

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

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

For the quarterly period ended **June 30, 2022**

OR

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

For the transition period from _____ to _____

Commission file number: **001-38824**

CANOO INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

19951 Mariner Avenue, Torrance, California

(Address of Principal Executive Offices)

83-1476189

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

90503

(Zip code)

(424) 271-2144

(Registrant's telephone number, including area code)

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common stock, \$0.0001 par value per share	GOEV	The Nasdaq Global Select Market
Warrants, each whole warrant exercisable for one share of common stock at an exercise price of \$11.50 per share	GOEVW	The Nasdaq Global Select Market

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer 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

As of August 3, 2022, there were 272,632,909 shares of the registrant's common stock, par value \$0.0001 per share, issued and outstanding.

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Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, including, without limitation, statements under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. We have based these forward-looking statements on our current expectations and projections about future events. All statements, other than statements of present or historical fact included in this Quarterly Report on Form 10-Q are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intends,” “may,” “might,” “plan,” “possible,” “potential,” “predict,” “project,” “should,” “will,” “would” or the negative of such terms or other similar expressions. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements.

These statements are subject to known and unknown risks, uncertainties and assumptions, many of which are difficult to predict and are beyond our control and could cause actual results to differ materially from those projected or otherwise implied by the forward-looking statements. Below is a summary of certain material factors that may make an investment in our common stock speculative or risky.

- Our management has performed an analysis of our ability to continue as a going concern and has identified substantial doubt about our ability to continue as a going concern. If we are unable to obtain additional funding or do not have access to capital, we will be unable to execute our business plans and could be required to terminate or significantly curtail our operations.
- We are an early stage company with a history of losses and expect to incur significant expenses and continuing losses for the foreseeable future.
- We may be unable to adequately control the costs associated with our operations.
- If we fail to successfully build and tool our manufacturing facilities, if we are unable to establish or continue a relationship with a contract manufacturer or if our manufacturing facilities become inoperable, we will be unable to produce our vehicles and our business will be harmed.
- Economic, regulatory, political and other events, such as the rise in interest rates, heightened inflation, slower growth or recession, issues with supply chain, shortage of labor and the war in Ukraine, may adversely affect our financial results.
- We have entered into an agreement with Walmart Inc. for the purchase of electric vehicles (“EVs”) and expect that, at least initially, Walmart Inc. will be our largest customer. If we are unable to maintain this relationship, or if Walmart Inc. purchases significantly fewer vehicles than we currently anticipate or none at all, we will not realize the revenue we expect from this customer.
- We may not be able to realize the non-dilutive financial incentives offered by the States of Oklahoma and Arkansas where we will develop our own manufacturing facilities.
- Developing our own manufacturing facilities for production of our EVs could increase our capital expenditures and delay or inhibit production of our EVs.
- We have not achieved positive operating cash flow and, given our projected funding needs, our ability to generate positive cash flow is uncertain.
- Our financial results may vary significantly from period to period due to fluctuations in our operating costs, product demand and other factors.
- Our limited operating history makes evaluating our business and future prospects difficult and increases the risk of your investment.

- We previously identified material weaknesses in our internal control over financial reporting. Although the weaknesses previously identified have been remediated, if we identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect our business and stock price.
- If we fail to manage our growth effectively, we may not be able to design, develop, manufacture, market and launch our EVs successfully.
- We are highly dependent on the services of our key employees and senior management and, if we are unable to attract and retain key employees and hire qualified management, technical and EV engineering personnel, our ability to compete could be harmed.
- We face significant barriers to manufacture and bring our EVs to market, and if we cannot successfully overcome those barriers our business will be negatively impacted.
- Our ability to develop and manufacture EVs of sufficient quality and appeal to customers on schedule and on a large scale is unproven and still evolving.
- We have no experience to date in high volume manufacture of our EVs.
- We will depend initially on revenue generated from a single EV model and in the foreseeable future will be significantly dependent on a limited number of models.
- There is no guarantee that we will be able to develop our software platform, Canoo Digital Ecosystem, or that if we are able to develop it, that we will obtain the revenue and other benefits we expect from it.
- We may fail to attract new customers in sufficient numbers or at sufficient rates or at all or to retain existing customers, if any, and may face risks if we are dependent on a small number of customers for a significant portion of our revenues.
- If our EVs fail to perform as expected, our ability to develop, market and deploy our EVs could be harmed.
- Our distribution model may expose us to risk and if unsuccessful may impact our business prospects and results of operations.
- We may experience significant delays in the design, production and launch of our EVs, which could harm our business, prospects, financial condition and operating results.
- Increases in costs, disruption of supply or shortage of raw materials and other components used in our vehicles, in particular lithium-ion battery cells, could harm our business.
- We depend upon third parties to manufacture and to supply key components and services necessary for our vehicles. We do not have long-term agreements with all of our manufacturers and suppliers, and if these manufacturers or suppliers become unwilling or unable to provide these key components and services we would not be able to find alternative sources in a timely manner and our business would be adversely impacted.
- We are or may be subject to risks associated with strategic alliances or acquisitions and may not be able to identify adequate strategic relationship opportunities, or form strategic relationships, in the future.
- Our EVs are based on the use of complex and novel steer-by-wire technology that is unproven on a wide commercial scale and rely on software and hardware that is highly technical, and if these systems contain errors, bugs or vulnerabilities, or if we are unsuccessful in addressing or mitigating technical limitations in our systems, our business could be adversely affected.
- We are subject to cybersecurity risks to our operational systems, security systems, infrastructure, integrated software in our EVs and customer data processed by us or third-party vendors.

- We face legal, regulatory and legislative uncertainty in how our go-to-market models will be interpreted under existing and future law, including the potential inability to protect our intellectual property rights, and we may be required to adjust our consumer business model in certain jurisdictions as a result.
- The automotive market is highly competitive and technological developments by our competitors may adversely affect the demand for our EVs and our competitiveness in this industry.

Importantly, the summary above does not address all the risks and uncertainties that we face. Additional discussion of the risks and uncertainties summarized herein, as well as other risks and uncertainties that we face, can be found under Part II, Item IA, “Risk Factors” in this Quarterly Report on Form 10-Q and Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on March 1, 2022. The above summary is qualified in its entirety by those more complete discussions of such risks and uncertainties. Given such risks and uncertainties, you should not place undue reliance on forward-looking statements.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results and plans could differ materially from those expressed in any forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and developments in the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this Quarterly Report on Form 10-Q. In addition, even if our results or operations, financial condition and liquidity, and developments in the industry in which we operate are consistent with the forward-looking statements contained in this Quarterly Report on Form 10-Q, those results or developments may not be indicative of results or developments in subsequent periods.

Glossary

Unless otherwise stated in this Quarterly Report on Form 10-Q or the context otherwise requires, and regardless of capitalization, references to:

- “Business Combination” refers to the Company’s merger consummated on December 21, 2020, pursuant to that certain Merger Agreement and Plan of Reorganization, dated August 17, 2020, by and among HCAC, HCAC IV First Merger Sub, Ltd., an exempted company incorporated with limited liability in the Cayman Islands and a direct, wholly owned subsidiary of HCAC, EV Global Holdco LLC (f/k/a HCAC IV Second Merger Sub, LLC), a Delaware limited liability company and a direct, wholly owned subsidiary of HCAC, and Canoo Holdings Ltd., an exempted company incorporated with limited liability in the Cayman Islands;
- “Common Stock” are to our common stock, \$0.0001 par value per share;
- “Company,” “our Company” “we” or “us” are to Canoo Inc. following completion of the Business Combination in December 2020;
- “HCAC” means the special purpose acquisition company, Hennessy Capital Acquisition Corp. IV;
- “Legacy Canoo” means Canoo Holdings Ltd. prior to completion of the Business Combination in December 2020;
- “management” or our “management team” are to our officers and directors;
- “private placement warrants” are to warrants sold to certain initial purchasers as part of the private placement that occurred simultaneously with the completion of HCAC’s initial public offering, which are not-redeemable so long as they are held by the initial purchasers of the warrants or their permitted transferees; and

- “public warrants” are to our redeemable warrants sold as part of the units in HCAC’s initial public offering (whether they were purchased in our initial public offering or thereafter in the open market) and to any private placement warrants that are sold to third parties that are not initial purchasers of the warrants or their permitted transferees or otherwise voluntarily converted by their holder.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

CANOO INC.

Condensed Consolidated Balance Sheets
(in thousands, except par values) (unaudited)

	June 30, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 33,799	\$ 224,721
Restricted cash, current	3,528	2,771
Prepays and other current assets	33,239	63,814
Total current assets	70,566	291,306
Property and equipment, net	275,725	202,314
Restricted cash, non-current	10,250	—
Operating lease right-of-use assets	26,321	14,228
Other assets	14,651	15,226
Total assets	\$ 397,513	\$ 523,074
Liabilities and stockholders' equity		
Liabilities		
Current liabilities		
Accounts payable	\$ 93,640	\$ 52,267
Accrued expenses and other current liabilities	86,089	83,925
Total current liabilities	179,729	136,192
Contingent earnout shares liability	4,121	29,057
Operating lease liabilities	25,318	13,826
Total liabilities	209,168	179,075
Commitments and contingencies (Note 7)		
Stockholders' equity		
Preferred stock, \$0.0001 par value; 10,000 authorized, no shares issued and outstanding at June 30, 2022 and December 31, 2021	—	—
Common stock, \$0.0001 par value; 500,000 authorized; 268,896 and 238,578 issued and outstanding at June 30, 2022 and December 31, 2021, respectively	26	24
Additional paid-in capital	1,170,207	1,036,104
Accumulated deficit	(981,888)	(692,129)
Total stockholders' equity	188,345	343,999
Total liabilities and stockholders' equity	\$ 397,513	\$ 523,074

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

CANOO INC.

**Condensed Consolidated Statements of Operations (in thousands, except per share values)
Three and Six Months Ended June 30, 2022 and 2021 (unaudited)**

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Revenue	\$ —	\$ —	—	—
Costs and Operating Expenses				
Cost of revenue, excluding depreciation	—	—	—	—
Research and development expenses, excluding depreciation	115,460	57,638	197,946	96,956
Selling, general and administrative expenses, excluding depreciation	55,152	44,625	110,773	100,252
Depreciation	2,892	2,083	5,570	4,207
Total costs and operating expenses	173,504	104,346	314,289	201,415
Loss from operations	(173,504)	(104,346)	(314,289)	(201,415)
Other income (expense)				
Interest income (expense)	19	34	(9)	46
Gain (loss) on fair value change in contingent earnout shares liability	9,471	(8,157)	24,936	75,402
Loss on fair value change in private placement warrants liability	—	—	—	(1,639)
Other (expense), net	(378)	(85)	(395)	(174)
Loss before income taxes	(164,392)	(112,554)	(289,757)	(127,780)
Provision for income taxes	—	—	—	—
Net loss and comprehensive loss	\$ (164,392)	\$ (112,554)	(289,757)	(127,780)
Per Share Data:				
Net loss per share, basic and diluted	\$ (0.68)	\$ (0.50)	(1.22)	(0.57)
Weighted-average shares outstanding, basic and diluted	242,772	226,928	238,242	225,885

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

CANOO INC.

Condensed Consolidated Statement of Stockholders' Equity (in thousands)
Three and Six Months Ended June 30, 2022 (unaudited)

	Common stock		Additional paid-in capital	Accumulated deficit	Total stockholders' equity
	Shares	Amount			
Balance as of December 31, 2021	238,578	\$ 24	\$ 1,036,104	\$ (692,129)	\$ 343,999
Repurchase of unvested shares – forfeitures	(296)	—	(3)	—	(3)
Issuance of shares for restricted stock units vested	584	—	—	—	—
Issuance of shares upon exercise of vested stock options	20	—	—	—	—
Purchase of shares and warrants by VDL Nedcar	972	—	8,400	—	8,400
Stock-based compensation	—	—	20,680	—	20,680
Net loss and comprehensive loss	—	—	—	(125,367)	(125,367)
Balance as of March 31, 2022	239,858	\$ 24	\$ 1,065,181	\$ (817,496)	\$ 247,709
Repurchase of unvested shares - forfeitures	(175)	—	(3)	—	(3)
Issuance of shares for restricted stock units vested	1,017	—	—	—	—
Issuance of shares under SEPA agreement (Note 11)	14,236	1	33,082	—	33,083
Issuance of shares under PIPE agreement (Note 9)	13,699	1	49,999	—	50,000
Issuance of shares upon exercise of vested stock options	7	—	—	—	—
Issuance of shares under employee stock purchase plan	254	—	1,175	—	1,175
Stock-based compensation	—	—	20,773	—	20,773
Net loss and comprehensive loss	—	—	—	(164,392)	(164,392)
Balance as of June 30, 2022	268,896	26	1,170,207	(981,888)	188,345

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

CANOO INC.

Condensed Consolidated Statement of Stockholders' Equity (in thousands)
Three and Six Months Ended June 30, 2021 (unaudited)

	Common stock		Additional paid-in capital	Accumulated deficit	Total stockholders' equity
	Shares	Amount			
Balance as of December 31, 2020	235,753	\$ 24	\$ 910,579	\$ (345,361)	\$ 565,242
Proceeds from exercise of public warrants	597	—	6,867	—	6,867
Repurchase of unvested shares – forfeitures	(118)	—	(2)	—	(2)
Issuance of shares for restricted stock units vested	1,230	—	—	—	—
Issuance of shares upon exercise of vested stock options	37	—	—	—	—
Stock-based compensation	—	—	45,146	—	45,146
Conversion of private placement warrants to public warrants	—	—	8,252	—	8,252
Net loss and comprehensive loss	—	—	—	(15,227)	(15,227)
Balance as of March 31, 2021	237,499	\$ 24	\$ 970,842	\$ (360,588)	\$ 610,278
Repurchase of unvested shares - forfeitures	(56)	—	(2)	—	(2)
Issuance of shares for restricted stock units vested	114	—	—	—	—
Issuance of shares upon exercise of vested stock options	6	—	—	—	—
Stock-based compensation	—	—	25,514	—	25,514
Net loss and comprehensive loss	—	—	—	(112,554)	(112,554)
Balance as of June 30, 2021	237,563	24	996,354	(473,142)	523,236

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

CANOO INC.

Condensed Consolidated Statements of Cash Flows (in thousands)
Six Months Ended June 30, 2022 and 2021 (unaudited)

	Six months ended June 30,	
	2022	2021
Cash flows from operating activities:		
Net loss	\$ (289,757)	\$ (127,780)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	5,570	4,207
Non-cash operating lease expense	966	235
Non-cash commitment fee under SEPA	582	—
Stock-based compensation	41,453	70,660
Gain on fair value in contingent earnout shares liability	(24,936)	(75,402)
Loss on fair value change in private placement warrants liability	—	1,639
Changes in operating assets and liabilities:		
Prepays and other current assets	136	(7,714)
Other assets	574	256
Accounts payable, accrued expenses and other current liabilities	27,847	25,081
Net cash used in operating activities	(237,565)	(108,818)
Cash flows from investing activities:		
Purchases of property and equipment	(65,420)	(28,653)
Return of prepayment to VDL Nedcar	30,440	—
Net cash used in investing activities	(34,980)	(28,653)
Cash flows from financing activities:		
Proceeds from exercise of public warrants	—	6,867
Repurchase of unvested shares	(6)	(4)
Payment of offering costs	(250)	(1,306)
Repayment of PPP loan	—	(6,943)
Proceeds from the purchase of shares and warrants by VDL Nedcar	8,400	—
Proceeds from issuance of shares under SEPA Agreement	32,500	—
Proceeds from issuance of shares under PIPE	50,000	—
Proceeds from employee stock purchase plan	1,986	—
Net cash provided by (used in) financing activities	92,630	(1,386)
Net decrease in cash, cash equivalents, and restricted cash	(179,915)	(138,857)
Cash, cash equivalents, and restricted cash		
Cash, cash equivalents, and restricted cash, beginning of period	227,492	702,422
Cash, cash equivalents, and restricted cash, end of period	\$ 47,577	\$ 563,565
Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets		
Cash and cash equivalents at end of period	\$ 33,799	\$ 563,075
Restricted cash, current at end of period	3,528	490
Restricted cash, non-current at end of period	\$ 10,250	\$ —
Total cash, cash equivalents, and restricted cash at end of period shown in the condensed consolidated statements of cash flows	\$ 47,577	\$ 563,565
Supplemental non-cash investing and financing activities		
Acquisition of property and equipment included in current liabilities	\$ 66,075	\$ 37,887
Offering costs included in current liabilities	\$ 932	\$ 12,001
Recognition of operating lease right-of-use asset	\$ 13,058	\$ 2,003
Conversion of private placement warrants to public warrants	\$ —	\$ 8,252
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ —	\$ 60

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

CANOO INC.
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, unless otherwise stated) (unaudited)

1. Organization and Business

Canoo Inc. (“Canoo” or the “Company”) is a mobility technology company with a mission to bring electric vehicles (“EVs”) to everyone. We have developed a breakthrough EV platform that we believe will enable us to rapidly innovate, and bring new products addressing multiple use cases to market faster than our competition and at a lower cost.

Recent Developments

Yorkville Facility I

On May 10, 2022, the Company entered into a Standby Equity Purchase Agreement (the “SEPA”) with YA II PN, Ltd. (“Yorkville”), pursuant to which the Company could sell to Yorkville up to \$250.0 million of its shares of Common Stock at the Company’s request any time during the 36 months following the execution of the SEPA. The shares are purchased by Yorkville at a purchase price equal to 97.5% of the market price (as defined in the SEPA). In addition, the Company could also request one or more pre-advance loans (each, a “Pre-Advance Loan”) from Yorkville, pursuant to certain terms and conditions. During the three and six months ended June 30, 2022, the Company issued 14.2 million shares of Common Stock to Yorkville for cash proceeds of \$32.5 million with a portion of the shares issued as non-cash stock purchase discount under the SEPA.

On July 20, 2022, in connection with the entry into the Pre-Paid Advance Agreement (the “PPA”) described in Note 15, the Company agreed with Yorkville that it would not request any further purchases of shares of its Common Stock or Pre-Advance Loans under the SEPA while there are any Pre-Paid Advances (as defined below) outstanding under the PPA unless the Common Stock is trading below \$1.00 per share. The Company currently intends to terminate the SEPA.

PIPE

On May 10, 2022, the Company entered into Common Stock Subscription Agreement providing for the purchase of an aggregate of 13.7 million shares (the “PIPE Shares”) of the Company’s Common Stock at a price of \$3.65 per PIPE Share (the “Purchase Price”) for an aggregate Purchase Price of \$50.0 million (the “Private Placement”). The purchasers of the PIPE Shares (the “Purchasers”) are special purpose vehicles managed by entities affiliated with Mr. Tony Aquila, the Company’s Executive Chairman and Chief Executive Officer. The closing of the Private Placement occurred on May 20, 2022.

2. Basis of Presentation and Summary of Significant Accounting Policies

These unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”) and accounting principles generally accepted in the United States (“GAAP”) for interim reporting. Accordingly, certain notes or other information that are normally required by GAAP have been omitted if they substantially duplicate the disclosures contained in the Company’s annual audited consolidated financial statements. Accordingly, the unaudited condensed consolidated financial statements should be read in conjunction with the Company’s audited financial statements and related notes as of and for the year ended December 31, 2021, included in the Company’s Annual Report on Form 10-K (“Annual Report on Form 10-K”). Results of operations reported for interim periods are not necessarily indicative of results for the entire year. In the opinion of management, the Company has made all adjustments necessary to present fairly its condensed consolidated financial statements for the periods presented. Such adjustments are of a normal, recurring nature. The Company’s financial statements have been prepared under the assumption that the Company will continue as a going concern, which contemplates the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future.

The accompanying unaudited condensed consolidated financial statements include the results of the Company and its subsidiaries. The Company’s comprehensive loss is the same as its net loss.

No material changes have occurred with respect to the Company’s significant accounting policies disclosed in Note 2 of the Notes to the Consolidated Financial Statements in Part II, Item 8 of the Annual Report on Form 10-K.

Liquidity and Capital Resources

As of the date of the filing of this Form 10-Q, the Company's principal sources of liquidity are its unrestricted cash balance and its access to capital under thePPA. The Company has incurred losses since inception and had negative cash flow from operating activities of \$237.6 million for the six months ended June 30, 2022. The Company expects to continue to incur net losses and negative cash flows from operating activities in accordance with its operating plan and expects that both capital and operating expenditures will increase significantly in connection with its ongoing activities. As previously disclosed in our 2021 Form 10-K, management planned to raise additional capital through a combination of debt financing, other non-dilutive financing and/or equity financing and to the extent unsuccessful at doing so, management had the intent and ability to use its discretion to delay, scale back, or abandon future expenditures. As of the date of the filing of this Form 10-Q, certain additional financing has been secured as discussed in Notes 11 and 15, and as such, management has not taken certain actions to delay, scale back, or abandon future expenditures. However, management's actions to preserve an adequate level of liquidity for a period of twelve months from the date of the filing of this Form 10-Q are not sufficient on their own without obtaining access to additional liquidity to mitigate the conditions raising substantial doubt about the Company's ability to continue as a going concern.

As an early-stage growth company, the Company's ability to access capital is critical. Although management continues to explore raising additional capital through a combination of debt financing, other non-dilutive financing and/or equity financing to supplement the Company's capitalization and liquidity, management cannot conclude as of the date of this filing that its plans are probable of being successfully implemented. The condensed consolidated interim financial information does not include any adjustments that might result from the outcome of this uncertainty.

We believe substantial doubt exists about the Company's ability to continue as a going concern for twelve months from the date of issuance of our financial statements.

Macroeconomic Conditions and COVID-19

Current adverse macroeconomic conditions, including but not limited to heightened inflation, slower growth or recession, changes to fiscal and monetary policy, higher interest rates, currency fluctuations, challenges in the supply chain and the Ukraine war, could negatively affect our business. In addition, COVID-19 virus variants, infection rates and regulations continue to fluctuate in various regions of the world and there are ongoing global impacts resulting from the pandemic, including challenges and increases in costs for logistics and supply chains, and intermittent supplier delays.

Ultimately, the Company cannot predict the impact of current or worsening macroeconomic conditions or the ongoing impacts of the COVID-19 pandemic. The Company continues to monitor macroeconomic conditions to remain flexible and to optimize and evolve its business as appropriate. To do this, the Company is working on projecting demand and infrastructure requirements globally and deploying its workforce and other resources accordingly.

Fair Value of Financial Instruments

The Company applies the provisions of ASC 820, *Fair Value Measurements and Disclosures*, which provides a single authoritative definition of fair value, sets out a framework for measuring fair value and expands on required disclosures about fair value measurement. Fair value represents the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company uses the following hierarchy in measuring the fair value of the Company's assets and liabilities, focusing on the most observable inputs when available:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Observable inputs other than Level 1 quoted prices, such as quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active for identical or similar assets and liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Valuations are based on inputs that are unobservable and significant to the overall fair value measurement of the assets or liabilities. Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The following table summarizes the Company's assets and liabilities that are measured at fair value on a recurring basis as required by ASC 820, by level, within the fair value hierarchy as of June 30, 2022 and December 31, 2021 (in thousands):

	June 30, 2022			
	Fair Value	Level 1	Level 2	Level 3
Assets				
Money Market Funds	\$ 47,577	\$ 47,577	\$ —	\$ —
Liability				
Contingent earnout shares liability	\$ 4,121	\$ —	\$ —	\$ 4,121

	December 31, 2021			
	Fair Value	Level 1	Level 2	Level 3
Assets				
Money Market Funds	\$ 227,492	\$ 227,492	\$ —	\$ —
Liability				
Contingent earnout shares liability	\$ 29,057	\$ —	\$ —	\$ 29,057

The Company has a contingent obligation to issue 15.0 million shares of Common Stock to certain stockholders and employees upon the achievement of certain market share price milestones within specified periods (the "Earnout Shares"). Upon the occurrence of a bankruptcy or liquidation, any unissued Earnout Shares would be fully issued regardless of whether the share price target has been met.

The Earnout Shares are accounted for as a contingent liability and its fair value is determined using Level 3 inputs, since estimating the fair value of this contingent liability requires the use of significant and subjective inputs that may and are likely to change over the duration of the liability with related changes in internal and external market factors. The tranches were valued using the Monte Carlo simulation of the stock prices based on historical and implied market volatility of the Company.

Following is a summary of the change in fair value of contingent earnout shares liability for the six months ended June 30, 2022 (in thousands).

Earnout Shares Liability

Beginning fair value at December 31, 2021	\$ 29,057
Change in fair value during the period	(24,936)
Ending fair value at June 30, 2022	<u>\$ 4,121</u>

3. Recent Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board ("FASB"), in the form of Accounting Standards Updates ("ASUs"), to the FASB's Accounting Standards Codification.

The Company considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have immaterial impact on the Company's condensed consolidated financial position, results of operations or cash flows.

Recently Issued Accounting Pronouncements Adopted

In November 2021, the FASB issued ASU No. 2021-10, Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance, which amends the guidance on accounting for government assistance and requires business entities to disclose information about certain government assistance they receive. The disclosures include information around the nature of the assistance, the related accounting policies used to account for government assistance, the effect of government assistance on the entity's financial statements, and any significant terms and conditions of the agreements, including commitments and contingencies. The amendments are effective for fiscal years beginning after December 15, 2021, and only impacts annual financial statement footnote disclosures. The Company adopted the new standard during the three months ended March 31, 2022, and the impact of any government assistance transactions within the scope of this standard will be included within our annual financial statement footnote disclosures for year ended December 31, 2022.

4. Prepaids and other current assets

Prepaids and other current assets consisted of the following (in thousands):

	June 30, 2022	December 31, 2021
Receivable from VDL Nedcar	\$ —	\$ 30,440
Deferred battery supplier cost	18,300	18,300
Short term deposits	2,679	7,030
Prepaid expense	10,453	4,865
Other current assets	1,807	3,179
Prepaids and other current assets	<u>\$ 33,239</u>	<u>\$ 63,814</u>

5. Property and Equipment, net

Property and equipment, net consisted of the following (in thousands):

	June 30, 2022	December 31, 2021
Machinery and equipment	\$ 24,360	\$ 18,040
Computer hardware	7,486	6,161
Computer software	9,045	7,837
Vehicles	325	267
Furniture and fixtures	742	742
Leasehold improvements	14,952	14,939
Construction-in-progress	246,219	176,162
	<u>303,129</u>	<u>224,148</u>
Less: Accumulated depreciation	(27,404)	(21,834)
Property and equipment, net	<u>\$ 275,725</u>	<u>\$ 202,314</u>

Construction-in-progress is primarily related to the development of manufacturing lines as well as equipment and tooling necessary in the production of the Company's vehicles. Completed tooling assets will be transferred to their respective asset classes and depreciation will begin when an asset is ready for its intended use. As of June 30, 2022, no depreciation on construction-in-progress has been recognized to date.

Depreciation expense for property and equipment was \$2.9 million and \$5.6 million for the three and six months ended June 30, 2022, respectively. Depreciation expense for property and equipment was \$2.1 million and \$4.2 million for the three and six months ended June 30, 2021, respectively.

6. Accrued Expenses and Other Current Liabilities

Accrued expenses consisted of the following (in thousands):

	June 30, 2022	December 31, 2021
Accrued property and equipment purchases	\$ 23,970	\$ 34,375
Accrued research and development costs	29,976	23,994
Accrued professional fees	18,172	9,239
Accrued battery supplier costs	—	10,000
Other accrued expenses	13,971	6,317
Total accrued expenses	<u>\$ 86,089</u>	<u>\$ 83,925</u>

7. Commitments and Contingencies

Commitments

Refer to Note 8 for information regarding operating lease commitments.

In connection with the commencement of the Company's Bentonville, Arkansas lease in February 2022, the Company issued a standby letter of credit of \$0.5 million which is included in restricted cash, non-current within the accompanying condensed consolidated balance sheet as of June 30, 2022. The letter of credit has a five year term and will not be drawn upon unless the Company fails to make its payments.

Legal Proceedings

From time to time, the Company may become subject to legal proceedings, claims and litigation arising in the ordinary course of business. Some of these claims, lawsuits and other proceedings may involve highly complex issues that are subject to substantial uncertainties, and could result in damages, fines, penalties, non-monetary sanctions or relief.

On April 2, 2021 and April 9, 2021, the Company was named as a defendant in putative class action complaints filed in California on behalf of individuals who purchased or acquired shares of the Company's stock during a specified period. Through the complaint, plaintiffs are seeking, among other things, compensatory damages. On June 25, 2021, the Company was named as a nominal defendant in a stockholder derivative complaint filed in Delaware. Through the stockholder derivative complaint, the plaintiff is asserting claims against certain of the Company's current and former officers and directors and seeking, among other things, damages. The final determinations of liability arising from these litigation matters will only be made following comprehensive investigations and litigation processes.

On April 29, 2021, the SEC's Division of Enforcement advised that it has opened an investigation related to, among other things, HCAC's initial public offering, HCAC's merger with the Company and the concurrent private investment in public equity offering, historical movements in the Company, the Company's operations, business model, revenues, revenue strategy, customer agreements, earnings, and other related topics, along with the recent departures of certain of the Company's officers. The SEC has informed the Company that its current investigation is a fact-finding inquiry. The SEC has also informed the Company that the investigation does not indicate that it has concluded that anyone has violated the law, and does not indicate that it has a negative opinion of any person, entity or security. We are providing the requested information and cooperating fully with the SEC investigation.

In March 2022, the Company received demand letters on behalf of shareholders of the Company identifying purchases and sales of the Company's securities within a period of less than six months by DD Global Holdings Ltd. ("DDG") that resulted in profits in violation of Section 16(b) of the Exchange Act. On May 9, 2022, the Company brought an action against DDG in the Southern District of New York seeking the disgorgement of the Section 16(b) profits obtained by DDG from such purchases and sales. In the action, the Company seeks to recover an estimated \$61.1 million of Section 16(b) profits.

The Company is the respondent in a confidential arbitration initiated by a former employee of the Company concerning a dispute over shares of the Company's Common Stock. The arbitration demand alleges claims for conversion and violations of various California statutory provisions. The Company has filed counterclaims against the former employee for breach of contract and declaratory judgment. The final determinations of liability arising from this matter will only be made following comprehensive investigations and litigation processes.

At this time, the Company does not consider any such claims, lawsuits or proceedings that are currently pending, individually or in the aggregate, including the matters referenced above, to be material to the Company's business or likely to result in a material adverse effect on its future operating results, financial condition or cash flows should such proceedings be resolved unfavorably.

Indemnifications

In the ordinary course of business, the Company may provide indemnifications of varying scope and terms to vendors, lessors, investors, directors, officers, employees and other parties with respect to certain matters, including, but not limited to, losses arising out of the Company's breach of such agreements, services to be provided by the Company, or from intellectual property infringement claims made by third-parties. These indemnifications may survive termination of the underlying agreement and the maximum potential amount of future payments the Company could be required to make under these indemnification provisions may not be subject to maximum loss clauses. The Company provided indemnifications to certain of its officers and employees with respect to claims filed by a former employee.

8. Operating Leases

Arkansas Facility Lease

During the first quarter of 2022, the Company entered into a real estate lease for its industrialization facility in Bentonville, Arkansas ("Bentonville lease"). The original lease term is 10 years and commenced on February 1, 2022.

The Bentonville lease contains an option to extend the term for 10 years and is classified as an operating lease. At the inception of the lease, it was not reasonably certain we would exercise any of the options to extend the term of the leases.

The rent payments made by the Company under the Bentonville lease are expensed on a straight-line basis in the condensed consolidated statements of operations.

Lease Portfolio

The Company used judgment in determining an appropriate incremental borrowing rate to calculate the operating lease right-of-use asset and operating lease liability. The weighted average discount rate used was 7.04%. As of June 30, 2022, the remaining operating lease ROU asset and operating lease liability were approximately \$6.3 million and \$27.0 million, respectively. As of December 31, 2021, the operating lease ROU asset and operating lease liability were approximately \$4.2 million and \$14.6 million, respectively. As of June 30, 2022 and December 31, 2021, \$1.7 million and \$0.8 million, respectively, of the lease liability was determined to be short term and was included in accrued expenses and other current liabilities within the condensed consolidated balance sheets.

Related party lease expense related to these leases were \$0.2 million and \$0.3 million for the three and six months ended June 30, 2022, respectively. Related party lease expense related to these leases were \$0.6 million and \$1.1 million for the three and six months ended June 30, 2021, respectively.

The weighted average remaining lease term at June 30, 2022 and December 31, 2021 was 9.9 years and 10.7 years, respectively.

Maturities of the Company’s operating lease liabilities at June 30, 2022 were as follows (in thousands):

	Operating Lease
2022 (excluding the six months ended June 30, 2022)	\$ 1,732
2023	3,548
2024	3,655
2025	3,764
2026	3,577
Thereafter	21,967
Total lease payments	38,243
Less: imputed interest ⁽¹⁾	11,266
Present value of operating lease liabilities	26,977
Current portion of operating lease liabilities ⁽²⁾	1,659
Operating lease liabilities, net of current portion	\$ 25,318

(1) Calculated using the incremental borrowing rate.

(2) Included within Accrued expenses and other current liabilities line item on the Condensed Consolidated Balance Sheet.

Michigan Facility Lease

On October 20, 2021, the Company entered into an agreement for a facility lease for which we did not have control of the underlying assets as of June 30, 2022. Accordingly, we did not record the lease liability and ROU asset within the condensed consolidated balance sheets. The lease is for additional office and research and development spaces located in Auburn Hills, Michigan. We expect the lease commencement date to begin in the second half of fiscal year 2022 with a lease term of approximately 11 years from the commencement date and one option to extend the lease by a term of 5 years. The total minimum lease payments over the initial lease term is \$12.7 million.

9. Related Party Transactions

On November 25, 2020, Legacy Canoo entered into an agreement, which remains in effect, with Tony Aquila, Executive Chair and Chief Executive Officer (“CEO”) of the Company, to reimburse Mr. Aquila for certain air travel expenses based on certain agreed upon criteria (“aircraft reimbursement”). The total aircraft reimbursement to Mr. Aquila for the use of an aircraft owned by AFV, an entity controlled by Mr. Aquila, for the purposes related to the business of the Company was approximately \$0.2 million and \$0.6 million for the three and six months ended June 30, 2022, respectively. The reimbursement was approximately \$0.4 million and \$1.0 million for the three and six months ended June 30, 2021, respectively. In addition, certain AFV staff provided the Company with shared services support in its Justin, Texas corporate office facility. For the three and six months ended June 30, 2022, the Company paid AFV approximately \$0.3 million and \$0.5 million, respectively, for these services. There were no payments made to AFV for these services for the three and six months ended June 30, 2021.

On May 10, 2022, the Company entered into Common Stock Subscription Agreement providing for the purchase of an aggregate of 13.7 million shares of the Company’s Common Stock at a price of \$3.65 per PIPE Share for an aggregate Purchase Price of \$50.0 million. The purchasers of the PIPE Shares are special purpose vehicles managed by entities affiliated with Mr. Tony Aquila, the Company’s Executive Chairman and Chief Executive Officer. The closing of the Private Placement occurred on May 20, 2022.

10. Stock-based Compensation

Restricted Stock Units

Under the 2020 Equity Incentive Plan, employees are compensated through various forms of equity, including restricted stock unit awards (“RSU”). Each RSU represents a contingent right to receive one share of Common Stock. During the three and six months ended June 30, 2022, 8,932,997 and 11,743,252 RSUs were granted subject to time-based vesting.

Performance-Based Restricted Stock Units

Performance stock unit awards (“PSU”) represent the right to receive a share of Common Stock if service, performance, and market conditions, or a combination thereof, are met over a defined period. PSUs that contain a market condition, such as stock price milestones, are subject to a Monte Carlo simulation model to determine the grant date fair value by simulating a range of possible future stock prices for the Company over the performance period. The grant date fair value of the market condition PSUs is recognized as compensation expense over the greater of the Monte Carlo simulation model’s derived service period and the arrangement’s explicit service period, assuming both conditions must be met.

PSUs subject to performance conditions, such as operational milestones, are measured on the grant date, the total fair value of which is calculated as the product of the number of PSUs and the grant date stock price. Compensation expense for PSUs with a performance condition is recorded each period based upon a probability assessment of the expected outcome of the performance metric with a final adjustment upon measurement at the end of the performance period. During the three and six months ended June 30, 2022, 4,245,852 PSUs were granted to Company employees, with a total grant date fair value of approximately \$13.8 million. The PSUs vest based on the Company’s achievement of certain specified operational milestones by various dates through December 2025. As of the grant date, the Company’s analysis determined that these operational milestone events are probable of achievement and as such, compensation expense of \$1.6 million has been recognized for the three and six months ended June 30, 2022.

No PSUs were granted to the CEO during the three and six months ended June 30, 2022. The compensation expense recognized for previously awarded PSUs to the CEO was \$4.4 million and \$9.1 million for the three and six months ended June 30, 2022.

The following table summarizes the Company’s stock-based compensation expense by line item for the three and six months ended period presented in the condensed consolidated statements of operations (in millions):

	Three months ended June 30,				Six months ended June 30,			
	2022		2021		2022		2021	
Research and development	\$	8.2	\$	8.5	\$	15.2	\$	15.6
Selling, general and administrative		12.6		17.0		26.3		55.0
Total	\$	20.8	\$	25.5	\$	41.5	\$	70.6

The Company’s total unrecognized compensation cost as of June 30, 2022, was \$115.2 million.

2020 Employee Stock Purchase Plan

The 2020 Employee Stock Purchase Plan (the “2020 ESPP”) was adopted by the board of directors on September 18, 2020, approved by the stockholders on December 18, 2020, and became effective on December 21, 2020 with the Business Combination. On December 21, 2020, the board of directors delegated its authority to administer the 2020 ESPP to the Compensation Committee. The Compensation Committee determined that it is in the best interests of the Company and its stockholders to implement successive three-month purchase periods, with the first offering period commencing on grant date January 3, 2022 and a purchase date of April 1, 2022. The 2020 ESPP provides participating employees with the opportunity to purchase up to a maximum number of shares of Common Stock of 4,034,783, plus the number of shares of Common Stock that are automatically added on January 1st of each year for a period of ten years, in an amount equal to the lesser of (i) 1% of the total number of shares of Common Stock outstanding on December 31st of the preceding calendar year, and (ii) 8,069,566 shares of Common Stock.

During the three and six months ended June 30, 2022, total employee withholding contributions for the 2020 ESPP was \$0.8 million and \$2.0 million, respectively, a portion of which is included in restricted cash, current, within the accompanying condensed consolidated balance sheet as of June 30, 2022. Approximately \$0.5 million and \$0.9 million of stock-based compensation expense was recognized for the 2020 ESPP during the three and six months ended June 30, 2022, respectively.

11. Equity

On May 10, 2022, the Company entered into the SEPA with Yorkville. Pursuant to the SEPA, the Company could sell to Yorkville up to \$250.0 million of its shares of Common Stock, at the Company's request any time during the 36 months following the execution of the SEPA. During the three months ended June 30, 2022, we issued 14.2 million shares of Common Stock to Yorkville for cash proceeds of \$32.5 million with a portion of the shares issued as non-cash stock purchase discount under the SEPA. See Notes 1 and 15 for information regarding the Company's agreement with Yorkville not to request further purchases of Common Stock under the SEPA while any amounts remain outstanding under the PPA. Refer to Note 15 for further information regarding the PPA with Yorkville.

Refer to Notes 9 and 12 for information regarding the PIPE and VDL Nedcar warrants, respectively.

12. Warrants

Public Warrants

As of June 30, 2022, the Company had 23,755,069 public warrants outstanding. Each public warrant entitles the registered holder to purchase one share of Common Stock at a price of \$11.50 per share, subject to adjustment. The public warrants will expire on December 21, 2025, or earlier upon redemption or liquidation.

On March 2, 2021, all of the private placement warrants were converted to public warrants. There were no public warrants exercised for the three and six months ended June 30, 2022.

VDL Nedcar Warrants

In February 2022, the Company and a company related to VDL Nedcar entered into an investment agreement, under which the VDL Nedcar-related company agreed to purchase shares of Common Stock for an aggregate value of \$8.4 million, at the market price of Common Stock as of December 14, 2021. As a result, the Company issued 972,222 shares of Common Stock upon execution of the agreement. The Company also issued a warrant to purchase an aggregate 972,222 shares of Common Stock to VDL Nedcar at exercise prices ranging from \$18 to \$40 per share, which are classified as equity. The exercise period is from November 1, 2022, to November 1, 2025 ("Exercise Period"). The warrant can be exercised in whole or in part during the Exercise Period but can only be exercised in three equal tranches and after the stock price per Common Stock has reached at least the relevant exercise price. The \$8.4 million received from VDL Nedcar is included as a financing cash inflow in the accompanying condensed consolidated statement of cash flows for the six months ended June 30, 2022. The shares of Common Stock issued to VDL Nedcar are included in the accompanying condensed consolidated statement of stockholders' equity for the six months ended June 30, 2022.

13. Net Loss per Share

The condensed consolidated statements of operations include the basic and diluted net loss per share.

The following table presents the potential shares that were excluded from the computation of diluted net loss per share, because their effect was anti-dilutive as follows (in thousands):

	June 30,	
	2022	2021
Early exercise of unvested stock options	1,277	3,965
Options to purchase common stock	221	297
Restricted common stock shares	3,197	5,944
Restricted and performance stock units	35,498	15,808

14. Income Taxes

As the Company has not generated any taxable income since inception, the cumulative deferred tax assets remain fully offset by a valuation allowance, and no benefit from federal or state income taxes has been included in the condensed consolidated financial statements.

15. Subsequent Events

Electric Vehicle Fleet Purchase Agreement and Warrant

On July 11, 2022, Canoo Sales, LLC, a wholly-owned subsidiary of the Company, entered into an Electric Vehicle Fleet Purchase Agreement (the "EV Fleet Purchase Agreement") with Walmart Inc. ("Walmart"). Pursuant to the EV Fleet Purchase Agreement, subject to certain acceptance and performance criteria, Walmart agreed to purchase at least 4,500 EVs, with an option to purchase up to an additional 5,500 EVs, for an agreed upon capped price per unit determined based on the EV model. The EV Fleet Purchase Agreement (excluding any work order or purchase order as a part thereof) has a five-year term, unless earlier terminated.

In connection with the EV Fleet Purchase Agreement, the Company entered into a Warrant Issuance Agreement with Walmart pursuant to which the Company issued to Walmart a warrant (the "Warrant") to purchase an aggregate of 61.2 million shares of Common Stock, at an exercise price of \$2.15 per share. The Warrant has a term of ten years and is vested immediately with respect to 15.3 million shares of Common Stock. Thereafter, subject to stockholder approval, as applicable, the Warrant will vest quarterly in amounts proportionate with the net revenue realized by the Company from transactions with Walmart or its affiliates under the EV Fleet Purchase Agreement or enabled by any other agreement between the Company and Walmart, and any net revenue attributable to any products or services offered by Walmart or its affiliates related to the Company, until such net revenue equals \$300.0 million, at which time the Warrant will have vested fully. In the event that stockholder approval is not obtained, in lieu of any shares which would have been issued to Walmart on account of the Warrant, the Company is required to pay to Walmart an amount in cash calculated pursuant to the Warrant.

Yorkville Facility II

On July 20, 2022, the Company entered into the PPA with Yorkville, pursuant to which the Company may request advances of up to \$50.0 million in cash from Yorkville (or such greater amount that the parties may mutually agree) (each, a "Pre-Paid Advance"), with an aggregate limit of \$300.0 million. Amounts outstanding under Pre-Paid Advances can be offset by the issuance of shares of Common Stock to Yorkville at a price per share calculated pursuant to the PPA, which in no event will be less than \$1.00 per share. The issuance of the shares under the PPA is subject to certain limitations, including that the aggregate number of shares of Common Stock issued pursuant to the PPA (including the aggregation with the issuance of Common Stock under the SEPA) cannot exceed 19.9% of the Company's outstanding stock as of May 10, 2022. In addition, subject to certain conditions and limitations, the Company has the right to issue shares of Common Stock and cause Yorkville to offset certain outstanding amounts under the PPA. Interest accrues on the outstanding balance of any Pre-Paid Advance at an annual rate equal to 5%, subject to an increase to 15% upon events of default described in the PPA. Each Pre-Paid Advance has a maturity date of 15 months.

On July 22, 2022, the Company received an aggregate of \$49.5 million on account of the first Pre-Paid Advance in accordance with the PPA. Additional Pre-Paid Advances under the PPA are subject to conditions precedent, including that there are no more than \$10.0 million outstanding under prior Pre-Paid Advances. The Company currently intends to terminate the SEPA.

ATM Program

On August 8, 2022, the Company entered into an At-the-Market Offering Agreement (the "ATM Agreement") with Evercore Group L.L.C. and H.C. Wainwright & Co., LLC (collectively, the "agents"), to sell shares of Common Stock having an aggregate sales price of up to \$200.0 million, from time to time, through an "at-the-market offering" program under which the agents will act as sales agent. The sales, if any, will be made by any method permitted by law deemed to be an "at-the-market offering" as defined in Rule 415 promulgated under the Securities Act of 1933, as amended. The Company will pay the agents a commission rate of up to 3.0% of the gross sales price per share sold, with H.C. Wainwright & Co., LLC being entitled to an additional 1.5% of the gross sales price per share sold, and has agreed to provide the agents with customary indemnification, contribution and reimbursement rights. The ATM Agreement contains customary representations and warranties and conditions to the sales pursuant thereto. The Company is not obligated to sell any shares of Common Stock under the ATM Agreement and may at any time suspend solicitation and offers thereunder. The offering of shares of Common Stock pursuant to the ATM Agreement will terminate upon the sale of all the shares subject to the ATM Agreement or upon the termination of the ATM Agreement by either the Company or the agents, as permitted therein.

The Company has analyzed its operations subsequent to June 30, 2022 through the date these financial statements were issued and has determined that it does not have any additional material subsequent events to disclose.

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

The following discussion and analysis provides information that our management believes is relevant to an assessment and understanding of our results of operations and financial condition. This discussion and analysis should be read in conjunction with our condensed consolidated interim financial statements and the related notes contained elsewhere in this Quarterly Report on Form 10-Q. The statements in this discussion regarding expected and other production timelines, development of our own manufacturing facilities, industry trends, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021 filed with the SEC on March 1, 2022 (the “Annual Report on Form 10-K”), Part II, Item 1A. “Risk Factors” in this Quarterly Report on Form 10-Q and “Cautionary Note Regarding Forward-Looking Statements.” Our actual results may differ materially from those contained in or implied by any forward-looking statements.

Certain figures included in this section have been rounded for ease of presentation. Percentage figures included in this section have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, percentage amounts in this section may vary slightly from those obtained by performing the same calculations using the figures in our financial statements or in the associated text. Certain other amounts that appear in this section may similarly not sum due to rounding.

Overview

Canoo is a mobility technology company with a mission to bring electric vehicles (“EVs”) to everyone and provide connected services that improve the vehicle ownership experience. We are developing a technology platform that we believe will enable us to rapidly innovate and bring new products, addressing multiple use cases, to market faster than our competition and at lower cost. Our vehicle architecture and design philosophy are aimed at driving productivity and returning capital to our customers, and we believe the software and technology capabilities we are developing, packaged around a modular, customizable product, have the potential to fundamentally alter the value proposition across a vehicle’s lifecycle. We remain committed to the environment and to delivering sustainable mobility that is accessible to everyone. We proudly intend to manufacture our fully electric vehicles in Arkansas and Oklahoma, bringing advanced manufacturing and technology jobs to communities in America’s heartland. We are committed to building a diverse workforce that will draw heavily upon the local communities of Native Americans and veterans.

We believe we are one of the first automotive manufacturers focused on capturing value across the entirety of the vehicle lifecycle, across multiple owners. Our platform and data architecture is purpose-built to be durable and serve as the foundation for the vehicles we intend to offer, unlocking a highly differentiated, multi-layer business model. The foundational layer is our Multi-Purpose Platform (“MPP” or “platform”) architecture, which serves as the base of our vehicles, including the Lifestyle Vehicle and its Delivery, Base, Premium, and Adventure trims; the Multi-Purpose Delivery Vehicle (“MPDV”) and the Pickup. The next layer is cybersecurity which is embedded in our vehicle to ensure the privacy and protection of vehicle data. Our top hats, or cabins, are modular and purpose-built to provide tailored solutions for our customers. This intentional design enables us to efficiently use resources to produce only what is necessary, underscoring our focus on sustainability and returning capital to customers. The remaining layers, connected accessories and digital customer ecosystem, present high-margin opportunities that extend beyond the initial vehicle sale, across multiple owners. Owners will further be able to customize their vehicles by adding connected accessories such as Bluetooth devices or infotainment systems. In addition, there are opportunities for software sales throughout the vehicle life, including predictive maintenance and service software or advanced driver assistance systems upgrades.

Our platform architecture is a self-contained, fully functional rolling chassis that directly houses the most critical components for operation of an EV, including our in-house designed proprietary electric drivetrain, battery systems, advanced vehicle control electronics and software and other critical components, which all have been optimized for functional integration. Both our true steer-by-wire system, believed to be the first such system applied to a production-intent vehicle, and our flat composite leaf-spring suspension system are core components of our platform’s differentiated functionality, enabling the development of a broad range of vehicle types and use cases due to the chassis’ flat profile and fully variable steering positions. All of our announced vehicles, including the Lifestyle Vehicle and the Lifestyle Delivery Vehicle, the MPDV and the Pickup, will share a common platform architecture paired with different top hats to create a range of uniquely customized and use case optimized purpose-built mobility solutions targeting multiple segments of the rapidly expanding EV marketplace.

In addition to our vehicle technology, we are developing a software platform that aggregates car data from both Canoo and non-Canoo vehicles and delivers valuable insights to our customers. Collected over-the-air for connected vehicles or via an on-board diagnostics device for non-connected vehicles, we believe car data is critical to powering the customer journey and maximizing utility and value from the vehicle ownership experience. Leveraging our data aggregation platform, we aim to create the Canoo Digital Ecosystem, an application store that centralizes all vehicle information for customers and provides key tools across Security & Safety, Household Management, Fleet Management, Lifecycle Management and Vehicle Asset Management. Through our software offering, we believe we can provide differentiated value to both commercial customers and consumers by staying connected throughout the vehicle lifecycle, across multiple owners.

Core to our ethos is delivering high quality products while empowering local communities, which drove our decision to build in America and source a majority of our parts from America and allied nations. We believe vertical integration across our manufacturing and assembly process will enable us to achieve start of production with less supply chain risk and provide us better oversight of our vehicle manufacturing. We are building production facilities in states and communities that are investing in high-tech manufacturing alongside us, creating American jobs and driving innovation. We intend to have an advanced industrialization facility in Bentonville, Arkansas and a mega microfactory in Pryor, Oklahoma. We also plan to move our corporate headquarters to Bentonville. The Bentonville manufacturing facility will be a low-volume facility, which we intend to use in the near-term for the initial production of our vehicles, allowing us to test and validate our manufacturing equipment and processes before large-scale production begins in our mega microfactory. In the long term, we expect to use the Bentonville facility for rapidly innovating on product concepts.

We have made strategic investments in our technology and products that position us to capture three large and growing markets - commercial and passenger vehicles, upfitting and accessories, and car data. With the rise of on-demand delivery and eCommerce, it is increasingly important to bring electrification to commercial vehicles, which Mordor Intelligence estimated represented a market opportunity of over \$715 billion as of 2020. We also have chosen to pursue the most profitable segments of the passenger vehicle market, the SUV and Pickup segments, which IHS estimated to have generated over \$115 billion in profits in 2020. In addition to this opportunity in commercial and passenger vehicle markets, due to the modularity and customization of all our vehicles, we believe there is a significant opportunity in upfitting and accessories across the vehicle lifecycle, which the Specialty Equipment Market Association estimated were valued at \$24 billion in 2020. Lastly, according to research conducted by McKinsey, the value from car data monetization is expected to generate an over \$250 billion market by 2030. Altogether, we estimate our highly strategic total market opportunity could grow to be over \$1 trillion.

We continue to innovate and develop every aspect of our business, from our non-traditional business model to our built in America, highly utilitarian vehicles optimized to return capital to our customers. We believe being forward-thinking across these areas has set the foundation for us to develop into a scalable business that is differentiated from our peers across the automotive original equipment manufacturer landscape.

Recent Developments

Electric Vehicle Fleet Purchase Agreement and Warrant

On July 11, 2022, Canoo Sales, LLC, a wholly-owned subsidiary of the Company, entered into an Electric Vehicle Fleet Purchase Agreement (the “EV Fleet Purchase Agreement”) with Walmart Inc. (“Walmart”). Pursuant to the EV Fleet Purchase Agreement, subject to certain acceptance and performance criteria, Walmart agreed to purchase at least 4,500 EVs, with an option to purchase up to an additional 5,500 EVs, for an agreed upon capped price per unit determined based on the EV model. The EV Fleet Purchase Agreement (excluding any work order or purchase order as a part thereof) has a five-year term, unless earlier terminated.

In connection with the EV Fleet Purchase Agreement, the Company entered into a Warrant Issuance Agreement with Walmart pursuant to which the Company issued to Walmart a warrant (the “Warrant”) to purchase an aggregate of 61.2 million shares of Common Stock, at an exercise price of \$2.15 per share. The Warrant has a term of ten years and is vested immediately with respect to 15.3 million shares of Common Stock. Thereafter, subject to stockholder approval, if applicable, the Warrant will vest quarterly in amounts proportionate with the net revenue realized by the Company from transactions with Walmart or its affiliates until such net revenue equals \$300.0 million, at which time the Warrant will have vested fully. In the event that stockholder approval is not obtained, in lieu of any shares which would have been issued to Walmart on account of the Warrant, the Company is required to pay to Walmart an amount in cash calculated pursuant to the Warrant.

Yorkville Facility II

On July 20, 2022, the Company entered into a Pre-Paid Advance Agreement with Yorkville. In accordance with the terms of the PPA, the Company may request advances of up to \$50.0 million in cash from Yorkville (or such greater amount that the parties may mutually agree) (each, a "Pre-Paid Advance"), with an aggregate limit of \$300.0 million. Such Pre-Paid Advances can be offset by the issuance of shares of Common Stock to Yorkville at a price per share calculated pursuant to the PPA, which in no event will be less than \$1.00 per share. The issuance of the shares under the PPA is subject to certain limitations. In addition, subject to certain conditions and limitations, the Company has the right to issue shares of Common Stock and cause Yorkville to offset certain outstanding amounts under the PPA. Interest accrues on the outstanding balance of any Pre-Paid Advance at an annual rate equal to 5%, subject to an increase to 15% upon events of default described in the PPA. Each Pre-Paid Advance has a maturity date of 15 months.

On July 22, 2022, the Company received an aggregate of \$49.5 million on account of the first Pre-Paid Advance in accordance with the PPA. Additional Pre-Paid Advances under the PPA are subject to conditions precedent, including that there are no more than \$10 million outstanding under prior Pre-Paid Advances.

ATM Program

On August 8, 2022, the Company entered into an At-the-Market Offering Agreement (the "ATM Agreement") with Evercore Group L.L.C. and H.C. Wainwright & Co., LLC (collectively, the "agents"), to sell shares of Common Stock having an aggregate sales price of up to \$200.0 million, from time to time, through an "at-the-market offering" program under which the agents will act as sales agent. The sales, if any, will be made by any method permitted by law deemed to be an "at-the-market offering" as defined in Rule 415 promulgated under the Securities Act of 1933, as amended. The Company will pay the agents a commission rate of up to 3.0% of the gross sales price per share sold, with H.C. Wainwright & Co. LLC being entitled to an additional 1.5% of the gross sales price per share sold, and has agreed to provide the agents with customary indemnification, contribution and reimbursement rights. The ATM Agreement contains customary representations and warranties and conditions to the sales pursuant thereto. The Company is not obligated to sell any shares of Common Stock under the ATM Agreement and may at any time suspend solicitation and offers thereunder. The offering of shares of Common Stock pursuant to the ATM Agreement will terminate upon the sale of all the shares subject to the ATM Agreement or upon the termination of the ATM Agreement by either the Company or the agents, as permitted therein.

For more information, see Note 1 and Note 15 of the notes to the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Key Factors Affecting Operating Results

We believe that our performance and future success depend on several factors that present significant opportunities for us but also pose risks and challenges, including those discussed below.

Availability of Financing Sources and Commercialization of Our EVs

We expect to derive future revenue from our first vehicle offerings. In order to reach commercialization, we must purchase and integrate related property and equipment, as well as achieve several research and development milestones.

Our capital and operating expenditures have increased significantly in connection with our ongoing activities and we expect they will continue to increase, as we:

- continue to invest in our technology, research and development efforts;
- compensate existing personnel;
- invest in manufacturing capacity, via our owned facilities;
- increase our investment in marketing, advertising, sales and distribution infrastructure for our EVs and services;
- obtain, maintain and improve our operational, financial and management information systems;
- hire additional personnel;

- commercialize our EVs;
- obtain, maintain, expand and protect our intellectual property portfolio; and
- continue to operate as a public company.

We require substantial additional capital to develop our EVs and services and fund our operations for the foreseeable future. We will also require capital to identify and commit resources to investigate new areas of demand. Until we can generate sufficient revenue from vehicle sales, we are financing our operations through access to private and public equity offerings and debt financings. Management believes substantial doubt exists about the Company's ability to continue as a going concern for twelve months from the date of issuance of the financial statements included in this Quarterly Report on Form 10-Q.

Macroeconomic Conditions and COVID-19 Impact

Current adverse macroeconomic conditions, including but not limited to heightened inflation, slower growth or recession, changes to fiscal and monetary policy, higher interest rates, currency fluctuations, challenges in the supply chain and the Ukraine war, could negatively affect our business. In addition, COVID-19 virus variants, infection rates and regulations continue to fluctuate in various regions of the world, and there are ongoing global impacts resulting from the pandemic.

Increased demand for semiconductor chips in 2020, due in part to the COVID-19 pandemic and increased demand for consumer electronics that use these chips, has resulted in a global shortage of chips in 2021 that has continued in the first half of 2022. As a result, our ability to source semiconductor chips used in our vehicles may be adversely affected. This shortage may result in increased chip delivery lead times, delays in the production of our vehicles, and increased costs to source available semiconductor chips.

Although we have made our best estimates based upon current information, actual results could materially differ from the estimates and assumptions developed by management. Accordingly, it is reasonably possible that the estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions, and if so, we may be subject to future impairment losses related to long-lived assets as well as changes to valuations.

Key Components of Statements of Operations

Basis of Presentation

Currently, we conduct business through one operating segment. We are an early stage-growth company with no commercial operations, and our activities to date have been limited and are primarily conducted in the United States. For more information about our basis of presentation, refer to Note 2 of the notes to our accompanying financial statements for the three and six months ended June 30, 2022.

Research and Development Expenses, excluding Depreciation

Research and development expenses, excluding depreciation consist of salaries, employee benefits and expenses for design and engineering and certain manufacturing personnel, stock-based compensation, as well as materials and supplies used in research and development activities. In addition, research and development expenses include fees for consulting and engineering services from third party vendors.

Selling, General and Administrative Expenses, excluding Depreciation

The principal components of our selling, general and administrative expenses are salaries, wages, benefits and bonuses paid to our employees; stock-based compensation; travel and other business expenses; and professional services fees including legal, audit and tax services.

Depreciation Expense

Depreciation is provided on property and equipment over the estimated useful lives on a straight-line basis. Upon retirement or disposal, the cost of the asset disposed of and the related accumulated depreciation are removed from the accounts and any gain or loss is reflected in the loss from operations. No depreciation expense is allocated to research and development, cost of revenue and selling, general and administrative expenses.

Results of Operations

Comparison of the Three and Six Months Ended June 30, 2022 and 2021

The following table sets forth our historical operating results for the periods indicated:

(in thousands)	Three Months Ended June 30,		\$ Change	% Change	Six Months Ended June 30,		\$ Change	% Change
	2022	2021			2022	2021		
Revenue	\$ —	\$ —	\$ —	NM	\$ —	\$ —	\$ —	NM
Costs and Operating Expenses								
Cost of revenue, excluding depreciation	—	—	—	NM	—	—	—	NM
Research and development expenses, excluding depreciation	115,460	57,638	57,822	100 %	197,946	96,956	100,990	104 %
Selling, general and administrative expenses, excluding depreciation	55,152	44,625	10,527	24 %	110,773	100,252	10,521	10 %
Depreciation	2,892	2,083	809	39 %	5,570	4,207	1,363	32 %
Total costs and operating expenses	173,504	104,346	69,158	66 %	314,289	201,415	112,874	56 %
Loss from operations	(173,504)	(104,346)	(69,158)	66 %	(314,289)	(201,415)	(112,874)	56 %
Interest income (expense)	19	34	(15)	(44)%	(9)	46	(55)	(120)%
Gain (loss) on fair value change in contingent earnout shares liability	9,471	(8,157)	17,628	(216) %	24,936	75,402	(50,466)	(67)%
Loss on fair value change in private placement warrants liability	—	—	—	NM	—	(1,639)	1,639	(100)%
Other (expense), net	(378)	(85)	(293)	345 %	(395)	(174)	(221)	127 %
Loss before income taxes	(164,392)	(112,554)	(51,838)	46 %	(289,757)	(127,780)	(161,977)	127 %
Provision for income taxes	—	—	—	NM	—	—	—	NM
Net loss and comprehensive loss	\$ (164,392)	\$ (112,554)	\$ (51,838)	46 %	\$ (289,757)	\$ (127,780)	\$ (161,977)	127 %

“NM” means not meaningful

Revenue and Cost of Revenue, excluding Depreciation

During the three and six months ended June 30, 2022 and 2021, we did not generate any revenue since the Company is an early growth stage company in the pre-commercialization stage of development.

Research and Development Expenses, excluding Depreciation

Research and development expenses increased by \$57.8 million, or 100%, to \$115.5 million in the three months ended June 30, 2022, compared to \$57.6 million in the three months ended June 30, 2021. The increase was primarily due to increases in research and development costs such as engineering and design, testing, prototype tooling, and gamma parts of \$33.0 million, salary and related benefits expense of \$17.6 million, and professional fees of \$3.7 million. The increase in research and development costs primarily related to expenditures for the gamma stage engineering design and development costs incurred during the three months ended June 30, 2022.

Research and development expenses increased by \$101.0 million, or 104%, to \$197.9 million in the six months ended June 30, 2022, compared to \$97.0 million the six months ended June 30, 2021. The increase was primarily due to increases in research and development costs such as engineering and design, testing, prototype tooling, and gamma parts of \$55.8 million, salary and related benefits expense of \$32.9 million, and professional fees of \$5.1 million. The increase in research and development costs primarily related to expenditures for the gamma stage engineering design and development costs incurred during the six months ended June 30, 2022.

Salary and related benefits expenses increased \$17.6 million during the three months ended June 30, 2022 to \$36.9 million from \$19.3 million during the three months ended June 30, 2021 and increased \$32.9 million during the six months ended June 30, 2022 to \$67.2 million from \$34.3 million during the six months ended June 30, 2021. These increases are primarily due to continued investment in personnel and contract employees to drive and reach our research and development goals.

Professional fees increased \$3.7 million to \$5.5 million during the three months ended June 30, 2022 from \$1.8 million during the three months ended June 30, 2021. Professional fees increased \$5.1 million to \$7.5 million during the six months ended June 30, 2022 from \$2.4 million during the six months ended June 30, 2021 due to activities related to business development, legal fees, and consulting fees.

We expect to continue to see an overall increase in research and development expenses to support our growth and initiatives related to the Lifestyle Vehicle, MPDVs, and Pickup which are expected to launch as early as 2022 and 2023.

Selling, General and Administrative Expenses, excluding Depreciation

Selling, general and administrative expenses increased by \$10.5 million, to \$55.2 million for the three months ended June 30, 2022, compared to \$44.6 million for the three months ended June 30, 2021. The increase was primarily due to an increase of \$9.0 million in salary and related benefits. Other factors affecting selling, general and administrative expenses were individually immaterial.

Selling, general and administrative expenses increased by \$10.5 million, to \$110.8 million for the six months ended June 30, 2022, compared to \$100.3 million for the six months ended June 30, 2021. Refer to below and Note 10 for information regarding stock-based compensation expense. The increase was primarily due to increases of \$18.1 million in salary and related benefits, \$8.7 million in professional fees, \$7.9 million in IT expenses, and \$2.8 million in occupancy costs partially offset by a decrease of \$28.7 million in stock-based compensation expenses.

Professional fees increased by \$8.7 million to \$26.0 million during the six months ended June 30, 2022 from \$17.3 million during the three months ended June 30, 2021, primarily due to activities related to business development, legal fees, and consulting fees.

Salary and related benefits expenses increased by \$9.0 million to \$14.4 million in the three months ended June 30, 2022, compared to \$5.4 million in the three months ended June 30, 2021. Salary and related benefits expenses increased by \$18.1 million to \$27.5 million in the six months ended June 30, 2022, compared to \$9.4 million in the six months ended June 30, 2021. These increases were due primarily to investment in personnel to support our growth and achieve start of production in late 2022.

IT expenses increased by \$7.9 million to \$10.3 million during the six months ended June 30, 2022 from \$2.4 million during the three months ended June 30, 2021. Occupancy fees increased by \$2.8 million to \$9.0 million during the six months ended June 30, 2022 from \$6.2 million during the three months ended June 30, 2021.

The decrease in stock-based compensation expenses of \$28.7 million for the six months ended June 30, 2022 was primarily driven by the granting of certain restricted stock awards in the prior period resulting in the recognition of stock-based compensation expense in the amount of \$27.9 million, some of which immediately vested during the quarter ended June 30, 2021. See further discussion on stock-based compensation in Note 10 of the notes to our accompanying financial statements.

We expect to see an overall increase in selling, general and administrative expenses to support our growth and initiatives related to the Lifestyle Vehicle, MPDVs, and Pickup which are expected to launch as early as 2022 and 2023.

Gain on Fair Value Change in Contingent Earnout Shares Liability

We recognized a non-cash gain on fair value change of contingent earnout shares liability of \$9.5 million and \$24.9 million in the three and six months ended June 30, 2022, respectively, which was a result of the periodic remeasurement of the fair value of our contingent earnout shares liability. A non-cash loss on fair value change of contingent earnout shares liability of \$8.2 million and non-cash gain of \$75.4 million was recognized in the three and six months ended June 30, 2021, respectively.

Loss on Fair Value Change of Private Placement Warrants Liability

We recognized a non-cash loss on fair value change of private placement warrants liability of \$1.6 million in the six months ended June 30, 2021, which was a result of the periodic remeasurement of the fair value of our private placement warrants liability. All of the private placement warrants were converted to public warrants on March 2, 2021.

Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, we believe the following non-GAAP measures are useful in evaluating our operational performance. We use the following non-GAAP measures to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that non-GAAP financial information, when taken collectively, may be helpful to investors in assessing our operating performance.

EBITDA and Adjusted EBITDA

“EBITDA” is defined as net loss before interest expense, income tax expense or benefit, and depreciation and amortization. “Adjusted EBITDA” is defined as EBITDA adjusted for stock-based compensation, changes to the fair value of contingent earnout shares liability, changes to the fair value of warrants liability, and any other one-time non-recurring transaction amounts impacting the statement of operations during the year. Adjusted EBITDA is intended as a supplemental measure of our performance that is neither required by, nor presented in accordance with, GAAP. We believe EBITDA and Adjusted EBITDA, when combined with net loss are beneficial to an investor’s complete understanding of our operating performance. We believe that the use of EBITDA and Adjusted EBITDA provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing our financial measures with those of comparable companies, which may present similar non-GAAP financial measures to investors. However, you should be aware that when evaluating EBITDA and Adjusted EBITDA we may incur future expenses similar to those excluded when calculating these measures. In addition, our presentation of these measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Our computation of EBITDA and Adjusted EBITDA may not be comparable to other similarly titled measures computed by other companies, because all companies may not calculate EBITDA and Adjusted EBITDA in the same fashion.

Because of these limitations, EBITDA and Adjusted EBITDA should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. We manage our business utilizing EBITDA and Adjusted EBITDA as supplemental performance measures.

The following table reconciles net loss to EBITDA and Adjusted EBITDA for the three and six months ended June 30, 2022 and 2021, respectively:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net loss	\$ (164,392)	\$ (112,554)	\$ (289,757)	\$ (127,780)
Interest (income) expense	(19)	(34)	9	(46)
Provision for income taxes	—	—	—	—
Depreciation	2,892	2,083	5,570	4,207
EBITDA	(161,519)	(110,505)	(284,178)	(123,619)
Adjustments:				
(Gain) loss on fair value change in contingent earnout shares liability	(9,471)	8,157	(24,936)	(75,402)
Loss on fair value change in private placement warrants liability	—	—	—	1,639
Other expense, net	378	85	395	174
Stock-based compensation	20,773	25,514	41,453	70,660
Adjusted EBITDA	\$ (149,839)	\$ (76,749)	\$ (267,266)	\$ (126,548)

Liquidity and Capital Resources

As of June 30, 2022, we had unrestricted cash and cash equivalents in the amount of \$33.8 million, which was primarily invested in money market funds that consist of liquid debt securities issued by the U.S. government. In assessing our liquidity requirements and cash needs, we also consider contractual obligations to which we are a party. Additionally, see discussion related to the operating lease maturity schedule and any new leases entered into in Note 8 of the notes to our accompanying financial statements.

We have incurred and expect to incur, net losses which have resulted in an accumulated deficit of \$981.9 million as of June 30, 2022. Management continues to explore raising additional capital through a combination of debt financing, other non-dilutive financing and/or equity financing to supplement the Company's capitalization and liquidity. If we raise additional funds by issuing debt securities or preferred stock, or by incurring loans, these forms of financing would have rights, preferences, and privileges senior to those of holders of our Common Stock. The availability and the terms under which we may be able to raise additional capital could be disadvantageous, and the terms of debt financing or other non-dilutive financing may involve restrictive covenants and dilutive financing instruments, which could place significant restrictions on our operations. Macroeconomic conditions and credit markets could also impact the availability and cost of potential future debt financing. If we raise capital through the issuance of additional equity, such sales and issuance would dilute the ownership interests of the existing holders of Common Stock. There can be no assurances that any additional debt, other non-dilutive and/or equity financing would be available to us on favorable terms or at all. We expect to continue to incur net losses, comprehensive losses, and negative cash flows from operating activities in accordance with our operating plan as we continue to expand our research and development activities to complete the development of our MPP and EVs, establish our go-to-market model and scale our operations to meet anticipated demand. We expect that both our capital and operating expenditures will increase significantly in connection with our ongoing activities, as we:

- continue to invest in our technology, research and development efforts;
- compensate existing personnel;
- invest in manufacturing capacity, via our owned facilities;
- increase our investment in marketing, advertising, sales and distribution infrastructure for our EVs and services;
- obtain, maintain and improve our operational, financial and management information systems;
- hire additional personnel;
- commercialize our EVs;
- obtain, maintain, expand and protect our intellectual property portfolio; and
- operate as a public company.

As of the date of this report, we believe that our existing cash resources and additional sources of liquidity are not sufficient to support planned operations, which comprise bringing our lifestyle vehicle to the point of production, for the next 12 months. The accompanying condensed consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

Cash Flows Summary

Presented below is a summary of our operating, investing and financing cash flows (in thousands):

Consolidated Cash Flow Statements Data	For the six months ended June 30,	
	2022	2021
Net cash used in operating activities	\$ (237,565)	\$ (108,818)
Net cash used in investing activities	(34,980)	(28,653)
Net cash provided by (used in) financing activities	92,630	(1,386)

Cash Flows from Operating Activities

Our cash flows from operating activities are significantly affected by the growth of our business primarily related to research and development as well as selling, general, and administrative activities. Our operating cash flow is also affected by our working capital needs to support growth in personnel-related expenditures and fluctuations in accounts payable and other current assets and liabilities.

Net cash used in operating activities was \$237.6 million for the six months ended June 30, 2022. Our cash outflow from operating activities primarily consist of payments related to our research and development and selling, general and administration expenses. Total expenditure as it relates to research and development excluding depreciation was \$197.9 million during the six months ended June 30, 2022, of which \$15.2 million related to stock-compensation expenses. We also incurred selling, general and administration expenses of \$110.8 million for the six months ended June 30, 2022, of which \$26.3 million related to stock-compensation expenses. The expenses include salaries and benefits paid to employees as primarily all salaries and benefits were paid in cash during the six months ended June 30, 2022.

Net cash used in operating activities was \$108.8 million for the six months ended June 30, 2021. Our cash outflow from operating activities primarily consist of payments related to our research and development and selling, general and administration expenses. The total expenditure as it relates to research and development excluding depreciation was \$97.0 million during the six months ended June 30, 2021 of which \$15.6 million related to stock-compensation expenses during the year. We also incurred selling, general and administration expenses of \$100.3 million for the six months ended June 30, 2021, of which \$55.0 million related to stock-compensation expenses during the six months ended June 30, 2021. The expenses include salaries and benefits paid to employees as primarily all salaries and benefits were paid in cash during the six months ended June 30, 2021.

Cash Flows from Investing Activities

We generally expect to experience negative cash flows from investing activities as we expand our business and continue to build our infrastructure. Cash flows from investing activities primarily relate to capital expenditures to support our growth.

Net cash used in investing activities was approximately \$35.0 million for the six months ended June 30, 2022, which primarily consisted of purchases of production tooling and machinery and equipment to support future manufacturing activities offset by a repayment received in February 2022 totaling \$30.4 million from VDL Nedcar.

Net cash used in investing activities was approximately \$28.7 million for the six months ended June 30, 2021, which primarily consisted of purchases of production tooling as well as machinery and equipment.

Cash Flows from Financing Activities

Net cash provided by financing activities was \$92.6 million for the six months ended June 30, 2022, which was primarily due to proceeds of \$50.0 million from purchase of Common Stock under the PIPE agreement, proceeds of \$32.5 million from issuance of shares under SEPA agreement, and \$8.4 million received from VDL Nedcar in February 2022 for the purchase of the shares of Common Stock.

Net cash used in financing activities was \$1.4 million for the six months ended June 30, 2021, which was primarily due to proceeds of \$6.9 million resulting from the exercise of public warrants, offset by the payment of the Company's PPP loan.

Critical Accounting Estimates

Our condensed consolidated financial statements (unaudited) have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates under different assumptions or conditions. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

There have been no material changes to our critical accounting estimates described in our Annual Report on Form 10-K for the year ended December 31, 2021. For a discussion of our critical accounting estimates, see the section titled "Critical Accounting Policies and Estimates" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations", each included in our Annual Report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have not, to date, been exposed to material market risks given our early stage of operations. Upon commencing commercial operations, we may be exposed to material market risks. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our current market risk exposure is primarily the result of fluctuations in interest rates.

Interest Rate Risk

We are exposed to market risk for changes in interest rates applicable to our cash and cash equivalents. We had cash and cash equivalents totaling \$33.8 million as of June 30, 2022. Our cash and cash equivalents were invested primarily in money market funds and are not invested for trading or speculative purposes. However, due to the short-term nature and the low-risk profile of the money market funds, we do not believe a sudden increase or decrease in market interest rates would have a material effect on the fair market value of our portfolio.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. Inflationary factors such as increases in material costs (e.g. semiconductor chips) or overhead costs may adversely affect our business, financial condition, and operating costs upon commencing commercial operations.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Executive Chair and Chief Executive Officer, ("CEO") and Interim Chief Financial Officer ("CFO"), has evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2022. We have established and currently maintain disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, designed to provide reasonable assurance that information required to be disclosed in our reports filed under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on an evaluation of our disclosure controls and procedures, our CEO and CFO concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of June 30, 2022.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

For a description of any material pending legal proceedings, please see Note 7, Commitments and Contingencies, of the notes to the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

Except as stated below, there have been no material changes to our risk factors as previously disclosed in our Annual Report on Form 10-K. Any of the risk factors included in the Annual Report on Form 10-K or enumerated below could result in a significant or material adverse effect on our results of operations, financial condition or cash flows. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations. We may disclose changes to such risk factors or disclose additional risk factors from time to time in our future filings with the SEC.

Risks Related to Our Business and Financial Results

Our management has performed an analysis of our ability to continue as a going concern and has identified substantial doubt about our ability to continue as a going concern. If we are unable to obtain sufficient additional funding or do not have access to capital, we may be required to terminate or significantly curtail our operations.

Based on their assessment, our management has raised concerns about our ability to continue as a going concern. Management continues to explore raising additional capital through a combination of debt financing, other non-dilutive financing and/or equity financing to supplement the Company's capitalization and liquidity. However, as substantial doubt about our ability to continue as a going concern exists, our ability to finance our operations through the sale and issuance of additional debt or equity securities or through bank or other financing could be impaired and management cannot conclude as of the date of this filing that its plans are probable of being successfully implemented. As of the date of this report, we believe that our existing cash resources and additional sources of liquidity are not sufficient to support planned operations, which comprise bringing our lifestyle vehicle to the point of production, for the next 12 months. Our ability to continue as a going concern will depend on our ability to obtain additional capital.

Our principal sources of liquidity are our unrestricted cash balance in the amount of \$33.8 million (which includes proceeds from the PIPE), as of June 30, 2022, and potential proceeds from Pre-Paid Advances under the PPA with Yorkville and the ATM Program. Additional Pre-Paid Advances under the PPA are subject to conditions precedent, including that there are no more than \$10 million outstanding under prior Pre-Paid Advances. As of the date of the filing of this Quarterly Statement on Form 10-Q, there are \$37.5 million of Pre-Paid Advances outstanding under the PPA. In addition, even though we have entered into the SEPA and sold an aggregate of 14.2 million shares of Common Stock to Yorkville, in connection with our entry into the PPA, we agreed to not request any further purchases of our Common Stock or Pre-Advanced Loans under the SEPA while there are any Pre-Paid Advances under the PPA and we currently intend to terminate the SEPA. In addition, on August 8, 2022, we entered into the ATM Agreement with the agents, which established an at-the-market equity program for the sale of shares of our Common Stock having an aggregate offering price of up to \$200.0 million. The decision regarding the sale of shares through the ATM Program will be subject to market conditions, such as trading volume, price of our Common Stock and other factors beyond our control, as well as certain conditions included in the ATM Agreement. There's no guarantee that we will be able to sell any shares and receive any proceeds from the ATM Program. Therefore, our current sources of financing remain limited.

Additional capital may not be available on favorable terms, or at all, and additional equity financing could further dilute our current stockholders. If we raise additional funds by issuing debt securities or preferred stock, or by incurring additional loans, these forms of financing would have rights, preferences, and privileges senior to those of holders of our Common Stock. If adequate capital is not available to us in the amounts needed, we could be required to terminate or significantly curtail our operations in which case our investors could lose some or all of their investment.

Outstanding amounts under the PPA or under the SEPA, if not terminated and if and when available, will make us more vulnerable to downturns in our financial condition, and any shares of Common Stock we issue under the PPA, or the SEPA, if not terminated and if and when available, will further dilute our stockholders.

As of the date of this Quarterly Statement on Form 10-Q, there are \$37.5 million of Pre-Paid Advances outstanding under the PPA. If our cash flow from operations is insufficient to meet our payments under the PPA or the SEPA, if not terminated and if and when available, or we are unable to offset amounts outstanding under the PPA with the

issuance of shares of Common Stock, we would incur an event of the default under these facilities, in which case, all outstanding amounts would be immediately due and payable. Any debt we incur from Yorkville or other parties could make us more vulnerable to a downturn in our operating results or a downturn in economic conditions. If our cash flow from operations is insufficient to meet any debt service requirements or we incur an event of default, we could be required to refinance our obligations, or dispose of assets in order to meet debt service requirements.

In addition, any additional shares of Common Stock that we issue to Yorkville under the PPA or the SEPA, if not terminated and if and when available, will further dilute our current stockholders.

We expect that a substantial portion of our initial revenue will be from one customer. If we are unable to maintain this relationship, or if Walmart purchases significantly fewer vehicles than we currently anticipate or none at all, our business, prospects, financial condition, results of operations, and cash flows could be materially and adversely affected.

Our future success depends on us commencing commercial sales and attracting a large number of customers for our EVs. In the near-term, if we are able to complete the development of our MPP and EVs, we expect that a substantial portion of our revenue will be generated from Walmart.

On July 11, 2022, we entered into the EV Fleet Purchase Agreement with Walmart, pursuant to which, subject to certain acceptance and performance criteria, Walmart agreed to purchase at least 4,500 EVs, with an option to purchase up to an additional 5,500 EVs. Walmart may terminate the EV Fleet Purchase Agreement for convenience upon at least 30 days' written notice. In addition, Walmart's purchases are subject to us meeting certain acceptance and performance criteria with respect to EVs, if we are unable to meet such requirements, Walmart may decide to purchase only the initial 4,500 EVs, or no vehicles at all, and may also terminate the EV Fleet Purchase Agreement. If Walmart terminates the EV Fleet Purchase Agreement or purchases less EVs than expected, we will not realize the revenue that we expect to realize from this agreement.

Because initially, we expect that a substantial portion of our revenue will be generated from Walmart, if our efforts to satisfy and retain Walmart are not successful, our ability to maintain and/or grow our business will be materially adversely impacted.

In addition, the automotive market is highly competitive, and our relationship with Walmart will limit our access to certain customers that could represent substantial business opportunities. Under the EV Fleet Purchase Agreement, we granted Walmart exclusivity rights, which restrict our ability to contract with Amazon.com, Inc., its subsidiaries, or affiliates. If due to the exclusivity granted to Walmart, we cannot sell our EVs to these customers, our operations may be adversely impacted. Furthermore, our commercial relationship with Walmart, together with its ownership of our Common Stock as a result of the exercise of the Warrant we issued to Walmart, may deter Walmart's competitors or other third parties from contracting with us.

Under the EV Fleet Purchase Agreement, we will make substantial capital investments and strategic business decisions. If we are unable to maintain our relationship with Walmart, or if Walmart purchases significantly fewer vehicles than we currently anticipate or none at all, our business, prospects, financial condition, results of operations, and cash flows could be materially and adversely affected.

Risks Related to Our Securities

The issuance of shares of our Common Stock upon exercise of our outstanding warrants will increase the number of shares eligible for future resale in the public market and result in dilution to our stockholders.

As of June 30, 2022, there were 23,755,069 public warrants outstanding. In February 2022, we also issued a warrant to purchase an aggregate of approximately 1.0 million shares of Common Stock to VDL Nedcar at exercise prices ranging from \$18 to \$40 per share. In connection with the EV Fleet Purchase Agreement, we issued to Walmart a Warrant to purchase an aggregate of 61.2 million shares of Common Stock, at an exercise price of \$2.15 per share. The Warrant is vested with respect to 15.3 million shares of Common Stock.

To the extent any of our outstanding warrants are exercised, additional shares of our Common Stock will be issued, which will result in dilution to the holders of our Common Stock and increase the number of shares subject to resale in the public market. Sales of substantial numbers of such shares in the public market or the fact that such warrants may be

exercised could adversely affect the market price of our Common Stock and may make it more difficult for you to sell your shares at a time and price that you deem appropriate.

Substantial blocks of our Common Stock may be sold into the market as a result of the shares sold to Yorkville under the PPA or the SEPA, if not terminated and if and when available, and under the ATM Program, which may cause the price of our Common Stock to decline.

The price of our Common Stock could decline if there are substantial sales of shares of our Common Stock, if there is a large number of shares of our Common Stock available for sale, or if there is the perception that these sales could occur.

On May 10, 2022, we entered into a SEPA with Yorkville and have issued an aggregate of 14.2 million shares to Yorkville thereunder. On July 20, 2022, we entered into the PPA with Yorkville pursuant to which Pre-Paid Advances can be offset with the issuance of shares of Common Stock. It is expected that Yorkville will sell any shares issued under the SEPA or the PPA in the market. The Company currently intends to terminate the SEPA. On July 11, 2022, we issued the Warrant to Walmart to purchase 61.2 million shares of Common Stock, of which 15.3 million shares of Common Stock have vested and may be immediately exercised. On August 8, 2022, we entered into the ATM Agreement pursuant to which we may offer and sell shares of our Common Stock from time to time having an aggregate offering price of up to \$200.0 million.

Any issuance of shares of Common Stock pursuant to the SEPA, if not terminated and if and when available, the PPA, the Warrant and the ATM Program will dilute the percentage ownership of stockholders and may dilute the per share projected earnings (if any) or book value of our Common Stock. Sales of a substantial number of shares of our Common Stock in the public market or other issuances of shares of our Common Stock, or the perception that these sales or issuances could occur, could cause the market price of our Common Stock to decline and may make it more difficult for you to sell your shares at a time and price that you deem appropriate.

The actual number of shares of Common Stock we will issue pursuant to the PPA or the SEPA, if not terminated and if and when available, and the ATM Program, at any one time or in total, is uncertain.

Subject to certain conditions in the PPA and the SEPA, if not terminated and if and when available, and compliance with applicable law, we have issued and may continue to issue shares of our Common Stock to Yorkville. The number of shares of Common Stock that are issued to Yorkville will fluctuate based on a number of factors. In addition, subject to certain conditions and compliance with applicable law, under the ATM Program we may issue shares of our Common Stock from time to time in the market. It is not possible at this stage to predict the number of shares of Common Stock that will be ultimately issued pursuant to the PPA, the SEPA, if not terminated and if and when available, or the ATM Program.

General Risk Factors

For the second quarter of 2022, we have re-qualified as a “smaller reporting company” within the meaning of the Securities Act. The reduced disclosure requirements applicable to smaller reporting companies may make our Common Stock less attractive to investors.

Based on the aggregate worldwide market value of voting and non-voting Common Stock held by non-affiliates as of June 30, 2022, we re-qualified as a “smaller reporting company” as defined in Rule 12b-2 under the Exchange Act and for so long as we remain a smaller reporting company, we are permitted and intend to rely on exemptions from certain disclosure requirements that are applicable to other public companies that are not smaller reporting companies. These exemptions include, among others:

- being permitted to provide only two years of audited financial statements, in addition to any required unaudited interim financial statements, with correspondingly reduced “Management’s Discussion and Analysis of Financial Condition and Results of Operations” disclosure;
- being permitted to omit quantitative and qualitative disclosures of market risk; and
- not being required to comply with the auditor attestation requirements in the assessment of our internal control over financial reporting of Section 404(b) of the Sarbanes-Oxley Act.

These scaled disclosures may make comparison of our disclosures with another public company, which is not a smaller reporting company, difficult because of the differences in the extent of such disclosure. We cannot predict whether investors will find our Common Stock less attractive if we rely on these exemptions. If some investors find our Common Stock less attractive as a result, we could experience greater difficulty raising equity capital, there may be a less active trading market for our Common Stock, and our stock price may be more volatile.

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

Unregistered Sales of Equity Securities

During the three months ended June 30, 2022, the Company issued 14.2 million shares of Common Stock to Yorkville under the SEPA for cash proceeds of \$32.5 million. The issuance of these shares was exempt from registration pursuant to Section 4(a)(2) of the Securities Act. Yorkville represented to the Company that it is an “accredited investor” as defined in Rule 501 of the Securities Act.

During the three months ended June 30, 2022, the Company sold other equity securities not registered under the Securities Act, as has been previously disclosed in Current Reports on Form 8-K.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The table below provides information with respect to recent repurchases of unvested shares of our Common Stock:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
April 1 - April 30, 2022	122,146	\$ 0.01	—	—
May 1 - May 31, 2022	27,020	\$ 0.01	—	—
June 1 - June 30, 2022	25,471	\$ 0.01	—	—

(1) Certain of our shares of Common Stock held by employees and service providers are subject to vesting. Unvested shares are subject to a right of repurchase by us in the event the holder of such shares is no longer employed by or providing services for us. All shares in the above table were shares repurchased as a result of our exercising this right and not pursuant to a publicly announced plan or program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Exhibit No.	Description
3.1	Second Amended and Restated Certificate of Incorporation of the Company, dated December 21, 2020 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on December 22, 2020).
3.2	Amended and Restated Bylaws of the Company, dated December 21, 2020 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on December 22, 2020).
4.1	Warrant Issuance Agreement, dated as of July 11, 2022, by and between Canoo Inc. and Walmart Inc. (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on July 13, 2022).
4.2	Warrant dated July 11, 2022, issued by the Canoo Inc. to Walmart, Inc. (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on July 13, 2022).
10.1	Form of Common Stock Subscription Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 16, 2022).
10.2	Standby Equity Purchase Agreement, dated May 10, 2022, by and between Canoo Inc. and YA II PN, Ltd. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on May 16, 2022).
10.3*†	Electric Vehicle Fleet Purchase Agreement, dated as of July 11, 2022, by and between Canoo Sales, LLC and Walmart Inc.
10.4	Pre-Paid Advance Agreement, dated July 20, 2022, by and between Canoo Inc. and YA II PN, Ltd. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on July 21, 2022).
10.5	Side Letter to Standby Equity Purchase Agreement, dated July 20, 2022, by and between Canoo Inc. and YA PN, Ltd. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on July 21, 2022).
31.1*	Certification of the Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
31.2*	Certification of the Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. 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.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label 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.

** The certifications attached as Exhibit 32.1 and Exhibit 32.2 that accompany this Quarterly Report on Form 10-Q are deemed furnished and not filed with the SEC and are not to be incorporated by reference into any filing of the Company under the Securities Act or the Exchange Act, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

† Certain confidential portions of this exhibit have been redacted pursuant to Item 601(b)(10)(iv) of Regulation S-K. The omitted information is (i) not material and (ii) would likely cause the Company competitive harm if publicly disclosed. The Company agrees to furnish an unredacted copy to the SEC upon request.

ELECTRIC VEHICLE FLEET PURCHASE AGREEMENT

This ELECTRIC VEHICLE FLEET PURCHASE AGREEMENT (hereinafter "AGREEMENT") is made and entered into on July 11, 2022 ("EFFECTIVE DATE") by and between Walmart Inc., a Delaware Corporation (hereinafter "WALMART"), and Canoo Sales, LLC., a Delaware Corporation (hereinafter "CANOO"). WALMART and CANOO may each be referred to herein as a "PARTY" or collectively as the "PARTIES".

RECITALS

WHEREAS, WALMART is a retailer of consumer products with a logistics program enabling localized delivery of goods by truck and automobile to customers on behalf of itself and third-party retailers.

WHEREAS, CANOO is a technology company which has developed a unique brand of electric-powered vehicles that Walmart has an interest in utilizing for purposes of its logistics program.

WHEREAS, WALMART desires to purchase from CANOO, and CANOO desires to sell to WALMART, a fleet of at least four thousand five hundred (4,500) CANOO VEHICLES (as defined below) over a five-year period pursuant to the pricing and other terms and conditions specified herein.

NOW, THEREFORE, in consideration of the mutual covenants and conditions hereof, and the payments to be made hereunder, the parties hereby agree as follows:

TERMS AND CONDITIONS

SECTION 1. DEFINITIONS.

For purposes of this AGREEMENT, the following terms shall have the meanings ascribed to them below. Other defined terms not included in this section are defined elsewhere in the body of the AGREEMENT.

- a. "AFFILIATE" shall mean any entity which owns or controls, is owned or controlled by, or is under common ownership or control with a PARTY. For purposes of this Agreement, control shall mean the ability to exercise, directly or indirectly, more than 50% of the voting rights attributable to the shares of the controlled corporation.
- b. "ACCEPTANCE" shall mean WALMART's acceptance of VEHICLE(s) duly DELIVERED in accordance with Section 4.c. of this AGREEMENT.
- c. "CONTRACT DOCUMENTS" shall mean this AGREEMENT, its exhibits, CHANGE ORDERS, written amendments, and any other documents that are incorporated by reference or expressly made part of this AGREEMENT.
- d. "CHANGE ORDER" shall mean a signed written instrument executed by both WALMART and by CANOO stating their mutual agreement to modify the quantity, quality, or other aspect of the VEHICLES purchased pursuant to a PURCHASE ORDER.
- e. "DELIVERY" shall mean the physical delivery of VEHICLES in conformity with applicable SPECIFICATIONS to a DELIVERY LOCATION (as defined in Section 6), as designated by WALMART, ready for ACCEPTANCE.

Certain information in this document has been excluded pursuant to Regulation S-K, Item 601(b)(10). Such excluded information is not material and would likely cause competitive harm to the registrant if publicly disclosed.

- f. "DELIVERY SCHEDULE" shall mean the timeframe(s) and location(s) for CANOO to deliver VEHICLES to WALMART pursuant to this AGREEMENT, which shall be reflected in **Exhibit "C"** the terms of which are herein incorporated by this reference.
- g. "NONCONFORMING VEHICLE" shall mean any VEHICLE received from CANOO pursuant to a PURCHASE ORDER that does not fully conform to the SPECIFICATIONS. Where the context requires, NONCONFORMING VEHICLES are deemed to be VEHICLES for purposes of this AGREEMENT.
- h. "PAYMENT SCHEDULE" shall mean the timeframe for WALMART to make payments to CANOO for its DELIVERY of VEHICLES pursuant to this AGREEMENT, which shall be reflected in **Exhibit "B"** the terms of which are herein incorporated by this reference.
- i. "PURCHASE ORDER" shall mean WALMART's written submission of a request to purchase a specific model and quantity of VEHICLES within the total quantity(s) allowed under this AGREEMENT. Such PURCHASE ORDERS shall substantially conform to the format attached hereto as **Exhibit "D"**.
- j. "RESIDUAL VALUE (RV)" shall mean the resale value of the vehicle after use which includes a depreciation factor to account for model year, normal driving conditions, battery depreciation, and average miles used. The residual value may vary depending on the use case, miles logged and condition of the vehicle upon return. The guiding [***] after [***] and [***] will be between [***] MSRP. Due to very limited availability of market data, both parties review the market development after [***].
- k. "SPECIFICATIONS" shall mean all the dimensions, quantities, provisions, and requirements describing the VEHICLE(s) under purchase as listed in **Exhibit "A"** and any applicable CHANGE ORDERS.
- l. "VEHICLE(s)" shall mean the vehicles, as contemplated by the SPECIFICATIONS, including [***] to be manufactured and delivered by CANOO, and purchased by WALMART hereunder pursuant to the SPECIFICATIONS.

SECTION 2. VEHICLE PRODUCTION AND CHANGE ORDERS.

- a. CANOO agrees to design, build, sell, and deliver to WALMART and Walmart agrees to purchase at least four thousand five hundred (4,500) VEHICLE(s) as particularly described by the SPECIFICATIONS over a five (5) year period commencing on the EFFECTIVE DATE.
- b. WALMART shall specify the actual quantity of VEHICLES it desires to purchase at any given time under this AGREEMENT through the submission of PURCHASE ORDERS throughout the period of five (5) years from the EFFECTIVE DATE.
- c. Each PARTY has the right to request a quality or quantity variation to PURCHASE ORDER by providing a written notice to the other PARTY within [***] after a PURCHASE ORDER is duly accepted by CANOO providing reasonable details of the requested change. The PARTY receiving a requested change will promptly respond to such request in writing, but in any event, within [***] after receipt thereof, indicating whether or not it accepts the requested change and its good faith estimate of the effects of the change. Neither PARTY shall be obligated to accept any quality or quantity variation. For purposes of clarity, no requested change will be implemented or binding on the PARTIES unless and until the CHANGE ORDER has been signed by both PARTIES.

SECTION 3. PRICE AND PAYMENT.

- a. In consideration of delivering and transferring title to the VEHICLE(s) to WALMART in conformity with the SPECIFICATIONS and DELIVERY SCHEDULE in compliance with any applicable CHANGE ORDERS, WALMART agrees to pay an amount not to exceed [***] per VEHICLE (inclusive of taxes and other applicable fees) ("UNIT PRICE CAP") for up to a total

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of four thousand five hundred (4,500) VEHICLES. The actual VEHICLE purchase price shall depend on the model ordered via PURCHASE ORDER.

- b. WALMART shall also have the option, at its sole discretion, to purchase up to an additional five thousand five hundred (5,500) VEHICLES at the UNIT PRICE CAP pursuant to a delivery schedule yet to be negotiated, but otherwise upon the same general terms and conditions as set forth in this AGREEMENT.
- c. For all VEHICLES purchased at or below the UNIT PRICE CAP pursuant to this AGREEMENT, there shall be[***].
- d. Invoices shall be tendered to WALMART pursuant to the protocols described in Section 10.
- e. Payment shall be made pursuant to the PAYMENT SCHEDULE attached as **Exhibit "B"**.

SECTION 4. DELIVERY; TITLE TRANSFER; AND INSPECTION.

- a. The PARTIES agree that PURCHASE ORDERS in conjunction with the DELIVERY SCHEDULE shall govern the timeframe for DELIVERY of VEHICLES hereunder. WALMART shall grant CANOO reasonable extension(s) for CANOO to comply with the DELIVERY SCHEDULE due to delays caused by WALMART or delays caused by a Force Majeure Event, and such extension(s) shall last only as long as the actual delay caused by WALMART or such Force Majeure Event.
- b. CANOO shall convey title of the VEHICLE(S) to WALMART upon CANOO's tender of such VEHICLE(S) under any PURCHASE ORDER to [***] selected by [***]. For the avoidance of doubt, title to the VEHICLES shipped under any PURCHASE ORDER passes to WALMART upon [***] of the VEHICLES [***] (i.e., FOB [***]).
- c. WALMART shall have [***]to perform an inspection of every VEHICLE following DELIVERY and prior to ACCEPTANCE (the "INSPECTION PERIOD"). During the INSPECTION PERIOD, WALMART shall either accept or, only if any such VEHICLE is a NONCONFORMING VEHICLE, reject such VEHICLE. WALMART will be deemed to have accepted the VEHICLES unless it provides CANOO with written notice that any NONCONFORMING within [***] following the INSPECTION PERIOD. If, due to the DELIVERY SCHEDULE, an inspection cannot be performed contemporaneous with DELIVERY, WALMART will take provisional ACCEPTANCE of the VEHICLE(s) without waiving the right to reject DELIVERY due to failure to comply with any SPECIFICATIONS.
- d. CANOO agrees and covenants to execute all documents that are necessary to finalize transfer of title and registration upon the VEHICLE(s) to WALMART. Upon DELIVERY of VEHICLES, CANOO shall provide the training consistent with the protocol described in DELIVERY SCHEDULE.

SECTION 5. TERM OF AGREEMENT.

This AGREEMENT shall commence immediately upon mutual execution and shall continue for five (5) years, unless extended by mutual agreement in writing. CANOO's obligations under this AGREEMENT will continue beyond the conclusion or termination of this AGREEMENT with respect to any VEHICLES ordered but not delivered prior to the conclusion or termination of this AGREEMENT, unless otherwise agreed in writing by WALMART.

SECTION 6. F.O.B. DELIVERY.

CANOO shall, [***], transport any VEHICLE(s) called for within the CONTRACT DOCUMENTS to WALMART'S designated DELIVERY location(s) in **Exhibit "C"** ("DELIVERY LOCATIONS"). Any and all risk of loss, damage or injury to the VEHICLE shall transfer to WALMART [***] for

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that VEHICLE. CANOO, will coordinate the shipping of the VEHICLE to WALMART via [***]. The PARTIES agree that risk of loss to the VEHICLES shipped under a PURCHASE ORDER passes to WALMART [***] (i.e., FOB [***]). At all times prior to Delivery, the VEHICLE will be fully insured by [***] in accordance with the terms of this AGREEMENT.

SECTION 7. CONDITION OF TITLE AND GOODS.

CANOO represents that it owns the VEHICLE(s) free and clear of all liens and encumbrances and that it has the authority and shall convey good and marketable title to the VEHICLE(s). The VEHICLE(s) delivered shall conform in all respects to the SPECIFICATIONS. Any VEHICLE(s) purchased by WALMART pursuant to a PURCHASE ORDER shall be new and warranted to be fit for the purposes specified in the SPECIFICATIONS and any ordinary purposes for which the VEHICLES are intended to be used, including, without limitation, fit to be driven safely on the roads for the duration(s) as provided for in the SPECIFICATIONS. In the event any VEHICLE(s) delivered with [***], and even though the VEHICLE(s) [***], CANOO shall, [***].

SECTION 8. VEHICLE WARRANTY; MAINTENANCE AND RECALLS.

- a. CANOO sells the VEHICLE(s) with a MPP1 powertrain (skateboard) warranty for [***], a Battery warranty of [***] and a "Top Hat" warranty covering [***] for a period of [***] (collectively "WARRANTY"). The WARRANTY covers the [***] to ensure that the VEHICLE(s) is/are mechanically operational, sound and up to SPECIFICATION. The term of the WARRANTY shall be [***]. [***].
- b. To the extent a VEHICLE will require software updates, [***] period, CANOO [***].
- c. IN ADDITION TO ALL OTHER RIGHTS AND REMEDIES UNDER THIS AGREEMENT, IF, AFTER A REASONABLE NUMBER OF ATTEMPTS, CANOO, OR ITS AGENT IS UNABLE TO REPAIR OR CORRECT ANY NON-CONFORMITY, DEFECT, OR CONDITION WHICH RESULTS, IN EACH CASE, [***] CANOO [***]
- d. The WARRANTY and any other express warranties with respect to the VEHICLES contained in this AGREEMENT do not apply to any VEHICLE that has been damaged by being (i) [***]. Notwithstanding the foregoing [***] for which the VEHICLES will be deployed shall not void the WARRANTY or any other express warranties with respect to the VEHICLES contained in this AGREEMENT.
- e. Upon the occurrence of a RECALL (as defined below) or recurring defect or non-conformity (as described in Section 8.d) involving the VEHICLES, the PARTIES agree that they shall share with each other such information as is necessary or appropriate to facilitate RECALL efforts and efforts to address such recurring defects or non-conformities, subject to the requirement of applicable laws. The PARTIES shall cooperate reasonably in connection with any such RECALL or effort to address a recurring defects. For purposes of this AGREEMENT, "RECALL" shall mean a determination by a governmental authority or by CANOO that a VEHICLE contains a defect related to motor vehicle safety, emissions compliance or otherwise fails to comply with applicable laws, such that a recall is necessary under applicable laws.

SECTION 9. INDEMNIFICATION.

- a. Each Party and their Affiliates, officers, employees, agents, representatives, collectively an "Indemnifying Party" subject to the terms and condition set forth herein shall indemnify, defend, release and save and hold harmless the other PARTY, its officers, employees, agents, representatives Affiliates, and all their respective officers, board, employees, agents and contractors ("the Indemnified Party") from and against any and all (1) damages, including but not limited to loss of use, to property or injuries to or death of any person or persons, and (2) claims, demands, suits, actions, liabilities, costs, expenses (including but not limited to reasonable attorney fees, expert witness fees and all associated defense fees),

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causes of action, or other legal, equitable or administrative proceedings of any kind or nature whatsoever (collectively, "LOSSES"), of or by any third-party, regardless of the legal theories upon which premised, including but not limited to contract, tort, express and/or implied warranty, strict liability, and worker's compensation, in any way resulting from, connected with, or arising out of, directly or indirectly, a breach of this AGREEMENT and any of the CONTRACT DOCUMENTS, the tortious or negligent actions or omissions of the Indemnifying Party in connection with the operations or performance of this AGREEMENT, including actions or omissions of sub-contractors, and the acts or omissions, of the officers, employees, agents, representatives, of CANOO; provided however, that the Indemnifying Party need not indemnify the Indemnified Party from the damages proximately caused by and apportioned to the negligence of the Indemnified Party. This indemnity clause shall not cover the Indemnified Party's defense costs in the event the Indemnified Party, in its sole discretion, elects to provide its own defense. CANOO shall obtain, at its own expense, any additional insurance that it deems necessary to meet its obligations under of this Section 9(a). This defense and indemnification obligation shall survive the expiration or termination of this AGREEMENT.

SECTION 10. ORDER ACKNOWLEDGEMENT.

CANOO shall provide written acknowledgment within [***] of WALMART's submission of any PURCHASE ORDER. Such written acknowledgment shall contain a description of the order and an invoice for the price(s) associated with the order. Such invoice(s) shall be paid pursuant to the terms of the PAYMENT SCHEDULE. If CANOO receives an order from WALMART on a Friday or holiday, then the acknowledgement shall be sent to WALMART the next business day.

Written acknowledgement shall be sent via email to the following WALMART personnel:

[***]

SECTION 11. NOTICES.

Other than order acknowledgments as specified above, any and all notices required to be given by either of the PARTIES shall be in writing and deemed delivered when either:

- a. Delivered personally to the contact at the address below; or
- b. Sent by email to the other party at the email address set forth below; or
- c. Deposited in the United States Mail via certified, return receipt requested, postage pre-paid mail, addressed to the other party at the address set forth below; or
- d. Transmitted by other facsimile number or mailing address as may be provided by written notice of such change given to the other in the same manner as provided above.

FOR WALMART: Walmart Supply Chain Engineering – Last Mile Innovation

702 SW 8th Street

Bentonville, AR 72716

ATTN: [***] n

With copy to:

[***]

Walmart Legal – Last Mile

702 SW 8th Street

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Bentonville, AR 72716

FOR CANOO: Canoo Inc.
 15520 Highway 114, Suite 2C
 Justin, Texas 76247
 Attention: Legal Department

 Email: [***]

SECTION 12. SUBMITTALS.

All VEHICLE(s) submittal documentation that may be required by this AGREEMENT shall include applicable purchase order numbers and other key identifying details and shall appear, to the extent practicable, on all acknowledgements, shipping labels, packing lists, and invoices.

SECTION 13. DELIVERY OF MANUALS.

All manuals relating to VEHICLE(s) shall be submitted to WALMART prior to, at the time of or promptly following such VEHICLE DELIVERY. WALMART shall, upon written request, be entitled to a preview of the general VEHICLE manuals in a form and manner of DELIVERY mutually agreed by the PARTIES.

SECTION 14. INTENT OF AGREEMENT.

It is the intent of the PARTIES by the execution of this AGREEMENT, which is integrated and incorporated as part of the CONTRACT DOCUMENTS, to adequately set forth the full agreement between the parties for the sale and purchase of the VEHICLE(s).

SECTION 15. MULTIPLE DOCUMENTS.

The PARTIES agree that all CONTRACT DOCUMENTS are essential parts to the complete agreement between WALMART and CANOO. A requirement occurring in one is as binding as though occurring in all. The documents are intended to be complementary.

SECTION 16. BINDING EFFECT.

Upon the execution of this AGREEMENT by the PARTIES, it shall be binding upon and inure to the benefit of the PARTIES, their AFFILIATES, successors, and assigns.

SECTION 17. ENTIRE AGREEMENT AND MODIFICATION.

This AGREEMENT and the CONTRACT DOCUMENTS constitute the entire understanding between the PARTIES with respect to this transaction, and cancel and supersede all prior agreements, understandings, communications, or negotiations between the PARTIES, including but not limited to any letters of intent. Any modification to the AGREEMENT or CONTRACT DOCUMENTS must be in writing and signed by both PARTIES.

SECTION 18. ASSIGNMENT.

No order or any interest in this AGREEMENT shall be transferred by a PARTY without the written approval of the other PARTY, which shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, either PARTY may assign this AGREEMENT at its discretion to one of its AFFILIATES without the consent of the other PARTY.

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SECTION 19. EXCLUSIVITY.

As of the EFFECTIVE DATE, and continuing thereafter for a period equal to the duration of this AGREEMENT, unless earlier terminated by WALMART for any reason under Section 23, CANOO agrees that:

- a. It will not engage in discussions with, negotiate into any agreement with, or actually provide in the absence of an agreement with Amazon.com, Inc. its subsidiaries or AFFILIATES ("AMAZON"), any services involving the design, manufacture, consult, advice, lease, or sale of electric vehicles; and
- b. It will not issue any equity, equity-linked or debt securities of any type to AMAZON or enter into any agreement for purposes of providing AMAZON control over CANOO.

SECTION 20. ACQUISITION PROPOSALS.

- a. In the event that CANOO receives an ACQUISITION PROPOSAL, or CANOO's board of directors ("BOARD") authorizes CANOO or any of its officers, representatives or agents to initiate or pursue an ACQUISITION PROPOSAL, within seventy-two (72) hours after receipt of such offer by CANOO or such authorization by the BOARD, as applicable, CANOO will provide WALMART with written notice (the "ACQUISITION PROPOSAL NOTICE"), which indicates solely that CANOO has received or been authorized by the BOARD to initiate or pursue an ACQUISITION PROPOSAL, as applicable; provided that if the ACQUISITION PROPOSAL received or authorized by the BOARD is with a Person listed on **Exhibit "E"** hereto (each such Person, a "RESTRICTED PARTY"), CANOO will be required to disclose the name of the particular RESTRICTED PARTY engaged in the ACQUISITION PROPOSAL, without being required to provide any further detail. For the avoidance of doubt, CANOO will not be required to provide any further information with respect to such ACQUISITION PROPOSAL, including, without limitation, the proposed purchase price or terms. CANOO will not consummate any ACQUISITION TRANSACTION contemplated by an ACQUISITION PROPOSAL for a period of [***] following the delivery of the ACQUISITION PROPOSAL NOTICE to WALMART.

- b. The following definitions shall apply for purposes of this Section 20:

"ACQUISITION PROPOSAL" means any proposal, offer, inquiry, indication of interest or expression of intent (whether binding or non-binding, and whether communicated to CANOO, the BOARD or publicly announced to CANOO's stockholders or otherwise) by any Person or Group relating to an Acquisition Transaction.

"ACQUISITION TRANSACTION" means (a) any transaction or series of related transactions as a result of which any person or group (excluding WALMART or any of its Affiliates) becomes the beneficial owner, directly or indirectly, of 50% or more of the outstanding Equity Securities (measured by either voting power or economic interests) of CANOO, (b) any transaction or series of related transactions in which the stockholders of CANOO immediately prior to such transaction or series of related transactions (the "PRE-TRANSACTION STOCKHOLDERS") cease to beneficially own, directly or indirectly, at least 50% of the outstanding Equity Securities (measured by either voting power or economic interests) of CANOO; provided that this clause (b) shall not apply if such transaction or series of related transactions is an acquisition by CANOO effected, in whole or in part, through the issuance of Equity Securities of CANOO, (c) any merger, consolidation, statutory share exchange, reorganization, recapitalization or similar extraordinary transaction (which may include a reclassification) involving CANOO, as a result of which at least 50% ownership of CANOO is transferred to another person or group (excluding

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WALMART or any of its Affiliates), (d) individuals who constitute the Continuing Directors, taken together, ceasing for any reason to constitute at least a majority of the BOARD, or (e) any sale or lease or exchange, transfer, license or disposition of a business, deposits or assets that constitute 50% or more of the consolidated assets, business, revenues, net income, assets or deposits of CANOO.

SECTION 21. DUTIES OF THE PARTIES.

- a. CANOO does herein agree to undertake its duties as set forth in the CONTRACT DOCUMENTS for the sale and DELIVERY of VEHICLE(s). WALMART does herein agree to accept VEHICLE(s) conforming to the SPECIFICATIONS, provide notice to cure any NON-CONFORMING VEHICLES, and pay monies owed CANOO as required under the CONTRACT DOCUMENTS.
- b. Each PARTY shall comply with the terms of the Mutual Non-Disclosure Agreement executed by the PARTIES on October 5, 2021.

SECTION 22. TERMINATION BY CANOO.

The PARTIES agree that CANOO may terminate this AGREEMENT for cause based upon a material breach of WALMART'S representations, warranties, and performance obligation(s) pursuant to the CONTRACT DOCUMENTS, including without limitation, the failure of WALMART to tender payment as set forth in this AGREEMENT. Such termination by CANOO shall take effect thirty (30) days following CANOO'S DELIVERY of written notice of default to WALMART specifying the breach, and WALMART'S failure to cure during that period.

SECTION 23. TERMINATION BY WALMART.

- a. WALMART may terminate for cause if CANOO:
 - i. Becomes involved in an event or circumstance or a series of related events or circumstances, including with respect to non-compliance with applicable laws, that involves CANOO, its AFFILIATES or its executive officers that has, or would reasonably be expected to have, a material adverse reputational or legal impact on WALMART or WALMART'S business by reason of continued association with CANOO (a "REPUTATIONAL EVENT").
 - ii. Fails to provide ACQUISITION PROPOSAL NOTICE as required by this AGREEMENT, or otherwise fails to adhere to the terms of Section 20.
 - iii. Fails to begin performance under the terms of this AGREEMENT in a timely manner; or
 - iv. Fails to furnish conforming VEHICLE(s) and fails to cure within 90 days of notice;
 - v. Performs any service required in SPECIFICATIONS unsuitably or performs work anew as may be rejected as unacceptable and unsuitable; or
 - vi. Fails to cure any breach of performance obligation(s) pursuant to the CONTRACT DOCUMENTS within 90 days of notice on more than three consecutive occasions; or
 - vii. Becomes insolvent or is declared bankrupt or commits any act of bankruptcy or insolvency; or
 - viii. Makes assignment for the benefit of creditors; or

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- ix. For any other cause whatsoever, fails to perform the duties set forth in this AGREEMENT and the CONTRACT DOCUMENTS in an acceptable manner.
- b. Termination of this AGREEMENT by WALMART and any PURCHASE ORDER for cause as set forth in subsection (a) shall take effect within seven (7) days of written notice of termination. Any costs and charges incurred by WALMART, together with the cost of completing any work due under the CONTRACT DOCUMENTS, will be deducted from any monies due or which may become due to CANOO for PURCHASE ORDERS fulfilled prior to the termination date in accordance with the terms of this AGREEMENT. WALMART shall have no obligation to tender payment for portions of PURCHASE ORDERS that remain unfulfilled at the termination date.
- c. WALMART may terminate this AGREEMENT for convenience with written notice specifying when such termination shall become effective and what remaining performance by CANOO or furnishing of VEHICLE(s) will be authorized and compensated. In no event shall such termination take effect less than thirty (30) days following WALMART's submission of termination notice under this subsection. Notwithstanding the above, any termination permitted under this Section 23(c) shall not affect a PURCHASE ORDER submitted to CANOO prior to such notice of termination.
- d. In the event WALMART terminates this AGREEMENT for convenience as set forth in subsection (c), then:
 - x. After receipt of notice of termination, CANOO shall submit to WALMART a termination claim no later than[***] calendar days from the EFFECTIVE DATE of termination summarizing the amounts it claims are due and owing for PURCHASE ORDERS up through the termination date. Upon failure of CANOO to submit a termination claim, WALMART may determine, on the basis of information available, the amount, if any, due to CANOO by reason of the termination and shall thereupon pay to CANOO the amount so determined.
 - xi. CANOO and WALMART may agree upon the whole or any part of the amount or amounts to be paid to CANOO by reason of the total or partial termination, provided that such agreed amount or amounts, exclusive of settlement costs, shall not exceed the total contract price as reduced by the amount of payments otherwise made.

SECTION 24. WALMART VENDOR REQUIREMENTS.

- a. WALMART's vendor requirements are available online by visiting <https://corporate.walmart.com/suppliers/requirements> and are herein incorporated by this reference. CANOO shall conform to WALMART's vendor requirements as a material term of this AGREEMENT.
- b. If CANOO receives or processes Walmart Confidential Information or receives access to Walmart Systems, CANOO shall meet the requirements of the Information Security Addendum attached as **Exhibit "F."**

SECTION 25. FORUM, GOVERNING LAW; DISPUTES.

This AGREEMENT and the integrated CONTRACT DOCUMENTS shall be governed by, construed, and enforced in accordance with the laws of the State of Delaware. The proper forum for any legal action arising out of or related to this AGREEMENT and/or the CONTRACT DOCUMENTS shall be the state or federal courts located in Delaware.

Any dispute, controversy, or claim arising out of or relating to this AGREEMENT, or the breach, termination or invalidity hereof (each, a "DISPUTE"), shall be submitted for negotiation and resolution to the applicable PARTY by written notice (each, a "DISPUTE NOTICE"), and the PARTIES shall negotiate in good faith to resolve the DISPUTE. If the PARTIES are unable to resolve any DISPUTE within thirty (30) days after delivery of the applicable DISPUTE NOTICE,

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either PARTY may file suit in a court of competent jurisdiction in accordance with the provisions of this Section 25. Neither PARTY shall be required to submit a DISPUTE NOTICE for a DISPUTE that requires relief in less than thirty (30) days through court order.

SECTION 26. SEVERABILITY.

In the event that any portion of this AGREEMENT shall be held to be unenforceable, the remaining portions of this AGREEMENT shall remain in full force and effect.

SECTION 27. NO PERSONAL LIABILITY.

It is agreed by the PARTIES that in no event shall any official, officer, agent, or employee of either PARTY be held in any way personally responsible for any covenant or agreement herein contained, whether expressed or implied, nor for any statement or representation made.

SECTION 28. DISCRIMINATION PROHIBITED.

In performing this AGREEMENT, CANOO shall not discriminate against any person on the basis of race, color, religion, sex, national origin, age or non-job related handicap or because of prior military service or current military status, and shall comply with all applicable Federal and state laws and regulations and executive order of governmental agencies relating to civil and human rights.

SECTION 29. FORCE MAJEURE EVENT.

- a. Non-performance: Neither PARTY shall be liable for any failure to perform or delay in performance under this AGREEMENT to the extent that such failure or delay is caused by a Force Majeure Event, defined as an event beyond the reasonable control of and not the fault of the non-performing PARTY.
- b. Force Majeure Events: Force Majeure Events include, but are not limited to, flood, lightning, earthquake, fire, landslide, hurricane, tornado, explosion, war, riot, civil disturbance or commotion, terrorist act, military action, pandemic (including COVID-19 and evolutions thereof), epidemic, labor disputes, strikes or shortages, industry large scale trade or supply chain calamity or disruption, or actions of a public authority.
- c. Notice: If the non-performing PARTY seeks to assert this action, that PARTY shall provide the performing PARTY with prompt written notice of such assertion along with a written estimate of the period of time the Force Majeure Event is reasonably expected to continue. Performance under this Agreement shall be immediately resumed once the Force Majeure Event is alleviated.

SECTION 30. CONTINUATION OF REPRESENTATIONS AND WARRANTIES.

All representations and warranties contained in this Agreement (other than any representations and warranties related to the VEHICLES) shall continue in full force and effect after execution of this AGREEMENT. If either PARTY later learns that a warranty or representation that it made is untrue, it is under a duty to promptly disclose this information to the other PARTY in writing. No representation or warranty contained herein shall be deemed to have been waived or impaired by any investigation made by or acknowledge of the other PARTY to this AGREEMENT.

SECTION 31. WARRANTY OF AUTHORITY TO EXECUTE.

- a. The person executing this AGREEMENT on behalf of WALMART represents and warrants due authorization to do so on behalf of WALMART, and that upon execution of this

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AGREEMENT on behalf of WALMART, the same is binding upon, and shall inure to the benefit of, WALMART.

- b. The person executing this AGREEMENT on behalf of CANOO represents and warrants due authorization to do so on behalf of CANOO, and that upon execution of this AGREEMENT on behalf of CANOO, the same is binding upon, and shall inure to the benefit of CANOO.

SECTION 32. PUBLICITY. Promptly following the execution of this Agreement, the CANOO and WALMART shall jointly issue a mutually agreeable press release (the "Mutual Press Release") announcing the terms of this Agreement. Prior to the issuance of the Mutual Press Release, neither the CANOO and WALMART shall issue any press release or public announcement regarding this Agreement without the prior written consent of the other PARTY. CANOO shall not use the logo, trademarks or trade names of WALMART or its subsidiaries without obtaining WALMART's prior written consent, which consent shall be given in WALMART's sole discretion. Both PARTIES shall have the right to disclose any information the PARTIES mutually agreed to publicly release (including the Mutual Press Release) related to this AGREEMENT to (1) the investor community as part of required disclosures or fundraising activities; and (2) in connection with publicity releases and press interviews on a mutually agreeable timetable. The PARTIES shall mutually agree in writing to the content and timing of any future publicity activities relating to the extended business relationship and what was publicly disclosed in the relevant press releases and regulatory related filings related to this AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day, month, and year first above written.

CANOO SALES, LLC WALMART

Signature Signature

Printed Name Printed Name

Title Title

Date Date

Exhibit "A"
VEHICLE SPECIFICATIONS

[**]

Exhibit "B"
PAYMENT SCHEDULE

Exhibit "C"
DELIVERY SCHEDULE

Exhibit "D"

[***]

Exhibit "E"
LIST OF RESTRICTED PARTIES

[**]

Exhibit "F"
INFORMATION SECURITY ADDENDUM

[**]

**CERTIFICATION 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, Tony Aquila, certify that:

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

Date: August 8, 2022

By: _____

/s/ Tony Aquila

Tony Aquila

Chief Executive Officer and Executive Chair of the Board
(Principal Executive Officer)

**CERTIFICATION 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, Ramesh Murthy, certify that:

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

Date: August 8, 2022

By:

/s/ Ramesh Murthy

Ramesh Murthy
Interim Chief Financial Officer and Chief Accounting Officer
(Principal Financial Officer and Accounting Officer)

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

In connection with the Quarterly Report of Canoo Inc. (the "Company") on Form 10-Q for the period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 8, 2022

By: _____
/s/ Tony Aquila
Tony Aquila
Chief Executive Officer and Executive Chair of the Board
(Principal Executive Officer)

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

In connection with the Quarterly Report of Canoo Inc. (the "Company") on Form 10-Q for the period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 8, 2022

By:

/s/ Ramesh Murthy

Ramesh Murthy

Interim Chief Financial Officer and Chief Accounting Officer
(Principal Financial Officer and Accounting Officer)