4,962</u>	<u>\$ 4,679</u>

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In June 2022, the Company loaned Mellitus an aggregate of \$1,000 through the purchase of two senior secured promissory notes that bear interest at a rate of 5% per annum, and mature in three years unless accelerated due to an event of default as provided in the notes. Repayment of notes is secured by a first priority interest in all of Mellitus' assets.

In May 2022, to facilitate the subordination of such notes in connection with the purchase of the senior secured notes, the Company acquired \$179 aggregate principal amount of outstanding convertible notes of Mellitus, which, as amended, mature July 5, 2025, if not automatically converted into preferred stock prior thereto. This note bears an interest rate of 10% per annum.

In December 2022, the Company entered in a senior convertible promissory note arrangement with Monarch, providing Monarch with up to \$5,000 in available funding, of which \$4,000, in principal was drawn as of June 30, 2023. The remaining \$1,000 is available to be drawn at any time unless there is an event of default (as defined in the note) that is continuing. The Monarch debt security accrues interest at 10% per annum, payable monthly, and the principal balance is due December 6, 2024. The note along with up to \$100 of transaction expenses is due and payable on the occurrence of an event of default or change of control unless accelerated due to the conversion into preferred stock prior thereto at the option of the Company. The Company has the option to extend the maturity date for two consecutive one-year terms. The Monarch debt security can be converted into Monarch's shares at the Company's option upon (a) an equity financing at Monarch, (b) upon a change of control at Monarch, or (c) at the Company's option at any time prior to the maturity date. If converted upon a change of control, the Company has the right to receive a cash payment equal to the balance of the Monarch debt security or the amount payable upon conversion into Monarch's shares. The Monarch debt security is redeemable at any time at Monarch's option or automatically upon an event of default (as defined in the note).

The Company made an irrevocable election to account for the Mellitus and Monarch debt securities using the fair value option under ASC 825 – *Financial Instruments* ("ASC 825") and will measure the fair value of the such debt securities in accordance with ASC 820. The Company made the fair value option election to present the debt securities in their entirety at fair value, which it believes to be preferable to recognizing the host instrument at fair value under ASC 320 and potentially separately recognizing certain embedded features as bifurcated derivatives under ASC 815. As of June 30, 2023, the Company estimated the fair value of the Monarch debt security to be \$3,741 and the Mellitus debt security to be \$221. As of December 31, 2022, the Company estimated the fair value of the Monarch debt security to be \$3,500 and the Mellitus debt security to be \$179, which were equivalent of the outstanding principal balances at December 31, 2022.

The Company recognizes interest income as it accrues on the Monarch debt securities, which is included in interest income in the statements of income. For the three months ended June 31, 2023 and 2022, the Company recognized \$118 and \$3, respectively, of interest income from Monarch and Mellitus notes, which is included in prepaid and other current assets. For the six months ended June 30, 2023 and 2022, the Company recognized \$227 and \$3, respectively, of interest income from Monarch and Mellitus notes. Unpaid balance is included in prepaid and other current assets. The Company recognizes changes in fair value of the notes in the statements of income separately from the interest income. For the three months ended June 30, 2023, the Company recorded change in fair value of \$111. For the six months ended June 30, 2023, the Company recorded change in fair value of \$217.

10. Other Non-current assets

Other non-current assets consist of the following for the periods presented:

	June 30, 2023	December 31, 2022
Prepaid licenses	\$ 2,424	\$ 2,490
Other	312	352
Total other non-current assets	<u>\$ 2,736</u>	<u>\$ 2,842</u>

In April 2021, the Company entered into a five-year agreement, as amended in December 2022, with Mellitus to exclusively market and distribute its product line in the United States, including Puerto Rico, except for selected accounts. Under this distribution agreement and its amendments, the Company agreed to purchase \$2,500 of product licenses and prepaid \$2,500 for the license purchases. This prepayment, which was reclassified to a long-term asset in 2022 due to the change in the estimation of the recoverability

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period is expected to be more than one year. The long-term portion of the prepaid licenses are included in the Other non-current assets. Unless early terminated in accordance with its terms, the exclusive distribution agreement will remain in full force and effect until April 1, 2026, and for renewal periods of one year each upon its anniversary date, unless terminated by at least 60 days written notice prior to such an anniversary date. Either party may terminate the agreement by written notice to the other party upon or after the breach of any material provision of this agreement by the other party, if the other party has not cured such breach within 60 days after written notice thereof from the non-breaching party.

Revenue from these product licenses will be recognized in accordance with ASC 606, *Revenue from Contracts with Customers*. The Company did not generate significant revenue from these product licenses during the three and six months ended June 30, 2023 and 2022.

Other includes right-of-use asset (“ROU”) of \$192, miscellaneous receivables of \$100, and long-term deposits of \$20 as of June 30, 2023. As of December 31, 2022, ROU was \$233, miscellaneous receivable was \$100, and long-term deposit was \$19.

11. Accrued Expenses

Accrued expenses consist of the following:

	June 30, 2023	December 31, 2022
Compensation	\$ 3,865	\$ 2,467
Accrued Taxes	3,824	1,923
Miscellaneous Accruals	554	358
Total Accrued Expenses	<u>\$ 8,243</u>	<u>\$ 4,748</u>

12. Concentration of Credit Risk

Credit risk is the risk of loss from amounts owed by the financial counterparties. Credit risk can occur at multiple levels; as a result of broad economic conditions, challenges within specific sectors of the economy, or from issues affecting individual companies. Financial instruments that potentially subject the Company to credit risk consist of cash and accounts receivable.

The Company maintains cash with major financial institutions. The Company’s cash consists of bank deposits held with banks that, at times, exceed federally insured limits. The cash and cash equivalents also include short-term treasury bills with original maturities of three months or less. As of June 30, 2023, the Company held deposits of \$10,620, approximately \$5,561 of which held by First Republic Bank (“FRB”). The Company’s deposits at FRB are largely uninsured. On May 1, 2023, JP Morgan Chase Bank (“JPM”) agreed to acquire all the assets and liabilities of FRB. Consequently, all depositors of FRB will become the depositors of JPM. Deposits at JPM are largely uninsured. The Company also invested in U.S. treasury bills in the amount of \$41,205 as of June 30, 2023. The Company limits its credit risk by dealing with counterparties that are considered to be of high credit quality and by performing periodic evaluations of the relative credit standing of these financial institutions.

Management periodically monitors the creditworthiness of its customers and believes that it has adequately provided for exposure to potential credit loss. For the three months ended June 30, 2023, two customers (including affiliates) accounted for 37.2% and 33.5% of the Company’s revenues. For the three months ended June 30, 2022, two customers (including affiliates) accounted for 38.1% and 32.3% of the Company’s revenues. For the six months ended June 30, 2023, two customers accounted for 39.0% and 33.5%, of the Company’s revenues, respectively. For the six months ended June 30, 2022, two customers accounted for 38.6% and 32.0%, of the Company’s revenues, respectively. As of June 30, 2023, three customers accounted for 37.5%, 33.3%, and 10.3% of the Company’s accounts receivable. As of December 31, 2022, three customers accounted for 26.8%, 25.9%, and 16.8% of the Company’s accounts receivable. The Company’s largest customer in terms of both revenues and accounts receivable in the three and six months ended June 30, 2023 is a U.S. diversified healthcare company and its affiliated plans.

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As of June 30, 2023, five vendors accounted for 14.5%, 11.8%, 11.6%, 10.9% and 10.2% of the Company's accounts payable. As of December 31, 2022, two vendors accounted for 25.8% and 10.8% of the Company's accounts payable.

13. Lessee Arrangements

On July 31, 2020, the Company entered into a 61-month lease agreement for office space to use, as necessary, for office administration, lab space and assembly and storage purposes, located in Santa Clara, California. The Company took possession of the leased office space in September 2020, and the lease is effective through September 30, 2025.

As of June 30, 2023, the remaining lease term is two years and three months with no options to renew. The Company recognized facilities lease expenses of \$22 and \$22 for the three months ended June 30, 2023 and 2022, respectively. The Company recognized facilities lease expenses of \$44 and \$44 for the six months ended June 30, 2023 and 2022, respectively. The following table summarizes the future minimum rental payments required under operating leases that had initial or remaining non-cancelable lease terms greater than one year as of June 30, 2023:

	Total
2023 Remaining period	45
2024	93
2025	71
Total undiscounted future minimum lease payments	209
Less: present value discount	(6)
Total lease liabilities	203
Lease expense in excess cash payment	(11)
Total ROU asset	<u>\$ 192</u>

As of June 30, 2023, the Company's ROU asset was \$192, which was recorded on the Company's balance sheet as other noncurrent assets, and the Company's current and noncurrent lease liabilities were \$87 and \$116, respectively, which were recorded on the Company's balance sheet as other short-term liabilities and other long-term liabilities, respectively.

Lessor Arrangements

The Company enters into contracts with customers for the Company's QuantaFlo product. The Company has determined these contracts meet the definition of a lease under Topic 842. The lease portfolio primarily consists of operating leases that are short-term in nature (monthly, quarterly or one year, all of which have renewal options). The Company allocates the consideration in a bundled contract with its customers based on relative standalone selling prices of the lease and non-lease components. The Company made an accounting policy election to apply the practical expedient to not separate lease and eligible non-lease components. The lease component is the predominant component and consists of fees charged for use of the equipment over the period of the arrangement. The nature of the eligible non-lease component is primarily software support. The assets associated with these leasing arrangements are separately identified in the Balance Sheet as Assets for Lease and separately disclosed in Note 5 to the Unaudited Condensed Financial Statements.

14. Commitments and Contingencies

Senior Secured Convertible Note

In December 2022, the Company committed a loan of \$5,000 to Monarch through the purchase of a senior secured convertible promissory note that bears interest at a rate of 10% per annum and matures on the second anniversary from the issue date, which can be extended for up to two additional consecutive one-year terms in the Company's sole discretion. The note along with up to \$100 of transaction expenses is due and payable on the occurrence of an event of default or change of control unless accelerated due to the conversion into preferred stock prior thereto at the option of the Company. Monarch borrowed \$3,500 on the issuance date and \$500 in the first quarter of 2023 out of the committed amount of \$5,000 and has agreed to reimburse the Company for up to \$100 of

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transaction expense. Repayment of the note is secured by a first priority interest in all of Monarch's assets. See Note 8 and 9 to the Unaudited Condensed Financial Statements.

Indemnification Obligations

The Company enters into agreements with customers, partners, lenders, consultants, lessors, contractors, sales representatives and parties to certain transactions in the ordinary course of the Company's business. These agreements may require the Company to indemnify the other party against third party claims alleging that its product infringes a patent or copyright. Certain of these agreements require the Company to indemnify the other party against losses arising from: a breach of representations or covenants, claims relating to property damage, personal injury or acts or omissions of the Company, its employees, agents or representatives. The Company has also agreed to indemnify the directors and certain of the officers and employees in accordance with the by-laws of the Company. These indemnification provisions will vary based upon the nature and terms of the agreements. In many cases, these indemnification provisions do not contain limits on the Company's liability, and the occurrence of contingent events that will trigger payment under these indemnities is difficult to predict. As a result, the Company cannot estimate its potential liability under these indemnities. The Company believes that the likelihood of conditions arising that would trigger these indemnities is remote and, historically, the Company has not made any significant payment under such indemnification provisions. Accordingly, the Company has not recorded any liabilities relating to these agreements. In certain cases, the Company has recourse against third parties with respect to the aforesaid indemnities, and the Company believes it maintains adequate levels of insurance coverage to protect the Company with respect to potential claims arising from such agreements.

401(K) Plan

Effective January 1, 2022, the Company started to match 50% of employee's 401(k) deferral up to a maximum of 6% of the employee's eligible earnings.

Other

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") provides for an employee retention payroll tax credit for certain employers, which is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer pays to employees after March 12, 2020 and before December 31, 2021. For each employee, wages (including health plan costs) up to \$10,000 can be counted to determine the amount of the 50% credit. The Company started claiming this credit on its July 2020 payroll until mid-April 2021 when it determined that it no longer qualified given the change in government restrictions on travel that had impacted its sales activities. The Company's determination that it qualified to claim the employee retention payroll tax credit is subjective and subject to audit by the Internal Revenue Service ("IRS"). If the IRS were to disagree with the Company's tax position, it could be required to pay the retention credit claimed, along with penalties. As of June 30 2023, the Company has claimed \$1.24 million in this retention credit. No credit was claimed for the three and six months ended June 30, 2023 and for the year ended December 31, 2022.

Litigation

From time to time in the normal course of business, the Company is subject to various legal matters, such as threatened or pending claims or litigation. Although the results of claims and litigation cannot be predicted with certainty, the Company does not believe it is a party to any claim or litigation the outcome of which, if determined adversely to it, would individually or in the aggregate be reasonably expected to have a material adverse effect on its results of operations or financial condition.

15. Stock Incentive Plan

The Company's stock-based compensation program is designed to attract and retain employees while also aligning employees' interests with the interests of its stockholders. Stock options have been granted to employees under the stockholder-approved 2007 Key Person Stock Option Plan ("2007 Plan") and stock options and restricted stock have been granted to employees under the stockholder-approved 2014 Stock Incentive Plan ("2014 Plan"). Stockholder approval of the 2014 Plan became effective in

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September 2014. The 2014 Plan originally provided that the aggregate number of shares of common stock that may be issued pursuant to awards granted under the 2014 Plan may not exceed 450,000 shares (the “Share Reserve”), however in October 2015, the stockholders approved a 1,500,000 increase to the Share Reserve. In addition, the Share Reserve automatically increases on January 1st of each year, for a period of not more than 10 years, beginning on January 1st of the year following the year in which the 2014 Plan became effective and ending on (and including) January 1, 2024, in an amount equal to 4% of the total number of shares of common stock outstanding on December 31st of the preceding calendar year. The Company’s board of directors may act prior to January 1st of a given year to provide that there will be no January 1st increase in the Share Reserve for such year or that the increase in the Share Reserve for such year will be a lesser number of shares of common stock than would otherwise occur. On January 1, 2023, the Share Reserve increased by 267,685. The Share Reserve is currently 3,582,888 shares as of June 30, 2023.

In light of stockholder approval of the 2014 Plan, the Company no longer grants equity awards under the 2007 Plan. As of June 30, 2023, there were no shares available for future stock-based compensation grants under the 2007 Plan and 1,722,453 shares of an aggregate total of 3,582,888 shares were available for future stock-based compensation grants under the 2014 Plan.

Treasury Stock Acquired- Related Party Transaction

On March 14, 2022, the Company’s board of directors authorized a share repurchase program under which it may repurchase up to \$20.0 million of its outstanding common stock. Under this program the Company may purchase shares on a discretionary basis from time to time through open market purchases, privately negotiated transactions or other means, including through Rule 10b5-1 trading plans or through the use of other techniques such as accelerated share repurchases. The timing and amount of any transactions will be subject to the discretion of the Company based upon market conditions and other opportunities that it may have for the use or investment of its cash balances. The repurchase program has no expiration date, does not require the purchase of any minimum number of shares and may be suspended, modified or discontinued at any time without prior notice. Since the inception of the program, the Company purchased 148,500 shares at a cost of approximately \$4,991 as of June 30, 2023.

On May 17, 2023, the Company acquired outstanding warrants to acquire 76,875 shares of its common stock from its chief executive officer at a cost of \$1,949. The warrants were originally issued on June 7, 2012 (16,875 shares) with an exercise price of \$4.00 per share and on July 31, 2013 (60,000 shares), with an exercise price of \$4.50 per share, were amended in September 2015 and, as amended, had an expiration date of July 31, 2023. The \$1,949 aggregate cash purchase price reflects the difference between the aggregate exercise price of the warrants and the aggregate fair market value of the shares of common stock underlying the warrants, based on the closing price of a share of the Company’s common stock on May 16, 2023, the date of the warrant repurchase agreement. Following the warrant repurchase, the warrants were cancelled and are no longer issued and outstanding.

Stock Awards

The Company granted fully vested stock awards of 21,923 shares of common stock to a non-employee member of the board of directors and employees as compensation during the six months ended June 30, 2023. Net shares issued after deducting taxes paid on these grants were 16,902. Fair value of these stock awards on grant date was \$798. The Company granted fully vested stock awards of 9,610 shares of common stock to the non-employee members of the board of directors, employees and one non-employee as compensation during the six months ended June 30, 2022. Net shares issued after deducting taxes paid on these grants were 7,900. Fair value of these stock awards on grant date was \$673.

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Stock Options

Aggregate intrinsic value represents the difference between the closing market value as of June 30, 2023 of the underlying common stock and the exercise price of outstanding, in-the-money options. A summary of the Company's stock option activity and related information for the three months ended June 30, 2023 is as follows:

	<u>Options Outstanding</u>			
	<u>Number of Stock Options Outstanding</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (In Years)</u>	<u>Aggregate Intrinsic Value (In Thousands)</u>
Balance, December 31, 2022	1,287,847	\$ 3.44	3.03	\$ 38,053
Options exercised	—	—	—	—
Options granted	—	—	—	—
Balance, June 30, 2023	1,287,847	\$ 3.44	2.53	\$ 29,381
Exercisable as of June 30, 2023	1,284,267	\$ 3.37	2.51	\$ 29,381

As of June 30, 2023, the fair value of unvested stock options was approximately \$80. This unrecognized stock-based compensation expense is expected to be recorded over a weighted average period of 2.86 years.

No options were granted during the six months ended June 30, 2023. On May 17, 2022 the Company awarded 5,000 options to an employee as compensation pursuant to the 2014 Plan with an exercise price of \$30.48 and Black-Scholes options pricing model value of \$22.27. In applying the Black-Scholes options pricing model, following assumptions were used: 1) expected price volatility of 78.6%; risk-free interest rate of 2.884%; weighted average expected life of 7 years; and no dividend yield. 1/4th of these options are vested one year after the grant date and 1/48th for each month thereafter contingent upon the participant's continued service beginning on the initial vesting date and ending when the Vested Ratio equals 1/1.

The following table represents the stock based compensation for the three and six months ended June 30, 2023 and 2022:

	<u>Three months ended June 30,</u>		<u>Six months ended June 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Engineering and Product Development	\$ —	\$ —	\$ 45	\$ 45
Sales and Marketing	127	—	298	172
General and Administrative	32	48	517	459
Total	<u>\$ 159</u>	<u>\$ 48</u>	<u>\$ 860</u>	<u>\$ 676</u>

16. Income Taxes

The Company's income tax provision for the three months ended June 30, 2023 and 2022 was \$1,787 and \$1,117, respectively. The Company's income tax provision for the six months ended June 30, 2023 and 2022 was \$3,451 and \$1,700, respectively. The income tax provision reflects its estimate of the effective tax rates expected to be applicable for the full year, adjusted for any discrete events that are recorded in the period in which they occurred. The estimates are re-evaluated each quarter based on the estimated tax expense for the full year.

For uncertain tax positions that meet a "more likely than not" threshold, the Company recognizes the benefit of uncertain tax positions in the financial statements. The Company's practice is to recognize interest and penalties, if any, related to uncertain tax positions in income tax expense in the statements of operations.

The effective tax rate for the three and six months ended June 30, 2023 was 23.31% and 24.13%, compared to 21.52% and 18.62%, in the same period of the prior year. The increase in effective tax rate for the three and six months ended June 30, 2023 was primarily due to lower tax benefits associated with employee stock-based compensation.

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(In thousands of U.S. Dollars, except share and per share data)

The effective tax rate for the three and six months ended June 30, 2023 differed from the U.S. federal statutory rate of 21% primarily due to state income taxes (net of federal benefit) and federal and state research and development (“R&D”) credit benefit. The effective tax rate for the three and six months ended June 30, 2022 differed from the U.S. federal statutory rate of 21% primarily due to tax benefits associated with stock-based compensation plans, state income taxes (net of federal benefit), and federal and state R&D credit benefit.

As of June 30, 2023, and December 31, 2022, the Company had \$447 and \$401, respectively, of unrecognized tax benefits, excluding interest and penalties. The Company’s practice is to recognize interest and penalty expenses related to uncertain tax positions in income tax expense, which was \$56 and \$30 for the six months ended June 30, 2023 and the year ended December 31, 2022, respectively.

On August 16, 2022, the Creating Helpful Incentives to Produce Semiconductors for America Act of 2022 (“CHIPS and Science Act”), and Inflation Reduction Act (“IRA”) was signed into law in the United States. Among other things, CHIPS and Science Act provides incentives and tax credits for the global chip manufacturers who choose to set-up or expand existing operations in the United States. The IRA imposes a 15% corporate alternative minimum tax for tax years beginning after December 31, 2022, levies a 1% excise tax on net stock repurchases after December 31, 2022, and provides tax incentives to promote clean energy. This act is primarily applicable to large corporations with an annual revenue of \$1 billion or over. Implementation of this act has no impact on the Company’s financial statements as of June 30, 2023.

17. Net Income Per Share, Basic and Diluted

Basic earnings per share (“EPS”) represent net income attributable to common stockholders divided by the weighted average number of common shares outstanding during the measurement period. Diluted EPS represents net income attributable to common stockholders divided by the weighted average number of common shares outstanding during the measurement period while also giving effect to all potentially dilutive common shares that were outstanding during the period using the treasury stock method.

Basic and diluted EPS is calculated as follows:

	Three months ended June 30,					
	2023			2022		
	Shares	Net Income	EPS	Shares	Net Income	EPS
Basic	6,707,341	\$ 5,879	\$ 0.88	6,761,050	\$ 4,074	\$ 0.60
Common stock warrants	39,292	—		67,434	—	
Common stock options	1,120,368	—		1,200,818	—	
Diluted	<u>7,867,001</u>	<u>\$ 5,879</u>	<u>\$ 0.75</u>	<u>8,029,302</u>	<u>\$ 4,074</u>	<u>\$ 0.51</u>

	Six months ended June 30,					
	2023			2022		
	Shares	Net Income	EPS	Shares	Net Income	EPS
Basic	6,704,306	\$ 10,848	\$ 1.62	6,769,552	\$ 7,434	\$ 1.10
Common stock warrants	58,083	—		69,637	—	
Common stock options	1,125,195	—		1,232,320	—	
Diluted	<u>7,887,584</u>	<u>\$ 10,848</u>	<u>\$ 1.38</u>	<u>8,071,509</u>	<u>\$ 7,434</u>	<u>\$ 0.92</u>

As of June 30, 2023, 5,000 options related to stock awards were granted and unvested. These options were considered anti-dilutive for the computation of diluted net income per share. Hence, these options were excluded from the computation of diluted net income per share. As of June 30, 2022, there were no weighted average shares outstanding of common stock equivalents excluded from the computation of diluted net income per share.

Semler Scientific, Inc.
Notes to Condensed Financial Statements
Unaudited
(In thousands of U.S. Dollars, except share and per share data)

18. Subsequent Event

On July 11, 2023, the Company's board of directors, approved a strategic plan to streamline operations and reduce employee headcount by approximately 30% by September 15, 2023. This plan is meant to be proactive and seeks to drive operational efficiency, while still allowing the Company to provide high quality service to its customers.

The Company currently estimates that it will incur severance costs in the range of \$0.7 million to \$0.9 million consisting of one-time termination benefits, which are expected to be paid by December 31, 2023.

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

The following discussion and analysis should be read together with our condensed unaudited financial statements and the related notes appearing elsewhere in this quarterly report on Form 10-Q and with the audited financial statements and notes for the fiscal year ended December 31, 2022, and the information under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K filed with the SEC on March 23, 2023, or the Annual Report. This discussion contains forward-looking statements reflecting our current expectations that involve risks and uncertainties. See "Cautionary Note Regarding Forward-Looking Statements" for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results and the timing of events could differ materially from those discussed in our forward-looking statements as a result of many factors, including those set forth under "Risk Factors" in the Annual Report.

Overview

We are a company that develops, manufactures and markets innovative products and services that assist our customers in evaluating and treating chronic diseases. Our flagship product, QuantaFlo, which is patented and cleared by the FDA, is a rapid point-of-care test that measures arterial blood flow in the extremities. The QuantaFlo test aids in the diagnosis of cardiovascular diseases, such as peripheral arterial disease, or PAD, and heart dysfunction. QuantaFlo is used by healthcare providers to evaluate their patient's risk of mortality and major adverse cardiovascular events.

We have an agreement with Mellitus Health Inc., or Mellitus, a private company to exclusively market and distribute Insulin Insights, an FDA-cleared software product that recommends optimal insulin dosing for diabetic outpatients in the United States, including Puerto Rico, except for selected accounts.

We have minority investments in Mellitus, in Monarch Medical Technology LLC, or Monarch, a private digital health company whose proprietary product, EndoTool Glucose Management System, offers a technological solution for inpatient glycemic management, and in Neurodiagnostics, Inc., which is doing business as SYNAPS Dx and whose product, Discern, is a test for early Alzheimer's disease. We continue to develop additional complementary proprietary products in-house, and seek out other arrangements for additional products and services that we believe will bring value to our customers and to our company. We believe our current products and services, and any future products or services that we may offer, position us to provide valuable information to our customer base, which in turn permits them to better guide patient care.

In the three months ended June 30, 2023, we had total revenues of \$18.6 million and net income of \$5.9 million, compared to total revenues of \$14.8 million and net income of \$4.1 million in the same period in 2022. In the six months ended June 30, 2023, we had total revenues of \$36.8 million and net income of \$10.8 million, compared to total revenues of \$28.8 million and net income of \$7.4 million in the same period in 2022.

Recent Developments

Common Stock Repurchase Program and Repurchase of Common Stock Warrants

On March 14, 2022, our board of directors authorized a share repurchase program under which we may repurchase up to \$20.0 million of our outstanding common stock. Under this program, we may purchase shares on a discretionary basis from time to time through open market purchases, privately negotiated transactions or other means, including through Rule 10b5-1 trading plans or through the use of other techniques such as accelerated share repurchases. The timing and amount of any transactions will be subject to our discretion and based upon market conditions and other opportunities that we may have for the use or investment of our cash balances. The repurchase program has no expiration date, does not require the purchase of any minimum number of shares and may be suspended, modified or discontinued at any time without prior notice.

In May 2023, we repurchased outstanding warrants to acquire an aggregate 76,875 shares of our common stock at a cost of \$1.9 million from our chief executive officer. The warrants were originally issued on June 7, 2012 (16,875 shares) with an exercise price of \$4.00 per share and on July 31, 2013 (60,000 shares), with an exercise price of \$4.50 per share, all of which were amended in September 2015 and, as amended, had an expiration date of July 31, 2023. The repurchase of the warrants for \$1.9 million cash reflects the difference between the aggregate exercise price of the warrants and the aggregate fair market value of the shares of common stock underlying the warrants, based on the closing price of a share of our common stock on May 16, 2023, the date of the warrant repurchase agreement. Following the warrant repurchase, the warrants were cancelled and are no longer issued and outstanding.

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As of June 30, 2023, we purchased 148,500 shares of our common stock for approximately \$5.0 million under our purchase program and warrants to acquire 76,875 shares of our common stock at a cost of \$1.9 million.

Strategic Operational Streamlining

On July 11, 2023, our board of directors approved a strategic plan to streamline operations and reduce employee headcount by approximately 30% by September 15, 2023. This plan is meant to be proactive and seeks to drive operational efficiency, while still providing high quality service to our customers.

We currently estimates that we will incur severance costs in the range of \$0.7 million to \$0.9 million consisting of one-time termination benefits, which are expected to be paid by December 31, 2023. We anticipate this will result in a reduction in quarterly operating expenses of approximately \$1.5 million to \$2.0 million, which are expected to be realized during the fourth quarter ended December 31, 2023.

We expect to incur in connection with our streamlining efforts are subject to a number of assumptions, risks and uncertainties, and actual results may materially differ. We may also incur other material charges not currently contemplated due to events that may occur as a result of, or associated with these actions.

CMS Rate Notice

In late March 2023, CMS issued the final 2024 rate announcement with payment changes for the Medicare Advantage and Part D prescription drug programs. Essentially, CMS is phasing in a new Medicare Advantage risk adjustment model (2024 model) from the previous model (2020 model) over a three-year period. The 2024 model does not include risk adjusted payments for PAD without complications, which payments many health insurers, including our customers, relied upon for their Medicare Advantage patients in the 2020 model. The changes will be phased in as follows: in calendar year 2023, full payment under the 2020 model; in calendar year 2024, 67% of the 2020 model; in calendar year 2025, 33% of the 2020 model. It is premature to determine the potential impact to our future revenues of this CMS rate notice.

Results of Operations

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

Revenues

We had revenues of \$18.6 million for the three months ended June 30, 2023, compared to \$14.8 million in the same period of 2022. Our revenues are primarily from fees charged to customers for use of our vascular testing products and from sale of accessories used with these products. We recognized revenues of \$18.0 million from fees for our products for the three months ended June 30, 2023, consisting of \$9.6 million from fixed-fee licenses and \$8.4 million from variable-fee licenses, compared to \$14.5 million in the same period of the prior year, consisting of \$8.5 million from fixed-fee licenses and \$6.0 million from variable-fee licenses. The remainder was from sales of hardware and equipment accessories, which were \$0.6 million for the three months ended June 30, 2023, compared to \$0.3 million for the same period in the prior year.

Revenues from fees for products are recognized monthly, usually billed as a fixed monthly fee or as a variable monthly fee dependent on usage.

The primary reason for the increase in both fixed-fee and variable-fee license revenues was growth in the number of installed units from both new customers and established customers, which we believe is the result of our sales and marketing efforts.

Operating expenses

We had total operating expenses of \$11.4 million for the three months ended June 30, 2023, an increase of \$1.8 million or 18%, compared to \$9.6 million in the same period in the prior year. The primary reasons for this change were increased expenses associated with our expanding business, such as increased personnel expense, consulting fees, travel and trade shows expenses. As a percentage of revenues, operating expenses decreased to 61% in the second quarter of 2023 as compared to 65% in the prior year period. The changes in the various components of our operating expenses are described below.

Cost of revenues

We had cost of revenues of \$1.2 million for the three months ended June 30, 2023, an increase of \$0.2 million or 27%, compared to \$1.0 million for the same period in 2022. The increase was primarily due to an increase in headcount, annual pay increases and raw materials cost. As a percentage of revenues, cost of revenues was 7% in the second quarter of 2023, the same as in the second quarter of 2022.

Engineering and product development expense

We had engineering and product development expense of \$1.8 million for the three months ended June 30, 2023, an increase of \$0.7 million, or 64%, compared to \$1.1 million in the same period of the prior year. The increase was primarily due to increased headcount, annual pay increases and consulting fees associated with QuantaFlo extensions and upgrades. As a percentage of revenues, engineering and product development expense was at 9% in the second quarter of 2023, compared to 7% in the prior year period.

Sales and marketing expense

We had sales and marketing expense of \$5.0 million for the three months ended June 30, 2023, an increase of \$0.8 million, or 19%, compared to \$4.2 million in the same period of the prior year. The increase was primarily due to increased headcount, annual pay increases, and associated expense to serve a continued expansion of customer activities, as well as an increase in trade shows and travel costs, as our business resumed more typical pre-COVID activities. As a percentage of revenues, sales and marketing expense decreased to 27% in the second quarter of 2023, as compared to 28% in the prior year period.

General and administrative expense

We had general and administrative expense of \$3.5 million for the three months ended June 30, 2023, an increase of \$0.1 million, or 1%, compared to \$3.4 million in the same period of the prior year. The increase was primarily due to increased professional fees, offset by lower insurance costs. As a percentage of revenues, general and administrative expense decreased to 19% in the second quarter of 2023, as compared to 23% in the prior year period.

Other income, net

We had total other income of \$0.5 million for the three months ended June 30, 2023 compared to \$13 thousand in 2022. The increase from the prior year period was due to interest income of \$0.6 million from increased investments in U.S. Treasury bills, debt securities and higher rates on short term government debt and money market funds, partially offset by changes in the fair value of investments.

Income tax provision

We had income tax provision of \$1.8 million for the three months ended June 30, 2023, an increase of \$0.7 million or 60%, compared to \$1.1 million in the same period of the prior year. The effective tax rate for the three months ended June 30, 2023 was 23%, compared to 22%, in the same period of the prior year. The increase in effective tax rate was primarily due to lower tax benefits associated with employee stock-based compensation.

Net income

We had net income of \$5.9 million, or \$0.88 per basic share and \$0.75 per diluted share, for the three months ended June 30, 2023, an increase of \$1.8 million, or 44%, compared to a net income of \$4.1 million, or \$0.60 per basic share and \$0.51 per diluted share, for the same period of the prior year.

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

Revenues

We had revenues of \$36.8 million for the six months ended June 30, 2023, an increase of \$8.0 million, or 28%, compared to \$28.8 million in the same period in 2022. Our revenues are primarily from fees charged to customers for use of our vascular testing

products and from sales of accessories used with these products. We recognized revenues of \$35.9 million from fees for our vascular testing products for the six months ended June 30, 2023, consisting of \$18.9 million from fixed-fee licenses and \$16.9 million from variable-fee licenses, compared to \$28.3 million in the same period of the prior year, consisting of \$16.4 million from fixed-fee licenses and \$11.9 million from variable-fee licenses. The remainder was from sales of other products, which were \$1.0 million compared to \$0.6 million in the same period of the prior year.

Revenues from fees for vascular testing products are recognized monthly for each unit installed with a customer, usually billed as a fixed monthly fee or; as a variable monthly fee dependent on usage.

The primary reason for the increase in fixed fee revenues was growth in the number of installed units from both new customers and established customers, which we believe is the result of our sales and marketing efforts. The primary reason for the increase in variable-fee revenues was an increase in testing at our largest customers.

Operating expenses

We had total operating expenses of \$23.4 million for the six months ended June 30, 2023, an increase of \$3.7 million or 19%, compared to \$19.7 million in the same period in the prior year. The primary reasons for this change were increases due to personnel expense, including employee benefits due to an increased headcount, increase in consulting and professional fees. As a percentage of revenues, operating expenses decreased to 64% in the first six months of 2023 as compared to 68% in the prior year period. The changes in the various components of our operating expenses are described below.

Cost of revenues

We had cost of revenues of \$2.5 million for the six months ended June 30, 2023, an increase of \$0.5 million, or 29%, compared to \$2.0 million in the same period of the prior year. The primary reasons for this change was increased hardware purchases. As a percentage of revenues, cost of revenues was 7% in the first half of 2023, same as in the prior year period.

Engineering and product development expense

We had engineering and product development expense of \$3.4 million for the six months ended June 30, 2023, an increase of \$1.2 million, or 54%, compared to \$2.2 million in the same period of the prior year. The increase was primarily due to personnel expense due to an increased headcount, and increased consulting expenses. As a percentage of revenues, engineering and product development expenses increased to 9% in the first six months of 2023, compared to 8% in the prior year period.

Sales and marketing expense

We had sales and marketing expense of \$10.2 million for the six months ended June 30, 2023, an increase of \$1.3 million, or 15%, compared to \$8.9 million in the same period of the prior year. The increase was primarily due to increased headcount and associated expenses to serve a continued expansion of customer activities, travel and trade show costs. As a percentage of revenues, sales and marketing expense decreased to 28% in the first six months of 2023, as compared to 31% in the prior year period.

General and administrative expense

We had general and administrative expense of \$7.3 million for the six months ended June 30, 2023, an increase of \$0.6 million, or 9%, compared to \$6.7 million in the same period of the prior year. The increase was primarily due to an increase in compensation due to increased headcount and annual salary increases, increase in professional fees, and legal expenses. As a percentage of revenues, general and administrative expense decreased to 20% in the first six months of 2023, as compared to 23% in the prior year period.

Other income, net

We had other income of \$0.9 million for the six months ended June 30, 2023, compared to other income of \$14.0 thousand in the same period of the prior year. The increase was primarily due to higher interest income from the investments, partially offset by changes in the fair value of investments.

Income tax provision

We had income tax provision of \$3.5 million for the six months ended June 30, 2023, an increase of \$1.8 million or 103%, compared to \$1.7 million in the prior year period. The effective tax rate for the six months ended June 30, 2023 was 24%, compared to 19%, in the same period of the prior year. The increase was primarily due to lower tax benefits associated with stock-based compensation plans.

Net income

For the foregoing reasons, we had net income of \$10.8 million, or \$1.62 per basic share and \$1.38 per diluted share, for the six months ended June 30, 2023, an increase of \$3.4 million, or 46%, compared to a net income of \$7.4 million, or \$1.10 per basic share and \$0.92 per diluted share, for the same period of the prior year.

Liquidity and Capital Resources

We had cash and cash equivalents and short-term investments of \$51.8 million at June 30, 2023 compared to \$43.1 million at December 31, 2022, and total current liabilities of \$10.1 million at June 30, 2023 compared to \$6.9 million at December 31, 2022. As of June 30, 2023, we had working capital of approximately \$50.7 million. We believe that our current sources of funds will provide us with adequate liquidity during the period following June 30, 2023, as well as in the long-term.

Our cash is held in a variety of non-interest bearing bank accounts and treasury bills. At June 30, 2023, we held approximately \$41.2 million of U.S. Treasury bills, and the remaining cash of \$10.6 million was held in non-interest bearing bank accounts. Our investment guidelines allow for holdings in U.S. government and agency securities, corporate securities, taxable municipal bonds, commercial paper, money market accounts and treasury bills. In addition, we have, and may in the future, choose to invest some of our cash resources in other entities that may have complementary technologies or product offerings.

Operating activities

We generated \$12.1 million of net cash from operating activities for the six months ended June 30, 2023, compared to \$7.7 million of net cash from operating activities for the same period of the prior year. The change was primarily due to generation of net income from operating activities. Non-cash adjustments to reconcile net income to net cash from operating activities provided net cash of \$1.1 million and were primarily due to stock-based compensation expense of \$0.9 million, depreciation of \$0.3 million, loss on disposal of assets for lease of \$0.1 million, change in fair values of investments of \$0.2 million and allowance for doubtful accounts of \$0.1 million, partially offset by gain on short-term investments of \$0.2 million and deferred tax income of \$0.2 million. Changes in operating assets and liabilities provided \$0.1 million of net cash. These changes in operating assets and liabilities included cash provided by accrued expenses of \$3.5 million, partially offset by cash used by trade receivables of \$2.2 million due to timing of revenue recognition, prepaid expenses and other assets of \$0.9 million, and trade payables of \$0.3 million.

Investing activities

We generated \$6.5 million of net cash from investing activities for the six months ended June 30, 2023, primarily due to the maturities of short-term treasury bills of \$57.7 million, partially offset by the purchase of short-term treasury bills of \$49.7 million, funding to purchase assets for lease of \$0.7 million, the purchase of a promissory note held for investment of \$0.5 million and fixed asset purchases of \$0.3 million to support our growing business.

We used \$2.0 million of net cash in investing activities for the six months ended June 30, 2022, which reflects purchase of long-term notes receivable of \$1.2 million, funding to purchase assets for lease of \$0.6 million and fixed asset purchases of \$0.2 million to support our growing business.

Financing activities

We used \$2.1 million in net cash from financing activities during the six months ended June 30, 2023, which reflects the purchase of common stock warrants of \$1.9 million from our chief executive officer, and payment of taxes withheld for stock grants of \$0.2 million.

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We used \$3.0 million in net cash from financing activities during the six months ended June 30, 2022, which reflects payment of taxes withheld for stock grants of \$0.1 and \$3.0 million for the treasury stock acquisition, under our share purchase program, partially offset by proceeds from exercise of stock options of \$0.1 million.

Critical Accounting Policies and Estimates

There have been no material changes to our critical accounting policies and estimates described in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 23, 2023.

New Accounting pronouncements recently adopted

We have considered recently issued accounting pronouncements and do not believe the adoption of such pronouncements will have a material impact on our condensed consolidated financial statements. See Note 1 to Condensed Financial Statements for the new accounting pronouncements adopted in the first quarter of 2023.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure material information required to be disclosed in our reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and our chief financial officer, as appropriate, to allow timely decisions regarding required financial disclosure. In designing and evaluating the disclosure controls and procedures, we recognized that a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision of and with the participation of our management, including our chief executive officer and our chief financial officer, we evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2023. Based upon that evaluation, our chief executive officer and our chief financial officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during our second quarter ended June 30, 2023.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

Not applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(a) Recent Sales of Unregistered Securities

None.

(b) Use of Proceeds

Not Applicable.

(c) Issuer Purchases of Equity Securities.

None

Item 3. Defaults upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exh. No.	Exhibit Name
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of our Form 8-K filed with the Securities and Exchange Commission on November 2, 2015).
3.2	Third Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 of our Form 8-K filed with the Securities and Exchange Commission on April 19, 2023)
10.1	Cooperation agreement, dated April 19, 2023, by and among Semler Scientific, Inc. and the investors (incorporated by reference to Exhibit 10.1 of our Form 8K filed with the Securities and Exchange Commission on April 19, 2023)
10.2	Warrant Repurchase Agreement between Semler Scientific, Inc. and the Murphy-Chutorian Family Trust U/D/T dated January 13, 1997, dated May 16, 2023 (incorporated by reference to Exhibit 10.1 of our Form 8-K filed with the Securities and Exchange Commission on May 17, 2023)
10.3†	Separation Agreement and Release, dated April 1, 2023 by and among Semler Scientific, Inc. and Douglas Murphy-Chutorian
10.4†	Employment agreement dated May 25, 2023 by and among Semler Scientific, Inc. and Douglas Murphy-Chutorian
31.1	Rule 13a-14(a) Certification of Principal Executive Officer of Registrant
31.2	Rule 13a-14(a) Certification of Principal Financial Officer of Registrant
32.1*	Section 1350 Certification
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	The cover page from Semler Scientific's Quarterly Report on Form 10-Q for the three months ended March 31, 2023 is formatted in Inline XBRL and it is contained in Exhibit 101

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† Indicates a management contract or compensatory plan or arrangement

* These certifications are furnished to the SEC pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, nor shall they be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

SIGNATURES

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

August 14, 2023

SEMLER SCIENTIFIC, INC.

By: /s/ Douglas Murphy-Chutorian

Douglas Murphy-Chutorian
Chief Executive Officer

By: /s/ Renae Cormier

Renae Cormier
Chief Financial Officer (Principal Financial Officer and
Principal Accounting Officer)

SEPARATION AGREEMENT AND RELEASE

This Separation Agreement and Release (“Agreement”) is made by and between Doug Murphy-Chutorian (“Employee”) and Semler Scientific, Inc. (the “Company”) (collectively referred to as the “Parties” or individually referred to as a “Party”).

RECITALS

WHEREAS, Employee was employed by the Company;

WHEREAS, Employee began serving as the Company’s Chief Executive Officer (“CEO”) on October 31, 2012 and signed an At-Will Employment, Confidential Information, Invention Assignment, and Arbitration Agreement with the Company on November 11, 2013 (the “Confidentiality Agreement”);

WHEREAS, the Company and Employee have entered into a stock option agreement or agreements granting Employee the option to purchase shares of the Company’s common stock (the “Employee Options”) subject to the terms and conditions of the Company’s 2014 Stock Incentive Plan (collectively with the Employee Options, the “Stock Agreements”);

WHEREAS, the Employee had purchased warrants from the Company and the Company has issued warrants to acquire 16,875 shares of the Company’s common stock at an exercise price of \$4.00 per share (the “CEO Warrants”), which CEO Warrants expire July 31, 2023;

WHEREAS, on January 28, 2023 the Company agreed by unanimous written consent of the board of directors to repurchase of the CEO Warrants, at such date to be mutually agreed between the Company and Dr. Murphy-Chutorian prior to the expiration of the CEO Warrants, at a price equal to the fair market value of the CEO Warrants by reference to the closing price per share of the underlying shares on the day of sale and taking into account the exercise price payable for such shares;

WHEREAS, the Employee had purchased warrants from the Company and the Company has issued warrants to acquire 60,000 shares of the Company’s common stock at an exercise price of \$4.50 per share (the “Other Warrants”), which Other Warrants expire July 31, 2023;

WHEREAS, Employee voluntarily resigned from Employee’s employment with the Company effective May 1, 2023 (the “Termination Date”);

WHEREAS, Employee is not required to enter into this Agreement to remain employed through May 1, 2023;

WHEREAS, Employee voluntarily resigned from employment as the Company’s CEO and President as of April 2, 2023 and will remain as a non-CEO employee through May 1, 2023, receiving his same monthly base salary of \$37,500 for the month of April 2, 2023 through May 1, 2023;

WHEREAS, Employee will remain in his role on the Company's Board of Directors (the "Board"), as a non-employee director and be entitled to receive compensation as a non-employee Board member on the same terms as the other non-employee members of the Board, including, but not limited to, the remainder of his current term as a Class III Director, which ends upon the Company's annual meeting of stockholders in 2024; and

WHEREAS, the Parties wish to resolve any and all disputes, claims, complaints, grievances, charges, actions, petitions, and demands that the Employee may have against the Company and any of the Releasees as defined below, including, but not limited to, any and all claims arising out of or in any way related to Employee's employment with or separation from the Company.

NOW, THEREFORE, in consideration of the mutual promises made herein, the Company and Employee hereby agree as follows:

COVENANTS

1. Consideration. So long as Employee (i) professionally and adequately transitions his duties through the Termination Date (as determined by the Company in its sole but reasonable discretion); and (ii) allows this Agreement to become effective:

a. *Payment*. The Company agrees to pay Employee a total of Four Hundred and Fifty Thousand Dollars (450,000.00), at the rate of Thirty-Seven Thousand Five Hundred Dollars (\$37,500.00) per month, less applicable withholding taxes, for twelve (12) months, commencing within thirty (30) days following the Termination Date, in substantially equal installments in accordance with the Company's regular payroll practices.

b. *COBRA*. If Employee timely elects to receive continued healthcare coverage pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), the Company shall directly pay the premium, less applicable withholdings, for Employee and Employee's covered dependents during the period from the Termination Date through the earlier of (i) nine (9) months following the Separation Date or (ii) the date Employee and Employee's covered dependents, if any, become eligible for healthcare coverage under another employer's plan(s) (and Employee agrees to promptly notify the Company of such eligibility). Notwithstanding the foregoing, if the Company determines in its discretion that continued payment of such premiums is or may be discriminatory under Section 105(h) of the Code; provided, further, that the continuation of health benefits under this Subsection shall reduce and count against the rights of the Employee, the Employee's spouse and dependents under COBRA.

c. *Post-Termination Exercise Period Extension*. The Company has approved an extension to the post-termination exercise period of each option set forth on Exhibit B and designated as a non-statutory stock option until the original expiration date of the option.

d. *CEO Warrant Repurchase*. No later than July 31, 2023, Employee and the Company shall enter into the Warrant Repurchase Agreement that is attached hereto as Exhibit A, providing for the repurchase at fair market value of the shares of Company common stock underlying the CEO Warrants net of the aggregate exercise price.

e. Acknowledgement. Employee acknowledges that without this Agreement, Employee is otherwise not entitled to the consideration described in this section.

2. Equity Awards. The Parties agree that for purposes of determining the aggregate number of shares of the Company's common stock that Employee is eligible to purchase from the Company pursuant to the exercise of outstanding options, Employee will be considered to have continued vesting in such options up to and through the Termination Date. Employee acknowledges and agrees that as of the Termination Date, Employee will have vested in Seven Hundred Sixty-One Thousand (761,000) option shares, as set forth on Exhibit B.

3. Benefits. Employee's health insurance benefits will cease on the last day of May 2023, subject to Employee's right (if any) to continue Employee's health insurance under COBRA. Employee's participation in all benefits and incidents of employment ceased as of the Termination Date.

4. EMPLOYEE UNDERSTANDS THAT NEITHER THIS AGREEMENT NOR THE COURSE OF EMPLOYEE'S EMPLOYMENT WITH THE COMPANY, OR ANY OTHER SERVICE TO THE COMPANY, GIVE OR GAVE EMPLOYEE ANY RIGHT, CONTINUING OR OTHERWISE, TO THE REVENUES AND/OR PROFITS OF THE COMPANY AND/OR ANY OTHER RELEASEE (AS DEFINED BELOW) OR ANY OTHER INTEREST, ECONOMIC OR OTHERWISE, IN THE COMPANY AND/OR ANY OTHER RELEASEE (AS DEFINED BELOW).

5. Payment of Salary and Receipt of All Benefits. Employee acknowledges and represents that, other than the consideration set forth in this Agreement and Employee's compensation through the Termination Date, the Company has provided all salary, wages (including overtime wages if applicable), bonuses, paid time off, premiums, leaves, housing allowances, relocation costs, interest, severance, outplacement costs, fees, reimbursable expenses, commissions, stock, stock options, vesting, and any and all other benefits and compensation due to Employee. To be clear, Employee has earned his full bonus for Q1 2023 and said bonus will be paid out by the Company to the Employee in the normal course of business.

6. Employee's Release of Claims. Employee agrees that the foregoing consideration represents settlement in full of all outstanding obligations owed to Employee by the Company and its current and former officers, directors, employees, agents, investors, attorneys, shareholders, administrators, affiliates, benefit plans, plan administrators, insurers, trustees, divisions, subsidiaries, parents, predecessor and successor corporations and assigns, and professional employer organization or co-employer (collectively, the "Releasees"). Employee, on Employee's own behalf and on behalf of Employee's respective heirs, family members, executors, agents, and assigns, hereby and forever releases the Releasees from, and agrees not to sue concerning, or in any manner to institute, prosecute, or pursue, any claim, complaint, charge, duty, obligation, demand, or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that Employee may possess against any of the Releasees arising from any omissions, acts, facts, or damages that have occurred up until and including the date Employee signs this Agreement, including, without limitation:

a. any and all claims relating to or arising from Employee's employment relationship with the Company and the termination of that relationship;

b. any and all claims relating to, or arising from, Employee's right to purchase, or actual purchase of shares of stock of the Company, including, without limitation, any claims for fraud, misrepresentation, breach of fiduciary duty, breach of duty under applicable state corporate law, and securities fraud under any state or federal law;

c. any and all claims for wrongful discharge of employment, termination in violation of public policy, discrimination, harassment, retaliation, breach of contract (both express and implied), breach of covenant of good faith and fair dealing (both express and implied), promissory estoppel, fraudulent inducement, negligent or intentional infliction of emotional distress, fraud, negligent or intentional misrepresentation, negligent or intentional interference with contract or prospective economic advantage, unfair business practices, defamation, libel, slander, negligence, personal injury, assault, battery, invasion of privacy, false imprisonment, conversion, and disability benefits;

d. any and all claims for violation of any federal, state, or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, the Equal Pay Act, the Fair Labor Standards Act, the Fair Credit Reporting Act, the Employee Retirement Income Security Act of 1974, the Worker Adjustment and Retraining Notification Act, the Family and Medical Leave Act, the Immigration Control and Reform Act, the California Family Rights Act, the California Labor Code, the National Labor Relations Act, the California Fair Employment and Housing Act; and any other similar statutes, regulations or laws;

e. any and all claims for violation of the federal or any state constitution;

f. any and all claims arising out of any other laws and regulations relating to employment or employment discrimination;

g. any claim for any loss, cost, damage, or expense arising out of any dispute over the nonwithholding or other tax treatment of any of the proceeds received by Employee as a result of this Agreement; and

h. any and all claims for attorneys' fees and costs.

Employee agrees that the release set forth in this section will be and remain in effect in all respects as a complete general release as to the matters released. This release does not extend to any obligations incurred under this Agreement. This release does not release claims that cannot be released as a matter of law, including but not limited to any rights Employee may have to benefits and/or the right to seek benefits under applicable unemployment compensation statutes.

7. Acknowledgment of Waiver of Claims under ADEA. Employee acknowledges that Employee is waiving and releasing any rights Employee may have under the Age Discrimination in Employment Act of 1967 ("ADEA"), and that this waiver and release is knowing and voluntary. Employee agrees that this waiver and release does not apply to any rights or claims that may arise under the ADEA after the date the Employee signs this

Agreement. Employee acknowledges that the consideration given for this waiver and release is in addition to anything of value to which Employee was already entitled. Employee further acknowledges that Employee has been advised by this writing that: (a) Employee should consult with an attorney prior to executing this Agreement; (b) Employee has at least twenty-one (21) days within which to consider this Agreement; (c) Employee has seven (7) days following Employee's execution of this Agreement to revoke this Agreement; (d) this Agreement will not be effective until after the revocation period has expired ("Effective Date"); and (e) nothing in this Agreement prevents or precludes Employee from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties, or costs for doing so, unless specifically authorized by federal law. In the event Employee signs this Agreement and returns it to the Company in less than the 21-day period identified above, Employee hereby acknowledges that Employee has freely and voluntarily chosen to waive the time period allotted for considering this Agreement. Employee acknowledges and understands that revocation must be accomplished by a written notification to the person executing this Agreement on the Company's behalf that is received prior to the Effective Date. The parties agree that changes, whether material or immaterial, do not restart the running of the 21-day period.

8. Company's Release of Claims. In consideration for Employee signing this Agreement, the Company, on behalf of itself and the Releasees, hereby irrevocably and unconditionally releases Employee from any and all claims, causes of action, debts, damages, losses, penalties and obligations of any nature whatsoever arising out of Employee's employment that the Company may have or hereafter have against Employee arising from incidents or events occurring before the date the Company signs this Agreement, with the exception of claims, causes of action, debts, damages, losses, penalties and obligations related to, arising out of, or resulting from: (i) breach(es) of the Confidentiality Agreement; (ii) misappropriation of trade secrets; (iii) intellectual property infringement; (iv) gross and willful misconduct.

9. Unknown Claims/California Civil Code Section 1542. Employee acknowledges that Employee has been advised to consult with legal counsel and is familiar with the provisions of California Civil Code Section 1542, a statute that otherwise prohibits the release of unknown claims, which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

Employee, being aware of said code section, agrees to expressly waive any rights Employee may have thereunder, as well as under any other statute or common law principles of similar effect.

10. No Pending or Future Lawsuits. Employee represents that Employee has no lawsuits, claims, or actions pending in Employee's name, or on behalf of any other person or entity, against the Company or any of the other Releasees. Employee also represents that

Employee does not intend to bring any claims on Employee's own behalf or on behalf of any other person or entity against the Company or any of the other Releasees.

11. Trade Secrets and Confidential Information/Company Property. Employee reaffirms and agrees to observe and abide by the terms of the Confidentiality Agreement, specifically including (without limitation) the provisions therein regarding nondisclosure of the Company's trade secrets and confidential and proprietary information; *provided* that Employee hereby acknowledges receipt of the following notice required pursuant to 18 U.S.C § 1833(b)(1): "An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal." Employee acknowledges that during the course of Employee's employment with the Company, Employee had access to a number of highly confidential materials, and Employee specifically represents that Employee will refrain from using any such confidential information in the future. Unless provided elsewhere in this Agreement, Employee affirms that Employee has returned all documents and other items provided to Employee by the Company, developed or obtained by Employee in connection with Employee's employment with the Company, or otherwise belonging to the Company. Employee represents that Employee has not misused or disclosed any confidential or proprietary information or trade secrets of the Company to any unauthorized party.

12. No Cooperation. Subject to the Permitted Disclosures and other Protected Actions paragraph, Employee agrees that Employee will not knowingly encourage, counsel, or assist any attorneys or their clients in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints by any third party against any of the Releasees, unless compelled to do so under a subpoena, court order, or upon written request from governmental entity or as related directly to the ADEA waiver in this Agreement. Employee agrees both to immediately notify the Company upon receipt of any such subpoena, court order, or written request, and to furnish a copy of the foregoing, within three (3) business days of its receipt. If approached by anyone for counsel or assistance in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints against any of the Releasees, Employee will state no more than that Employee cannot provide counsel or assistance.

13. Mutual Nondisparagement. Employee shall not engage in conduct or disclose any information to the public or any third party which (i) discredits or disparages the Company and/or its respective officers, directors, shareholders or clients; or (ii) is detrimental to the reputation, character or standing of the Company and/or any of its respective officers, directors, shareholders or clients. *Nothing in this agreement prevents Employee from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that you have reason to believe is unlawful.* Likewise, the officers and directors of the Company agree that they will not disparage Employee in any manner likely to be harmful to Employee's professional or personal reputation and/or livelihood in any official Company statements made in response to third-party inquiries. Employee understands that the Company's obligations in the prior sentence extend only to the Company's current executive officers and members of its Board of Directors and only for so long as each

officer or member is an employee or Director of the Company. Notwithstanding anything in this section, however, Employee and/or the Company's officers and directors may respond accurately and fully to any inquiry or request for information when required by a legal process without breaching this section.

14. Breach. In addition to the rights provided in the "Attorneys' Fees" section below, Employee acknowledges and agrees that in the event a third-party has determined any material breach of this Agreement, unless such breach constitutes a legal action by Employee challenging or seeking a determination in good faith of the validity of the waiver herein under the ADEA, or of any provision of the Confidentiality Agreement will entitle the Company to cease providing the consideration provided to Employee under this Agreement and to obtain damages, except as prohibited by law.

15. Indemnification. Nothing in this Agreement releases any rights to indemnification Employee may have under applicable law or under the indemnification agreement Employee entered into with the Company (the "Indemnification Agreement").

16. Cooperation. Employee agrees to fully cooperate with, and to assist the Company in connection with any regulatory or other legal actions which are pending, or which may be filed, by or against the Company by third parties relating to circumstances in which Employee may have been involved during Employee's employment with the Company, or as to which Employee otherwise may have personal knowledge, including without limitation, consulting with the Company, or its attorneys in such actions or proceedings, or serving as a witness for the Company therein; provided that Employee's assistance with such matters shall not unreasonably interfere with Employee's subsequent employment or his efforts to obtain such employment. The Company will reimburse Employee for Employee's reasonable out-of-pocket expenses incurred in providing any such assistance.

17. No Admission of Liability. Employee understands and acknowledges that with respect to all claims released herein, this Agreement constitutes a compromise and settlement of any and all actual or potential disputed claims by Employee. No action taken by the Company hereto, either previously or in connection with this Agreement, will be deemed or construed to be (a) an admission of the truth or falsity of any actual or potential claims or (b) an acknowledgment or admission by the Company of any fault or liability whatsoever to Employee or to any third party.

18. Costs. The Parties will each bear their own costs, attorneys' fees, and other fees incurred in connection with the preparation of this Agreement.

19. Tax Consequences. The Company makes no representations or warranties with respect to the tax consequences of the payments and any other consideration provided to Employee or made on Employee's behalf under the terms of this Agreement. Employee agrees and understands that Employee is responsible for payment, if any, of local, state, and/or federal taxes on the payments and any other consideration provided hereunder by the Company and any penalties or assessments thereon. The Parties agree and acknowledge that the payments made pursuant to the consideration section of this Agreement are not related to sexual harassment or sexual abuse and not intended to fall within the scope of 26 U.S.C. Section 162(q). Employee

further agrees to indemnify and hold the Company harmless from any claims, demands, deficiencies, penalties, interest, assessments, executions, judgments, or recoveries by any government agency against the Company for any amounts claimed due on account of (a) Employee's failure to pay or delayed payment of federal or state taxes, or (b) damages sustained by the Company by reason of any such claims, including attorneys' fees and costs.

20. Section 409A. It is intended that this Agreement comply with, or be exempt from, 26 U.S.C. Section 409A and the final regulations and official guidance thereunder ("Section 409A") and any ambiguities herein will be interpreted to so comply and/or be exempt from Section 409A. Each payment and benefit to be paid or provided under this Agreement is intended to constitute a series of separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations. Payments under the consideration section of this Agreement will be made no later than March 15 of the year following the calendar year in which this Agreement was signed. If, upon separation from service, Employee is a "specified employee" within the meaning of Section 409A, any payment under this Agreement that is subject to Section 409A and triggered by a separation from service that would otherwise be paid within six (6) months after Employee's separation from service will instead be paid in the seventh month following Employee's separation from service or, if earlier, upon Employee's death (to the extent required by Section 409A(a)(2)(B)(i)). With respect to any payment under this Agreement that is subject to Section 409A, if payment is otherwise due prior to the latest date on which the release may become irrevocable and the period between separation from service and such date spans two (2) calendar years, payment shall be made in the second of those two (2) years. The Company and Employee will work together in good faith to consider either (i) amendments to this Agreement; or (ii) revisions to this Agreement with respect to the payment of any awards, which are necessary or appropriate to avoid imposition of any additional tax or income recognition prior to the actual payment to Employee under Section 409A. Nothing in this Agreement shall be construed or interpreted to transfer any liability for any tax (including a tax or penalty due as a result of a failure to comply with Section 409A) from Employee to the Company, and in no event will the Releasees reimburse Employee for any taxes that may be imposed on Employee as a result of Section 409A.

21. Authority. The Company represents and warrants that the undersigned has the authority to act on behalf of the Company and to bind the Company and all who may claim through it to the terms and conditions of this Agreement. Employee represents and warrants that Employee has the capacity to act on Employee's own behalf and on behalf of all who might claim through Employee to bind them to the terms and conditions of this Agreement. Each Party warrants and represents that there are no liens or claims of lien or assignments in law or equity or otherwise of or against any of the claims or causes of action released herein.

22. No Representations. Employee represents that Employee has had an opportunity to consult with an attorney and has carefully read and understands the scope and effect of the provisions of this Agreement. Employee has not relied upon any representations or statements made by the Company that are not specifically set forth in this Agreement.

23. Severability. In the event that any provision or any portion of any provision hereof or any surviving agreement made a part hereof becomes or is declared by a court of

competent jurisdiction or arbitrator to be illegal, unenforceable, or void, this Agreement will continue in full force and effect without said provision or portion of provision.

24. Attorneys' Fees. Except with regard to a legal action challenging or seeking a determination in good faith of the validity of the waiver herein under the ADEA, in the event that either Party brings an action to enforce or effect its rights under this Agreement, the prevailing Party will be entitled to recover its costs and expenses, including the costs of mediation, arbitration, litigation, court fees, and reasonable attorneys' fees incurred in connection with such an action.

25. Arbitration. Except as prohibited by law, the Parties agree that, following the Termination Date, any and all disputes arising out of the terms of this Agreement, their interpretation, Employee's employment with the Company or the terms thereof, or any of the matters herein released, will be subject to arbitration under the Federal Arbitration Act (the "FAA") and that the FAA will govern and apply to this arbitration provision with full force and effect; however, without limiting any provisions of the FAA, a motion or petition or action to compel arbitration may also be brought in state court under the procedural provisions of such state's laws relating to motions or petitions or actions to compel arbitration. Employee agrees that, to the fullest extent permitted by the FAA, Employee will not initiate or maintain any dispute on a class action, collective action, or representative on behalf of other employees action basis either in court or in arbitration, and Employee further agrees to waive the right to initiate or maintain such an action. Employee further agrees not to have any of Employee's disputes adjudicated on Employee's behalf in any class action, collective action, or representative on behalf of other employees action. If Employee is allowed by applicable law, notwithstanding this Agreement, to bring a Private Attorneys General Act claim and Employee seeks to do so, Employee must arbitrate that claim on an individual basis as a representative of the State of California.

Any arbitration will occur in the county in which the Employee last worked for the Company before JAMS, pursuant to its Employment Arbitration Rules & Procedures ("JAMS Rules"), except as expressly provided in this section. The Parties agree that the arbitrator will have the power to decide any motions brought by any party to the arbitration, including motions for summary judgment and/or adjudication, and motions to dismiss and to strike, applying the standards set forth under the Federal Rules of Civil Procedure. The Parties agree that the arbitrator will issue a written decision on the merits. The Parties also agree that the arbitrator will have the power to award any remedies available under applicable law, and that the arbitrator may award attorneys' fees and costs to the prevailing party, where permitted by applicable law. The arbitrator may grant injunctions and other relief in such disputes. The decision of the arbitrator will be final, conclusive, and binding on the parties to the arbitration. The Parties agree that the prevailing party in any arbitration will be entitled to injunctive relief in any court of competent jurisdiction to enforce the arbitration award. The parties to the arbitration will each pay an equal share of the costs and expenses of such arbitration, and each party will separately pay for its respective counsel fees and expenses; provided, however, that the arbitrator may award attorneys' fees and costs to the prevailing party, except as prohibited by law. The Parties hereby agree to waive their right to have any dispute between them resolved in a court of law by a judge or jury. Notwithstanding the foregoing, this section will not prevent either Party from seeking injunctive relief (or any other provisional remedy) from any court having jurisdiction over the Parties and the subject matter of

their dispute relating to this Agreement and the Agreements incorporated herein by reference.

Should any part of the arbitration agreement contained in this section conflict with any other arbitration agreement between the Parties, the Parties agree that, following the Termination Date, this arbitration agreement in this section will govern.

26. Entire Agreement. This Agreement represents the entire agreement and understanding between the Company and Employee concerning the subject matter of this Agreement and Employee's employment with and separation from the Company and the events leading thereto and associated therewith, and supersedes and replaces any and all prior agreements and understandings concerning the subject matter of this Agreement and Employee's relationship with the Company, with the exception of the Confidentiality Agreement (except for its arbitration provision which is superseded by the arbitration provision in this Agreement), the Indemnification Agreement, and the Stock Agreements.

27. No Oral Modification. This Agreement may only be amended in a writing signed by Employee and a duly-authorized representative of the Company other than Employee.

28. Governing Law. With the exception of the arbitration provision which is governed by the FAA, for the purposes of interpreting and enforcing the contractual terms of this Agreement, the laws of the State of California will govern, without regard for choice-of-law provisions. Employee consents to personal and exclusive jurisdiction and venue in the State of California

29. Protected Disclosures and Other Protected Actions. Notwithstanding any other provision of this Agreement, nothing in this Agreement prevents Employee from: (i) filing and/or pursuing a charge, complaint, or report with any federal, state or local governmental agency or commission (a "Government Agency"); (ii) communicating with any Government Agency or otherwise participating in any investigation or proceeding that may be conducted by any Government Agency, including Employee's ability to provide documents or other information, without notice to the Company; (iii) providing truthful testimony in litigation, arbitration, or to a governmental agency if compelled by subpoena or similar mechanism; and/or (iv) discussing or disclosing information about sexual harassment, sexual assault, or unlawful acts in the workplace, including harassment, discrimination or other conduct Employee has reasonable cause to believe is unlawful. If Employee files any charge or complaint with any Government Agency and if the Government Agency pursues any claim on Employee's behalf, or if any other third party pursues any claim on Employee's behalf, Employee waives any right to monetary or other individualized relief (either individually, or as part of any collective or class action). In connection with the protected disclosures and other protected action mentioned in this paragraph, employees are permitted to disclose documents or other information as permitted by law, and without giving notice to, or receiving authorization from, the Company. In making any such disclosures or communications, employees must take all reasonable precautions to prevent any unauthorized use or disclosure of any information that may constitute Company confidential information to any parties other than the relevant government agencies. The protected disclosures and other protected actions mentioned in this paragraph does not include the disclosure of any Company attorney-client privileged communications or attorney work product; any such disclosure, without the Company's written consent, violates Company policy and is a material breach of this Agreement. Nothing in this Agreement is intended to limit

Employee's ability to communicate directly with the Securities and Exchange Commission in accordance with Section 21F of the Securities Exchange Act of 1934, which provides for Securities Whistleblower Incentives and Protections.

30. Effective Date. Employee acknowledges Employee was first given this Agreement on March 11, 2023. Employee understands he must sign this Agreement no later than five business days following the Termination Date or this Agreement will be null and void. Employee understands that each Party has seven (7) days after that Party signs this Agreement to revoke it. This Agreement will become effective on the eighth (8th) day after Employee signed this Agreement, so long as it has been signed by the Parties and has not been revoked by either Party before that date (the "Effective Date").

31. Counterparts. This Agreement may be executed in counterparts and by electronic signature, and each counterpart and electronic signature will have the same force and effect as an original and will constitute an effective, binding agreement on the part of each of the undersigned.

32. Acknowledgements; Voluntary Execution of Agreement. Employee understands and agrees that Employee executed this Agreement voluntarily, without any duress or undue influence on the part or behalf of the Company or any third party, with the full intent of releasing all of Employee's claims against the Company and any of the other Releasees. Employee acknowledges that: (a) Employee has read this Agreement; (b) Employee has the right to consult an attorney regarding this Agreement, and has been represented in the preparation, negotiation, and execution of this Agreement by legal counsel of Employee's own choice or has voluntarily elected not to retain legal counsel; (c) Employee has been provided with a reasonable time period to consult with an attorney and consider this Agreement, and if Employee signs and returns a copy of this Agreement in less than the time allotted, Employee acknowledges that Employee has knowingly, voluntarily and without any inducement by the Company, chosen to waive such time period allotted for considering this Agreement; (d) Employee understands the terms and consequences of this Agreement and of the releases it contains; and; (e) Employee is fully aware of the legal and binding effect of this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the respective dates set forth below.

DOUGLAS MURPHY-CHUTORIAN, an
individual

Dated: 4/1, 2023

/s/ Douglas Murphy-Chutorian
Douglas Murphy-Chutorian

SEMLER SCIENTIFIC, INC.

Dated: 4/1, 2023

By /s/ Abbie Leibowitz
Abbie Leibowitz
Director

EXHIBIT A

WARRANT REPURCHASE AGREEMENT

This WARRANT REPURCHASE AGREEMENT (this “Agreement”) is made as of 2023, by and between Semler Scientific, Inc., a Delaware corporation (the “Company”), and the undersigned holder of warrants to purchase shares of the Company’s capital stock (the “Warrantholder,” and together with the Company, the “Parties”).

WHEREAS, the Employee had purchased warrants from the Company and the Company has issued warrants to acquire 16,875 shares of the Company’s common stock at an exercise price of \$4.00 per share, which expire July 31, 2023;

WHEREAS, on January 28, 2023 the Company agreed by unanimous written consent of the board of directors to repurchase of these warrants, at such date to be mutually agreed between the Company and Employee prior to the expiration at a price equal to the fair market value of the warrants by reference to the closing price per share of the underlying shares on the day of sale and taking into account the exercise price payable for such shares; and

WHEREAS, the Warrantholder wishes to sell to the Company and the Company wishes to purchase from the Warrantholder certain of the Warrants, as indicated on Schedule A hereto on the terms set forth herein, such repurchased Warrants, the “Repurchase Warrants.”

NOW, THEREFORE, intending to be legally bound and in consideration of the mutual provisions set forth in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Sale and Purchase of Repurchase Warrants. Subject to the terms and conditions hereof, at the Closing (as defined in Section 2 below), the Warrantholder hereby agrees to sell to the Company, and the Company hereby agrees to purchase from the Warrantholder, the Repurchase Warrants. The Company and the Warrantholder hereby irrevocably acknowledge and agree that, upon the sale of the Repurchase Warrants, the Warrantholder shall be entitled to receive an amount equal to the excess of the aggregate fair market value of the Repurchase Warrants over the aggregate exercise price of the Repurchase Warrants (such payments collectively, the “Purchase Price”), as specified on Schedule A hereto, subject to the Company’s collection of all applicable withholding taxes, if applicable.

2. Closing Date. The closing of the sale and purchase of the Warrants under this Agreement (the “Closing”) shall take place at such place and time as the Company and the Warrantholder may mutually agree as long as such date is prior to the Expiration of the Repurchase Warrants (such date is hereinafter referred to as the “Closing Date”).

3. Delivery. At the Closing, subject to the terms and conditions hereof, the Company will deliver to the Warrantholder the Purchase Price by wire of immediately available funds to the Warrantholder and the Warrantholder shall deliver the originally executed Warrants duly endorsed for transfer. Upon payment of the Purchase Price, the Repurchase Warrants, without further action by the Company or by the Warrantholder, shall be cancelled, terminated in

full and rendered null and void and provide no further rights to acquire shares of the Company's Common Stock.

4. Further Representations and Warranties. The Warrantholder hereby further represents and warrants as follows:

(a) The Warrantholder is duly organized and validly existing under the laws of the jurisdiction of its organization.

(b) The Warrantholder has full right, power and authority to sign this Agreement and to perform its obligations hereunder. This Agreement has been duly executed and delivered by the Warrantholder and constitutes the valid and legally binding obligation of the Warrantholder enforceable in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to creditors' rights generally and subject to general principles of equity. All consents, judgments, authorizations and orders necessary for the execution and delivery by the Warrantholder of this Agreement have been obtained, and the Warrantholder need not give any notice to, make any filing with, or obtain any consent, judgment or approval of any governmental authority or any other person in order to consummate the transactions contemplated by this Agreement.

(c) The execution and delivery of this Agreement by the Warrantholder does not, the consummation of the transactions contemplated by this Agreement will not, and the performance of this Agreement by the Warrantholder will not conflict with or violate any law, judgment, proceeding or other restriction of any governmental authority or court applicable to the Warrantholder or by which the Warrantholder or any of the Warrantholder's properties or assets is or may be bound or affected, or Warrantholder's organizational documents.

(d) The Warrantholder has good and marketable title to the Warrants, free and clear of all encumbrances, and the transactions contemplated by this Agreement will not result in the imposition of any encumbrances or other obligations, such Warrants are not subject to any adverse claim, and such Warrants are not subject to any claims for brokerage commissions, finders' fees or similar compensation, or any community property rights.

(e) At the Closing, all of the Warrantholder's right, title and interest in and to the Repurchase Warrants shall terminate and the Warrantholder thereafter relinquishes and waives any and all rights and benefits it previously had with respect to the Repurchase Warrants, except for the right to receive the Purchase Price for the Repurchase Warrants in accordance with the terms of this Agreement.

(f) The Warrantholder acknowledges and agrees that the Warrantholder is delivering this Agreement in the Warrantholder's own free will and not under any duress or undue influence and that the Warrantholder has had a reasonable opportunity to ask all reasonable questions and receive all answers from the Company concerning the terms and conditions of this Agreement as the Warrantholder has requested.

5. Tax Treatment. The Warrantholder hereby acknowledges that no representations have been made with respect to the tax treatment of any consideration that may be received pursuant to the terms of this Agreement. The Warrantholder acknowledges and agrees that any taxes that may be owed by the Warrantholder with respect to such consideration, including but not limited to any taxes, interest or penalties that may be owed pursuant to Section 409A of the

Internal Revenue Code of 1986, as amended, shall be the sole responsibility of the Warrantholder.

6. Additional Documents. The Warrantholder hereby agrees that he, she or it will, upon request of the Company, execute and deliver any additional documents reasonably appropriate or necessary in connection with the transactions contemplated by this Agreement.

7. Governing Law; Jurisdiction. This Agreement, the rights of the parties hereunder and all actions arising in whole or in part under or in connection herewith, will be governed by and construed and enforced in accordance with the domestic substantive laws of the State of Delaware, without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any other jurisdiction. Each of the parties hereto hereby (i) irrevocably submits to the exclusive jurisdiction of the U.S. District Court located in the State of Delaware and the state courts of the State of Delaware for the purpose of any action among any of the parties relating to or arising in whole or in part under or in connection with this Agreement, (ii) waives to the extent not prohibited by applicable law, and agrees not to assert, by way of motion, as a defense or otherwise, in any such action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that any such action brought in one of the above-named courts should be dismissed on grounds of forum non conveniens, should be transferred or removed to any court other than one of the above-named courts, or should be stayed by reason of the pendency of some other action in any other court other than one of the above-named courts or that this Agreement or the subject matter hereof or thereof may not be enforced in or by such court and (iii) agrees not to commence any such action other than before one of the above-named courts.

8. Waiver of Jury Trial. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW THAT CANNOT BE WAIVED, THE PARTIES HEREBY WAIVE, AND COVENANT THAT THEY WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE), ANY RIGHT TO TRIAL BY JURY IN ANY ACTION ARISING IN WHOLE OR IN PART UNDER OR IN CONNECTION WITH THIS AGREEMENT, WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. THE PARTIES AGREE THAT ANY OF THEM MAY FILE A COPY OF THIS PARAGRAPH WITH ANY COURT AS WRITTEN EVIDENCE OF THE KNOWING, VOLUNTARY AND BARGAINED-FOR AGREEMENT AMONG THE PARTIES IRREVOCABLY TO WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION WHATSOEVER BETWEEN OR AMONG THEM RELATING TO THIS AGREEMENT AND THAT SUCH ACTIONS WILL INSTEAD BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE SITTING WITHOUT A JURY.

9. Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction will not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. In the event that any provision hereof would, under applicable law, be invalid or unenforceable in any respect, each Party

intends that such provision will be construed by modifying or limiting it so as to be valid and enforceable to the maximum extent compatible with, and possible under, applicable law.

10. Specific Performance. Notwithstanding anything in this Agreement to the contrary, the parties agree that irreparable damage could occur in the event that any of the obligations, undertakings, covenants or agreements contained in this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, it is agreed that the parties shall be entitled to seek an injunction or injunctions to prevent breaches of this Agreement, without any bond or other security being required, and to enforce specifically the terms and provisions of this Agreement by a decree of specific performance without the necessity of proving the inadequacy of money damages as a remedy, this being in addition to any other remedy to which the parties are entitled at law or in equity.

11. Entire Agreement; Amendment. This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes any and all prior discussions, negotiations, proposals, undertakings, understandings and agreements, whether written or oral, with respect thereto. This Agreement may not be amended except by an instrument in writing signed by the Warrantholder and the Company.

12. Counterparts and Facsimile Transmission. This Agreement may be executed in two or more counterparts for the convenience of the parties hereto, each of which shall be deemed an original and all of which together will constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or portable document format shall be effective as delivery of a manually executed counterpart to this Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the latest date specified below.

SEMLER SCIENTIFIC, INC.

By: _____
Name: _____
Title: _____
Date: _____

WARRANTHOLDER

Murphy-Chutorian Family Trust U/D/T dated
January 13,1997

By: _____
Name: _____
Title: _____
Date: _____

Schedule A

Issuance & Expiration Dates	Underlying Common Stock	Exercise Price	Aggregate Fair Market Value	Aggregate Exercise Price	Aggregate Repurchase Price
6/7/12 - 7/31/23	16,875	\$4.00	\$[•]	\$67,500.00	\$[•]

EXHIBIT B**OUTSTANDING OPTIONS**

Grant Date	Expiration Date	Exercise Price	Vested Option Shares	Unvested Option Shares
11/08/2014	11/08/2024	2.10	71,000	0
01/01/2015	12/31/2024	1.96	75,000	0
10/29/2015	10/28/2025	3.44	180,000	0
12/31/2015	12/31/2025	2.56	60,000	0
02/18/2016	2/17/2026	2.23	125,000	0
01/20/2017	01/19/2027	1.72	125,000	0
01/01/2018	12/31/2027	8.00	125,000	0

INTERIM EMPLOYMENT AGREEMENT

This Interim Employment Agreement (“Agreement”) is made by and between Doug Murphy-Chutorian (“Employee”) and Semler Scientific, Inc. (the “Company”) (collectively referred to as the “Parties” or individually referred to as a “Party”).

RECITALS

WHEREAS, Employee is currently employed by the Company;

WHEREAS, Employee entered into an At-Will Employment, Confidential Information, Invention Assignment, and Arbitration Agreement with the Company on November 11, 2013 (the “Confidentiality Agreement”);

WHEREAS, the Company and Employee have entered into a stock option agreement or agreements granting Employee the option to purchase shares of the Company’s common stock (the “Employee Options”) subject to the terms and conditions of the Company’s 2014 Stock Incentive Plan (collectively with the Employee Options, the “Stock Agreements”);

WHEREAS, on or around April 2, 2023, Employee voluntarily resigned from employment as the CEO of the Company with the intent to voluntarily resign from all employment with the Company, effective May 1, 2023;

WHEREAS, on or around April 1, 2023, in connection with the resignation mentioned in the above paragraph, the Parties entered into a Separation Agreement and Release (the “Separation Agreement”);

WHEREAS, the Company asked Employee to reconsider Employee’s voluntarily resignation and serve as the Company’s interim CEO;

WHEREAS, Employee agreed to serve as the Company’s interim CEO, beginning April 27, 2023; and

WHEREAS, the Company has approved an extension to the post-termination exercise period of each option set forth on Exhibit B of the Separation Agreement and designated as a non-statutory stock option until the original expiration date of the option which approval will remain in effect and adjusted accordingly based on Employee’s termination date as interim CEO.

NOW, THEREFORE, in consideration of the mutual promises made herein, the Company and Employee hereby agree as follows:

1. **Separation Agreement.** Because both Parties intend for Employee’s employment relationship with the Company to continue, the Parties agree that Employee will not be due the consideration under the Separation Agreement unless and until (i) his employment with the Company terminates and (ii) he signs a supplemental general release of all claims in favor of the Company in substantially the same form as the Separation Agreement, which becomes effective within 60 days following the termination of Employee’s employment (or such shorter time period as determined by the Company). The Parties agree that in the case of Employee’s
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death, the severance consideration payment as set forth in the Separation Agreement will be paid to Employee's spouse. In addition to the consideration described in the Separation Agreement, in exchange for signing the aforementioned supplemental general release of all claims and allowing it to become effective in connection with any termination of his employment, Employee will receive an additional One Hundred Dollars (\$100.00), less applicable withholdings. Employee acknowledges and agrees that by entering into this Agreement, Employee will receive more benefits than if the Separation Agreement had remained in effect. Employee also acknowledges the Company has satisfied its obligations under the Warrant Repurchase Agreement which is appended to the Separation Agreement as Exhibit A.

2. **Term.** Employee will serve as interim CEO of the Company until the date that a new Chief Executive Officer commences employment with the Company, unless Employee's employment is sooner terminated by Employee or the Board. The time period Employee serves as the interim CEO is the "Term." At all times during the Term, Employee will be an at-will employee meaning either Employee or the Company may terminate the employment relationship at any time for any reason or no reason, with or without notice.
 3. **Position.** As the Interim CEO, Employee will have such powers and duties as may from time to time be prescribed by the Board. At all times during the Term, Employee shall devote Employee's full working time and efforts to the business and affairs of the Company.
 4. **Compensation.**
 - (a) *Base Salary.* During the Term, the Company will pay Employee an annual base salary at the rate of Four Hundred Fifty Thousand Dollars (\$450,000.00) per year in accordance with the Company's standard payroll schedule and subject to applicable deductions and withholdings (the "Base Salary"). The Base Salary will be payable in a manner that is consistent with the Company's usual payroll practices.
 - (b) *Incentive Compensation.* Employee will be eligible to earn a quarterly bonus at the target rate of One Hundred Thousand Dollars (\$100,000.00) per quarter, subject to applicable deductions and withholdings (the "Target Bonuses"), provided (i) the Company achieves the applicable performance metrics, as determined by the Board in its sole discretion, and (ii) Employee remains employed by the Company on the date the bonus is paid. The target objectives for the 2023 quarterly bonuses will be as follows: \$50,000 will be earned for increased quarterly revenue compared to the year-over-year quarter (e.g. Q1 2023 versus Q1 2022) and \$50,000 will be earned for achieving profitability before taxes for the applicable quarter.
 - (c) *Benefits.* Employee will be entitled to participate in or receive all employee benefits under the Company's employee benefit plans in effect from time to time, subject to the terms of such plans. The Company will continue to pay Employee for his life insurance policy, medical license fees and telecommunications (i.e. internet, phone).
 5. **Expenses.** Employee will be entitled to receive prompt reimbursement for all reasonable business expenses that Employee incurs during the Term in performing services hereunder, in accordance with the policies and procedures then in effect and established by the Company. The Company shall reimburse Employee for Employee's reasonable, documented out-of-
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pocket legal fees and legal expenses incurred in connection with the negotiation and execution of the Separation Agreement and this Agreement, provided that such reimbursement shall not exceed \$37,500 in the aggregate. Employee must submit such expenses for reimbursement within 60 days of Employee signing this Agreement.

6. **Withholding; Tax Effect.** All payments made by the Company to Employee under this Agreement shall be net of any tax or other amounts required to be withheld by the Company under applicable law. Nothing in this Agreement shall be construed to require the Company to make any payments to compensate Employee for any adverse tax effect associated with any payments or benefits or for any deduction or withholding from any payment or benefit.
 7. **Section 409A.**
 - (a) Payments under this Agreement are intended to be exempt from Section 409A of the Internal Revenue Code to the greatest extent possible. To the extent any payments are not exempt from such Section, those payments are intended to comply with Section 409A to the greatest extent possible. This Agreement shall be interpreted in accordance with the foregoing intent.
 8. All in-kind benefits provided and expenses eligible for reimbursement under this Agreement shall be provided by the Company or incurred by the Employee during the time periods set forth in this Agreement. All reimbursements shall be paid as soon as administratively practicable, but in no event shall any reimbursement be paid after the last day of the taxable year following the taxable year in which the expense was incurred. The amount of in-kind benefits provided or reimbursable expenses incurred in one taxable year shall not affect the in-kind benefits to be provided or the expenses eligible for reimbursement in any other taxable year. Such right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.
 9. **Entire Agreement.** This Agreement, together with the Confidentiality Agreement, Stock Agreements, and the indemnification agreement entered into between the Parties, constitute the complete agreement between Employee and the Company.
 10. **Assignment.** Neither Employee nor the Company may make any assignment of this Agreement or any interest in it, by operation of law or otherwise, without the prior written consent of the other; *provided, however,* that the Company may assign its rights and obligations under this Agreement without Employee's consent to any affiliate or to any person or entity with whom the Company shall hereafter effect a reorganization, consolidate with, or merge into or to whom it transfers all or substantially all of its properties or assets.
 11. **Other Terms.** This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be taken to be an original; but such counterparts shall together constitute one and the same document.
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IN WITNESS WHEREOF, the Parties have executed this Agreement on the respective dates set forth below.

DOUG MURPHY-CHUTORIAN, an individual

Dated: May 25, 2023 /s/ Doug Murphy-Chutorian
Doug Murphy-Chutorian

SEMLER SCIENTIFIC, INC.

Dated: May 25, 2023 By /s/ Eric Semler
Eric Semler
Chairperson of the Board

RULE 13A-14(A) CERTIFICATION

I, Douglas Murphy-Chutorian, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Semler Scientific, Inc., a Delaware corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 14, 2023

/s/ Douglas Murphy-Chutorian
Douglas Murphy-Chutorian, M.D.
Chief Executive Officer
(Principal Executive Officer)

RULE 13A-14(A) CERTIFICATION

I, Renae Cormier, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Semler Scientific, Inc., a Delaware corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 14, 2023

/s/ Renae Cormier

Renae Cormier

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Each of the undersigned, Douglas Murphy-Chutorian, M.D., Chief Executive Officer of Semler Scientific, Inc., a Delaware corporation (the "Company"), and Renae Cormier, Chief Financial Officer of the Company, does hereby certify, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge (1) the quarterly report on Form 10-Q of the Company for the period ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Douglas Murphy-Chutorian

Name: Douglas Murphy-Chutorian, M.D.

Title: Chief Executive Officer
(Principal Executive Officer)

Dated: August 14, 2023

/s/ Renae Cormier

Name: Renae Cormier

Title: Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

Dated: August 14, 2023

This certification accompanies and is being "furnished" with this Report, shall not be deemed "filed" by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that Section and shall not be deemed to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Report, irrespective of any general incorporation language contained in such filing. A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
