# **SPECTRAL - COMPLETE COMPANY DESCRIPTION**

**Definitive Reference Document** *Use this to explain Spectral to anyone - investors, customers, partners, or AI*

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## **ELEVATOR PITCH (30 seconds)**

Spectral is the independent verification infrastructure for healthcare AI. We help health systems govern their entire AI portfolio (Epic, imaging vendors, internal tools—everything) and help AI vendors get certified once to close deals everywhere. Think SOC 2, but for healthcare AI-specific risks like PHI leakage, clinical accuracy, and bias.

## **THE PROBLEM WE SOLVE**

### **For Health Systems (Buyers)**

Healthcare organizations are deploying AI faster than they can govern it:

* **23 AI systems on average** across Epic, imaging vendors, documentation tools, productivity platforms, RCM systems
* **CISOs can't answer basic questions:** "What AI do we have? Is it HIPAA compliant? Are we monitoring for safety?"
* **Procurement is frozen:** Each vendor takes 6-12 months to evaluate (120-question security reviews, manual testing, legal review)
* **Board is asking questions:** Executives need proof of AI compliance but have no unified visibility
* **Building internal capability is expensive:** $15M+ and 3-5 years to build governance infrastructure from scratch

**Current Reality:** AI adoption is frozen because health systems can't govern what they can't see, and evaluating every vendor independently takes too long.

### **For AI Vendors (Sellers)**

AI companies selling into healthcare face brutal procurement cycles:

* **6-12 month security reviews** for every health system customer
* **Same 120 questions** answered repeatedly (HIPAA, PHI handling, bias testing, clinical validation)
* **Deals die in procurement** even after clinical champions love the product
* **No standardized process** means starting from zero with each customer
* **Sales cycles kill runway** especially for early-stage companies

**Current Reality:** Healthcare procurement is so slow that promising AI companies run out of money before closing enough deals.

## **THE ROOT CAUSE: COORDINATION FAILURE**

This is a **$150 billion coordination failure:**

* 6,000 hospitals × 50 AI vendors = **300,000 duplicate evaluations**
* Each evaluation: 6-12 months + $500K in staff time
* **Everyone evaluates everyone independently** because there's no trusted third party

Healthcare needs what other industries have:

* **Software:** SOC 2 auditors (verify once, trust everywhere)
* **Payments:** PCI compliance (standardized certification)
* **Manufacturing:** UL certification (independent safety testing)

**Healthcare AI has no equivalent. Spectral is building it.**

## **HOW SPECTRAL WORKS**

### **For Health Systems: Unified Governance Platform**

One platform to govern your entire AI portfolio—regardless of vendor.

#### **🪐 Constellation - Portfolio Governance**

* **See everything:** Complete inventory of every AI system (Epic, imaging vendors, internal tools)
* **Unified oversight:** One dashboard showing all deployments, risk levels, compliance status
* **Executive reporting:** Board-ready summaries of AI portfolio health
* **Policy enforcement:** Apply governance policies across all vendors simultaneously

**Example:** 500-bed hospital discovered 23 AI deployments (expected 8). Now governed centrally.

#### **🛡️ Sentinel - Real-Time Safety Monitoring**

* **24/7 monitoring:** PHI leakage detection, model drift alerts, bias monitoring, hallucination detection
* **Automated response:** Rollback systems on critical failures (PHI exposure, safety issues)
* **Intelligent alerts:** Prioritized by severity, no alert fatigue
* **Works everywhere:** Monitors Epic, third-party vendors, internal tools simultaneously

**Example:** PHI pattern detected in model output. System rolled back automatically in 2 minutes. Breach prevented.

#### **📊 Watchtower - Compliance Automation**

* **Audit-ready reports:** Daily HIPAA compliance reports, NIST AI RMF mapping, FDA documentation, state law compliance
* **Evidence generation:** Automated collection of proof for auditors
* **Framework mapping:** One event maps to multiple regulations automatically
* **Board summaries:** Executive-level compliance status reports

**Example:** Audit prep time reduced from 6 weeks to 2 hours using auto-generated evidence packages.

#### **🔷 Beacon - Vendor Fast-Track**

* **Pre-verified vendors:** Accept "Spectral Verified" vendors in weeks instead of months
* **Independent certification:** Third-party validation CISOs recognize
* **Skip redundant reviews:** If vendor has Beacon certification, procurement accelerates
* **Growing network:** 5 health systems accepting, 15+ in pilots, vendor directory expanding

**Example:** Imaging AI vendor certified in 3 weeks vs typical 9-month review cycle.

### **For AI Vendors: Portable Certification**

Get verified once. Close deals everywhere.

#### **Beacon Certification Process**

**Step 1: Submit Your AI**

* Provide model details, clinical use case, API access
* Upload technical documentation (architecture, validation, security)
* Choose certification tier (Verified, Certified, or Trusted)

**Step 2: Independent Testing (2-8 weeks)**

* **PHI Protection:** Test for data leakage, exposure risks
* **Clinical Validation:** Verify accuracy claims against test datasets
* **Bias Testing:** Demographic fairness across patient populations
* **Security Testing:** Adversarial attacks, prompt injection resistance
* **Explainability:** Ensure interpretability for clinicians
* **Drift Detection:** Verify monitoring capabilities

**Step 3: Receive Certification**

* **Spectral Verified Badge:** Display on website, pitch decks, RFPs
* **Public Trust Page:** Shows verification status mapped to HIPAA/NIST/FDA standards
* **Compliance Report:** Detailed evidence health systems need (20-40 pages)
* **Sales Enablement:** Materials to accelerate procurement

**Step 4: Leverage Network Effects**

* Growing number of health systems accept Spectral verification
* Badge becomes recognized standard (like SOC 2)
* Procurement time: 6-12 months → 2-3 weeks

## **WHAT MAKES SPECTRAL DIFFERENT**

### **1. Independent (Not Biased)**

* **Not affiliated** with any AI vendor, health system, or platform
* **No incentive** to favor anyone
* **Pure verification service** like SOC 2 auditors
* Both buyers and sellers trust us because we have no conflicts

### **2. Healthcare-Specific (Not Generic)**

* Built for **healthcare risks:** PHI, clinical accuracy, bias, regulatory compliance
* Understands **healthcare workflows:** clinical validation, care pathways, patient safety
* Maps to **healthcare regulations:** HIPAA, NIST AI RMF, FDA guidance, state laws
* Not generic security testing—deeply healthcare and AI native

### **3. Works With Anyone (Not Locked-In)**

* **Not a closed platform** (like Qualified Health for internal productivity)
* **Monitors any vendor:** Epic, OpenAI, imaging vendors, internal tools, everything
* **No vendor lock-in:** Health systems stay flexible, choose best-in-class AI for each use case
* **Open infrastructure:** Integration layer, not replacement layer

### **4. Two-Sided Network (Gets Stronger Over Time)**

* More health systems accept verification → More vendors get certified → Badge becomes standard → More health systems require it → Network compounds
* **Early movers win:** Vendors certified early gain sales advantage
* **Network effects accelerate:** Becomes expected baseline (like SOC 2 in software)

## **WHO SPECTRAL IS FOR**

### **Primary Customers: Health Systems**

**Target Profiles:**

* **Academic Medical Centers:** 500+ beds, 15-25 AI systems, $400K/year Enterprise tier
* **Regional Health Systems:** 200-500 beds, 4-10 AI systems, $200K/year Growth tier
* **Community Hospitals:** 100-300 beds, 1-3 AI systems, $75K/year Foundation tier
* **Integrated Delivery Networks (IDNs):** Multi-hospital systems, centralized governance

**Key Buyers:**

* **CISO / IT Security:** Primary decision maker, owns AI risk
* **Chief Medical Information Officer (CMIO):** Clinical AI oversight
* **Compliance / Privacy Officer:** HIPAA and regulatory requirements
* **VP Clinical Transformation:** AI adoption enabler
* **Procurement:** Vendor evaluation process owner

**Buying Triggers:**

* Board asking about AI compliance
* Upcoming audit (HIPAA, Joint Commission)
* AI procurement backlog causing physician frustration
* Incident or near-miss (PHI exposure, model failure)
* New regulations (state AI laws)

### **Secondary Customers: AI Vendors**

**Target Profiles:**

* **Clinical AI Vendors:** Documentation (Nuance, Abridge), decision support, diagnostics
* **Imaging AI Companies:** Radiology, pathology, cardiology AI tools
* **Enterprise Platforms:** Productivity, chatbots, workflow automation
* **RCM AI Tools:** Coding, billing, claims processing
* **SaMD Companies:** Software as Medical Device requiring FDA validation

**Key Buyers:**

* **VP Sales / CRO:** Owns sales cycle acceleration
* **Head of Product / CTO:** Responsible for compliance readiness
* **Founder / CEO:** Strategic certification decision (early-stage)

**Buying Triggers:**

* Long sales cycles killing growth
* Lost deals due to procurement friction
* Customer asks for third-party validation
* Competing vendor has certification
* Preparing for Series B+ fundraise (need credibility)

## **BUSINESS MODEL**

### **Revenue Streams**

**1. Health System Subscriptions (Primary - 70% of revenue)**

* **Foundation:** $75K/year (1-3 AI systems)
* **Growth:** $200K/year (4-10 AI systems) ⭐ Most common
* **Enterprise:** $400K/year (11+ AI systems)

Annual contracts, paid upfront, multi-year commitments typical.

**2. Vendor Certifications (Secondary - 30% of revenue)**

* **Verified:** $15K/year (automated testing, quarterly re-verification)
* **Certified:** $50K/year (automated + expert validation) ⭐ Most popular
* **Trusted:** $100K/year (deep assurance, continuous monitoring)

Quarterly re-verification included. Annual renewals.

### **Unit Economics**

**Health System Customer:**

* **ACV:** $200K (Growth tier average)
* **CAC:** $40K (sales-led, 3-month cycle)
* **CAC Payback:** 2.4 months
* **Gross Margin:** 85% (software leverage)
* **LTV:** $800K (4-year retention)
* **LTV/CAC:** 20x

**Vendor Customer:**

* **ACV:** $50K (Certified tier average)
* **CAC:** $10K (product-led + sales assist)
* **CAC Payback:** 2.4 months
* **Gross Margin:** 80% (some manual validation)
* **LTV:** $200K (4-year retention)
* **LTV/CAC:** 20x

### **Go-To-Market Strategy**

**Health Systems (Sales-Led):**

1. **Target:** Top 100 health systems, academic medical centers first
2. **Inbound:** Content marketing (HIMSS, CHIME conferences, thought leadership)
3. **Outbound:** Direct sales to CISOs, CMIOs, compliance officers
4. **Sales Cycle:** 3-6 months (RFP process, procurement)
5. **Expansion:** Land with Foundation → expand to Growth → upgrade to Enterprise as AI adoption grows

**AI Vendors (Product-Led Growth):**

1. **Target:** VC-backed healthcare AI startups, Series A-B companies
2. **Inbound:** Organic (health systems ask vendors "are you Spectral Verified?")
3. **Self-Serve:** Submit certification online, track progress in portal
4. **Community:** Build vendor directory, create network effects
5. **Expansion:** Verify core product → add new products → upgrade to higher tier

## **CURRENT TRACTION**

### **Customers**

* **5 health systems deployed** (live in production)
* **15+ health systems in pilot** (evaluation phase)
* **240+ AI models verified** across customer base
* **2-3 week average deployment** (vs 6-12 months manual governance)

### **Product Status**

* **Platform:** Production-ready (Constellation, Sentinel, Watchtower, Beacon)
* **Integrations:** Epic, OpenAI, Anthropic, major imaging AI vendors
* **Frameworks:** HIPAA, NIST AI RMF, FDA guidance, state laws (CA SB1047, CO AI Act, NYC LL144)

### **Market Position**

* **First mover** in independent healthcare AI verification
* **No direct competitors** (Qualified Health is closed platform, not verification)
* **Network effects starting:** Early health systems becoming "Spectral Standard" adopters

## **COMPETITIVE LANDSCAPE**

### **Not Competitors (Different Categories):**

**Closed AI Platforms** (e.g., Qualified Health, Microsoft Cloud for Healthcare)

* They **provide AI tools** for productivity
* We **verify any AI tool** regardless of provider
* **Complementary:** Health systems use both (Qualified Health for chat + Spectral to govern QH + Epic + imaging vendors + everything)

**Horizontal AI Monitoring Tools** (e.g., LangSmith, Arize, Weights & Biases)

* They **monitor AI performance** (latency, accuracy, drift)
* We **translate AI metrics to healthcare GRC** (HIPAA controls, FDA requirements)
* **We integrate them:** Spectral uses LangSmith/Arize as data sources, adds healthcare translation layer

**Traditional GRC Platforms** (e.g., OneTrust, ServiceNow)

* They **manage general IT compliance** (SOC 2, ISO 27001)
* We **specialize in AI-specific risks** for healthcare (PHI in AI, model bias, clinical accuracy)
* **Different use case:** GRC platforms don't understand AI telemetry or healthcare workflows

### **Potential Future Competitors:**

**If Horizontal Tools Enter Healthcare:**

* LangSmith, Arize could add healthcare compliance features
* **Our moat:** 3+ years encoding healthcare expertise, existing network effects, regulatory relationships
* **Why they won't:** Healthcare is high-liability, they'd get sued if wrong, not core business

**If Closed Platforms Open Up:**

* Qualified Health could try to become verification layer
* **Our moat:** Conflict of interest (can't fairly judge competitors), not independent
* **Why they won't:** Verification commoditizes their platform advantage

**If Health Systems Build Internal:**

* Large systems could build DIY governance
* **Our moat:** $15M+ and 3-5 years to replicate, regulations change quarterly, not core competency
* **Why they won't:** Not their mission (patient care), too expensive, can't share across systems

## **THE TECHNOLOGY**

### **What We Actually Built (Product Architecture)**

**Frontend:**

* **Health System Portal:** Dashboard, inventory, monitoring, reporting, vendor directory
* **Vendor Portal:** Certification tracking, analytics, Trust Page management
* **Public Trust Pages:** Vendor verification status (like SOC 2 reports)

**Backend:**

* **Integration Layer:** Connects to LangSmith, Arize, Epic APIs, vendor APIs, monitoring tools
* **Translation Engine:** 🔒 **THIS IS THE MOAT** - Converts AI telemetry → Healthcare GRC controls
* **Compliance Engine:** Maps events to HIPAA, NIST AI RMF, FDA guidance, state laws
* **Alerting System:** Real-time monitoring, intelligent thresholds, automated responses

**Data Infrastructure:**

* **Telemetry Ingestion:** Collects AI usage data, model outputs, performance metrics
* **Risk Scoring:** Calculates risk levels based on clinical use case, PHI exposure, drift
* **Evidence Generation:** Automated audit trails, compliance documentation

### **The Translation Engine (Our Defensible IP)**

**The Problem It Solves:**

LangSmith shows: "Model latency increased 15% over 7 days"

But CISOs need to know:

* Which HIPAA control is violated?
* What NIST AI RMF requirement is affected?
* Is this reportable to FDA?
* What action is required per our governance policy?

**Our Translation Layer:**

LangSmith Alert: "Model latency increased 15%"

↓

Spectral Translation Engine

↓

⚠️ NIST AI RMF MANAGE 4.1: Performance degradation detected

⚠️ HIPAA §164.312(b): Service availability concern

📋 Action Required: Execute R18 rollback protocol

📧 Escalate: Governance committee within 24 hours

**This is 3 years of expertise encoded as software:**

* 43 HIPAA controls mapped
* 18 NIST AI RMF controls mapped
* FDA AI/ML guidance encoded
* State laws (CA, CO, NYC) incorporated
* Clinical risk frameworks integrated
* Updated quarterly as regulations change

**Why No One Else Can Build This:**

* Requires **healthcare + AI + compliance expertise** (rare combination)
* Takes **3-5 years** to encode properly
* High **liability if wrong** (breach risk)
* Needs **continuous maintenance** (regulations change quarterly)

## **STRATEGIC POSITIONING**

### **Our Core Insight: The Open vs Closed Choice**

Healthcare is choosing between two paths for AI:

**Path 1: Closed Platforms** (e.g., Qualified Health)

* ❌ Vendor lock-in (stuck with one provider)
* ❌ Only covers internal use (can't govern Epic AI, imaging vendors)
* ❌ Miss best-in-class AI (forced to use platform's models)
* ✓ Easy decision (one vendor "handles everything")

**Path 2: Open Infrastructure** (Spectral)

* ✓ Use any vendor (OpenAI, Epic, imaging, everything)
* ✓ No lock-in (switch anytime)
* ✓ Best-in-class AI (choose best tool for each use case)
* ✓ Portable trust ("verify once, use everywhere")
* ⚠️ Requires governance layer (that's Spectral)

**History shows open wins:**

* Internet beat CompuServe
* Web beat AOL
* Android vs closed mobile ecosystems
* Cloud vs proprietary on-premise

**Closed wins early (easier to sell). Open wins long-term (innovation, flexibility, network effects).**

**Spectral is the open infrastructure for healthcare AI.**

## **REGULATORY LANDSCAPE**

### **Why Now? Regulatory Tailwinds**

**Federal:**

* **FDA AI/ML Action Plan:** Requires post-market monitoring for AI medical devices
* **NIST AI RMF:** Framework for AI risk management (health systems adopting)
* **HHS HIPAA Guidance:** New rules about AI and PHI handling (2024 updates)
* **CMS Reimbursement:** Starting to cover AI-assisted care (drives adoption)

**State:**

* **California SB1047:** AI safety requirements (disclosure, risk assessments)
* **Colorado AI Act:** Consumer protection, bias testing
* **NYC Local Law 144:** Bias audits for automated decision systems
* **10+ more states** considering AI legislation in 2025

**Industry:**

* **Joint Commission:** Adding AI governance to hospital accreditation standards
* **HIMSS Stage 7:** Updated to include AI governance maturity
* **Liability Insurance:** Underwriters requiring AI risk management documentation

**Translation: Health systems MUST have AI governance. Spectral provides it.**

## **MARKET OPPORTUNITY**

### **Market Sizing**

**TAM (Total Addressable Market): $12B**

* 6,000 hospitals × $200K average annual governance spend = $1.2B
* 10,000 AI healthcare vendors × $50K certification = $500K
* **Total Healthcare AI Governance:** $1.7B annually growing to $12B by 2030

**SAM (Serviceable Addressable Market): $2.1B**

* US hospitals (6,000) = primary focus initially
* VC-backed healthcare AI vendors (2,000+) = high propensity to buy
* Realistic capture: 30% of TAM = $2.1B

**SOM (Serviceable Obtainable Market): $240M in 5 years**

* 500 health systems × $200K = $100M
* 2,000 vendors × $50K = $100M
* Enterprise expansion = $40M
* **Total 5-year SOM:** $240M ARR

### **Market Dynamics**

**Growth Drivers:**

* **AI Adoption Explosion:** 80% of health systems deploying AI by 2026 (up from 20% in 2023)
* **Regulatory Pressure:** New state and federal AI laws require governance
* **Board Scrutiny:** Risk committees demanding AI oversight
* **Liability Concerns:** Malpractice insurers requiring AI risk management
* **Procurement Bottleneck:** Health systems can't keep up with vendor evaluations

**Market Trends:**

* **Shift from "Should we use AI?" to "How do we govern AI?"**
* **Industry consolidation around standards** (like SOC 2 becoming universal)
* **Third-party verification becoming expected** (not just vendor self-attestation)
* **Network effects kicking in** (first standards win)

## **EXIT STRATEGY & ACQUIRERS**

### **Likely Acquirers**

**Strategic Buyers (Most Likely):**

**Epic Systems ($4B+ valuation)**

* **Why:** Dominant EHR, already embedded in hospitals, needs AI governance for customer base
* **Strategic fit:** Spectral becomes Epic's "AI Trust Layer" for ecosystem
* **Rationale:** Epic builds AI features → Spectral verifies Epic AI + third-party vendors
* **Acquisition range:** $300M-500M (2-3 years out at $100M ARR)

**Microsoft ($3T valuation)**

* **Why:** Azure for Healthcare, Microsoft Cloud for Healthcare, AI partnership with OpenAI
* **Strategic fit:** Spectral becomes compliance layer for Microsoft's healthcare AI offerings
* **Rationale:** Microsoft sells AI infrastructure → Spectral ensures healthcare compliance
* **Acquisition range:** $500M-1B (3-4 years out at $150M+ ARR)

**Philips Healthcare ($18B revenue)**

* **Why:** Medical devices, imaging, health informatics portfolio
* **Strategic fit:** Spectral verifies Philips AI + competitive AI products
* **Rationale:** Philips selling AI-enabled medical devices → needs governance platform
* **Acquisition range:** $400M-600M (2-3 years out)

**Platform Buyers (Possible):**

**ServiceNow ($150B valuation)** - GRC platform expanding into healthcare **Oracle Health ($200B valuation)** - EHR + Cerner acquisition, needs AI governance **Salesforce Health Cloud ($250B valuation)** - Healthcare CRM, governance add-on

**PE/Growth Equity (Less Likely but Possible):**

**Vista Equity Partners, Thoma Bravo** - Enterprise software roll-ups

* Would need $150M+ ARR and strong retention
* Not strategic buyer, would require path to IPO or secondary sale

### **Why Spectral Is Valuable to Acquirers**

1. **Network Effects:** First mover advantage, hard to replicate once established
2. **Regulatory Moat:** Expertise in healthcare + AI + compliance is rare
3. **Embedded in Workflow:** Once deployed, sticky (governs critical infrastructure)
4. **Expansion Revenue:** Start with governance → expand to AI infrastructure layer
5. **Strategic Control:** Whoever owns verification infrastructure shapes the market

## **FOUNDING TEAM REQUIREMENTS**

For this to work, team needs:

**Healthcare Expertise:**

* Former health system CISOs, compliance officers, CMIOs
* People who've actually built AI governance from scratch
* Deep HIPAA, NIST, FDA knowledge

**AI/ML Expertise:**

* Engineers who understand model monitoring, drift detection, bias testing
* Product leaders from AI companies (OpenAI, Anthropic, Google, etc.)
* Experience with production AI safety

**Regulatory/Compliance Expertise:**

* Former FDA officials, HIPAA consultants
* People who write the regulations, not just read them
* Deep healthcare law understanding

**Enterprise SaaS Expertise:**

* B2B SaaS GTM experience (sales-led + product-led)
* Experience selling to CISOs, compliance officers
* Healthcare technology sales background

**Ideal Team Composition:**

* **CEO:** Healthcare + AI background, can sell to CISOs
* **CTO:** AI safety engineer, production ML experience
* **Chief Compliance Officer:** Former FDA/HHS, writes the rules
* **VP Sales:** Sold security/compliance software to healthcare
* **VP Product:** Built GRC platforms, understands buyers

## **FUNDING REQUIREMENTS**

### **Current Raise: $2.6M Seed (25madison)**

**Use of Funds:**

* **Engineering (40%):** Core platform development, integration layer
* **Sales & Marketing (30%):** Hire 2 AEs, demand generation
* **Compliance (20%):** Maintain framework mappings, regulatory updates
* **Operations (10%):** Finance, legal, HR

**Runway:** 18 months to achieve:

* 10 health system customers ($2M ARR)
* 50 vendor certifications ($2.5M ARR)
* **Total:** $4.5M ARR, demonstrating product-market fit

### **Series A: $15M (12-18 months from now)**

**Milestones to Achieve First:**

* $5M ARR
* 20 health system customers
* 100+ vendors certified
* Network effects visible (vendors asking to join)
* 90% gross retention

**Use of Series A:**

* **Sales (50%):** Scale to 10 AEs, expand to mid-market
* **Engineering (30%):** Advanced features, integrations
* **Marketing (15%):** Brand building, category creation
* **International (5%):** Prepare for EU expansion (GDPR + AI Act)

## **18-MONTH EXIT STRATEGY**

### **The Spectral Playbook**

**Goal:** Position for acquisition by Epic, Microsoft, or Philips at $300M-500M valuation

**Timeline:**

**Months 1-6: Prove Product-Market Fit**

* Close 10 health system customers
* Get 50 vendors certified
* Demonstrate 2-3 week deployment vs 6-12 month baseline
* Show network effects (vendors asking "how do I get Spectral Verified?")

**Months 7-12: Build Network Effects**

* Grow to 25 health systems (creating "Spectral Standard")
* 150 vendors certified
* Launch Rosetta Stone (viral compliance mapping tool)
* Establish brand as "SOC 2 for AI in Healthcare"

**Months 13-18: Become Acquisition Target**

* 50 health systems (critical mass)
* 300+ vendors (network liquidity)
* $10M ARR ($100M+ valuation)
* Strategic buyers MUST respond (threat to their ecosystem)
* **Goal:** Inbound acquisition conversations, bidding war

**Why 18 Months?**

* Long enough to prove market is real
* Short enough to capitalize on AI regulation timing
* Shane's 4-5 year cycle → architect the win, exit before operational grind

## **KEY RISKS & MITIGATION**

### **Risk 1: Regulations Don't Materialize**

**Mitigation:** Already happening (FDA, NIST, state laws). Health systems need governance regardless.

### **Risk 2: Health Systems Build Internal**

**Mitigation:** Too expensive ($15M+), not core competency, can't share across systems. We already have 3-year head start.

### **Risk 3: Horizontal Tools Add Healthcare**

**Mitigation:** High liability, not core business, we integrate them (better partnership than competition).

### **Risk 4: Closed Platforms Win**

**Mitigation:** History shows open infrastructure wins long-term. Plus, can't govern Epic + external vendors with closed platform.

### **Risk 5: Slow Enterprise Sales**

**Mitigation:** Product-led growth with vendors (faster sales cycle), network effects accelerate health system adoption.

### **Risk 6: Epic/Microsoft Build Competing Product**

**Mitigation:** They're ideal acquirers. If they build, we're already ahead with network effects. More likely they acquire us.

## **SUCCESS METRICS**

### **North Star Metric: Network Density**

**Formula:** (# Health Systems) × (# Vendors) × (Verification Acceptance Rate)

**Current:** 5 × 240 × 0.6 = 720 "trust connections"

**Goal (18 months):** 50 × 300 × 0.8 = 12,000 "trust connections"

**Why This Matters:**

* Higher density = stronger network effects
* More connections = harder to displace
* Measures both sides of marketplace

### **Key Performance Indicators**

**Health System Side:**

* ARR from health systems
* Number of AI systems governed per customer
* Time to first value (days to deploy)
* Net Revenue Retention (expansion within accounts)

**Vendor Side:**

* Number of certified vendors
* Verification acceptance rate (% of health systems recognizing badge)
* Sales cycle reduction (before vs after certification)
* Vendor NPS (likelihood to recommend)

**Network Effects:**

* Vendor directory traffic
* Inbound vendor requests ("how do I get certified?")
* Health systems requiring Spectral in RFPs
* "Spectral Verified" mentions in sales materials

## **THE VISION (3-5 Years)**

**Spectral becomes the trust infrastructure for healthcare AI.**

**What This Looks Like:**

* **"Spectral Verified" is expected baseline** (like SOC 2 in software)
* **RFPs say:** "Must have Spectral certification or equivalent"
* **Investors ask:** "Are you Spectral Verified?" before funding healthcare AI startups
* **Regulators reference:** Spectral as example of AI governance best practices
* **Malpractice insurers:** Offer premium reductions for Spectral-governed AI

**Market Position:**

* 500+ health systems using Spectral (30% of market)
* 2,000+ vendors certified (becomes industry standard)
* $100M+ ARR
* Acquired by Epic, Microsoft, or Philips for $300-500M
* Or independent IPO at $1B+ valuation if we decide to stay independent

**Impact:**

* **Patients:** Safe, effective AI reaches care delivery 2-3 years faster
* **Clinicians:** Access to best AI tools without procurement friction
* **Health Systems:** AI governance solved, focus returns to patient care
* **AI Vendors:** Predictable path to healthcare market, sales cycles shortened 90%
* **Industry:** $150B coordination failure solved, innovation accelerated

## **WHY THIS WORKS**

### **Market Timing is Perfect**

✓ **AI adoption exploding** (80% of health systems by 2026) ✓ **Regulations forcing governance** (FDA, state laws, NIST) ✓ **No existing solution** (first mover advantage) ✓ **Network effects available** (winner-take-most market) ✓ **Clear ROI** ($300K+ savings per health system, 7-month faster sales for vendors)

### **Product is Defensible**

✓ **Translation layer is hard to replicate** (3 years of expertise encoded) ✓ **Network effects compound** (more vendors → more health systems → more vendors) ✓ **Switching costs high** (embedded in critical governance workflows) ✓ **Regulatory moat** (maintaining compliance mappings is continuous work)

### **Team is Uniquely Positioned**

✓ **Lived the problem** (built AI governance at health systems) ✓ **Regulatory expertise** (know HIPAA/FDA/NIST intimately) ✓ **AI engineering** (built production ML systems) ✓ **Enterprise sales** (sold to healthcare CISOs before)

### **Business Model Works**

✓ **High ACVs** ($200K health systems, $50K vendors) ✓ **Fast payback** (2.4 months CAC payback) ✓ **Strong retention** (90%+ gross, 120%+ net) ✓ **Capital efficient** (software leverage, integrate existing tools) ✓ **Dual revenue streams** (diversified risk)

## **HOW TO EXPLAIN SPECTRAL TO...**

### **...A 5-Year-Old**

"Hospitals use robot helpers to take care of sick people. Spectral makes sure the robot helpers are safe and don't make mistakes."

### **...Your Mom**

"You know how restaurants need health inspectors to make sure food is safe? Spectral does that for AI in hospitals—we check that the technology is safe before doctors use it with patients."

### **...A Healthcare CIO**

"We're the independent verification layer for your AI portfolio. One platform to see, monitor, and prove compliance across Epic, imaging vendors, documentation tools—everything. Think SOC 2 auditors, but for healthcare AI-specific risks like PHI leakage and clinical accuracy."

### **...An AI Vendor CEO**

"Get Spectral Verified once, close deals everywhere. We're the third-party certification that health systems are starting to require—like SOC 2, but for healthcare AI. Cuts your sales cycle from 9 months to 3 weeks."

### **...A VC**

"We're building the trust infrastructure for healthcare AI—a two-sided marketplace connecting health systems (buyers) and AI vendors (sellers) through independent verification. Network effects, first-mover advantage, regulatory tailwinds, clear path to $100M ARR and strategic acquisition in 18-24 months. We're raising $2.6M to hit $5M ARR and prove the network effects are real."

### **...An Acquirer (Epic, Microsoft, Philips)**

"Spectral is becoming the standard for AI verification in healthcare. 50 health systems require it in RFPs, 300 vendors are certified. If you don't own this infrastructure, you're locked out of shaping the AI governance layer—and whoever controls verification controls market access. This is a strategic asset you need to own, not compete with."

## **QUICK REFERENCE**

**Company:** Spectral  
 **Founded:** 2024  
 **HQ:** Franklin, Tennessee

**What We Do:** Independent verification infrastructure for healthcare AI

**Two Products:**

1. **Platform for Health Systems:** Govern entire AI portfolio (Constellation, Sentinel, Watchtower, Beacon)
2. **Certification for AI Vendors:** Get verified once, trusted everywhere (Beacon)

**Pricing:**

* Health Systems: $75K-400K/year based on # of AI systems
* AI Vendors: $15K-100K/year based on certification tier

**Traction:**

* 5 health systems deployed
* 240+ AI models verified
* 15+ systems in pilots
* 2-3 week deployment time

**Market:** $12B TAM, $2.1B SAM, targeting $240M SOM in 5 years

**Current Stage:** Seed round ($2.6M from 25madison)

**Next Milestone:** $5M ARR, 20 customers, Series A

**Exit Strategy:** 18-month playbook to strategic acquisition ($300-500M) by Epic, Microsoft, or Philips

**Why Now:** AI adoption exploding + regulations forcing governance + no existing solution + network effects available

**Competitive Moat:** Translation layer (healthcare expertise encoded as software) + network effects + first mover advantage

**Team Needs:** Healthcare + AI + Compliance + Enterprise SaaS expertise (rare combination)

## **FINAL SUMMARY**

Spectral is solving a **$150 billion coordination failure** in healthcare AI governance.

Health systems need to govern AI but evaluating every vendor independently takes too long (6-12 months per vendor). AI vendors need to sell to healthcare but proving compliance repeatedly kills their sales cycles.

We're building the **independent verification infrastructure** that fixes this—like SOC 2 auditors for healthcare AI. Health systems govern their entire AI portfolio through our platform. AI vendors get certified once and close deals everywhere.

**Network effects are kicking in:** More health systems accept our verification → More vendors get certified → Badge becomes standard → More health systems require it.

**Regulatory timing is perfect:** FDA, NIST, and state laws are forcing AI governance just as adoption is exploding.

**Path to exit:** 18-month playbook to become the standard, then strategic acquisition by Epic, Microsoft, or Philips at $300-500M valuation.

**This is infrastructure-level opportunity.** Whoever owns the verification layer controls market access—and we're building it first.

**Use this document to explain Spectral to anyone—investors, customers, partners, journalists, or AI assistants. This is the definitive description.**

*End of Document*