

**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 March 31, 2023

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: 001-40789

FIRST LIGHT ACQUISITION GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

86-2967193
(I.R.S. Employer
Identification No.)

11110 Sunset Hills Road #2278 Reston, VA
(Address of principal executive offices)

20190
(Zip Code)

Registrant's telephone number, including area code: (202) 503-9255

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

| Title of each class | Trading Symbols | Name of each exchange on which registered |
|---|-----------------|---|
| Units, each consisting of one Class A common stock and one-half of one redeemable warrant | FLAGU | NYSE American LLC |
| Class A common stock, par value \$0.0001 per share | FLAG | NYSE American LLC |
| Redeemable warrants, each whole warrant exercisable for one share of Class A common stock at an exercise price of \$11.50 per share | FLAGW | NYSE American LLC |

Securities registered pursuant to Section 12(g) of the Act: None

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

Emerging growth company

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date.

As of May 15, 2023, there were 4,128,024 shares of the Company's Class A common stock, par value \$0.0001 per share, and 5,750,000 shares of the Company's Class B common stock, par value \$0.0001, issued and outstanding.

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First Light Acquisition Group, Inc.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2023

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

FIRST LIGHT ACQUISITION GROUP, INC.
CONDENSED BALANCE SHEETS

| | March 31, 2023 (unaudited) | December 31, 2022 |
|---|----------------------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash | \$ 82,828 | \$ 93,892 |
| Due from related party | 870 | 870 |
| Prepaid expenses | 185,166 | 306,909 |
| Total Current Assets | 268,864 | 401,671 |
| Non-current assets: | | |
| Marketable securities held in trust account | 42,906,943 | 42,453,107 |
| Total Non-current Assets | 42,906,943 | 42,453,107 |
| TOTAL ASSETS | <u>\$43,175,807</u> | <u>\$42,854,778</u> |
| LIABILITIES, CLASS A COMMON STOCK SUBJECT TO POSSIBLE REDEMPTION AND STOCKHOLDERS' DEFICIT | | |
| Current liabilities: | | |
| Accrued expenses | \$ 4,802,626 | \$ 3,219,620 |
| Accounts payable | 142,009 | 51,074 |
| Accrued interest payable | 73,158 | 7,719 |
| Promissory notes – related parties, net of debt discount | 1,463,477 | 1,224,635 |
| Contingent interest liability | 134,269 | 32,865 |
| Total Current Liabilities | 6,615,539 | 4,535,913 |
| Non-current liabilities: | | |
| Warrant liability | 656,500 | 745,000 |
| Forward purchase unit liability | 880,677 | 326,234 |
| Total Non-current Liabilities | 1,537,177 | 1,071,234 |
| TOTAL LIABILITIES | <u>8,152,716</u> | <u>5,607,147</u> |
| Commitments and Contingencies (Note 8) | | |
| Class A common stock subject to possible redemption, 23,000,000 shares issued and 4,128,024 outstanding as of March 31, 2023 and December 31, 2022, at redemption value | 42,906,943 | 42,453,107 |
| Stockholders' Deficit | | |
| Preferred stock, \$0.0001 par value; 1,000,000 shares authorized; none issued and outstanding | — | — |
| Class A common stock, \$0.0001 par value; 300,000,000 shares authorized; none issued and outstanding (excluding 4,128,024 shares subject to possible redemption as of March 31, 2023 and December 31, 2022) | — | — |
| Class B common stock, \$0.0001 par value; 30,000,000 shares authorized; 5,750,000 shares issued and outstanding | 575 | 575 |
| Additional paid-in capital | — | — |
| Accumulated deficit | (7,884,427) | (5,206,051) |
| Total Stockholders' Deficit | (7,883,852) | (5,205,476) |
| TOTAL LIABILITIES, CLASS A COMMON STOCK SUBJECT TO POSSIBLE REDEMPTION AND STOCKHOLDERS' DEFICIT | <u>\$43,175,807</u> | <u>\$42,854,778</u> |

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

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CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)

| | For the Three Months Ended March 31, | |
|--|--|---------------------|
| | 2023 | 2022 |
| Operating costs | \$ 2,029,212 | \$ 528,858 |
| Loss from operations | (2,029,212) | (528,858) |
| Other income (expense): | | |
| Unrealized gain on marketable securities held in Trust Account | 27,986 | 2,266 |
| Earnings on marketable securities held in Trust Account | 425,850 | 16,505 |
| Change in fair value of contingent interest liability | (101,404) | — |
| Change in fair value of warrant liability | 88,500 | 2,094,300 |
| Change in fair value of forward purchase unit liability | (554,443) | (122,020) |
| Debt discount amortization | (16,342) | — |
| Other (loss) income | (129,853) | 1,991,051 |
| (Loss) income before provision for income taxes | (2,159,065) | 1,462,193 |
| Provision for income taxes | (65,475) | — |
| Net (loss) income | <u>\$(2,224,540)</u> | <u>\$ 1,462,193</u> |
| Weighted average shares outstanding of redeemable Class A common stock | 4,128,024 | 23,000,000 |
| Basic and diluted net (loss) income per share, redeemable Class A common stock | \$ (0.16) | \$ 0.05 |
| Weighted average shares outstanding of non-redeemable Class B common stock | 5,750,000 | 5,750,000 |
| Basic and diluted net (loss) income per share, non-redeemable Class B common stock | \$ (0.27) | \$ 0.05 |

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

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FIRST LIGHT ACQUISITION GROUP, INC.
CONDENSED STATEMENTS OF CHANGES IN CLASS A COMMON STOCK SUBJECT TO POSSIBLE REDEMPTION AND
SHAREHOLDERS' DEFICIT (UNAUDITED)

| | Class A Common stock Subject to Possible Redemption | | Class B Common stock | | Additional Paid-in Capital | Accumulated Deficit | Total Stockholders' Deficit |
|---|---|----------------------|-------------------------|---------------|----------------------------------|------------------------|-----------------------------------|
| | Shares | Amount | Shares | Amount | | | |
| Balance – December 31, 2022 | 4,128,024 | \$ 42,453,107 | 5,750,000 | \$ 575 | \$ — | \$ (5,206,051) | \$ (5,205,476) |
| Remeasurement of Class A common stock to redemption value | — | 453,836 | — | — | — | (453,836) | (453,836) |
| Net loss | — | — | — | — | — | (2,224,540) | (2,224,540) |
| Balance – March 31, 2023 (unaudited) | 4,128,024 | \$ 42,906,943 | 5,750,000 | \$ 575 | \$ — | \$ (7,884,427) | \$ (7,883,852) |

| | Class A Common stock Subject to Possible Redemption | | Class B Common stock | | Additional Paid-in Capital | Accumulated Deficit | Total Stockholders' Deficit |
|---|---|-----------------------|-------------------------|---------------|----------------------------------|------------------------|-----------------------------------|
| | Shares | Amount | Shares | Amount | | | |
| Balance – December 31, 2021 | 23,000,000 | \$ 230,004,784 | 5,750,000 | \$ 575 | \$ — | \$ (14,687,389) | \$ (14,686,814) |
| Remeasurement of Class A common stock to redemption value | — | 18,771 | — | — | — | (18,771) | (18,771) |
| Net income | — | — | — | — | — | 1,462,193 | 1,462,193 |
| Balance – March 31, 2022 (unaudited) | 23,000,000 | \$ 230,023,555 | 5,750,000 | \$ 575 | \$ — | \$ (13,243,967) | \$ (13,243,392) |

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

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FIRST LIGHT ACQUISITION GROUP, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

| | Three Months Ended March 31, | |
|---|---------------------------------|-------------------|
| | 2023 | 2022 |
| Cash Flows from Operating Activities: | | |
| Net (loss) income | \$(2,224,540) | \$ 1,462,193 |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Interest earned on marketable securities held in Trust Account | — | (16,505) |
| Unrealized gain on marketable securities held in Trust Account | (27,986) | (2,266) |
| Change in fair value of warrant liability | (88,500) | (2,094,300) |
| Change in fair value of forward purchase unit liability | 554,443 | 122,020 |
| Change in fair value of contingent interest liability | 101,404 | — |
| Amortization of debt discount | 16,342 | — |
| Changes in operating assets and liabilities: | | |
| Prepaid expenses | 121,743 | 87,879 |
| Accrued expenses | 1,583,006 | (22,321) |
| Accrued interest payable | 65,439 | — |
| Accounts payable | 90,935 | (1,831) |
| Net cash (used in) provided by operating activities | <u>192,286</u> | <u>(465,131)</u> |
| Cash Flows from Investing Activities: | | |
| Purchase of marketable securities in Trust Account | (425,850) | — |
| Net cash (used in) provided by investing activities | <u>(425,850)</u> | <u>—</u> |
| Cash Flows from Financing Activities: | | |
| Proceeds from promissory note – related party | 222,500 | — |
| Net cash provided by (used in) financing activities | <u>222,500</u> | <u>—</u> |
| Net Change in Cash | (11,064) | (465,131) |
| Cash – Beginning | 93,892 | 1,062,653 |
| Cash – Ending | <u>\$ 82,828</u> | <u>\$ 597,522</u> |
| Non-Cash Investing and Financing Activities: | | |
| Remeasurement Class A common stock subject to possible redemption | \$ 453,836 | \$ 18,711 |

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

FIRST LIGHT ACQUISITION GROUP, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND PLANS OF BUSINESS OPERATIONS

First Light Acquisition Group, Inc. (the “Company”) is a blank check company formed in Delaware on March 24, 2021. The Company was formed for the purpose of entering into a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses (the “Business Combination”).

As of March 31, 2023, the Company had not commenced any operations. All activity through March 31, 2023 relates to the Company’s formation, the initial public offering (the “Initial Public Offering” or “IPO”), which is described below, and identifying a target for a Business Combination. The Company will not generate any operating revenues until after the completion of its initial Business Combination, at the earliest. The Company generates non-operating income in the form of interest income from the proceeds derived from the Initial Public Offering. The Company has selected December 31 as its fiscal year end.

The registration statement for the Company’s Initial Public Offering was declared effective on September 9, 2021 (the “Effective Date”). On September 14, 2021, the Company consummated the IPO of 23,000,000 Units at \$10.00 per Unit, generating gross proceeds of \$230,000,000, which is discussed in Note 3. Simultaneously with the closing of the IPO, the Company consummated the sale of 3,397,155 Private Placement Warrants (the “Private Warrants”) at a price of \$1.50 per Private Warrant in a private placement to certain funds and accounts managed by First Light Acquisition Group, LLC (the “Sponsor”) and Metric Finance Holdings I, LLC (“Metric”) generating proceeds of \$5,095,733 from the sale of the Private Placement Warrants.

Following the closing of the IPO on September 14, 2021, \$230,000,000 (\$10.00 per Unit) from the net proceeds of the sale of the Units in the IPO and the sale of the Private Warrants was placed in a trust account (“Trust Account”), located in the United States, which is and will be invested in U.S. government securities, within the meaning set forth in Section 2(a)(16) of the Investment Company Act, with a maturity of 180 days or less or in any open-ended investment company that holds itself out as a money market fund selected by the Company meeting the conditions of Rule 2a-7 of the Investment Company Act, as determined by the Company, until the earlier of: (i) the completion of a Business Combination and (ii) the distribution of the Trust Account as described below:

On September 13, 2022, the Company held a special meeting of its stockholders (the “Special Meeting”). At the Special Meeting, the Company’s stockholders approved an amendment to the Company’s amended and restated certificate of incorporation to extend the date by which the Company must consummate a business combination transaction from September 14, 2022 (the date which was 12 months from the closing date of the IPO) to December 14, 2022, following which the board of directors of the Company had the ability to extend for three additional times for three months each time, for a total of nine additional months (the “completion window”) if the Sponsor pays an amount equal to 1% of the amount then on deposit in the Trust Account for each three-month extension; provided, that if as of the time of an extension the Company has filed a Form S-4 or F-4 registration statement under the Securities Act or a proxy, information or tender offer statement with the Securities and Exchange Commission in connection with such initial business combination, then no Extension Fee would be required in connection with such extension; provided further, that for each three-month extension (if any) following such extension where no deposit into the Trust Account or other payment has been made, the Sponsor or its affiliates or designees would be required to deposit into the Trust Account an amount equal to 1% of the amount then on deposit in the Trust Account (the “Charter Amendment Proposal”).

In connection with the Charter Amendment Proposal, stockholders elected to redeem 18,871,976 shares of the Class A common stock. Following such redemptions, 4,128,024 shares of Class A common stock remained issued and outstanding.

On December 6, 2022, Guggenheim Securities, the IPO Underwriter, notified FLAG that it had determined to waive its entitlement to the payment of \$8,050,000 of deferred compensation in connection with its role as underwriter in Initial Public Offering that would otherwise become due upon the consummation of the Business Combination.

On December 14, 2022, the Board approved an extension of the completion window from December 14, 2022 to March 14, 2023 (the “Extension”). In connection with the Extension, the Trust Account was funded by the Sponsor a payment of \$415,626.

On March 14, 2023, an automatic extension of the completion window from March 14, 2023 to June 14, 2023 occurred pursuant to the Company’s amended and restated certificate of incorporation.

Risks and Uncertainties

Management continues to evaluate the impact of the Russia-Ukraine war and rising interest rates and increased inflation and their macro-economic impact on the industry and has concluded that while it is reasonably possible that such events could have negative effects on the Company’s financial position, results of its operations, and/or search for a target company, the specific impacts are not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

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Proposed Business Combination

On January 9, 2023, we entered into an Agreement and Plan of Merger (the “Merger Agreement”), by and among FLAG, FLAG Merger Sub, Inc., a Nevada corporation and a direct, wholly owned subsidiary of FLAG (“Merger Sub”), Calidi Biotherapeutics, Inc., a Nevada corporation (“Calidi”), the Sponsor, in the capacity as the representative of the stockholders of FLAG and Allan Camaisa, in the capacity as the representative of the stockholders to Calidi.

Pursuant to the Merger Agreement, the parties thereto will enter into a business combination transaction (the “Business Combination”) pursuant to which Merger Sub will merge with and into Calidi, with Calidi being the surviving corporation in the merger (the “Merger” and, together with the other transactions contemplated by the Merger Agreement, the “Transactions”). We refer to the new public entity following consummation of the Merger as “New Calidi.”

The proposed Business Combination is expected to be consummated after the required approval by the stockholders of FLAG and Calidi and the satisfaction of certain other conditions summarized below:

At the effective time of the Merger (the “Effective Time”), all shares of Calidi common stock outstanding immediately prior to the Effective Time, with certain exceptions, will be converted into (i) the right to receive shares of Class A common stock, par value \$0.0001 per share, of New Calidi (“New Calidi Common Stock”) and (ii) the contingent right to receive Escalation Shares (as defined below).

The aggregate consideration to be paid to the securityholders of Calidi (the “Merger Consideration”) (excluding for this purpose options of Calidi that remain unvested immediately following the Merger) will be based on an equity value of Calidi of \$250,000,000, subject to adjustment dependent upon (i) the difference in Calidi’s “net debt” as of the Effective Time from a target “net debt” amount (the “Net Debt Adjustment”) and (ii) the achievement of certain pre-closing milestones, if any (as described below). As of the Effective Time, each outstanding Calidi option (whether vested or unvested) will be assumed by FLAG and automatically converted into an option for shares of FLAG Class A Common Stock (the “FLAG Class A Common Stock”).

If, during the period between the execution of the Merger Agreement and the closing of the Transactions (the “Interim Period”), Calidi enters into a revenue-generating definitive collaboration or out-license contract involving Calidi’s technology (a “Pre-Closing Milestone Contract”), the Merger Consideration will be increased by an amount equal to the aggregate up-front cash payments received by Calidi pursuant to any such Pre-Closing Milestone Contracts.

Following the closing of the Transactions (the “Closing”), as additional consideration for the Merger, FLAG will issue shares of New Calidi Common Stock (“Escalation Shares”) to each holder of Calidi common stock immediately prior to the Effective Time (a “Calidi Stockholder”) in accordance with the following terms:

If at any time during the five (5) year period following the Closing (the “Escalation Period”), the last reported sale price of the shares of New Calidi Common Stock as reported on the NYSE American (or the exchange on which such shares are listed) for a period for any 20 days within any 30 consecutive day trading period (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like), is:

- greater than or equal to \$12.00, each former Calidi Stockholder will be entitled to receive its pro rata share of 4,500,000 shares of New Calidi Common Stock;
- greater than or equal to \$14.00, each former Calidi Stockholder will be entitled to receive its pro rata share of 4,500,000 shares of New Calidi Common Stock;
- greater than or equal to \$16.00, each former Calidi Stockholder will be entitled to receive its pro rata share of 4,500,000 shares of New Calidi Common Stock; and
- greater than or equal to \$18.00, each former Calidi Stockholder will be entitled to receive its pro rata share of 4,500,000 shares of New Calidi Common Stock.

If, during the Escalation Period, there is a change of control pursuant to which FLAG or its stockholders have the right to receive consideration implying a value per share that is equal to or in excess of the above price targets, there will be an acceleration of the Escalation Period at the applicable target price.

To incentivize FLAG public stockholders not to redeem their shares, up to 2 million shares of New Calidi Common Stock will be made available to non-redeeming FLAG public stockholders on a pro rata basis at Closing (the “Non-Redeeming Continuation Shares”). For example, if a public stockholder owns 10% of the outstanding shares of New Calidi Common Stock prior to the redemption deadline, and such holder elects not to redeem its shares resulting in a pro rata release of freely useable cash to New Calidi, such holder will be entitled to up to 200,000.

The Escalation Shares will be placed in escrow and will be outstanding from and after the Closing, subject to cancellation if the applicable price targets are not achieved. While in escrow, the shares will be non-voting. In connection with the execution of the Merger Agreement, FLAG entered into Voting and Lock-Up Agreements (the “Voting and Lock-Up Agreement”) with certain holders of Calidi common stock (each, a “Significant Company Holder”). Pursuant to each Voting and Lock-Up Agreement, each Significant Company Holder agreed to, among other things, (a) execute and deliver an irrevocable written consent approving (i) the Merger Agreement, Transaction Agreements and the Transactions (including the Merger) and (ii) any

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other matters necessary or appropriate in order to effect the Merger and the other transactions contemplated by the Merger Agreement within 15 business days following the time the Registration Statement is declared effective and (b) be bound by certain transfer restrictions with respect to the New Calidi Common Stock received by them in the Merger following the closing of the Transactions.

In connection with the execution of the Merger Agreement, FLAG, Calidi, the Sponsor, Metric and the directors and officers of FLAG entered into the Sponsor Agreement (“Sponsor Agreement”), pursuant to which, among other things, the Sponsor, Metric and the directors and officers of FLAG agreed, among other things, (a) to vote any shares of common stock held by such party in favor of the Business Combination proposal and other proposals to be presented to FLAG stockholders at the FLAG special meeting, (b) not to redeem any shares of Class A common stock or Class B common stock in connection with the redemption, (c) to be bound by certain lock-up restrictions with respect to the Class A common stock of each holder from and after the Merger, and (d) to make available certain Class B common stock and private placement warrants of FLAG to incentivize PIPE investors between signing and closing of the Transactions.

In connection with the Transactions, FLAG, Calidi, the Sponsor, Metric, the Significant Company Holders and certain other parties thereto agreed to enter into the Registration Rights Agreement (“Registration Rights Agreement”) upon the consummation of the Transactions, pursuant to which, holders and their permitted transferees will have the right to require FLAG immediately following the Merger Agreement, at New Calidi’s expense, to (a) file a registration statement in respect of the resale of the FLAG Class A Common Stock that they hold within 30 business days following the closing date of the Transactions and on customary terms for a transaction of this type, and (b) customary registration rights, including demand, piggy-back and shelf registration rights.

Going Concern

As of March 31, 2023 and December 31, 2022, the Company had \$82,828 and \$93,892 operating cash, respectively, and a working capital deficit of \$6,346,675 and \$4,134,242, respectively.

The Company’s liquidity needs up to March 31, 2023 have been satisfied through a payment from the Sponsor and Metric of \$25,000 for Class B common stock, par value \$0.0001 per share (“Class B common stock” and shares thereof, “Founder Shares”) (see Note 5), the Initial Public Offering and the issuance of the Private Placement Warrants. Additionally, the Company drew on an unsecured promissory note to pay certain offering costs and entered into promissory note agreements to fund the extension of the Combination Period and working capital needs.

The Company has incurred and expects to continue to incur significant costs in pursuit of its financing and acquisition plans. The Company lacks the financial resources it needs to sustain operations for a reasonable period of time, which is considered to be one year from the issuance date of the financial statements. Although no formal agreement exists, the Sponsor is committed to extend Working Capital Loans as needed (defined in Note 5 below). The Company cannot assure that its plans to consummate an initial Business Combination will be successful.

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These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern one year from the date these financial statements are issued. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and Article 8 of Regulation S-X of the Securities and Exchange Commission (the "SEC"). Certain information or footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted, pursuant to the rules and regulations of the SEC for interim financial reporting. Accordingly, they do not include all the information and footnotes necessary for a complete presentation of financial position, results of operations, or cash flows. In the opinion of management, the accompanying unaudited condensed financial statements include all adjustments, consisting of a normal recurring nature, which are necessary for a fair statement of the financial position, operating results and cash flows for the periods presented.

The accompanying unaudited condensed financial statements should be read in conjunction with the Company's Annual Report on Form 10-K as filed with the SEC on March 31, 2023. The interim results for the three months ended March 31, 2023 are not necessarily indicative of the results to be expected for the year ending December 31, 2023 or for any future periods.

Emerging Growth Company

The Company is an "emerging growth company," as defined in Section 2(a) of the Securities Act, as modified by the JOBS Act, and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies.

The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of the Company's financial statements with another public company, which is either not an emerging growth company or an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

Use of Estimates

The preparation of these financial statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes in the reported period. While the significant estimates made by management in the preparation of the financial statements are reasonable, prudent, and evaluated on an ongoing basis, actual results may differ materially from those estimates. The information below outlines several accounting policies applied by the Company in preparing its financial statements that involve complex situations and judgment in the development of significant estimates and assumptions.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ significantly from those estimates.

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Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less when purchased to be cash equivalents. The Company had \$82,828 and \$93,892 of operating cash and no cash equivalents as of March 31, 2023 and December 31, 2022, respectively.

Cash Held in Trust Account

Following the closing of the Initial Public Offering on September 14, 2021, an amount of \$230,000,000 from the net proceeds of the sale of the Units in the Initial Public Offering and the sale of the Private Placement Warrants were placed in the Trust Account and were invested only in U.S. government securities with a maturity of 185 days or less or in money market funds meeting certain conditions under Rule 2a-7 under the Investment Company Act, which invest only in direct U.S. government treasury obligations. The Trust Account is intended as a holding place for funds pending the earliest to occur of: (i) the completion of the initial Business Combination; (ii) the redemption of any public shares properly submitted in connection with a shareholder vote to amend the Company's amended and restated certificate of incorporation (A) to modify the substance or timing of the Company's obligation to redeem 100% of the public shares if the Company does not complete the initial Business Combination within 15 months from the closing of the Initial Public Offering (or up to 24 months if we were to exercise the three three-month extensions available to us pursuant to our amended and restated certificate of incorporation, of which one extension remains unexercised, provided that the Sponsor pays an amount equal to 1% of the amount then on deposit in the Trust Account for each three-month extension, or (B) with respect to any other provision relating to shareholders' rights or pre-initial Business Combination activity; or (iii) upon the expiration of the completion window, the return of the funds held in the Trust Account to the public shareholders as part of redemption of the public shares. On September 19, 2022, certain investors redeemed 18,871,976 shares of Class A common stock for \$190,010,529, resulting in a reduction to shares of Class A common stock outstanding to 4,128,024. The Company had \$42,906,943 and \$42,453,107 of cash held in the trust account as of March 31, 2023 and December 31, 2022, respectively.

Offering Costs Associated with IPO

The Company complies with the requirements of the ASC 340-10-S99-1 and SEC Staff Accounting Bulletin ("SAB") Topic 5A—"Expenses of Offering". Offering costs consist principally of professional and registration fees incurred through the balance sheet date that are related to the IPO. Offering costs are charged to stockholders' equity or the statement of operations based on the relative value of the Public Warrants and the Private Placement Warrants to the proceeds received from the Units sold upon the completion of the IPO. Accordingly, on September 14, 2021, offering costs totaling \$22,517,064 (consisting of \$2,335,058 of underwriting fee, \$8,050,000 of deferred underwriting fee (see Note 8), \$640,129 of actual offering costs, and \$11,491,877 of excess fair value of Founder Shares) were recognized with \$989,674 included in accumulated deficit as an allocation for the Public Warrants and the Private Placement Warrants, and \$21,527,389 included in additional paid-in capital.

Class A Common Stock Subject to Possible Redemption

The Company accounts for its common stock subject to possible redemption in accordance with the guidance in Accounting Standards Codification ("ASC") Topic 480 "Distinguishing Liabilities from Equity." Common stock subject to mandatory redemption (if any) is classified as a liability instrument and is measured at fair value. Conditionally redeemable common stock (including common stock that feature redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company's control) is classified as temporary equity. At all other times, common stock is classified as stockholders' equity. The Company's common stock feature certain redemption rights that are considered to be outside of the Company's control and subject to the occurrence of uncertain future events. On September 19, 2022, certain investors redeemed 18,871,976 shares of Class A common stock for \$190,010,529, resulting in a reduction to shares of Class A common stock outstanding to 4,128,024. Accordingly, at March 31, 2023, and December 31, 2022, 4,128,024 shares of Class A common stock subject to possible redemption is presented, at redemption value, as temporary equity, outside of the shareholders' deficit section of the Company's balance sheets.

The Company recognizes changes in redemption value immediately as they occur and adjusts the carrying value of redeemable common stock to equal the redemption value at the end of each reporting period. Such changes are reflected in additional paid-in capital, or in the absence of additional capital, in accumulated deficit. The Company recorded accretion of \$453,836 for the three months ended March 31, 2023, to remeasure Class A common stock subject to possible redemption to redemption value. Class A common stock subject to possible redemption totaled \$42,906,943 and \$42,453,107 as of March 31, 2023, and December 31, 2022, respectively.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes under ASC 740, "Income Taxes" ("ASC 740"). Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that included the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

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ASC 740 prescribes a recognition threshold and a measurement attribute for the financial statements recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. There were no unrecognized tax benefits and no amounts accrued for interest and penalties as of March 31, 2023 and December 31, 2022. The Company is currently not aware of any issues under review that could result in significant payments, accruals or material deviation from its position. The Company has been subject to income tax examinations by major taxing authorities since inception.

Net Income (Loss) per Common Stock

The Company complies with accounting and disclosure requirements of ASC Topic 260, "Earnings Per Share". The statements of operations include a presentation of income (loss) per Class A redeemable common stock and income (loss) per non-redeemable common stock following the two-class method of income (loss) per common stock. In order to determine the net income (loss) attributable to both the Class A redeemable common stock and non-redeemable common stock, the Company first considered the total income (loss) allocable to both sets of stock. This is calculated using the total net income (loss) less any dividends paid. For purposes of calculating net income (loss) per share, any remeasurement of the Class A common stock subject to possible redemption was treated as dividends paid to the public stockholders.

The following table reflects the calculation of basic and diluted net loss per common share for the three months ended March 31, 2023:

| | Three Months Ended March 31, 2023 |
|--|--------------------------------------|
| Net loss | \$ (2,224,540) |
| Accretion of temporary equity to redemption value | (453,836) |
| Net loss including accretion of temporary equity to redemption value | <u>\$ (2,678,375)</u> |

| | Three Months Ended March 31, 2023 | |
|--|--------------------------------------|-----------------------|
| | Class A | Class B |
| Allocation of net loss including accretion of temporary equity | \$ (1,119,293) | \$ (1,559,083) |
| Plus: Accretion applicable to Class A redeemable shares | 453,836 | — |
| Total loss by Class | <u>\$ (665,457)</u> | <u>\$ (1,559,083)</u> |
| Weighted average number of shares | 4,128,024 | 5,750,000 |
| Loss per share | \$ (0.16) | \$ (0.27) |

The following table reflects the calculation of basic and diluted net income per common share for the three months ended March 31, 2022 (in dollars, except per share amounts):

| | Three Months Ended March 31, 2022 |
|--|--------------------------------------|
| Net income | \$ 1,462,193 |
| Accretion of temporary equity to redemption value | (18,771) |
| Net income including accretion of temporary equity to redemption value | <u>\$ 1,443,422</u> |

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| | Three Months Ended March 31, 2022 | |
|--|--------------------------------------|------------|
| | Class A | Class B |
| Allocation of net income including accretion of temporary equity | \$ 1,154,738 | \$ 288,684 |
| Plus: Accretion applicable to Class A redeemable shares | 18,771 | — |
| Total income by Class | \$ 1,173,509 | \$ 288,684 |
| Weighted average number of shares | 23,000,000 | 5,750,000 |
| Income per share | \$ 0.05 | \$ 0.05 |

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of a cash account in a financial institution, which, at times, may exceed the Federal Depository Insurance Coverage of \$250,000. The Company has not experienced losses on this account.

Fair Value of Financial Instruments

The fair value of the Company's assets and liabilities, which qualify as financial instruments under ASC 820, "Fair Value Measurement" ("ASC 820"), approximates the carrying amounts represented in the accompanying condensed balance sheets, primarily due to their short-term nature.

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Fair Value Measurements

Fair value is defined as the price that would be received for sale of an asset or paid to transfer of a liability, in an orderly transaction between market participants at the measurement date. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices (unadjusted) for identical instruments in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Derivative Financial Instruments

The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives in accordance with ASC Topic 815, “Derivatives and Hedging”. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value on the grant date and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement or conversion of the instrument could be required within 12 months of the balance sheet date.

Warrant Liability

The Company accounts for warrants for the Company’s common stock that are not indexed to its own shares as liabilities at fair value on the balance sheet. The warrants are subject to remeasurement at each balance sheet date and any change in fair value is recognized as a component of other income (expense), net in the statement of operations. The Company will continue to adjust the liability for changes in fair value until the earlier of the exercise or expiration of the ordinary share warrants. At that time, the portion of the warrant liability related to the ordinary share warrants was reclassified to additional paid-in capital.

Contingent Interest Liability

The Company accounts for interest on promissory notes that are payable upon a successful business combination in accordance with ASC Topic 470, “Debt” and ASC 815. The contingent interest meets the criteria of an embedded derivative which requires bifurcation and separate accounting at fair value with changes in the fair value at subsequent reporting dates recorded to the statement of operations. The contingent interest liability is also treated as an issuance cost of the promissory notes and is recorded against a debt discount. See Note 5.

Related Parties

Parties, which can be a corporation or individual, are considered to be related if the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Companies are also considered to be related if they are subject to common control or common significant influence.

Recent Accounting Pronouncements

In August 2020, the FASB issued ASU No. 2020-06, “Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity” (“ASU 2020-06”), which simplifies accounting for convertible instruments by removing major separation models required under current GAAP. ASU 2020-06 removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception and it also simplifies the diluted earnings per share calculation in certain areas. ASU 2020-06 is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years, with early adoption permitted. The Company is currently assessing the impact, if any, that ASU 2020-06 would have on its financial position, results of operations or cash flows.

Management does not believe that any other recently issued, but not yet effective, accounting pronouncements, if currently adopted, would have a material effect on the Company’s condensed financial statements.

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NOTE 3. INITIAL PUBLIC OFFERING

On September 9, 2021, pursuant to the Initial Public Offering, the Company sold 23,000,000 Units, which includes the full exercise by the underwriter of its over-allotment option in the amount of 3,000,000 Units, at a price of \$10.00 per Unit. Each Unit consists of one share of Class A common stock and one-half of one (each whole warrant, a “Public Warrant”). Each whole Public Warrant entitles the holder to purchase one share of Class A common stock at an exercise price of \$11.50 per share, subject to adjustment (see Note 8).

An aggregate of \$10.00 per Unit sold in the Initial Public Offering was held in the Trust Account and invested in U.S. government securities, within the meaning set forth in Section 2(a)(16) of the Investment Company Act, with a maturity of 180 days or less or in any open-ended investment company that holds itself out as a money market fund meeting the conditions of Rule 2a-7 of the Investment Company Act, as determined by the Company.

Following the closing of the Initial Public Offering, \$230,000,000 of the IPO proceeds was held in the Trust Account. In addition, \$2,081,180 of cash was not held in the Trust Account and was available for working capital purposes.

Transaction costs of the IPO amounted to \$22,517,064 consisting of \$2,335,058 of underwriting discount, \$8,050,000 of deferred underwriting discount, \$640,129 of actual offering costs, and \$11,491,877 of excess fair value of Founder Shares over the purchase price.

NOTE 4. PRIVATE PLACEMENT

The Company entered into an agreement with the Sponsor and Metric pursuant to which the Sponsor and Metric purchased an aggregate of 3,397,155 Private Placement Warrants, at a price of \$1.50 per Private Placement Warrant, or \$5,095,733, in a private placement that occurred simultaneously with the closing of the Initial Public Offering. Each Private Placement Warrant is exercisable to purchase one share of common stock at an exercise price of \$11.50 per share, subject to adjustment (see Note 6). A portion of the proceeds from the Private Placement Warrants was added to the proceeds from the Initial Public Offering held in the Trust Account. If the Company does not complete a Business Combination within the Combination Period, the proceeds from the sale of the Private Placement Warrants held in the Trust Account will be used to fund the redemption of the Public Shares (subject to the requirements of applicable law), and the Private Placement Warrants will expire worthless.

NOTE 5. RELATED PARTY TRANSACTIONS

Founder shares

On March 24, 2021, the Sponsor and Metric purchased 5,750,000 Founder Shares for an aggregate purchase price of \$25,000. This amount was paid on behalf of the Company to cover certain expenses. The number of Founder Shares will collectively represent approximately 20% of the Company’s issued and outstanding shares after the Initial Public Offering.

The Sponsor and the Company’s directors and executive officers have agreed, subject to certain limited exceptions, not to transfer, assign or sell any of the Founder Shares until the earlier of (A) one year after the completion of a Business Combination and (B) subsequent to a Business Combination, (x) if the last reported sale price of the Class A common stock equals or exceeds \$12.00 per share (as adjusted for stock splits, stock reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 120 days after a Business Combination, or (y) the date on which the Company completes a liquidation, merger, amalgamation, stock exchange, reorganization or other similar transaction that results in all of the Company’s shareholders having the right to exchange their shares of Class A common stock for cash, securities or other property.

The Founder Shares will automatically convert into shares of Class A common stock upon consummation of a Business Combination on a one-for-one basis, subject to certain adjustments, as described in Note 6.

In connection with the closing of the Initial Public Offering, certain anchor investors acquired from the Sponsor and Metric in the aggregate 1,452,654 Founder Shares at the original purchase price that the Sponsor and Metric paid for the Founder Shares. Each anchor investor has agreed with the Sponsor and Metric that, if it does not purchase in the Initial Public Offering the number of Units in its indication of interest, it will automatically forfeit its interest in all such Founder Shares.

The excess of the fair value of the Founder Shares was determined to be an offering cost in accordance with Staff Accounting Bulletin Topic 5A. Accordingly, the offering cost was allocated to the separable financial instruments issued in the Initial Public Offering based on a relative fair value basis, compared to total proceeds received. Offering costs allocated to derivative warrant liabilities was expensed as incurred in the statement of operations. Offering costs allocated to the Public Shares were charged to stockholders’ equity upon the completion of the Initial Public Offering.

In September 2022, the Sponsor and Metric sold an aggregate of 850,000 of its Founder Shares to two third-party investors for cash and, as needed, consulting services, to fund the Company’s extension period and provide and general working capital. The consulting services offered were considered a benefit that the Company realized as a result of the Sponsor and Metric’s transaction with the third-party investors. The fair value of the consulting services was determined to be a financing expense in accordance with Staff Accounting Bulletin Topic 5A.

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Promissory notes-related parties

On September 13, 2022, the Company entered into promissory note agreements with the Sponsor and Metric for an aggregate \$490,000. The Notes are non-interest bearing and are payable on the earlier of the date on which a business combination is consummated or the date that the winding up of the Company is effective. As of March 31, 2023 and December 31, 2022, there was \$490,000 outstanding under the promissory notes.

In November 2022, December 2022, and January 2023, the Company entered into promissory note agreements with various parties (“Promissory Notes”) for an aggregate borrowing capacity of \$990,000. The Promissory Notes include a zero interest bearing note, notes that accrue interest at a 50% rate per annum, and notes that have 100% interest payable upon the consummation of an initial Business Combination. The zero interest bearing notes and the notes that accrue interest at a 50% rate per annum are payable on the earliest to occur of (i) the date on which the Company consummates its initial Business Combination or (ii) the date that the winding up of the Company is effective. The notes that have 100% interest payable upon consummation of an initial Business combination are due and payable upon the consummation of the Company’s initial Business Combination. As of March 31, 2023 and December 31, 2022, the Company has drawn down an aggregate \$990,000 and \$767,500, respectively, on the Promissory Notes. As of March 31, 2023 and December 31, 2022, the Company had accrued \$73,158 and \$7,719 interest related to the 50% per annum interest rate Promissory Notes, respectively, and \$134,269 and \$32,865 for the contingent interest embedded derivative liability related to the 100% interest rate Promissory Notes, respectively, payable upon consummation of an initial Business Combination. The contingent interest liability is treated as an issuance cost and is recorded against a debt discount. The Promissory Notes are recorded net of debt discount, with the debt discount being amortized into the Promissory Note balance through the maturity date.

Related party loans

In order to finance transaction costs in connection with a Business Combination, the Company’s Sponsor, an affiliate of the Sponsor, or the Company’s officers and directors may, but are not obligated to, loan the Company funds as may be required (the “Working Capital Loans”). Further, if the Sponsor elects to extend the period of time to consummate an initial Business Combination beyond 24 months from the closing of the Initial Public Offering, the Sponsor (or its affiliates or designees) may be required to deposit additional funds into the Trust Account in the form of a loan to us, as described in the prospectus (the “Extension Loans”, together with the Working Capital Loans, the “Company Loans”). If we complete our initial business combination, we would repay such loaned amounts out of the proceeds of the Trust Account released to us. In the event that our initial business combination does not close, we may use a portion of the working capital held outside the Trust Account to repay such loaned amounts but no proceeds from our Trust Account would be used to repay such loaned amounts. Up to \$4,600,000 of such loans that may be extended to us by the Sponsor, its affiliates or designees or any of our directors or officers, as the case may be, may be converted into warrants, at a price of \$1.50 per warrant, at the option of the lender. If issued, the warrants would be identical in terms of their terms and conditions to the private placement warrants, including as to exercise price, exercisability and exercise period. Except as set forth above, the terms of such loans or warrants, if any, have not been determined and no written agreements exist with respect to such loans. Prior to the consummation of our initial business combination, we do not expect to seek loans from parties other than the Sponsor, its affiliates or designees or our directors or officers as we do not believe third parties will be willing to loan such funds and waive any and all rights to seek access to funds in our Trust Account. After our initial business combination, members of the FLAG team who remain with us may be paid consulting, management or other fees from the combined company with any and all amounts being fully disclosed to our stockholders, to the extent then known, in the tender offer or proxy solicitation materials (as applicable) furnished to our stockholders. It is unlikely the amount of such compensation will be known at the time of distribution of such tender offer materials or at the time of a stockholder meeting held to consider our initial business combination, as applicable, as it will be up to the directors of the post-combination business to determine executive and director compensation.

Administrative support agreement

The Company has the option, commencing on the date that the Company’s securities are first listed on a U.S. national securities exchange through the earlier of the Company’s consummation of a Business Combination or its liquidation, to pay an affiliate of the Sponsor a total of \$10,000 per month for office space, secretarial, and administrative support.

NOTE 6. STOCKHOLDERS’ EQUITY

Preferred stock. The Company is authorized to issue up to 1,000,000 shares of \$0.0001 par value preferred stock. At March 31, 2023, and December 31, 2022, there were no preferred shares issued or outstanding.

Class A common stock. The Company is authorized to issue up to 300,000,000 shares of Class A, \$0.0001 par value common stock. Holders of the Company’s common stock are entitled to one vote for each share. On September 19, 2022, certain investors redeemed 18,871,976 shares of Class A common stock for \$190,010,529, resulting in a reductions to shares of redeemable Class A common stock outstanding to 4,128,024. At March 31, 2023, and December 31, 2022, there were no shares of Class A common stock issued and outstanding, except for 4,128,024 and 23,000,000 shares of Class A common stock subject to possible redemption, respectively.

Class B common stock. The Company is authorized to issue up to 30,000,000 shares of Class B, \$0.0001 par value common stock. Holders of the Company’s common stock are entitled to one vote for each share. At March 31, 2023, and December 31, 2022, there were 5,750,000 Class B common stock issued and outstanding.

The shares of Class B common stock (Founder Shares) will automatically convert into shares of Class A common stock at the time of a Business Combination on a one-for-one basis, subject to adjustment. In the case that additional shares of Class A common stock, or equity-linked securities, are issued or deemed issued in excess of the amounts offered in the Initial Public Offering and related to the closing of a Business Combination, the ratio at which shares of Class B common stock shall convert into shares of Class A common stock will be adjusted (unless the holders of a majority of the outstanding shares of Class B common stock agree to waive such adjustment with respect to any such issuance or deemed issuance) so that the number of shares of Class A common stock issuable upon conversion of all shares of Class B common stock will equal, in the aggregate, on an as-converted basis, 20% of the sum of the total number of all shares of common stock outstanding upon the completion of the Initial Public Offering plus all shares of Class A common stock and equity-linked securities issued or deemed issued in connection with a Business Combination (excluding any shares or equity-linked securities issued, or to be issued, to any seller in a Business Combination).

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NOTE 7. WARRANTS

Public Warrants may only be exercised for a whole number of shares. No fractional warrants will be issued upon separation of the Units and only whole warrants will trade. The Public Warrants will become exercisable on the later of (a) 12 months from the closing of the Initial Public Offering and (b) 30 days after the completion of a Business Combination.

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The Company will not be obligated to deliver any shares of Class A common stock pursuant to the exercise of a warrant and will have no obligation to settle such warrant exercise unless a registration statement under the Securities Act with respect to the shares of Class A common stock underlying the warrants is then effective and a prospectus relating thereto is current, subject to the Company satisfying its obligations with respect to registration, or a valid exemption from registration is available. No warrant will be exercisable, and the Company will not be obligated to issue any shares of Class A common stock upon exercise of a warrant unless the share of Class A common stock issuable upon such warrant exercise has been registered, qualified or deemed to be exempt under the securities laws of the state of residence of the registered holder of the warrants.

The Company has agreed that as soon as practicable, but in no event later than 15 business days after the closing of a Business Combination, it will use its commercially reasonable efforts to file with the SEC a registration statement for the registration, under the Securities Act, of the shares of Class A common stock issuable upon exercise of the warrants, and the Company will use its commercially reasonable efforts to cause the same to become effective within 60 business days after the closing of a Business Combination, and to maintain the effectiveness of such registration statement and a current prospectus relating to those shares of Class A common stock until the warrants expire or are redeemed, as specified in the warrant agreement; provided that if the Class A common stock is at the time of any exercise of a warrant not listed on a national securities exchange such that they satisfy the definition of a “covered security” under Section 18(b)(1) of the Securities Act, the Company may, at its option, require holders of Public Warrants who exercise their warrants to do so on a “cashless basis” in accordance with Section 3(a)(9) of the Securities Act and, in the event the Company so elects, the Company will not be required to file or maintain in effect a registration statement, but it will use its commercially reasonable efforts to register or qualify the shares under applicable blue sky laws to the extent an exemption is not available. If a registration statement covering the shares of Class A common stock issuable upon exercise of the warrants is not effective by the 60th business day after the closing of a Business Combination, warrant holders may, until such time as there is an effective registration statement and during any period when the Company will have failed to maintain an effective registration statement, exercise warrants on a “cashless basis” in accordance with Section 3(a)(9) of the Securities Act or another exemption, but the Company will use its commercially reasonable efforts to register or qualify the shares under applicable blue sky laws to the extent an exemption is not available.

Redemption of warrants when the price per Class A common stock equals or exceeds \$18.00. Once the Public Warrants become exercisable, the Company may redeem the Public Warrants:

- in whole and not in part;
- at a price of \$0.01 per warrant;
- upon not less than 30 days’ prior written notice of redemption to each warrant holder; and
- if, and only if, the last reported sale price of the Class A common stock for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date on which the Company will send the notice of redemption to the warrant holders (referred to as the “Reference Value”) equals or exceeds \$18.00 per share (as adjusted for adjustments to the number of shares issuable upon exercise or the exercise price of a warrant as described under the heading “— Redeemable Warrants — Public Shareholders’ Warrants — Anti-dilution Adjustments”).

If and when the Public Warrants become redeemable by the Company, it may exercise its redemption right even if the Company is unable to register or qualify the underlying securities for sale under all applicable state securities laws.

Redemption of warrants when the price per Class A common stock equals or exceeds \$10.00. Once the Public Warrants become exercisable, the Company may redeem the Public Warrants:

- in whole and not in part;
- at \$0.10 per warrant;
- upon a minimum of 30 days’ prior written notice of redemption provided that holders will be able to exercise their warrants on a cashless basis prior to redemption and receive that number of shares based on the redemption date and the fair market value of the Class A common stock;
- if, and only if, the Reference Value (as defined above under “— Redemption of warrants when the price per share of our Class A common stock equals or exceeds \$18.00”) equals or exceeds \$10.00 per share (as adjusted for adjustments to the number of shares issuable upon exercise or the exercise price of a warrant as described under the heading “— Anti-dilution Adjustments” in Exhibit 4.5 to our Form 10-K for the year ended December 31, 2022); and
- if the Reference Value is less than \$18.00 per share (as adjusted for adjustments to the number of shares issuable upon exercise or the exercise price of a warrant as described under the heading “— Anti-dilution Adjustments” in Exhibit 4.5 to our Form 10-K for the year ended December 31, 2022), the private placement warrants must also be concurrently called for redemption on the same terms as the outstanding public warrants, as described above.

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In addition, if (x) the Company issues additional shares of Class A common stock or equity-linked securities for capital raising purposes in connection with the closing of a Business Combination at an issue price or effective issue price of less than \$9.20 per share of Class A common stock (with such issue price or effective issue price to be determined in good faith by the Company's board of directors and, in the case of any such issuance to the Sponsor or its affiliates, without taking into account any Founder Shares held by the Sponsor or such affiliates, as applicable, prior to such issuance) (the "Newly Issued Price"), (y) the aggregate gross proceeds from such issuances represent more than 60% of the total equity proceeds, and interest thereon, available for the funding of a Business Combination on the date of the consummation of a Business Combination (net of redemptions), and (z) the volume weighted average trading price of the shares of Class A common stock during the 20 trading day period starting on the trading day prior to the day on which the Company consummates a Business Combination (such price, the "Market Value") is below \$9.20 per share, then the exercise price of the warrants will be adjusted (to the nearest cent) to be equal to 115% of the higher of the Market Value and the Newly Issued Price, the \$18.00 per share redemption trigger price and the "Redemption of Warrants when the price per share of Class A common stock equals or exceeds \$10.00" described above will be adjusted (to the nearest cent) to be equal to 180% of the higher of the Market Value and the Newly Issued Price, and the \$10.00 per share redemption trigger price described above.

The Private Placement Warrants are identical to the Public Warrants underlying the Units being sold in the Initial Public Offering, except that the Private Placement Warrants and the shares of Class A common stock issuable upon the exercise of the Private Placement Warrants are not transferable, assignable or saleable until 30 days after the completion of a Business Combination, subject to certain limited exceptions. Additionally, the Private Placement Warrants are exercisable for cash or on a cashless basis, at the holder's option, and are non-redeemable so long as they are held by the initial purchasers or their permitted transferees (except for a number of shares of Class A common stock as described above under Redemption of warrants for Class A common stock). If the Private Placement Warrants are held by someone other than the initial purchasers or their permitted transferees, the Private Placement Warrants will be redeemable by the Company in all redemption scenarios and exercisable by such holders on the same basis as the Public Warrants.

The Company accounts for the 14,897,155 warrants that were issued in connection with the Initial Public Offering (comprised of the 11,500,000 Public Warrants and the 3,397,155 Private Placement Warrants) in accordance with the guidance contained in ASC 815-40. Such guidance provides that because the warrants do not meet the criteria for equity treatment thereunder, each warrant must be recorded as a liability.

The accounting treatment of derivative financial instruments requires that the Company record a derivative liability upon the closing of the Initial Public Offering. Accordingly, the Company classifies each warrant as a liability at its fair value and the warrants were allocated a portion of the proceeds from the issuance of the Units equal to its fair value. This liability is subject to re-measurement at each balance sheet date. With each such re-measurement, the warrant liability will be adjusted to fair value, with the change in fair value recognized in the Company's statement of operations. The Company will reassess the classification at each balance sheet date. If the classification changes as a result of events during the period, the warrants will be reclassified as of the date of the event that causes the reclassification.

NOTE 8. COMMITMENTS AND CONTINGENCIES

Registration and Shareholder Rights

The holders of the Founder Shares and Private Placement Warrants (and any shares of Class A common stock issuable upon the exercise of the Private Placement Warrants and warrants that may be issued upon conversion of the Working Capital Loans and upon conversion of the Founder Shares) will be entitled to registration rights pursuant to a registration rights and shareholder agreement to be signed prior to or on the effective date of the Initial Public Offering, requiring the Company to register such securities for resale (in the case of the Founder Shares, only after conversion to shares of Class A common stock). The holders of these securities will be entitled to make up to three demands, excluding short form demands, that the Company register such securities. In addition, the holders will have certain "piggy-back" registration rights with respect to registration statements filed subsequent to the completion of a Business Combination and rights to require the Company to register for resale such securities pursuant to Rule 415 under the Securities Act. However, the registration and shareholder rights agreement provides that the Company will not permit any registration statement filed under the Securities Act to become effective until termination of the applicable lock-up period. The Company will bear the expenses incurred in connection with the filing of any such registration statements.

Underwriter's agreement

The Company granted the underwriter a 45-day option from the date of the Initial Public Offering to purchase up to 3,000,000 additional Units to cover over-allotments at the Initial Public Offering price less the underwriting discount, which the underwriter exercised in full on September 14, 2021. The underwriter was paid a cash underwriting discount of \$2,335,058 in the aggregate, paid

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on the closing of the Initial Public Offering. In addition, the underwriter is entitled to a deferred fee of \$0.35 per Unit, or \$8,050,000 in the aggregate. The deferred fee will become payable to the underwriter from the amounts held in the Trust Account solely in the event that the Company completes a Business Combination, subject to the terms of the underwriting agreement. On December 6, 2022, the underwriter waived its right to the deferred fee of \$8,050,000 it was entitled to upon the consummation of the Business Combination. As such, the deferred underwriter fee payable has been reduced to zero as of December 31, 2022.

Forward Purchase Agreement

In August 2021, the Company entered into a forward purchase agreement with Franklin Strategic Series – Franklin Small Cap Growth Fund (the “forward purchase agreement”), a Delaware statutory trust (“Franklin”), whereby Franklin has agreed to purchase (subject to certain conditions set forth therein) 5,000,000 shares of Class A common stock plus 2,500,000 forward purchase warrants, exercisable to purchase one share of Class A common stock at \$11.50 per share, for an aggregate purchase price of \$50,000,000, or \$10.00 for one share of Class A common stock and one-half of one warrant, in a private placement to occur concurrently with the closing of the initial business combination. The obligations under the forward purchase agreement do not depend on whether any shares of Class A common stock are redeemed by the Company’s public stockholders.

Subject to certain conditions set forth in the forward purchase agreement, Franklin may transfer the rights and obligations under the forward purchase agreement, in whole or in part, to forward transferees, provided that upon such transfer the forward transferees assume the rights and obligations of Franklin under the forward purchase agreement. The proceeds from the sale of the forward purchase securities may be used as part of the consideration to the sellers in the Company’s initial Business Combination, for expenses in connection with its initial Business Combination or for working capital in the post-transaction company.

The Company accounts for the forward purchase agreement in accordance with the guidance in ASC 815-40 as derivative liability. The liability is subject to re-measurement at each balance sheet date, with changes in fair value recognized in the statement of operations.

In connection with the Business Combination with Calidi, Franklin is not obligated under its forward purchase agreement to purchase the forward purchase shares.

NOTE 9. FAIR VALUE MEASUREMENTS

At March 31, 2023 and December 31, 2022, the Company’s warrant liability was valued at \$656,500 and \$745,000, respectively. Under the guidance in ASC 815-40, the Public Warrants and the Private Placement Warrants do not meet the criteria for equity treatment. As such, the Public Warrants and the Private Placement Warrants must be recorded on the balance sheet at fair value. This valuation is subject to re-measurement at each balance sheet date. With each re-measurement, the valuations will be adjusted to fair value, with the change in fair value recognized in the Company’s statement of operations.

The following table presents fair value information as of March 31, 2023, and December 31, 2022, of the Company’s financial assets and liabilities that were accounted for at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value. The Company’s warrant liability is based on a valuation model utilizing management judgment and pricing inputs from observable and unobservable markets with less volume and transaction frequency than active markets. Significant deviations from these estimates and inputs could result in a material change in fair value. The Company transferred the fair value of Private Placement Warrants from a Level 3 measurement to a Level 2 measurement in 2022 as the valuation inputs are largely driven by the fair value of the Public Warrants for which quoted prices are observable in active markets.

The following table presents information about the Company’s Level 3 measurements for the three months ended March 31, 2023 and March 31, 2022:

| | Forward Purchase Units | Contingent Interest Liability | Total Level 3 Financial Instruments |
|---|---------------------------|-------------------------------------|--|
| Level 3 financial instruments as of December 31, 2022 | \$ 326,234 | \$ 32,865 | \$ 359,099 |
| Change in fair value | 554,443 | 101,404 | 655,847 |
| Level 3 financial instruments as of March 31, 2023 | \$ 880,677 | \$ 134,269 | \$ 1,014,946 |

| | Forward Purchase Units | Private Placement Warrants | Contingent Interest Liability | Total Level 3 Financial Instruments |
|---|---------------------------|-------------------------------|-------------------------------------|--|
| Level 3 financial instruments as of December 31, 2021 | \$ 521,184 | \$ 1,718,000 | \$ — | \$ 2,239,184 |
| Change in fair value | 122,020 | (482,000) | — | (359,980) |
| Level 3 financial instruments as of March 31, 2022 | \$ 643,204 | \$ 1,236,000 | \$ — | \$ 1,879,204 |

The fair value of the Company’s financial assets and liabilities reflects management’s estimate of amounts that the Company would have received in connection with the sale of the assets or paid in connection with the transfer of the liabilities in an orderly transaction between market participants at the measurement date. In connection with measuring the fair value of its assets and liabilities, the Company seeks to maximize the use of observable inputs (market data obtained from independent sources) and to minimize the use of unobservable inputs (internal assumptions about how market participants would price assets and liabilities).

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The following table presents information about the Company's assets that are measured at fair value on a recurring basis as of March 31, 2023 and December 31, 2022, and indicates the fair value hierarchy of the valuation inputs the Company utilized to determine such fair value:

| | March 31, 2023 | | |
|--|----------------|-----------|-----------|
| | Level 1 | Level 2 | Level 3 |
| Assets | | | |
| Marketable securities held in trust account | \$42,906,943 | \$ — | \$ — |
| Liabilities | | | |
| Public Warrants | \$ 517,500 | \$ — | \$ — |
| Private Placement Warrants | \$ — | \$139,000 | \$ — |
| Forward Purchase Units | \$ — | \$ — | \$880,677 |
| Contingent Interest Liabilities | \$ — | \$ — | \$134,269 |
| December 31, 2022 | | | |
| | Level 1 | Level 2 | Level 3 |
| Assets | | | |
| Cash and marketable securities held in trust account | \$42,453,107 | \$ — | \$ — |
| Liabilities | | | |
| Public Warrants | \$ 575,000 | \$ — | \$ — |
| Private Placement Warrants | \$ — | \$170,000 | \$ — |
| Forward Purchase Units | \$ — | \$ — | \$326,234 |
| Contingent Interest Liabilities | \$ — | \$ — | \$ 32,865 |

The following table presents the changes in the fair value of financial instruments for the three months ended March 31, 2023 and 2022:

| | Public Warrants | Private Placement Warrants | Forward Purchase Units | Contingent Interest Liability |
|--|-----------------|----------------------------|------------------------|-------------------------------|
| Derivative liabilities as of December 31, 2022 | \$ 575,000 | \$ 170,000 | \$ 326,234 | \$ 32,865 |
| Change in fair value | (57,500) | (31,000) | 554,443 | 101,404 |
| Derivative liabilities as of March 31, 2023 | \$ 517,500 | \$ 139,000 | \$ 880,677 | \$ 134,269 |
| | | | | |
| | Public Warrants | Private Placement Warrants | Forward Purchase Units | Contingent Interest Liability |
| Derivative liabilities as of December 31, 2021 | \$ 5,751,150 | \$ 1,718,000 | \$ 521,184 | \$ — |
| Change in fair value | (1,612,300) | (482,000) | 122,020 | — |
| Derivative liabilities as of March 31, 2022 | \$ 4,138,850 | \$ 1,236,000 | \$ 643,204 | \$ — |

Measurement

The Company established the initial fair value for the warrants on September 14, 2021, the date of the consummation of the Company's IPO. The Company used a lattice model and Monte Carlo simulation model to value the warrants. The Company allocated the proceeds received from (i) the sale of Units (which is inclusive of one share of Class A common stock and one-half of one Public Warrant), (ii) the sale of Private Placement Warrants, and (iii) the issuance of Class B common stock, first to the warrants based on their fair values as determined at initial measurement, with the remaining proceeds allocated to Class A common stock subject to possible redemption (temporary equity), Class A common stock (permanent equity) and Class B common stock (permanent equity) based on their relative fair values at the initial measurement date.

The key inputs into the lattice model and Monte Carlo simulation model formula were as follows at March 31, 2023 and December 31, 2022:

| | Private Placement Warrants | |
|----------------------|----------------------------|-------------------|
| | March 31, 2023 | December 31, 2022 |
| Ordinary share price | \$ 10.27 | \$ 10.17 |
| Exercise price | \$ 11.50 | \$ 11.50 |

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| | | |
|----------------------------|--------|--------|
| Risk-free rate of interest | 3.56% | 3.94% |
| Volatility | 0.00% | 0.00% |
| Term | 5.25 | 5.50 |
| Warrant to buy one share | \$0.04 | \$0.05 |
| Dividend yield | 0.04% | 0.00% |

The forward purchase agreement is a plain vanilla forward contract with delivery of the Units and payment contingent on the consummation of an acquisition. The value per forward purchase unit is equal to the probability of an acquisition occurring, multiplied by the value of the unit at the initial public offering date, multiplied by $(1 - \exp(-rt))$ where r is the risk-free rate of interest and t is the time to acquisition.

The key inputs into the formula were as follows at March 31, 2023 and December 31, 2022:

| Input | Forward Purchase Liability | |
|---|----------------------------|-------------------|
| | March 31, 2023 | December 31, 2022 |
| Probability of an acquisition occurring | 40.00% | 10.00% |
| Unit price | \$ 10.32 | \$ 10.17 |
| Risk-free rate of interest | 4.79% | 4.70% |
| Time to expiration | 0.25 | 0.05 |

The Company established the fair value of the contingent interest liability on December 31, 2022. The Company utilized a “With and Without” embedded derivative valuation model to calculate the standalone value of the embedded derivative. Key inputs into the model as of March 31, 2023 and December 31, 2022 are as follows:

| Input | Contingent Interest Liability | |
|---|---|---|
| | March 31, 2023 | December 31, 2022 |
| Valuation date | March 31, 2023 | December 31, 2022 |
| Inception date | December 1 through December 14, 2022 | December 1 through December 14, 2022 |
| Aggregate principal amount | \$ 350,000 | \$ 350,000 |
| Contractual interest | 100.0 | 100.0% |
| Maturity date | Date of successful business combination | Date of successful business combination |
| Estimated business combination date | June 30, 2023 | June 30, 2023 |
| Estimated probability of a business combination | 40.0% | 10.0% |
| Estimated market yield | 17.4% | 13.0% |

NOTE 10. INCOME TAX

The Company recorded a tax provision of \$65,475 for the three months ended March 31, 2023. The effective tax rate was (3.03)% for the three months ended March 31, 2023. The effective tax rates differ from the statutory tax rate of 21.0% primarily due to the change in fair value of warrants and the valuation allowance on deferred tax assets. During the three months ended March 31, 2022, the Company did not record any income tax benefits for the net operating losses incurred due to the uncertainty of realizing a benefit from those items.

In general, with certain exceptions ASC 740-270, Income Taxes, requires the use of an estimated annual effective tax rate to compute the tax provision during an interim period. However, due to operating losses for the three months ended March 31, 2023, the Company determined that it was unable to reliably estimate its annual effective tax rate. As such, for the three months ended March 31, 2023, the Company used a discrete-period effective tax rate.

The Company has evaluated the positive and negative evidence bearing upon its ability to realize its deferred tax assets, which primarily consist of capitalized start up costs. The Company considered the history of cumulative net losses, estimated future taxable income and prudent and feasible tax planning strategies, and have concluded that it is more likely than not that the Company will not realize the benefits of its deferred tax assets. As such, the Company recorded a full valuation allowance against net deferred tax assets as of March 31, 2023 and December 31, 2022.

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

References to the “Company,” “First Light Acquisition Group, Inc.,” “our,” “us” or “we” refer to First Light Acquisition Group, Inc. The following discussion and analysis of the Company’s financial condition and results of operations should be read in conjunction with the financial statements and the notes thereto contained elsewhere in this report. Certain information contained in the discussion and analysis set forth below includes forward-looking statements that involve risks and uncertainties.

Special Note Regarding Forward-Looking Statements

This Quarterly Report includes “forward-looking statements” that are not historical facts, and involve risks and uncertainties that could cause actual results to differ materially from those expected and projected. All statements, other than statements of historical fact included in this Quarterly Report including, without limitation, statements in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” regarding the Company’s financial position, business strategy and the plans and objectives of management for future operations, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Words such as “expect,” “believe,” “anticipate,” “intend,” “estimate,” “seek” and variations and similar words and expressions are intended to identify such forward-looking statements. Such forward-looking statements relate to future events or future performance, but reflect management’s current beliefs, based on information currently available. A number of factors could cause actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements. For information identifying important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, please refer to the Risk Factors section of the Company’s final prospectus for its Initial Public Offering filed with the U.S. Securities and Exchange Commission (the “SEC”). The Company’s securities filings can be accessed on the EDGAR section of the SEC’s website at www.sec.gov. Except as expressly required by applicable securities law, the Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

Overview

We are a blank check company formed as a Delaware corporation whose business purpose is to effect a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses or entities.

Our sponsors are First Light Acquisition Group, LLC (“Sponsor”) and Metric Finance Holdings I, LLC (“Metric”), an affiliate of Guggenheim Securities, LLC. The registration statement for our Initial Public Offering was declared effective on September 9, 2021. On September 14, 2021, we consummated the Initial Public Offering of 23,000,000 units (the “Units” and, with respect to the Class A common stock included in the Units being offered, the “Class A common stock” or “public shares”), including the issuance of 3,000,000 Units as a result of the underwriter’s exercise of its over-allotment option, at \$10.00 per Unit, generating gross proceeds of approximately \$230 million, and incurring offering costs of approximately \$22,517,064, consisting of \$2,335,058 underwriter fees, \$8,050,000 deferred underwriting commissions, \$640,129 of actual offering costs, and \$11,491,877 of excess fair value of Founder Shares.

Simultaneously with the closing of the Initial Public Offering, we consummated the private placement (“Private Placement”) of 3,397,155 warrants (each, a “Private Placement Warrant” and collectively, the “Private Placement Warrants”), at a price of \$1.50 per Private Placement Warrant with our Sponsor, generating gross proceeds of approximately \$5,095,733 million.

Following the closing of the Initial Public Offering, the full exercise of the over-allotment option and the sale of the Private Placement Warrants, an amount of \$230 million (\$10.00 per Unit) from the net proceeds of the sale of the Units in the Initial Public Offering and the sale of the Private Placement Warrants was placed in the Trust Account located in the United States, which is and will be invested in U.S. government securities, within the meaning set forth in Section 2(a)(16) of the Investment Company Act, with a maturity of 180 days or less or in any open-ended investment company that holds itself out as a money market fund selected by the Company meeting the conditions of Rule 2a-7 of the Investment Company Act, as determined by the Company, until the earlier of: (i) the completion of a Business Combination and (ii) the redemption of any Public Shares properly submitted in connection with a stockholder vote to amend the Company’s amended and restated certificate of incorporation. On September 13, 2022, the Company’s stockholders approved the Charter Amendment Proposal to extend the date by which the Company must consummate a business combination transaction from September 14, 2022 (the date which was 12 months from the closing date of the Company’s initial public offering of units) to December 14, 2022 (or up to September 14, 2023 if we were to exercise the three three-month extensions available to us pursuant to our amended and restated certificate of incorporation, of which one extension remains unexercised). In connection with the Charter Amendment Proposal, stockholders elected to redeem 18,871,976 shares of common stock. We have until September 14, 2023 to consummate a Business Combination (assuming we were to exercise the three three-month extensions available to us pursuant to our amended and restated certificate of incorporation, of which one extension remains unexercised). However, if we have not completed a Business Combination within the completion window, we will (i) cease all operations except for the purpose of winding up, (ii) as promptly as reasonably possible but not more than ten business days thereafter, redeem 100% of the public shares, at a per-share price, payable in cash, equal to the aggregate amount then on deposit in the Trust Account, including interest earned and not previously released to us to pay our taxes, if any (less up to \$100,000 of interest to pay dissolution expenses), divided by the number of then issued and outstanding public shares, which redemption will completely extinguish the rights of the public shareholders as shareholders (including the right to receive further liquidating distributions, if any), and (iii) as promptly as reasonably possible following such redemption, subject to the approval of the Company’s remaining public shareholders and its Board of Directors, liquidate and dissolve, subject in each case to the Company’s obligations under Delaware law to provide for claims of creditors and the requirements of other applicable law.

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Results of Operations

Our entire activity from inception through March 31, 2023 relates to our formation, the Initial Public Offering and, since the closing of the Initial Public Offering, a search for a Business Combination candidate. We will not be generating any operating revenues until the closing and completion of our Business Combination at the earliest.

For the three months ended March 31, 2023, we had net loss of approximately \$2.2 million, which consisted of \$2.1 million in operating costs, a \$0.6 million loss on the change in the fair value of forward purchase unit liability, a \$0.1 million loss on the change in fair value of contingent interest liability, and a \$0.1 million provision for income taxes, offset by a \$0.1 million gain on the change in the fair value of warrant liability and \$0.5 million earnings and unrealized gain on marketable securities held in the trust account.

For the three months ended March 31, 2022, we had net income of approximately \$1.5 million, which consisted of \$0.5 million in operating costs and a \$0.1 million loss on the change in the fair value of the forward purchase unit liability, offset by a \$2.1 million gain on the change in the fair value of warrant liability, interest income and unrealized gain on marketable securities held in the trust account.

Going Concern

As of March 31, 2023, the Company had \$82,828 in operating cash and working capital deficit of \$6,346,675.

The Company's liquidity needs since September 14, 2021 had been satisfied through a payment from the Sponsor and Metric of \$25,000 for Class B common stock, par value \$0.0001 per share ("Class B common stock" and shares thereof, "Founder Shares") (see Note 5 to the unaudited condensed financial statements included herein), the Initial Public Offering and the issuance of the Private Placement Warrants. Additionally, the Company drew on an unsecured promissory note to pay certain offering costs and unsecured promissory notes to pay for the Company's extension and working capital needs.

The Company has incurred and expects to continue to incur significant costs in pursuit of its financing and acquisition plans. The Company lacks the financial resources it needs to sustain operations for a reasonable period of time, which is considered to be one year from the issuance date of the financial statements. Although no formal agreement exists, the Sponsor is committed to extend Working Capital Loans as needed. The Company cannot assure stockholders that its plans to consummate an initial Business Combination will be successful. In addition, management is currently evaluating the impact of the Russia-Ukraine war and rising interest rates and increased inflation and their macro-economic impact, and their effect on the Company's financial position, results of its operations and/or search for a target company.

These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern one year from the date these financial statements are issued. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Contractual Obligations

We do not have any long-term debt, capital lease obligations, operating lease obligations or long-term liabilities as of March 31, 2023 other than an agreement for an optional payment to an affiliate of our sponsor a monthly fee of \$10,000 for office space and administrative support to the Company. We began incurring these fees on September 13, 2021 and will continue to incur these fees monthly until the earlier of the completion of the business combination and the Company's liquidation.

On September 13, 2022, the Company entered into promissory note agreements with the Sponsor and Metric ("Related Party Promissory Notes") for an aggregate \$490,000. The Related Party Promissory Notes are non-interest bearing and are payable on the earlier of the date on which a business combination is consummated or the date that the winding up of the Company is effective. As of March 31, 2023 and December 31, 2022, there is \$490,000 outstanding under these agreements.

In November and December 2022, the Company entered into promissory note agreements with various parties ("Promissory Notes") for an aggregate borrowing capacity of \$990,000. The Promissory Notes include a zero interest bearing note, notes that accrue interest at a 50% rate per annum, and notes that have 100% interest payable upon the consummation of an initial Business Combination. The zero interest bearing notes and the notes that accrue interest at a 50% rate per annum are payable on the earliest to occur of (i) the date on which the Company consummates its initial Business Combination or (ii) the date that the winding up of the Company is effective. The notes that have 100% interest payable upon consummation of an initial Business combination are due and payable upon the consummation of the Company's initial Business Combination. As of March 31, 2023 and December 31, 2022, the Company has drawn down an aggregate of \$990,000 and \$767,500, respectively, on the Promissory Notes. As of March 31, 2023 and December 31, 2022, the Company accrued \$73,158 and \$7,719 interest related to the 50% per annum interest rate Promissory Notes, respectively, and \$134,269 and \$32,865 for the contingent interest embedded derivative liability related to the 100% interest rate Promissory Notes, respectively, payable upon consummation of an initial Business Combination. The contingent interest liability is treated as an issuance cost and is recorded against a debt discount. The Promissory Notes are recorded net of debt discount, with the debt discount being amortized into the Promissory Note balance through the maturity date.

The underwriter of the IPO is entitled to a deferred discount of \$0.35 per Unit, or \$8,050,000 in the aggregate. The deferred discount will become payable to the underwriter from the amounts held in the Trust Account solely in the event that we complete a Business Combination, subject to the terms of the underwriting agreement. On December 6, 2022, the underwriter waived its right to the deferred fee of \$8,050,000 it was entitled to upon the consummation of the Business Combination. As such, the deferred underwriter fee payable has been reduced to zero as of December 31, 2022.

Commitments and Contingencies

Registration and Shareholder Rights

The holders of the founder shares and Private Placement Warrants (and any shares of Class A common stock issuable upon the exercise of the Private Placement Warrants and warrants that may be issued upon conversion of the Working Capital Loans and upon conversion of the founder shares) will be entitled to registration rights pursuant to a registration rights and shareholder agreement dated September 9, 2021, requiring the Company to register such securities for resale (in the case of the founder shares, only after conversion to shares of Class A common stock). The holders of these securities will be entitled to make up to three demands, excluding short form demands, that the Company register such securities. In addition, the holders will have certain “piggy-back” registration rights with respect to registration statements filed subsequent to the completion of a Business Combination and rights to require the Company to register for resale such securities pursuant to Rule 415 under the Securities Act. However, the registration and shareholder rights agreement provides that the Company will not permit any registration statement filed under the Securities Act to become effective until termination of the applicable lock-up period. The Company will bear the expenses incurred in connection with the filing of any such registration statements.

Underwriter agreement

The Company granted the underwriter a 45-day option from the date of the Initial Public Offering to purchase up to 3,000,000 additional Units to cover over-allotments at the Initial Public Offering price less the underwriting discount, which the underwriter has exercised. The underwriter was entitled to a cash underwriting discount of \$2,335,058 in the aggregate, paid on the closing of the Initial Public Offering. In addition, the underwriter will be entitled to a deferred fee of \$0.35 per Unit, or \$8,050,000 in the aggregate. The deferred fee will become payable to the underwriter from the amounts held in the Trust Account solely in the event that the Company completes a Business Combination, subject to the terms of the underwriting agreement. On December 6, 2022, the underwriter waived its right to the deferred fee of \$8,050,000 it was entitled to upon the consummation of the Business Combination. As such, the deferred underwriter fee payable has been reduced to zero as of December 31, 2022.

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Forward Purchase Agreement

In August 2021, the Company entered into a forward purchase agreement with Franklin Strategic Series—Franklin Small Cap Growth Fund (the “forward purchase agreement”), a Delaware statutory trust (“Franklin”), whereby Franklin has agreed to purchase (subject to certain conditions set forth therein) 5,000,000 shares of Class A common stock plus 2,500,000 forward purchase warrants, exercisable to purchase one share of Class A common stock at \$11.50 per share, for an aggregate purchase price of \$50,000,000, or \$10.00 for one share of Class A common stock and one-half of one warrant, in a private placement to occur concurrently with the closing of the initial business combination. The obligations under the forward purchase agreement do not depend on whether any shares of Class A common stock are redeemed by the Company’s public stockholders.

Subject to certain conditions set forth in the forward purchase agreement, Franklin may transfer the rights and obligations under the forward purchase agreement, in whole or in part, to forward transferees, provided that upon such transfer the forward transferees assume the rights and obligations of Franklin under the forward purchase agreement. The proceeds from the sale of the forward purchase securities may be used as part of the consideration to the sellers in the Company’s initial Business Combination, for expenses in connection with its initial Business Combination or for working capital in the post-transaction company. However, Franklin retains the right to purchase shares under the agreement at a later date.

In connection with the Business Combination with Calidi, Franklin is not obligated under its forward purchase agreement to purchase the forward purchase shares and has informed the Company that it has determined not to purchase such shares in connection with the consummation of the Business Combination.

Critical Accounting Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and income and expenses during the periods reported. Actual results could materially differ from those estimates. We have identified the following critical accounting estimates.

Warrant Liability

The Company accounts for the 14,897,155 warrants issued in connection with the Initial Public Offering and the Private Placement Warrants (collectively, the “Warrants”) as either equity-classified or liability-classified instruments based on an assessment of the Warrant’s specific terms and applicable authoritative guidance in ASC 480 and ASC 815, “Derivatives and Hedging” (“ASC 815”). The assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the company’s own common stock, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period end date while the warrants are outstanding. The Warrants were determined to be liability-classified instruments which are measured at fair value with changes in the fair value at subsequent reporting dates recorded to the statement of operations. The Company transferred Public Warrants from a Level 3 financial measurement to a Level 1 measurement for the period from March 24, 2021 (inception) through December 31, 2021 as a result of the Public Warrants detaching from the Units and becoming separately tradable with quoted prices observable in active markets. The Company transferred Private Placement Warrants from a Level 3 measurement to a Level 2 measurement during the year ended December 31, 2022 as the valuation inputs are largely driven by the fair value of the Public Warrants for which quoted prices are observable in active markets.

Forward Purchase Units

The company accounts for the 5,000,000 forward purchase units in accordance with ASC Topic 815 as a liability-classified instrument at fair value with changes in fair value at subsequent reporting dates recorded to the statement of operations. The forward purchase agreement is a plain vanilla forward contract with delivery of the Units and payment contingent on the consummation of an acquisition. The value per forward purchase unit is equal to the probability of an acquisition occurring, multiplied by the value of the unit at the initial public offering date, multiplied by $(1 - \exp(-rt))$ where r is the risk-free rate of interest and t is the time to acquisition. The forward purchase units are classified as Level 3 measurements as of March 31, 2023 and December 31, 2022.

Contingent Interest Liability

The Company accounts for interest on promissory notes that are payable upon a successful business combination in accordance with ASC Topic 470, “Debt” and ASC 815. The contingent interest meets the criteria of an embedded derivative which requires bifurcation and separate accounting as a liability-classified instrument at fair value with changes in the fair value at subsequent reporting dates recorded to the statement of operations. The contingent interest liability is also treated as an issuance cost of the promissory notes and is recorded against a debt discount. The contingent interest liability is classified as a Level 3 measurement as of March 31, 2023 and December 31, 2022 as valuation inputs are largely driven by the timing and probability of a successful business combination.

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Recent Accounting Pronouncements

Refer to Recent Accounting Pronouncements disclosure in Note 2. Summary of Significant Accounting Policies in the notes to the financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not required for smaller reporting companies.

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Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in our Exchange Act reports 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 principal executive officer and principal financial officer or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, our Chief Executive Officers and Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2023. Based upon their evaluation, our Chief Executive Officers and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were not effective, due to the previously disclosed material weakness in our internal control over financial reporting related to the fact that the Company has not yet designed and maintained effective controls relating to the accounting for derivatives and presentation of our statement of cash flows due to the lack of a sufficient number of trained professionals with an appropriate level of accounting knowledge, training and experience to appropriately analyze, record and disclose accounting matters timely and accurately. As a result, we performed additional analysis as deemed necessary to ensure that our financial statements were prepared in accordance with GAAP. Accordingly, management believes that the financial statements included in this Quarterly Report present fairly in all material respects our financial position, results of operations and cash flows for the period presented.

Remediation Activities

Following the determination of the material weaknesses, our Chief Financial Officer performed additional post-closing review procedures including consulting with subject matter experts related to the accounting for derivatives and marketable securities. The Company's management has also retained an additional consultant to provide additional review and subject matter expertise. The Company's management has expended, and will continue to expend, a substantial amount of effort and resources for the remediation and improvement of our internal control over financial reporting. While we have processes to properly identify and evaluate the appropriate accounting technical pronouncements and other literature for all significant or unusual transactions, we have improved, and will continue to improve, these processes to ensure that the nuances of such transactions are effectively evaluated in the context of the increasingly complex accounting standards. We plan to continue to enhance our review procedures of evaluating and implementing the accounting standards that apply to our financial statements, including through additional analyses by our personnel and third-party professionals with whom we consult regarding complex accounting. The elements of our remediation plan can only be accomplished over time, and we can offer no assurance that these initiatives will ultimately have the intended effects.

Changes in Internal Control over Financial Reporting

Other than the matters discussed above, there was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended March 31, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in "Part I. Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022, except as described below.

Adverse developments affecting the financial services industry, including events or concerns involving liquidity, defaults or non-performance by financial institutions, could adversely affect our business, financial condition, or our prospects.

The funds in our operating account and our Trust Account are held in banks or other financial institutions. Our cash held in non-interest bearing and interest-bearing accounts exceed any applicable Federal Deposit Insurance Corporation ("FDIC") insurance limits. Should events, including limited liquidity, defaults, non-performance or other adverse developments occur with respect to the banks or other financial institutions that hold our funds, or that affect financial institutions or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, our liquidity may be adversely affected. For example, in response to the rapidly declining financial condition of regional banks Silicon Valley Bank, First Republic Bank and Signature Bank, the California Department of Financial Protection and Innovation closed Silicon Valley Bank and First Republic Bank on March 10, 2023 and May 1, 2023, respectively, and the New York State Department of Financial Services closed Signature Bank on March 12, 2023. The FDIC was then appointed as receiver for each bank. Although we did not have any funds in Silicon Valley Bank, Signature Bank, First Republic Bank or other institutions that have been closed we cannot guarantee that the banks or other financial institutions that hold our funds will not experience similar issues.

In addition, investor concerns regarding the U.S. or international financial systems could result in less favorable commercial financing terms, including higher interest rates or costs and tighter financial and operating covenants, or systemic limitations on access to credit and liquidity sources, thereby making it more difficult for us to acquire financing on terms favorable to us in connection with a potential business combination, or at all, and could have material adverse impacts on our liquidity, financial condition, and our prospects. Our business may be adversely impacted by these developments in ways that we cannot predict at this time, there may be additional risks that we have not yet identified, and we cannot guarantee that we will be able to avoid negative consequences directly or indirectly from any failure of one or more banks or other financial institutions.

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

On September 14, 2021, simultaneously with the consummation of the closing of the Offering, the Company consummated the private placement of an aggregate of 3,397,155 Private Placement Warrants (the "Private Warrants") to certain funds and accounts managed by First Light Acquisition Group, LLC, the sponsor of the Company (the "Sponsor") and Metric Finance Holdings I, LLC ("Metric"), at a price of \$1.50 per Private Warrant, generating total gross proceeds of \$5,095,733. No underwriting discounts or commissions were paid with respect to such sale. The issuance of the Private Warrants was made pursuant to the exemption from registration contained in Section 4(a)(2) of the Securities Act of 1933, as amended.

The Private Placement Warrants are identical to the Public Warrants underlying the Units being sold in the Initial Public Offering, except that the Private Placement Warrants and the shares of Class A common stock issuable upon the exercise of the Private Placement Warrants are not transferable, assignable or saleable until 30 days after the completion of a Business Combination, subject to certain limited exceptions. Additionally, the Private Placement Warrants are exercisable for cash or on a cashless basis, at the holder's option, and are non-redeemable so long as they are held by the initial purchasers or their permitted transferees (except for a number of shares of Class A common stock as described above under Redemption of warrants for Class A common stock). If the Private Placement Warrants are held by someone other than the initial purchasers or their permitted transferees, the Private Placement Warrants will be redeemable by the Company in all redemption scenarios and exercisable by such holders on the same basis as the Public Warrants.

Item 3. Default Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibit Index

The exhibits on the Exhibit Index to this Form 10-Q are incorporated by reference herein.

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EXHIBIT INDEX

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

| Exhibit No. | Exhibit Description |
|-------------|--|
| 3.1(a) | Amended and Restated Certificate of Incorporation (1) |
| 3.1(b) | Certificate of Amendment to Amended and Restated Certificate of Incorporation (2) |
| 3.2 | Bylaws (3) |
| 10.1 | Agreement and Plan of Merger, dated as of January 9, 2023, by and among First Light Acquisition Group, Inc., FLAG Merger Sub, Inc., Calidi Biotherapeutics, Inc., First Light Acquisition Group, LLC and Allan Camaisa (4) |
| 10.2 | Amendment No. 1, dated as of February 9, 2023, to Agreement and Plan of Merger, dated as of January 9, 2023, by and among First Light Acquisition Group, Inc., FLAG Merger Sub, Inc., Calidi Biotherapeutics, Inc., First Light Acquisition Group, LLC and Allan Camaisa (5) |
| 10.3 | Sponsor Agreement, dated as of January 9, 2023, by and among First Light Acquisition Group, Inc., Calidi Biotherapeutics, Inc., First Light Acquisition Group, LLC and certain other parties thereto (4) |
| 10.4 | Form of Registration Rights Agreement, by and among First Light Acquisition Group, Inc., Calidi Biotherapeutics, Inc., First Light Acquisition Group, LLC and Metric Finance Holdings I, LLC (4) |
| 10.5 | Form of Voting and Lock-Up Agreement, dated as of January 9, 2023, by and among First light Acquisition Group, Inc., Calidi Biotherapeutics, Inc. and certain holders of Calidi Biotherapeutics, Inc. (4) |
| 10.6 | Form of Amendment No. 1, dated as of April 12, 2023, to the Voting Agreement, dated as of January 9, 2023, by and among First Light Acquisition Group, Inc., Calidi Biotherapeutics, Inc. and certain equityholders of Calidi Biotherapeutics, Inc. (6) |
| 31.1* | Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1** | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2** | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | Inline XBRL Instance Document (the instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document) |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Labels Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

* Filed herewith.

** Furnished herewith.

(1) Previously filed as an exhibit to our current Report on Form 8-K filed on September 15, 2021.

(2) Previously filed as an exhibit to our current Report on Form 8-K filed on September 16, 2022.

(3) Previously filed as an exhibit to our Registration Statement on Form S-1 filed on August 24, 2021.

(4) Previously filed as an exhibit to our current Report on Form 8-K filed on January 9, 2023.

(5) Previously filed as an exhibit to our current Report on Form 8-K filed on February 10, 2023.

(6) Previously filed as an exhibit to our current Report on Form 8-K filed on April 13, 2023.

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.

FIRST LIGHT ACQUISITION GROUP, INC.

Date: May 15, 2023

By: /s/ Tom Vecchiolla

Tom Vecchiolla
Chief Executive Officer
(Principal Executive Officer)

Date: May 15, 2023

By: /s/ Michael J. Alber

Michael J. Alber
Chief Financial Officer
(Principal Financial and Accounting Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Tom Vecchiolla, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First Light Acquisition Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers 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 officers 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.

May 15, 2023

/s/ Tom Vecchiolla

Tom Vecchiolla
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael J. Alber, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First Light Acquisition Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers 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 officers 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.

May 15, 2023

/s/ Michael J. Alber

Michael J. Alber
Chief Financial Officer

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

In connection with the Quarterly Report on Form 10-Q of First Light Acquisition Group, Inc. (the "Company") for the quarterly period ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Tom Vecchiolla, as Chief Executive Officer of the Company, hereby certifies, 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 Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Tom Vecchiolla

Tom Vecchiolla
Chief Executive Officer
May 15, 2023

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

In connection with the Quarterly Report on Form 10-Q of First Light Acquisition Group, Inc. (the "Company") for the quarterly period ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Michael J. Alber, as Chief Financial Officer of the Company, hereby certifies, 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 Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael J. Alber

Michael J. Alber
Chief Financial Officer
May 15, 2023