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 September 30, 2023

OR

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

For the transition period from ________ to ________

Commission file number: 001-38824

CANOO INC.

(Exact name of registrant as specified in its charter)

Delaware	**83-1476189**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
19951 Mariner Avenue, Torrance, California	**90503**
(Address of Principal Executive Offices)	(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 Capital Market
Warrants, each whole warrant exercisable for one share of common stock at an exercise price of $11.50 per share	GOEVW	The Nasdaq Capital 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 November 7, 2023, there were 726,304,570 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.

- 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.

- Our current business plans require a significant amount of capital. If we are unable to obtain sufficient funding or do not have access to capital, we will be unable to execute our business plans and our prospects, financial condition and results of operations could be materially adversely affected.

- 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 additional capital, we will be unable to execute our business plans and could be required to terminate or significantly curtail our operations.

- We have been notified by The Nasdaq Stock Market LLC of our failure to comply with certain continued listing requirements and, if we are unable to regain compliance with all applicable continued listing requirements and standards of Nasdaq, our Common Stock could be delisted from Nasdaq, which would have an adverse impact on the trading, liquidity, and market price of our Common Stock.

- The issuance of shares of our Common Stock upon the conversion and/or exercise of the securities issued pursuant to the Yorkville Convertible Debentures, the Yorkville Warrants, the Yorkville PPA, the Preferred Stock Purchase Agreement, the Preferred Warrants or other securities purchase agreement entered into by the

Company will continue to increase the number of shares eligible for future resale in the public market and result in dilution to our stockholders.

- Adverse developments affecting the financial services industry, such as actual events or concerns involving liquidity, defaults or non-performance by financial institutions could adversely affect our current financial condition and projected business operations.
- 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.
- Customers who have committed to purchase significant amounts of our vehicles may purchase significantly fewer vehicles than we currently anticipate or none at all. In that case, we will not realize the revenue we expect from these customers.
- 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 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 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 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.

- If we fail to successfully build and tool our manufacturing facilities and/or 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.

- 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 no experience to date in high volume manufacture of our EVs.

- 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.

- 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.

- 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.

- Economic, regulatory, political and other events, including the rise in interest rates, heightened inflation, slower growth or recession, issues with supply chain, shortage of labor and the war in Ukraine, adversely affect our financial results.

- Our ability to meet the timelines we have established for production and manufacturing milestones of our electric vehicles ("EVs") is uncertain.

- Other factors disclosed in this Quarterly Report on Form 10-Q or our other filings with the Securities and Exchange Commission (the “SEC”).

These statements are subject to known and unknown risks, uncertainties, and assumptions that could cause actual results to differ materially from those projected or otherwise implied by the forward-looking statements, including those described under the section "Summary of Risk Factors" and Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 30, 2023. Given such risks and uncertainties, you should not place undue reliance on forward-looking statements.

Should one or more of these risks or uncertainties described in this Quarterly Report on Form 10-Q materialize, or should underlying assumptions prove incorrect, actual results and plans could differ materially from those expressed in any forward-looking statements. Additional information concerning these and other factors that may impact the forward-looking statements discussed herein can be found in the sections entitled “Risk Factors” and “Management's Discussion and Analysis of Financial Condition and Results of Operations.” 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. These risks and others described in this Quarterly Report on Form 10-Q may not be exhaustive and the above summary is qualified in its entirety by those more complete discussions of such risks and uncertainties.

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.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	$ 8,260	$ 36,589
Restricted cash, current	3,846	3,426
Inventory	5,684	2,954
Prepaids and other current assets	12,794	9,350
Derivative asset	2,205	—
Total current assets	32,789	52,319
Property and equipment, net	368,525	311,400
Restricted cash, non-current	10,600	10,600
Operating lease right-of-use assets	37,099	39,331
Deferred warrant asset	50,175	50,175
Deferred battery supplier cost	30,000	30,000
Other non-current assets	5,158	2,647
Total assets	$ 534,346	$ 496,472
Liabilities and stockholders' equity		
Liabilities		
Current liabilities		
Accounts payable	$ 78,045	$ 103,187
Accrued expenses and other current liabilities	63,410	63,091
Convertible debt, current	37,670	34,829
Derivative liability	538	—
Financing liability, current	7,975	—
Warrant liability, current	—	17,171
Total current liabilities	187,638	218,278
Contingent earnout shares liability	170	3,013
Operating lease liabilities	36,523	38,608
Convertible debt, non-current	44,836	—
Financing liability, non-current	23,876	—
Warrant liability, non-current	75,651	—
Total liabilities	$ 368,694	$ 259,899
Commitments and contingencies (Note 11)		
Stockholders' equity		
Preferred stock, $0.0001 par value; 10,000 authorized, no shares issued and outstanding at September 30, 2023 and December 31, 2022	—	—
Common stock, $0.0001 par value; 1,000,000 and 500,000 authorized as of September 30, 2023 and December 31, 2022, respectively; 650,946 and 355,388 issued and outstanding at September 30, 2023 and December 31, 2022, respectively	65	35
Additional paid-in capital	1,618,986	1,416,361
Accumulated deficit	(1,453,399)	(1,179,823)
Total stockholders' equity	165,652	236,573
Total liabilities and stockholders' equity	$ 534,346	$ 496,472

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 Nine Months Ended September 30, 2023 and 2022 (unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Revenue	$ 519	$ —	$ 519	$ —
Cost of revenue	903	—	903	—
Gross margin	(384)	—	(384)	—
Operating Expenses				
Research and development expenses, excluding depreciation	21,965	57,063	107,651	255,009
Selling, general and administrative expenses, excluding depreciation	24,925	48,826	85,195	159,600
Depreciation	1,495	3,449	10,632	9,020
Total operating expenses	48,385	109,338	203,478	423,629
Loss from operations	(48,769)	(109,338)	(203,862)	(423,629)
Other (expense) income				
Interest expense	(4,195)	(2,179)	(6,755)	(2,189)
Gain (loss) on fair value change in contingent earnout shares liability	279	(2,067)	2,843	22,869
Gain on fair value change in warrant and derivative liability	17,126	—	40,091	—
Loss on fair value change in derivative asset	(3,761)	—	(3,761)	—
Loss on fair value change in convertible debt	(69,615)	—	(69,615)	—
Loss on extinguishment of debt	(2,573)	(4,095)	(30,261)	(4,095)
Other expense, net	(466)	(26)	(2,256)	(420)
Loss before income taxes	(111,974)	(117,705)	(273,576)	(407,464)
Provision for income taxes	—	—	—	—
Net loss and comprehensive loss	$ (111,974)	$ (117,705)	$ (273,576)	$ (407,464)
Per Share Data:				
Net loss per share, basic and diluted	$ (0.18)	$ (0.43)	$ (0.53)	$ (1.62)
Weighted-average shares outstanding, basic and diluted	621,286	275,455	515,879	250,783

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 Nine Months Ended September 30, 2023 (unaudited)

	Common stock		Additional paid-in capital	Accumulated deficit	Total stockholders' equity
	Shares	Amount			
Balance as of December 31, 2022	**355,388**	**$ 35**	**$ 1,416,361**	**$ (1,179,823)**	**$ 236,573**
Repurchase of unvested shares – forfeitures	(22)	—	—	—	—
Issuance of shares for restricted stock units vested	2,768	—	—	—	—
Issuance of shares upon exercise of vested stock options	2	—	—	—	—
Issuance of shares under employee stock purchase plan	701	—	389	—	389
Vesting of early exercised stock options and restricted stock awards	—	—	26	—	26
Issuance of shares under the PPA	66,761	7	64,382	—	64,389
Reclassification of warrant liability to additional paid-in capital	—	—	19,510	—	19,510
Issuance of shares under SPA, net of offering costs	50,000	5	10,156	—	10,161
Issuance of warrants to placement agent under SPA	—	—	1,600	—	1,600
Stock-based compensation	—	—	9,836	—	9,836
Net loss and comprehensive loss	—	—	—	(90,732)	(90,732)
Balance as of March 31, 2023	**475,598**	**$ 47**	**$ 1,522,260**	**$ (1,270,555)**	**$ 251,752**
Repurchase of unvested shares - forfeitures	(27)	—	—	—	—
Issuance of shares for restricted stock units vested	2,028	—	—	—	—
Issuance of shares upon exercise of vested stock options	2	—	—	—	—
Issuance of shares under employee stock purchase plan	604	—	246	—	246
Vesting of early exercised stock options and restricted stock awards	—	—	2	—	2
Proceeds from exercise of YA warrants	34,231	3	21,220	—	21,223
Issuance of shares under PIPE agreement	16,331	2	1,751		1,753
Issuance of shares under the ATM, net of offering costs	1,911	—	1,155	—	1,155
Issuance of shares under YA convertible debenture	35,699	4	19,017	—	19,021
Issuance of shares under I-40 financing arrangement	2,320	—	1,506	—	1,506
Issuance of shares to vendor for services	207	—	250	—	250
Stock-based compensation	—	—	6,707	—	6,707
Net loss and comprehensive loss	—	—	—	(70,870)	(70,870)
Balance as of June 30, 2023	**568,904**	**56**	**1,574,114**	**(1,341,425)**	**232,745**
Repurchase of unvested shares	(16)	—	—	—	—
Issuance of shares for restricted stock units vested	1,102	—	—	—	—
Issuance of shares upon exercise of vested stock options	5	—	—	—	—
Issuance of shares under employee stock purchase plan	554	—	231	—	231
Vesting of early exercised stock options and restricted stock awards	—	—	2	—	2
Issuance of shares under PIPE agreement	5,599	1	18	—	19
Issuance of shares under Convertible Debentures	59,748	6	30,192	—	30,198
Issuance of shares under the PPA	15,050	2	7,521	—	7,523
Stock-based compensation	—	—	6,908	—	6,908
Net loss and comprehensive loss	—	—	—	(111,974)	(111,974)
Balance as of September 30, 2023	**650,946**	**65**	**1,618,986**	**(1,453,399)**	**165,652**

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 Nine Months Ended September 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 13)	14,236	1	33,082	—	33,083
Issuance of shares under PIPE agreement (Note 12)	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**
Repurchase of unvested shares - forfeitures	(176)	—	(3)	—	(3)
Issuance of shares for restricted stock units vested	1,245	—	—	—	—
Issuance of shares upon exercise of vested stock options	24	—	—	—	—
Issuance of shares under employee stock purchase plan	830	—	1,324	—	1,324
Issuance of shares under PPA agreement (Note 9)	27,015	3	81,906	—	81,909
Issuance of shares under Legal Settlement (Note 11)	2,034	—	5,532	—	5,532
Recognition of vested Walmart warrants	—	—	50,175	—	50,175
Offering costs for the issuance of shares	—	—	(1,233)	—	(1,233)
Stock-based compensation	—	—	19,527	—	19,527
Net loss and comprehensive loss	—	—	—	(117,705)	(117,705)
Balance as of September 30, 2022	**299,868**	**29**	**1,327,435**	**(1,099,593)**	**227,871**

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

CANOO INC.

Condensed Consolidated Statements of Cash Flows (in thousands)
Nine Months Ended September 30, 2023 and 2022 (unaudited)

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Cash flows from operating activities:		
Net loss	$ (273,576)	$ (407,464)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	10,632	9,020
Non-cash operating lease expense	2,504	1,515
Non-cash commitment fee under SEPA	—	582
Inventory write-downs	366	—
Non-cash legal settlement	—	5,532
Stock-based compensation expense	23,451	60,980
Gain on fair value change of contingent earnout shares liability	(2,843)	(22,869)
Gain on fair value change in warrants liability	(37,093)	—
Gain on fair value change in derivative liability	(2,998)	—
Loss on extinguishment of debt	30,261	4,095
Loss on fair value change in derivative asset	3,761	—
Loss on fair value change in convertible debt	69,615	—
Non-cash debt discount	5,010	900
Non-cash interest expense	2,234	1,316
Other	839	—
Changes in assets and liabilities:		
Inventory	(3,096)	(1,282)
Prepaid expenses and other current assets	(3,445)	4,037
Other assets	(2,511)	970
Accounts payable, accrued expenses and other current liabilities	(14,546)	12,805
Net cash used in operating activities	(191,435)	(329,863)
Cash flows from investing activities:		
Purchases of property and equipment	(45,376)	(88,817)
Return of prepayment from VDL Nedcar	—	30,440
Net cash used in investing activities	(45,376)	(58,377)
Cash flows from financing activities:		
Repurchase of unvested shares	—	(9)
Payment of offering costs	(400)	(1,219)
Proceeds from exercise of YA warrants	21,223	—
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 PIPEs	11,750	50,000
Proceeds from employee stock purchase plan	866	2,499
Proceeds from issuance of shares under RDO, net of issuance costs	50,961	—
Proceeds from convertible debenture, net of issuance costs	107,545	—
Payment made on financing arrangement	(949)	—
Proceeds for issuance of shares under ATM	1,155	—
Proceeds from PPA	16,751	89,100
Net cash provided by financing activities	208,902	181,271
Net decrease in cash, cash equivalents, and restricted cash	(27,909)	(206,969)

	Nine months ended September 30,	
	2023	2022
Cash, cash equivalents, and restricted cash		
Cash, cash equivalents, and restricted cash, beginning of period	50,615	227,492
Cash, cash equivalents, and restricted cash, end of period	$ 22,706	$ 20,523
Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets		
Cash and cash equivalents at end of period	$ 8,260	$ 6,815
Restricted cash, current at end of period	3,846	4,208
Restricted cash, non-current at end of period	10,600	9,500
Total cash, cash equivalents, and restricted cash at end of period shown in the condensed consolidated statements of cash flows	$ 22,706	$ 20,523
Supplemental non-cash investing and financing activities		
Acquisition of property and equipment included in current liabilities	$ 63,776	$ 72,375
Acquisition of property and equipment included in current liabilities during the period	$ 23,820	$ 41,306
Acquisition of property and equipment included in financing liabilities	$ 34,275	$ —
Offering costs included in current liabilities	$ 903	$ 1,189
Recognition of operating lease right-of-use asset	$ 272	$ 15,757
Reclassification of warrant liability to additional paid in capital	$ 19,510	$ —
Issuance of shares for extinguishment of convertible debt under PPA agreement	$ 71,911	$ 81,909
Issuance of shares for extinguishment of convertible debt under convertible debenture	$ 49,219	$ —
Recognition of warrant liability	$ 112,401	$ —
Recognition of derivative liability	$ 4,310	$ —
Recognition of derivative asset	$ 5,966	$ —
Recognition of convertible debentures	$ 71,438	$ —
Supplemental disclosures of cash flow information		
Cash paid for interest	$ —	$ —

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 Description of the Business

Canoo Inc. (“Canoo” or the “Company”) is a high-tech advanced 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.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The Company's unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the SEC and accounting principles generally accepted in the United States of America (“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 included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 30, 2023 (“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.

Except for any updates below, 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 September 30, 2023, the Company’s principal sources of liquidity are its unrestricted cash balance of $8.3 million and its access to capital under the ATM Offering (as defined in Note 13) and Yorkville facilities (as defined in Note 9). The Company has incurred losses since inception and had negative cash flow from operating activities of $191.4 million for the nine months ended September 30, 2023. 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. These conditions and events raise 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.

The Company believes 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

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 could negatively affect our business.

Ultimately, the Company cannot predict the impact of current or worsening macroeconomic conditions. 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 and deploying its workforce and other resources accordingly.

Property and Equipment, net

Construction-in-progress is stated at historical cost and is transferred to its respective depreciable asset class once the underlying asset is ready for its intended use. Depreciation of construction-in-progress begins only once placed into service, over the estimated useful life on a straight-line basis. Useful life determination requires significant judgment.

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 Company's financial assets and liabilities not measured at fair value on a recurring basis include cash and cash equivalents, restricted cash, short-term debt, accounts payable, and other current liabilities and are reflected in the financial statements at cost. Cost approximates fair value for these items due to their short-term nature.

Contingent Earnout Shares Liability

The Company has a contingent obligation to issue shares of Common Stock to certain stockholders and employees upon the achievement of certain market share price milestones within specified periods (the "Earnout Shares"). The Company determined that the right to Earnout Shares represents a contingent liability that meets the definition of a derivative and recognized it on the balance sheet at its fair value upon the grant date. The right to Earnout Shares is remeasured at fair value each period through earnings. The 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 a Monte Carlo simulation of the stock prices using an expected volatility assumption based on the historical volatility of the price of the Company's stock and implied volatility derived from the price of exchange traded options on the Company's stock. 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.

Convertible Debt

The Company accounts for convertible debt that does not meet the criteria for equity treatment in accordance with the guidance contained in ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20)* and *Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)*: Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. Accordingly, the Company elected to classify the April Convertible Debenture (defined below) as a liability at amortized cost using the effective interest method. The Company classifies convertible debt based on the re-payment terms and conditions. Any discounts or premiums on the convertible debt and costs incurred upon issuance of the convertible debt are amortized to interest expense over the terms of the related convertible debt. Convertible debt is also analyzed for the existence of embedded derivatives, which may require bifurcation from the convertible debt and separate accounting treatment. For derivative financial instruments that are accounted for as assets or liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the condensed consolidated statements of operations. The variable conversion feature of the convertible debenture is considered a derivative. Refer to Note 9 for further information.

The Company has elected the fair value option to account for the July Convertible Debenture, the August Convertible Debenture and the September Convertible Debenture (each, as defined in Note 9). The Company recorded the Convertible Debentures (as defined in Note 9) at fair value upon issuance. The Company records changes in fair value in the condensed consolidated statements of operations, with the exception of changes in fair value due to instrument-specific credit risk which, if present, will be recorded as a component of other comprehensive income. Interest expense related to the Convertible Debentures is included in the changes in fair value. As a result of applying the fair value option, direct costs and fees related to the Convertible Debentures were expensed as incurred.

Warrants

The Company determines the accounting classification of warrants it issues as either liability or equity classified by first assessing whether the warrants meet liability classification in accordance with ASC 480-10, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*("ASC 480"), then in accordance with ASC 815-40 ("ASC 815"), *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*. Under ASC 480, warrants are considered liability classified if the warrants are mandatorily redeemable, obligate the Company to settle the warrants or the underlying shares by paying cash or other assets, or warrants that must or may require settlement by issuing variable number of shares. If warrants do not meet liability classification under ASC 480, the Company assesses the requirements under ASC 815, which states that contracts that require or may require the issuer to settle the contract for cash are liabilities recorded at fair value, irrespective of the likelihood of the transaction occurring that triggers the net cash settlement feature. If the warrants do not require liability classification under ASC 815, and in order to conclude equity classification, the Company also assesses whether the warrants are indexed to its common stock and whether the warrants are classified as equity under ASC 815 or other applicable GAAP. After all relevant assessments, the Company concludes whether the warrants are classified as liability or equity. Liability classified warrants require fair value accounting at issuance and subsequent to initial issuance with all changes in fair value after the issuance date recorded in the statements of operations. Equity classified warrants only require fair value accounting at issuance with no changes recognized subsequent to the issuance date. Refer to Note 15 for information regarding the warrants issued.

Revenue Recognition

The Company applies ASC 606, which governs how the Company recognizes revenue. Under ASC 606, the Company recognizes revenue when the Company transfers promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company recognizes revenue pursuant to the five-step framework contained in ASC 606: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract, including whether they are distinct in the context of the contract; (iii) determine the transaction price, including the constraint on variable consideration; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies the performance obligations.

Revenues include vehicle revenues resulting from the delivery of our vehicles to our customers as well as revenues derived from other streams including battery modules, and engineering services to our customers. The Company recognizes revenue related to the vehicles at a point in time when the customer obtains control of the vehicle either upon completion of delivery or upon pick up of the vehicle by the customer. The Company recognizes revenue from the provision of consulting services on a project basis. The Company's fixed price contracts related to these services contain a single performance obligation. Revenue for these services is recognized at a point in time as different phases of the project are delivered.

Cost of Revenue

Cost of revenues primarily relates to the cost of production of vehicles and includes direct parts, material and labor costs, machinery and tooling depreciation, amortization of capitalized manufacturing costs, shipping and logistics costs, adjustments to write down the carrying value of inventory when it exceeds its estimated net realizable value

(“NRV”) as needed, and adjustments for excess and obsolete inventory, as needed. Cost of revenue also includes materials, labor, and other direct costs related to the development of battery modules and provision of engineering services.

Net loss per Share

Basic and diluted net loss per share is computed by dividing net loss by the weighted-average number of the Company's common shares outstanding during the period, without consideration for potential dilutive securities. As the Company is in a loss position for the periods presented, diluted net loss per share is the same as basic net loss per share, since the effects of potentially dilutive securities are antidilutive.

3. Recent Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (“FASB”), in the form of 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 September 2022, the FASB issued ASU No. 2022-04, *Liabilities—Supplier Finance Programs (Topic 405-50): Disclosure of Supplier Finance Program Obligations* ("ASU 2022-04"), which adds certain disclosure requirements for a buyer in a supplier finance program. The amendments require that a buyer in a supplier finance program disclose sufficient information about the program to allow a user of financial statements to understand the program’s nature, activity during the period, changes from period to period, and potential magnitude. The amendments are expected to improve financial reporting by requiring new disclosures about the programs, thereby allowing financial statement users to better consider the effect of the programs on an entity’s working capital, liquidity, and cash flows. The amendments are effective for fiscal years beginning after December 15, 2022 on a retrospective basis, including interim periods within those fiscal years, except for the requirement to disclose roll forward information, which is effective prospectively for fiscal years beginning after December 15, 2023. The adoption of ASU 2022-04 did not have a material impact on our unaudited condensed consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In March 2023, the FASB issued ASU No. 2023-01, *Leases (Topic 842): Common Control Arrangements* ("ASU 2023-01"), which amends certain provisions of ASC 842 that apply to arrangements between related parties under common control. Specifically, it amends the accounting for leasehold improvements. The amendments requires a lessee in a common-control lease arrangement to amortize leasehold improvements that it owns over the improvements’ useful life to the common control group, regardless of the lease term, if the lessee continues to control the use of the underlying asset through a lease. The amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted in any annual or interim period as of the beginning of the related fiscal year. The Company is currently assessing the provisions of this new pronouncement and evaluating any material impact that this guidance may have on our condensed consolidated financial statements.

4. Fair Value Measurements

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 September 30, 2023 and December 31, 2022 (in thousands):

	September 30, 2023			
	Fair Value	Level 1	Level 2	Level 3
Asset				
Derivative asset, current	$ 2,205	$ —	$ —	$ 2,205
Liability				
Contingent earnout shares liability	$ 170	$ —	$ —	$ 170
Derivative liability, current	$ 538	$ —	$ —	$ 538
Convertible debt, current	$ 27,941	$ —	$ —	$ 27,941
Convertible debt, non-current	$ 44,836	$ —	$ —	$ 44,836
Warrant liability, non-current	$ 75,651	$ —	$ 75,651	$ —

	December 31, 2022			
	Fair Value	Level 1	Level 2	Level 3
Liability				
Contingent earnout shares liability	$ 3,013	$ —	$ —	$ 3,013
Warrant liability, current	$ 17,171	$ —	$ 17,171	$ —

The Company's Contingent Earnout liability, Convertible Debentures, derivative liability, and derivative asset are considered "Level 3" fair value measurement. Refer to Note 2 for discussion of the Company's methods for valuation.

The Company issued Convertible Debentures to Yorkville discussed in Note 9 whereby the Company elected to account transactions under the fair value option of accounting upon issuance. The Company estimated the fair value of the Initial Loans based on assumptions used in the Monte Carlo simulation model using the following inputs as of the end of the reporting period:

	July Convertible Debenture	August Convertible Debenture	September Convertible Debenture
Expected term (in years)	0.92	1.01	1.16
Stock price	$0.49	$0.49	$0.49
Interest rate	3.0 %	3.0 %	3.0 %
Expected volatility	113.2 %	112.2 %	111.7 %
Expected dividend rate	$ —	$ —	$ —
Risk free rate	5.4 %	5.4 %	5.3 %

Following is a summary of the change in fair value of the Convertible debt for the nine months ended September 30, 2023 and September 30, 2022 (in thousands).

	Nine months ended September 30,	
Convertible Debt	2023	2022
Beginning fair value	—	—
Addition during the period	$ 71,438	—
Change in fair value during the period	$ 1,339	—
Ending fair value	$ 72,777	—

As the fair value of the freestanding instruments identified within the Convertible Debentures exceeded the proceeds, a loss on issuance on convertible debenture was recognized. Refer to Note 9 for further information.

The Company has a contingent obligation to issue shares of Common Stock to certain stockholders and employees upon the achievement of certain market share price milestones within specified periods. Issuances are made in three tranches of 5.0 million shares, for a total of 15.0 million shares, each upon reaching share price targets within specified time frames from December 21, 2020 ("Earnout Date"). The first tranche was not issued given the share price did not reach $18 as of December 21, 2022. The second tranche will be issued if the share price reaches $25 within four years of the closing of the Earnout Date. The third tranche will be issued if the share price reaches $30 within five years of the Earnout Date. The tranches may also be issued upon a change of control transaction that occurs within the respective timeframes and results in per share consideration exceeding the respective share price target. As of September 30, 2023, the Company has a remaining contingent obligation to issue 10.0 million shares of Common Stock.

Following is a summary of the change in fair value of the Earnout Shares liability for the nine months ended September 30, 2023 and September 30, 2022 (in thousands).

	Nine Months Ended September 30,	
Earnout Shares Liability	**2023**	**2022**
Beginning fair value	$ 3,013	$ 29,057
Change in fair value during the period	$ (2,843)	$ (22,869)
Ending fair value	$ 170	$ 6,188

The Company issued the April Convertible Debenture whose conversion feature meet the definition of a derivative liability which requires bifurcation. The remaining debt of $1.3 million remaining under this debenture was assumed by the August Convertible Debenture. The Company estimated the fair value of the conversion feature derivative embedded in the convertible debt based on assumptions used in the Monte Carlo simulation model using the following inputs on the date the debt was assumed by the August Convertible Debenture: the price of the Company's common stock of $0.63; a risk-free interest rate of 5.3%; expected volatility of the Company's common stock of 130.4%; expected dividend yield of 0%; and simulation period of 0.8934 years. The fair value of the conversion feature derivative was $3.7 million at issuance and $0.8 million when the remaining debt under April Convertible Debenture was assumed by the August Convertible Debenture.

The Company entered into a Lease Agreement ("Lease Agreement") with I-40 OKC Partners LLC ("I-40") which contained a "Market Value Shortfall" provision that meets the definition of a derivative. The Company estimated the fair value of the Market Value Shortfall based on assumptions used in the Monte Carlo simulation model using the following inputs as of the end of the reporting period: the price of the Company's common stock of $0.49; shares subject to Market Value shortfall of 2.3 million shares; a risk-free interest rate of 5.5%; expected volatility of the Company's common stock of 113.0%; expected dividend yield of 0%; and remaining term of 0.52 years. The fair value of the Market Value Shortfall derivative measured at issuance and as of September 30, 2023 was $0.5 million resulting in a nominal amount reflected as a loss within the condensed consolidated statement of operations.

	Nine months ended September 30,	
Derivative liability	**2023**	**2022**
Beginning fair value	—	—
Addition during the period	4,310	—
Change in fair value during the period	$ (2,998)	—
Derecognition of liability upon extinguishment of convertible debt	$ (774)	—
Ending fair value	$ 538	—

The Company entered into the Fifth Pre-Paid Advance whose conversion features meet the definition of a derivative asset which requires bifurcation. The Company estimated the fair value of the conversion feature derivative embedded in the convertible debt based on assumptions used in the Monte Carlo simulation model using the following inputs: the price of the Company's common stock of $0.49; a risk-free interest rate of 5.3%; expected volatility of the Company's common stock of 111.2%; expected dividend yield of 0%; and simulation period of 1.20 years. The fair value of the conversion feature derivative measured at issuance and as of September 30, 2023 was $6.0 million and $2.2 million, respectively, resulting in a loss of $3.8 million included within the condensed consolidated statement of operations.

	Nine months ended September 30,	
Derivative asset	**2023**	**2022**
Beginning fair value	—	—
Addition during the period	5,966	—
Change in fair value during the period	$ (3,761)	—
Ending fair value	$ 2,205	—

5. Prepaids and Other Current Assets

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

	September 30, 2023	December 31, 2022
Short term deposits	$ 4,034	$ 3,755
Prepaid expense	8,447	5,133
Other current assets	313	462
Prepaids and other current assets	$ 12,794	$ 9,350

6. Inventory

As of September 30, 2023 and December 31, 2022, the inventory balance was $5.7 million and $3.0 million respectively, which consisted primarily of raw materials related to the production of vehicles for sale. We write-down inventory for any excess or obsolete inventories or when we believe that the net realizable value of inventories ("LCRNV") is less than the carrying value. During the three and nine months ended September 30, 2023, we recorded write-downs of $0.4 million, in Cost of revenues in the consolidated statements of operations. No write-downs were recorded for the year ended December 31, 2022.

7. Property and Equipment, net

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

	September 30, 2023	December 31, 2022
Tooling, machinery, and equipment	42,628	32,863
Computer hardware	8,921	8,850
Computer software	9,128	9,053
Building	28,475	—
Land	5,800	—
Vehicles	1,527	1,356
Furniture and fixtures	742	742
Leasehold improvements	18,101	14,956
Construction-in-progress	297,223	276,968
Total property and equipment	412,545	344,788
Less: Accumulated depreciation	(44,020)	(33,388)
Property and equipment, net	$ 368,525	$ 311,400

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 are transferred to their respective asset classes and depreciation begins when an asset is ready for its intended use.

Depreciation expense for property and equipment was $1.5 million and $10.6 million for the three and nine months ended September 30, 2023, respectively. Depreciation expense for property and equipment was $3.4 million and $9.0 million for the three and nine months ended September 30, 2022, respectively.

8. Accrued Expenses and Other Current liabilities

Accrued expenses consisted of the following (in thousands):

	September 30, 2023	December 31, 2022
Accrued property and equipment purchases	$ 29,123	$ 24,797
Accrued research and development costs	15,726	17,736
Accrued professional fees	7,951	8,112
Other accrued expenses	10,610	12,446
Total accrued expenses and other current liabilities	$ 63,410	$ 63,091

9. Convertible Debt

Yorkville PPA

On July 20, 2022, the Company entered into a Pre-Paid Advance Agreement (the "PPA") with YA II PN, Ltd. ("Yorkville") pursuant to which the Company could request advances of up to $50.0 million in cash from Yorkville, with an aggregate limit of $300.0 million (the "Pre-Paid Advance"). Amounts outstanding under Pre-Paid Advances could be offset by the issuance of shares of Common Stock to Yorkville at a price per share calculated pursuant to the PPA as the lower of 120% of the daily volume-weighted average price ("VWAP") on Nasdaq as of the day immediately preceding the date a Pre-Paid Advance was made ("Fixed Price") or 95% of the VWAP on Nasdaq as of the day immediately preceding the conversion date, which in no event would be less than $1.00 per share ("Floor Price"). The third PPA amended the purchase price to be the lower of 110% of the VWAP on Nasdaq as of the day immediately preceding the date a Pre-Paid Advance was made ("Amended Fixed Price") or 95% of the VWAP on Nasdaq during the five days immediately preceding the conversion date, which in no event would be less than $0.50 per share ("Amended Floor Price"). The Company's stockholders approved the Amended Floor Price, which was proposed and voted on at the special meeting of Company stockholders held on January 24, 2023. The Company's stockholders further approved the Second Amended Floor Price (as defined below), which was proposed and voted on at the special meeting of Company stockholders held on October 5, 2023.The issuance of the shares of Common Stock 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 shares of Common Stock under Standby Equity Purchase Agreement entered into by the Company with Yorkville on May 10, 2022 (the "SEPA"), which was terminated effective August 26, 2022) cannot exceed 19.9% of the Company's outstanding shares of Common Stock as of May 10, 2022 ("PPA Exchange Cap"). The Company's stockholders approved the issuance of shares of the Company's Common Stock in excess of the PPA Exchange Cap, which was proposed and voted on at the special meeting of Company stockholders held on January 24, 2023. 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 from the Pre-Paid Advance Date. Yorkville is not entitled to participate in any earnings distributions until a Pre-Paid Advance is offset with shares of Common Stock.

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. On August 26, 2022, the Company received an aggregate of $39.6 million on account of the second Pre-Paid Advance in accordance with the PPA. The net proceeds received by the Company from Yorkville include a 1% discount of the Pre-Paid Advance in accordance with the PPA. As of September 6, 2022, the first Pre-Paid Advance was fully paid off through the issuance of 15.1 million shares of Common Stock to Yorkville. As of November 11, 2022, the second Pre-Paid Advance was paid off primarily through the issuance of 19.4 million shares of Common Stock to Yorkville, in addition to $2.5 million in cash.

On October 5, 2022, the Company entered into the PPA pursuant to a Side Letter in which the parties agreed that the Company will be permitted to submit sales orders, and consummate sales pursuant to such orders, for the ATM Offering beginning on October 5, 2022 for so long as the Company pays Yorkville the sum of $1.0 million per calendar week to be applied in the order of priority set forth in the PPA Side Letter. Failure to make timely payments under the PPA Side Letter will automatically result in the reinstatement of restrictions on the Company's ability to consummate sales under the ATM Sales Agreement and will be deemed an event of default.

On November 10, 2022, the Company received an aggregate of $20.0 million on account of the third Pre-Paid Advance in accordance with the PPA. On December 31, 2022, the Company received an aggregate of $32.0 million on account of the fourth Pre-Paid Advance in accordance with the PPA ("Yorkville facilities"). In accordance with the second supplemental agreement, the fourth Pre-Paid Advance may, at the sole option of Yorkville, be increased by up to an additional $ 8.5 million (the "YA PPA Option"). On January 13, 2023, Yorkville partially exercised their option, and increased their investment amount by $5.3 million, which resulted in net proceeds of $5.0 million, and was applied to the fourth PPA. Pursuant to the second supplemental agreement, the fourth Pre-Paid Advance included issuances of warrants to Yorkville. Of the aggregate fourth Pre-Paid Advance proceeds, $14.8 million was allocated to convertible debt presented in the consolidated balance sheets as of December 31, 2022, and an additional $2.3 million was allocated to convertible debt as a result of Yorkville exercising the YA PPA Option. Refer to Note 15, Warrants, for further information on the warrants and the allocation of proceeds. As of September 30, 2023, 66.8 million shares of Common Stock have been issued to Yorkville under the third and fourth Pre-Paid Advance. The loss on extinguishment of debt from repaying the Yorkville facilities was $26.7 million and interest expense incurred as a result of effective interest under the PPA was $0.5 million. Refer to Note 15, Warrants, for further information on the warrants and the allocation of proceeds.

On September 11, 2023, the Company received an aggregate of $12.5 million on account of the fifth Pre-Paid Advance in accordance with the PPA (the "Fifth Pre-Paid Advance"). The net proceeds received by the Company, after giving affect to the commitment fee and the purchase price discount provided for in the PPA, was $11.8 million. Of the aggregate proceeds, $6.0 million was allocated to derivative assets for an embedded conversion feature included in the Fifth Pre-Paid Advance. Any portion of the convertible debt settled using the Variable Price will be extinguished as a share settled redemption while any settlement using the Fixed Price or the applicable floor price will be settled via conversion accounting. As of September 30, 2023, 15.1 million shares of Common Stock converted at the Amended Floor Price have been issued to Yorkville under the Fifth Pre-Paid Advance.

The Company's stockholders approved an amendment to the PPA with Yorkville to lower the minimum price which shares may be sold from $0.50 per share to $0.10 per share (the "Second Amended Floor Price"), which was proposed and voted on at the special meeting of Company stockholders held on October 5, 2023.

Other than the balance to be paid pursuant to the PPA Side Letter, the PPA provides that in respect of any Pre-Paid Advance, if the VWAP of shares of Common Stock is less than the Floor Price for at least five trading days during a period of seven consecutive trading days or the Company has issued substantially all of the shares of Common Stock available under the Exchange Cap, then the Company is required to make monthly cash payments of amounts outstanding under any Pre-Paid Advance beginning on the 10th calendar day and continuing on the same day of each successive calendar month until the entire amount of such Pre-Paid Advance balance has been paid or until the payment obligation ceases. Pursuant to the PPA, the monthly payment obligation ceases if the Exchange Cap no longer applies and the VWAP is greater than the Floor Price for a period of five consecutive trading days, unless a subsequent triggering date occurs.

The Company, at its option, has the right, but not the obligation, to repay early in cash a portion or all amounts outstanding under any Pre-Paid Advance, provided that the VWAP of the Common Stock is less than the Fixed Price during a period of three consecutive trading days immediately prior to the date on which the Company delivers a notice to Yorkville of its intent and such notice is delivered at least ten trading days prior to the date on which the Company will make such payment. If elected, the early repayment amount is to include a 3% redemption premium ("Redemption Premium"). If any Pre-Paid Advances are outstanding and any event of default has occurred, the full amount outstanding under the Pre-Paid Advances plus the Redemption Premium, together with interest and other amounts owed in respect thereof, will become, at Yorkville's election, immediately due and payable in cash.

Yorkville Convertible Debentures

On April 24, 2023, the Company entered into a Securities Purchase Agreement with Yorkville, in connection with the issuance and sale of convertible debentures in an aggregate principal amount of $48.0 million (the "April Convertible Debenture"). The net proceeds received by the Company from Yorkville includes a 6% discount of the loan in accordance with the April Convertible Debenture. Of the aggregate net proceeds of $45.1 million, $41.4 million was allocated to convertible debt and $3.7 million was allocated to derivative liabilities to account for an embedded redemption feature included in the April Convertible Debenture.

Amounts outstanding under the April Convertible Debenture could be offset by the issuance of shares of Common Stock to Yorkville at a price per share calculated pursuant to the April Convertible Debenture as the lower of $1.00 ("Fixed

Price”) or 95% of the lowest daily VWAP on Nasdaq as of the five immediately preceding the conversion date (“Variable Price”), which in no event would be less than $0.14 per share.

Amounts outstanding in the July Convertible Debenture, the August Convertible Debenture and the September Convertible Debenture could be offset by the issuance of shares of Common Stock to Yorkville at a price per share calculated at the lower of $0.50 or 95% of the lowest daily VWAP on Nasdaq as of the five immediately preceding the conversion date (“Variable Price”), which in no event would be less than $0.10 per share. The issuance of the shares of Common Stock under the Convertible Debentures are subject to certain limitations, including that the aggregate number of shares of Common Stock issued pursuant to the Convertible Debenture cannot exceed 95.4 million ("Note Exchange Cap"). With respect to the July Convertible Debenture and the August Convertible Debenture, the Company's stockholders approved the issuance of shares of the Company’s Common Stock in excess of the Note Exchange Cap, which was proposed and voted on at the special meeting of Company stockholders held on October 5, 2023. Interest accrues on the outstanding balance of the April Convertible Debenture at an annual rate equal to 1%, subject to an increase to 15% upon events of default described in the April Convertible Debenture. Interest accrues on the outstanding balance of the July Convertible Debenture, the August Convertible Debenture and the September Convertible Debenture at an annual rate equal to 3%, subject to an increase to 15% upon events of default described in their respective agreements. The Convertible Debentures each have a maturity date of 14 months from their respective Convertible Debenture date. Yorkville is not entitled to participate in any earnings distributions until the April Convertible Debenture is offset with shares of Common Stock. As of September 30, 2023, 95.4 million shares of Common Stock have been issued to Yorkville resulting in a loss on extinguishment of debt of $3.5 million. During the nine months ended September 30, 2023, the Company incurred $0.1 million of interest expense and $5.5 million of amortization of debt discount.

On June 30, 2023, the Company entered into a Securities Purchase Agreement with Yorkville (the “July Convertible Debenture”) in connection with the issuance and sale by the Company of convertible debentures in an aggregate principal amount of $26.6 million (the “July Initial Loan”). The convertible debenture is initially recognized on the settlement date of July 3, 2023 and net proceeds received by the Company from Yorkville includes a 6.0% discount of the Loan in accordance with the Convertible Debenture. Yorkville has the right and option (the “July Loan Option”) to purchase from the Company an additional convertible Loan (the “July Optional Loan”) in a principal amount of up to $53.2 million. The July Loan Option may only be exercised by Yorkville during the period of 5 trading days following the date on which the Company has publicly announced that it has obtained approval at the special meeting of Company stockholders held on October 5, 2023 ("Stockholder Approval"). In conjunction with the July Initial Loan, the Company issued to Yorkville an initial warrant (the “July Initial Warrant”) to purchase 49.6 million shares of Common Stock at an exercise price of $0.54. If Yorkville exercises the July Optional Loan, the Company will issue to Yorkville an additional warrant (the “July Option Warrant”) for a number of shares of Common Stock determined by dividing the principal amount so exercised (up to $53.2 million) by $0.54. The July Option Warrant, to the extent issued, will be issued on the same terms as the July Initial Warrant except that the exercise price of the June Option Warrant will be $0.67 per share. Refer to Note 15, Warrants, for further information on the warrants. As of September 30, 2023, no conversion on the July Initial Debenture has occurred. Additionally, Yorkville did not exercise the July Optional Loan, as a result of which, the July Optional Loan and the related July Option Warrant are no longer applicable.

On August 2, 2023, the Company entered into a Securities Purchase Agreement with Yorkville (the “August Convertible Debenture”) in connection with the issuance and sale by the Company of convertible debentures in an aggregate principal amount of $27.9 million (the “August Initial Loan”). The net proceeds received by the Company from Yorkville includes a 6.0% discount of the Loan in accordance with the Convertible Debenture. Yorkville has the right and option (the “August Loan Option”) to purchase additional convertible debentures in an aggregate principal amount of up to $53.2 million. The August Loan Option may only be exercised by Yorkville during the period of 20 trading days following the date on which the Company has publicly announced that it has obtained the Stockholder Approval. In conjunction with the August Initial Loan, the Company issued to Yorkville an initial warrant (the “August Initial Warrant”) to purchase 49.6 million shares of Common Stock at an exercise price of $0.54 per share. The August Initial Warrant is immediately exercisable and will expire on August 2, 2028. If Yorkville exercises the August Loan Option, the Company will issue to Yorkville an additional warrant (the “August Option Warrant”) for a number of shares of Common Stock determined by dividing the principal amount so exercised (up to $53.2 million) by $0.54. The August Option Warrant, to the extent issued, will be issued on the same terms as the August Initial Warrant except that the exercise price of the August Option Warrant will be $ 0.67 per share. Additionally, Yorkville did not exercise the August Loan Option, as a result of which, the August Loan Option and the related August Option Warrant are no longer applicable.

The Company and Yorkville have agreed to transfer the outstanding balance of $1.3 million on the April Convertible Debenture to the August Convertible Debenture. Such outstanding balance is reflected in the aggregate principal amount issuable available under the August Initial Debenture. As a result of such transfer, as of August 2, 2023, no amounts remain outstanding under the April Convertible Debenture. The embedded redemption feature within the April

Convertible Debenture was valued as of the August Initial Debenture settlement date at $0.8 million and then written off. As of September 30, 2023, no conversion on the August Initial Debenture has occurred.

On September 26, 2023, the Company entered into a Securities Purchase Agreement with Yorkville (the "September Convertible Debenture", together with the July Convertible Debenture and the August Convertible Debenture, collectively, the "Convertible Debentures"), receiving an aggregate of $15.0 million (the "September Initial Debenture"). The net proceeds received by the Company from Yorkville includes a 16.5% discount of the Loan in accordance with the September Convertible Debenture. Yorkville has the right and option (the "September Loan Option") to purchase additional convertible debentures in an aggregate principal amount of up to $30.0 million. The September Loan Option may only be exercised by Yorkville during the period of 20 trading days following the date on which the Company has publicly announced that it has obtained the Stockholder Approval. In conjunction with the September Convertible Debenture, the Company issued to Yorkville an initial warrant (the "September Initial Warrant") to purchase 28.0 million shares of Common Stock at an exercise price of $0.54. The September Initial Warrant is immediately exercisable and will expire on September 26, 2028. If Yorkville exercises the September Loan Option, the Company will issue to Yorkville an additional warrant (the "September Option Warrant") for a number of shares of Common Stock determined by dividing the principal amount so exercised (up to $30.0 million) by $0.54 per share. The September Option Warrant, to the extent issued, will be issued on the same terms as the September Initial Warrant except that the exercise price of the August Option Warrant will be $ 0.67 per share. As of September 30, 2023, no conversion on the September Initial Debenture has occurred. Additionally, Yorkville did not exercise the September Loan Option, as a result of which, the September Loan Option and the related September Option Warrant are no longer applicable.

The Company elected to account for the July Convertible Debenture, the August Convertible Debenture and the September Convertible Debenture under the fair value option of accounting upon issuance. The proceeds were allocated to all freestanding instruments recorded at fair value. As the fair value of the freestanding instruments exceeded the proceeds, an aggregate loss of $69.6 million for the three and nine months ended September 30, 2023 was recognized in Loss on fair value change in convertible debt in the condensed consolidated statements of operations. As of September 30, 2023, the fair value of the Initial Loans was $72.8 million and are included in convertible debt in the Condensed Consolidated Balance Sheets.

The primary reason for electing the fair value option is for simplification of accounting for the Convertible Debentures at fair value in its entirety versus bifurcation of the embedded derivatives. The fair value was determined using a Monte Carlo valuation model. Refer to Note 4, Fair Value Measurements, for further information on the loans.

The Convertible Debentures provides that if the VWAP of shares of Common Stock is less than the then-applicable floor price for at least five trading days during a period of seven consecutive trading days ("Trigger Date") or the Company has issued substantially all of the shares of Common Stock available under the Exchange Cap, or the Company is unable to issue Common Stock to Yorkville which may be freely resold by Yorkville without any limitations or restrictions, including, without limitation, due to a stop order or suspension of the effectiveness of the Registration Statement, then the Company is required to make monthly cash payments of amounts outstanding under the Convertible Debentures beginning on the 10th Trading Day after the Trigger Date and continuing on the same day of each successive calendar month until the entire amount of the Convertible Debentures balance has been paid or until the payment obligation ceases. Pursuant to the Convertible Debenture, the monthly payment obligation ceases if the Exchange Cap no longer applies and the VWAP is greater than the Floor Price for a period of five consecutive trading days, unless a subsequent triggering date occurs.

The Company, at its option, has the right, but not the obligation, to repay early in cash a portion or all amounts outstanding under the Convertible Debentures, provided that the VWAP of the Common Stock is less than the Fixed Price during a period of three consecutive trading days immediately prior to the date on which the Company delivers a notice to Yorkville of its intent and such notice is delivered at least ten trading days prior to the date on which the Company will make such payment. If elected, the early repayment amount is to include a 5% redemption premium ("Redemption Premium"). If any event of default has occurred, the full amount outstanding under the Loan plus the Redemption Premium, together with interest and other amounts owed in respect thereof, will become, at Yorkville's election, immediately due and payable in cash.

10. Operating leases

The Company has entered into various operating lease agreements for office and manufacturing spaces.

Justin Texas Lease

On January 31, 2023, the Company entered into a real estate lease for an approximately 8,000 square foot facility in Justin, Texas with an entity owned by Tony Aquila, Executive Chair and Chief Executive Officer ("CEO") of the

Company. The initial lease term is three years, five months, commencing on November 1, 2022 and terminating on March 31, 2026, withone option to extend the term of the lease for an additional five years. Prior to execution, the contract was a month-to-month arrangement. The total minimum lease payments over the initial lease term is $0.3 million.

Oklahoma Manufacturing Facility Lease

On November 9, 2022, the Company entered into a PSA with Terex for the purchase of approximately630,000 square foot vehicle manufacturing facility on approximately 121 acres in Oklahoma City, Oklahoma. On April 7, 2023, pursuant to the assignment of real estate purchase agreement, the Company assigned the right to purchase the Property to I-40 Partners, a special purpose vehicle managed by entities affiliated with the CEO. The Company then entered into a lease agreement with I-40 Partners commencing April 7, 2023. The lease term is approximately ten years with a five year renewal option and the minimum aggregate lease payment over the initial term is expected to be approximately $44.3 million, which includes equity portion of rent composed of $1.5 million fully vested non-refundable shares. Refer to Note 15 on warrants issued in conjunction with this lease.

The lease was evaluated as a sale and leaseback of real estate because the Company was deemed to control the asset once the rights under the PSA were assigned to I-40 Partners. We accounted for the transaction as a financing lease since the lease agreement contains a repurchase option which precludes sale and leaseback accounting. The purchase option is exercisable between the third and fourth anniversary of the lease commencement in the greater of the fair value or a 150% of the amounts incurred by Landlord for the purchase price for the Property, the construction allowance, and expenses incurred with the purchase of the Property.

The lease did not qualify for sale-leaseback accounting and was accounted for as a financing obligation. Under a failed sale-leaseback transaction, the real estate assets generally recorded on the consolidated balance sheet and are depreciated over their useful lives while a failed sale and leaseback financing obligation is recognized for the proceeds. As a result, the Company recorded an asset and a corresponding finance liability in the amount of the purchase price of $34.2 million. The financing liability at inception was initially allocated to the warrants issued to I-40 valued at $0.9 million described in Note 15 and the derivative liability valued at $0.6 million described in Note 4.

As described above, for the failed sale and leaseback transaction, we reflect the real estate asset on our Balance Sheets in Property and equipment, net as if we were the legal owner, and we continue to recognize depreciation expense over the estimated useful life. We do not recognize rent expense related to the lease, but we have recorded a liability for the failed sale and leaseback obligation and monthly interest expense. The Company could not readily determine the implicit rate in the lease, as such the Company imputed an interest rate of approximately 10%. There have been no gains or losses recorded in connection with the transactions described above.

Future minimum payments under the failed sale leaseback are as follows (in thousands):

2023 (excluding the nine months ended September 30, 2023)	543
2024	3,200
2025	3,635
2026	4,097
2027	4,302
Thereafter	26,031
Total payments	41,808

Lease Portfolio

The Company uses an estimated incremental borrowing rate based on information available at lease commencement to determine the present value of lease payments when the rate implicit in the lease is not readily determinable. The weighted average discount rate used was 6.70%. As of September 30, 2023, the remaining operating lease ROU asset and operating lease liability were approximately $37.1 million and $39.5 million, respectively. As of December 31, 2022, the operating lease ROU asset and operating lease liability were approximately $39.3 million and $40.8 million, respectively. As of September 30, 2023 and December 31, 2022, $3.0 million and $2.2 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 the Company's leases in Justin, Texas was $0.2 million and $0.5 million for the three and nine months ended September 30, 2023, respectively. Related party lease expense related to the Company's leases in Justin, Texas was $0.1 million and $0.4 million for the three and nine months ended September 30, 2022, respectively.

Certain lease agreements also provide the Company with the option to renew for additional periods. These renewal options are not considered in the remaining lease term unless its reasonably certain that the Company will exercise such options. The weighted average remaining lease term as of September 30, 2023 and December 31, 2022 was8.9 years years and 9.7 years, respectively.

Throughout the term of the lease agreements, the Company is responsible for paying certain operating costs, in addition to rent, such as common area maintenance, taxes, utilities, and insurance. These additional charges are considered variable lease costs and are recognized in the period in which costs are incurred.

Maturities of the Company’s operating lease liabilities at September 30, 2023 were as follows (in thousands):

		Operating Lease
2023 (excluding nine months ended September 30, 23)	$	1,354
2024		5,573
2025		5,728
2026		5,504
2027		5,532
Thereafter		29,520
Total lease payments		53,211
Less: imputed interest[1]		13,702
Present value of operating lease liabilities		39,509
Current portion of operating lease liabilities[2]		2,986
Operating lease liabilities, net of current portion	$	36,523

(1) Calculated using the incremental borrowing rate
(2) Included within Accrued expenses and other current liabilities line item on the Condensed Consolidated Balance Sheet.

11. Commitments and Contingencies

Commitments

In connection with the commencement of the Company's Bentonville, Arkansas and Michigan leases in 2022, the Company issued standby letters of credit of $0.5 million and $1.1 million, respectively which are included in restricted cash within the accompanying consolidated balance sheet as of September 30, 2023.

Refer to Note 10 for information regarding operating lease commitments.

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. The Company has filed a pending motion to dismiss the complaints. On February 28, 2023, the court granted the Company’s motion to dismiss with leave to amend. On March 10, 2023, the lead plaintiff filed a second amended consolidated complaint. On March 23, 2023, the court entered a stipulated order setting a briefing schedule on the Company’s anticipated motion to dismiss the second amended consolidated complaint. On April 10, 2023, the court entered a stipulated order granting the lead plaintiff leave to file a third amended consolidated complaint and relieving defendants of any obligation to respond to the second amended consolidated complaint. Under the April 10, 2023 order, within 14 days of the release of any order regarding a settlement between the Company and the SEC, the parties shall confer and jointly submit a proposed schedule for the filing of any third amended consolidated complaint and for the filing of the defendant's response to the third amended consolidated complaint. The lead plaintiff filed a third amended consolidated complaint on September 8, 2023. The court entered a stipulated order setting the deadline to respond to the third amended consolidated complaint to December 7, 2023 and setting January 11, 2024 as the deadline for lead plaintiff's opposition to a motion to dismiss and February 8, 2024 as the deadline for a reply in support of a motion to dismiss the third amended consolidated complaint. The final determinations of liability arising from these litigation matters will only be made following comprehensive investigations and litigation processes.

On August 4, 2023, the SEC announced settled charges against the Company, its former Chief Executive Officer, Ulrich Kranz, and its former Chief Financial Officer, Paul Balciunas, for making inaccurate revenue projections. The SEC also charged Canoo and Kranz with misconduct related to nearly $1 million in undisclosed executive compensation.

Without admitting or denying the SEC's allegations, Kranz and Balciunas have each consented to the entry of judgments against them, which are subject to court approval. Kranz agreed to be permanently enjoined from violating the anti-fraud provision of Section 17(a)(3) of the Securities Act of 1933 and the proxy solicitation provisions of Section 14(a) of the Securities Exchange Act of 1934 and Rules 14a-3 and 14a-9 thereunder, as well as from aiding and abetting violations of the reporting provisions of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-11 thereunder. Kranz also consented to a three-year officer and director bar and payment of a $125,000 civil penalty. Balciunas agreed to be permanently enjoined from violating Section 14(a) of the Exchange Act and Rule 14a-3 thereunder, as well as from aiding and abetting violations of Section 13(a) of the Exchange Act and Rule 13a-11 thereunder. Balciunas further consented to a two-year officer and director bar, payment of $7,500 in disgorgement and prejudgment interest, and a $50,000 civil penalty.

The SEC also instituted a related settled administrative proceeding against the Company. Without admitting or denying the findings, the Company agreed to the entry of a cease-and-desist order prohibiting further violations of Sections 17(a)(2) and (3) of the Securities Act, Sections 13(a) and 14(a) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11, 14a-3 and 14a-9 thereunder. The Company also agreed to pay a civil penalty of $1.5 million.

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. On September 6, 2022, the Company filed an amended complaint. On September 20, 2022, DDG filed a motion to dismiss the amended complaint. The Company's opposition to DDG's motion to dismiss was filed on October 4, 2022 and briefing on the motion was completed when DDG filed its reply brief on October 11, 2022. On September 21, 2023, the court issued a decision denying DDG's motion to dismiss. DDG's answer to the amended complaint was filed on October 19, 2023. An initial pretrial conference is scheduled for January 12, 2024. Discovery has not yet commenced.

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.

12. Related Party Transactions

On November 25, 2020, Canoo Holdings Ltd., prior to the Company's merger with HCAC ("Legacy Canoo") entered into an agreement, which remains in effect, with the 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 Aquila Family Ventures, LLC ("AFV"), an entity controlled by Mr. Aquila, for the purposes related to the business of the Company was $0.2 million and $1.6 million for the three and nine months ended September 30, 2023, respectively. The reimbursement was approximately$0.1 million and $0.6 million for the three and nine months ended September 30, 2022, respectively. In addition, certain AFV staff provided the Company with shared services support in its Justin, Texas corporate office facility. For the three and nine months ended September 30, 2023, the Company paid AFV approximately $ 0.4 million and $1.4 million, respectively, for these services. For the three and nine months ended September 30, 2022, the Company paid AFV approximately $0.3 million and $0.8 million, respectively, for these services.

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 share for an aggregate purchase price of $50.0 million ("May 2022 PIPE"). The purchasers of the shares are special purpose vehicles managed by entities affiliated with Mr. Aquila. The closing of the May 2022 PIPE occurred on May 20, 2022.

On November 9, 2022, the Company entered into Common Stock Subscription Agreement providing for the purchase of an aggregate of9.0 million shares of Common Stock at a price of $1.11 per share for an aggregate purchase price of $10.0 million (the "November 2022 PIPE"). The purchasers of the shares are Mr. Aquila and a special purpose vehicle managed by entities affiliated with Mr. Aquila. The closing of the November 2022 PIPE occurred on November 18, 2022.

On June 22, 2023, the Company entered into a Common Stock and Common Warrant Subscription Agreement with certain special purpose vehicles managed by entities affiliated with Mr. Aquila ("June 2023 PIPE"). The Subscription Agreement provides for the sale and issuance by the Company of 16.3 million shares of the Company's Common Stock, together with warrants to purchase up to 16.3 million shares of Common Stock at a combined purchase price of $0.54 per share and accompanying warrants. The total net proceeds from the transaction was $8.8 million. The warrant issued is further discussed in Note 15.

On August 4, 2023, the Company entered into a Common Stock and Common Warrant Subscription Agreement with certain special purpose vehicles managed by entities affiliated with Mr. Aquila ("August 2023 PIPE"). The Subscription Agreement provides for the sale and issuance by the Company of 5.6 million shares of the Company's Common Stock, together with warrants to purchase up to 5.6 million shares of Common Stock at a combined purchase price of $0.54 per share and accompanying warrants. The total net proceeds from the transaction was $3.0 million. The warrant issued is further discussed in Note 15.

13. Equity

At-The-Market Offering Program

On August 8, 2022, the Company entered into an Equity Distribution Agreement (as supplemented by side letters entered into on August 8, 2022 and on October 5, 2022, the "ATM Sales Agreement") with Evercore Group L.L.C. ("Evercore") 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 act as sales agents (the "ATM Offering"). The sales are 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 is not obligated to sell any shares of Common Stock under the ATM Sales Agreement and may at any time suspend solicitation and offers thereunder.

On October 5, 2022, the Company entered into a Side Letter to the ATM Sales Agreement, pursuant to which, notwithstanding the existence of outstanding balances under the PPA (refer to Note 9) as of October 5, 2022, but only for so long as any portion of such balance is outstanding, the agents agreed to allow the Company to submit orders to sell Common Stock of the Company under the ATM Sales Agreement beginning on October 5, 2022. In addition, pursuant to the Side Letter to the ATM Sales Agreement, during the period from October 5, 2022 until the beginning of the third business day after the Company files its Annual Report on Form 10-K for the fiscal year ended December 31, 2022: (i) only H.C. Wainwright may be designated as a Designated Manager under the ATM Sales Agreement and receive the entire compensation payable thereunder (equal to 3.0% of the gross proceeds of the shares of Common Stock sold), and (ii) for so long as H.C. Wainwright acts as the sole Designated Manager, H.C. Wainwright agreed to waive the additional fee of 1.5% of the gross proceeds from any sales under the ATM Sales Agreement.

On February 28, 2023, Evercore delivered to us a notice to terminate the ATM Sales Agreement with respect to itself, which termination became effective on February 28, 2023.

During the three and nine months ended September 30, 2023, the Company sold 1.9 million shares of Common Stock at prices ranging from $0.60 to $0.71 for net proceeds of $1.2 million under the ATM Offering.

Yorkville Standby Equity Purchase Agreement

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. Under the agreement, the Company issued 14.2 million shares of Common Stock to Yorkville, respectively, for cash proceeds of $32.5 million with a portion of the shares issued as non-cash stock purchase discount under the SEPA. Effective August 26, 2022, the Company terminated the SEPA. At the time of termination, there were no outstanding borrowings, advance notices, shares of Common Stock to be issued or fees due under the SEPA.

Other Issuances of Equity

On February 5, 2023, the Company entered into a securities purchase agreement ("SPA") with certain investors. The SPA provides for the sale and issuance by the Company of 50.0 million shares of the Company's Common Stock, together with warrants to purchase up to 50.0 million shares of Common Stock (the "SPA Warrants") at a combined purchase price of $1.05 per share and accompanying warrants. The total net proceeds from the transaction was $49.4 million.

On February 5, 2023, the Company also issued warrants to purchase 2.0 million shares of our Common Stock (the "Placement Agent Warrants") to our placement agent as part of the compensation payable for acting as our exclusive placement agent in connection with the SPA. The Placement Agent Warrants had the same terms as the warrants issued under the SPA. These warrants are equity classified and were measured at fair value on the issuance date. As of September 30, 2023, $1.6 million is reflected on the condensed consolidated statement of stockholders' equity as it relates to the issuance of these warrants.

The Company entered into other equity agreements including the Yorkville PPA and Convertible Debentures discussed in Note 9, the May 2022 PIPE, June 2023 PIPE, and August 2023 PIPE discussed in Note 12, and warrants issued to various parties discussed in Note 15.

14. Stock-based Compensation

Restricted Stock Units

The Company granted stock to compensate existing employees and attract top talent, primarily 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 nine months ended September 30, 2023, 9.6 million and 19.1 million RSUs were granted subject to time-based vesting, respectively. During the three and nine months ended September 30, 2022, 2.1 million and 13.8 million RSUs were granted subject to time-based vesting, respectively.

The total fair value of restricted stock units granted during the three and nine months ended September 30, 2023 were $5.9 million and $12.7 million, respectively. The total fair value of restricted stock units granted during the three and nine months ended September 30, 2022 were $7.7 million and $54.8 million, respectively.

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. The PSUs vest based on the Company's achievement of certain specified operational milestones by various dates through December 2025. The Company granted zero PSUs to employees during the three and nine months ended September 30, 2023, respectively. The Company granted 0.1 million and 4.3 million PSUs to employees during the three and nine months ended September 30, 2022, with a total grant date fair value of $0.1 million and $13.9 million, respectively. As of September 30, 2023, the Company's analysis determined that these operational milestone events are probable of achievement and as such, compensation expense excluding the impact of forfeitures of $0.8 million and $3.4 million has been recognized for previously awarded PSUs to employees during the three and nine months ended September 30, 2023, respectively. The compensation expense was recognized during the three and nine months ended September 30, 2022 was $3.0 million and $4.6 million, respectively.

There were no PSUs granted to the CEO during the three and nine months ended September 30, 2023 and for the three and nine months ended September 30, 2022. The compensation expense recognized for previously awarded PSUs to the CEO was $3.5 million and $10.6 million for the three and nine months ended September 30, 2023, respectively. The compensation expense recognized for previously awarded PSUs to the CEO was $4.4 million and $13.5 million for the three and nine months ended September 30, 2022, respectively.

The following table summarizes the Company's stock-based compensation expense by line item for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Research and development	$ 626	$ 8,217	$ 4,970	$ 23,342
Selling, general and administrative	6,282	11,310	18,481	37,638
Total	$ 6,908	$ 19,527	$ 23,451	$ 60,980

The Company's total unrecognized compensation cost as of September 30, 2023 was $28.4 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 merger between HCAC and Legacy Canoo. 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. 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 nine months ended September 30, 2023, total employee withholding contributions for the 2020 ESPP was $0.2 million and $0.8 million, respectively. During the three and nine months ended September 30, 2022, total employee withholding contributions for the 2020 ESPP was $0.5 million and $2.5 million, respectively. Approximately $0.1 million and $0.4 million of stock-based compensation expense was recognized for the 2020 ESPP during the three and nine months ended September 30, 2023, respectively, and $0.2 million and $1.1 million of stock-based compensation expense was recognized for the 2020 ESPP during the three and nine months ended September 30, 2022, respectively.

15. Warrants

Public Warrants

As of September 30, 2023, 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.

There were no public warrants exercised for the three and nine months ended September 30, 2023 and 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 nine months ended September 30, 2022. The shares of Common Stock issued to VDL Nedcar are included in the accompanying condensed consolidated statement of stockholders' equity for the nine months ended September 30, 2022.

Walmart Warrants

On July 11, 2022, Canoo Sales, LLC, a wholly-owned subsidiary of the Company, entered into an Electric Vehicle Fleet Purchase Agreement (the “Walmart EV Fleet Purchase Agreement") with Walmart. Pursuant to the Walmart 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 Walmart 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 Walmart EV Fleet Purchase Agreement, the Company entered into a Warrant Issuance Agreement with Walmart pursuant to which the Company issued to Walmart a Warrant to purchase an aggregate of 61.2 million shares of Common Stock, subject to certain anti-dilutive adjustments, at an exercise price of $2.15 per share, which represented approximately 20% ownership in the Company on a fully diluted basis as of the issuance date. As a result of the anti-dilution adjustments, the Warrant is currently exercisable for an aggregate of 64.4 million shares of Common Stock at a per share exercise price of $2.04. The Warrant has a term of 10 years and is vested with respect to 15.3 million shares of Common Stock. Thereafter, 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 Walmart 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.

Since the counterparty is also a customer, the issuance of the Warrant was determined to be consideration payable to a customer within the scope of ASC 606, *Revenue from Contracts with Customers*, and was measured at fair value on the Warrant’s issuance date. Warrants that vested immediately resulted in a corresponding other asset presented on the condensed consolidated balance sheets under ASC 606 and amortized on a pro-rata basis, commencing upon initial performance, over the term of the Walmart EV Fleet Purchase Agreement.

The fair value of the Warrants at the issuance date was measured using the Black-Scholes-Merton option pricing model. The key inputs used in the valuation were as follows:

Expected term (years)		10
Risk free interest rate	3.0	%
Expected volatility	91.3	%
Dividend yield	—	%

Exercise price	$	2.15
Stock price	$	3.63

Estimates were determined as follows: (i) expected term based on the warrant's contractual term, (ii) based on the blended volatilities of historical and implied market volatility of the Company, (iii) risk-free interest rates based on US Treasury yield for the expected term, and (iv) an expected dividend yield of zero percent was used since we did not yet and not yet presently expect to pay dividends.

As of September 30, 2023, a total of15.3 million warrants have vested, of which none have been exercised.

Yorkville Warrants

In connection with the Yorkville PPA discussed in Note 9, the Company issued warrants to Yorkville to purchase an aggregate of 29.6 million shares of Common Stock, with an exercise price of $1.15 per share and expiration date of December 31, 2023. On January 13, 2023 Yorkville partially exercised their option to increase their investment and the Company issued warrants to Yorkville to purchase an additional 4.6 million shares of Common Stock. Upon the expiration of the option on January 31, 2023, a $0.3 million gain was recognized as a result of remeasuring the warrant liability and $19.5 million was reclassified from liability to additional paid in capital. The exercise price of the warrants was adjusted to $1.05 per share on February 9, 2023 and subsequently adjusted to $0.62 per share on April 24, 2023.

The fair value of the warrants upon the expiration of the option period was measured using the Black-Scholes-Merton option pricing model. The key inputs used in the valuation were as follows:

Expected term (year)			0.9
Expected volatility		116.4	%
Expected dividend rate		—	%
Risk free rate		4.7	%
Estimated fair value per warrant	$	0.57	
Exercise price	$	1.05	
Stock price	$	1.20	

Estimates were determined as follows: (i) expected term based on the warrant's contractual term, (ii) based on the blended volatilities of historical and implied market volatility of the Company, (iii) risk-free interest rates based on US Treasury yield for the expected term, and (iv) an expected dividend yield of zero percent was used since we did not yet and do not presently expect to pay dividends.

As of September 30, 2023 the Company had issued warrants to Yorkville to purchase an aggregate of34.2 million shares of Common Stock, of which all of the warrants have been exercised at a price of $0.62 per share, for gross cash proceeds of $21.2 million.

SPA Warrants

On February 5, 2023, the Company received net proceeds of $49.4 million in connection with the SPA. The Company issued warrants ("SPA warrants") to multiple parties to purchase an aggregate of 50.0 million shares of Common Stock, with an exercise price of $1.30 per share and will be initially exercisable beginning six months following the date of issuance and will expire five years from the initial exercise date.

The warrants are liability classified and subject to periodic remeasurement. The fair value of the warrants was measured using the Black-Scholes-Merton option pricing model. The key inputs used in the valuation were as follows:

Expected term (years)			4.36
Expected volatility		113.3	%
Expected dividend rate		—	%
Risk free rate		4.61	%
Estimated fair value per warrant	$	0.32	
Exercise price	$	1.30	
Stock price	$	0.49	

Estimates were determined as follows: (i) expected term based on the warrant's contractual term, (ii) based on the blended volatilities of historical and implied market volatility of the Company, (iii) risk-free interest rates based on US Treasury yield for the expected term, and (iv) an expected dividend yield of zero percent was used since we did not yet and not yet presently expect to pay dividends.

As the common stock and warrants were issued in a single transaction, the total proceeds from the transaction were allocated among the freestanding instruments. The fair value of the warrants measured at issuance was $40.0 million, with the remaining proceeds allocated to the common stock, which is included in additional paid-in capital presented in the consolidated balance sheets. The fair value as of September 30, 2023 was $16.2 million resulting in a gain of $1.5 million and $23.8 million for the three and nine months ended September 30, 2023, respectively. None of the warrants have been exercised as of September 30, 2023.

June 2023 PIPE

On June 22, 2023, the Company received an aggregate of $8.8 million in connection with the Common Stock and Common Warrant Subscription Agreement. The Company issued warrants to multiple parties to purchase an aggregate of 16.3 million shares of Common Stock, with an exercise price of $0.67 per share and will be initially exercisable beginning six months following the date of issuance and will expire five years from the initial exercise date.

The warrants are liability classified and subject to periodic remeasurement. The fair value of the warrants was measured using the Black-Scholes option pricing model. The key inputs used in the valuation were as follows:

Expected term (years)	5.23
Expected volatility	113.3 %
Expected dividend rate	— %
Risk free rate	4.55 %
Estimated fair value per warrant	$0.39
Exercise price	$0.67
Stock price	$0.49

Estimates were determined as follows: (i) expected term based on the warrant's contractual term, (ii) based on the blended volatilities of historical and implied market volatility of the Company, (iii) risk-free interest rates based on US Treasury yield for the expected term, and (iv) an expected dividend yield of zero percent was used since we did not yet and not yet presently expect to pay dividends.

The fair value of the warrants measured at issuance was $7.0 million, with the remaining proceeds allocated to the common stock, which is included in additional paid-in capital presented in the consolidated balance sheets. As of September 30, 2023, the fair value of the warrants were $6.4 million resulting in a gain of $0.2 million and $0.6 million for the three and nine months ended September 30, 2023, respectively. None of the warrants have been exercised as of September 30, 2023.

I-40 Warrants

In connection with the lease agreement entered into with I-40 Partners discussed in Note 10, the Company issued warrants to I-40 Partners to purchase an aggregate of 2.3 million shares of Common Stock, with an exercise price of $0.65 per share and expiration date of October 7, 2028.

The warrants are liability classified and subject to periodic remeasurement. The fair value of the warrants was measured using the Black-Scholes option pricing model. The key inputs used in the valuation were as follows:

Expected term (years)	5.02
Expected volatility	124.9 %
Expected dividend rate	— %
Risk free rate	4.55 %
Estimated fair value per warrant	$0.39
Exercise Price	$0.65
Stock Price	$0.49

Estimates were determined as follows: (i) expected term based on the warrant's contractual term, (ii) based on the blended volatilities of historical and implied market volatility of the Company, (iii) risk-free interest rates based on US Treasury yield for the expected term, and (iv) an expected dividend yield of zero percent was used since we did not yet and not yet presently expect to pay dividends.

The fair value of the warrants measured at issuance and as of September 30, 2023 was $0.9 million. As of September 30, 2023, none of the warrants have been exercised.

August 2023 PIPE

On August 4, 2023, the Company received an aggregate of $3.0 million in connection with the Common Stock and Common Warrant Subscription Agreement. The Company issued warrants to multiple parties to purchase an aggregate of 5.6 million shares of Common Stock, with an exercise price of $0.67 per share and will be initially exercisable beginning six months months following the date of issuance and will expire five years from the initial exercise date.

The warrants are liability classified and subject to periodic remeasurement. The fair value of the warrants was measured using the Black-Scholes option pricing model.The key inputs used in the valuation were as follows:

Expected term (years)		5.34
Expected volatility		113.3 %
Expected dividend rate		— %
Risk free rate		4.55 %
Estimated fair value per warrant	$	0.39
Exercise price	$	0.67
Stock price	$	0.49

Estimates were determined as follows: (i) expected term based on the warrant's contractual term, (ii) based on the blended volatilities of historical and implied market volatility of the Company, (iii) risk-free interest rates based on US Treasury yield for the expected term, and (iv) an expected dividend yield of zero percent was used since we did not yet and not yet presently expect to pay dividends.

As the common stock and warrants were issued in a single transaction, the total proceeds from the transaction were allocated among the freestanding instruments. The fair value of the warrants at issuance was $3.0 million, with the remaining proceeds allocated to the common stock, which is included in additional paid-in capital presented in the consolidated balance sheets. As of September 30, 2023, the fair value of the warrants was $2.2 million resulting in a gain of $0.8 million for the three and nine months ended September 30, 2023. None of the warrants have been exercised as of September 30, 2023.

Convertible Debentures

In connection with the Convertible Debentures discussed in Note 9, the Company issued warrants to Yorkville to purchase an aggregate of127.3 million shares of Common Stock, with an exercise price of $0.54 per share. The warrants are immediately exercisable and will expire five years from the issuance date.

The warrants are liability classified and subject to periodic remeasurement. The fair value of the warrants at the issuance date was measured using the Black-Scholes option pricing model. The key inputs used in the valuation were as follows:

	July Convertible Debenture	August Convertible Debenture	September Convertible Debenture
Expected term (years)	4.75	4.84	4.99
Expected volatility	113.3 %	113.3 %	113.3 %
Expected dividend rate	— %	— %	— %
Risk free rate	4.57 %	4.56 %	4.55 %
Estimated fair value per warrant	$ 0.39	$ 0.39	$ 0.40
Exercise price	$ 0.54	$ 0.54	$ 0.54
Stock price	$ 0.49	$ 0.49	$ 0.49

Estimates were determined as follows: (i) expected term based on the warrant's contractual term, (ii) based on the blended volatilities of historical and implied market volatility of the Company, (iii) risk-free interest rates based on US Treasury yield for the expected term, and (iv) an expected dividend yield of zero percent was used since we did not yet and not yet presently expect to pay dividends.

The Company elected to value of the Convertible Debentures at fair value therefore the total proceeds from the transaction were allocated among the freestanding financial instruments. Refer to Note 9 for additional discussion. The total fair value of the warrants measured at issuance was $61.5 million. The fair value as of September 30, 2023 was $50.0 million resulting in a gain of $11.5 million for the three and nine months ended September 30, 2023. As of September 30, 2023,none of the warrants have been exercised.

16. Net Loss per Share

For all periods presented, the shares included in computing basic net loss per share exclude restricted shares and shares issued upon the early exercise of share options where the vesting conditions have not been satisfied.

Diluted net income per share adjusts basic net income per share for the impact of potential Common Stock shares. As the Company has reported net losses for all periods presented, all potential Common Stock shares are antidilutive, and accordingly, basic net loss per share equals diluted net loss per share.

Net loss per share is presented in conformity with the two-class method required for participating securities.The following table presents the outstanding potentially dilutive shares that have been excluded from the computation of diluted net loss per share, because including them would have an anti-dilutive effect (in thousands):

	September 30,	
	2023	2022
Convertible debt (Note 9)	10,928	7,451
Restricted and performance stock units	37,177	33,257
Restricted common stock shares	—	3,019
Early exercise of unvested stock options	69	870
Options to purchase common stock	110	197

17. 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, andno benefit from federal or state income taxes has been included in the condensed consolidated financial statements.

18. Subsequent Events

Purchase Agreement, Preferred Stock and Warrants

On September 29, 2023, the Company entered into a securities purchase agreement (the "Preferred Stock Purchase Agreement") with an institutional investor (the "Preferred Stock Purchaser") in connection with the issuance, sale and delivery by the Company of an aggregate of 45,000shares (the "Preferred Shares") of the Company's 7.5% Series B Cumulative Perpetual Redeemable Preferred Stock, par value 0.0001 per share (the "Preferred Stock"), which is convertible into shares of the Company's common stock, and pursuant to which the Company issued warrants to purchase approximately 23.0 millionshares of Common Stock (the "Preferred Warrants"), for a total purchase price of $45.0 million. On October 12, 2023, the Company closed the sale of the Preferred Shares and the Preferred Warrants to the Preferred Stock Purchaser and filed the certificate of designation for the Preferred Stock. The transaction is initially recognized on the settlement date of October 12, 2023.

Authorized Shares Amendment

On October 5, 2023, the Company held a special meeting of stockholders (the "Special Meeting"). At the Special Meeting, the Company's stockholders approved an amendment to Paragraph A of Article IV of the Company's Second Amended and Restated Certificate of Incorporation to increase the Company's number of shares of authorized common stock, par value 0.0001 per share, from 1.00 billion shares to 2.00 billion shares and the corresponding increase in the total number of authorized share of capital stock the Company may issue from 1.01 billion to 2.01 billion shares

The Company has analyzed its operations subsequent to September 30, 2023, 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, 2022 filed with the SEC on March 30, 2023 (the “Annual Report on Form 10-K”), Part II, Item IA. “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 high-tech advanced mobility technology company with a mission to bring electric vehicles (“EVs”) to everyone and provide connected services that continually improve the vehicle ownership experience through its lifecycle. We have developed a technology and design platform that we believe will enable us to rapidly innovate and launch new products which address multiple customer use cases. Our vehicle architecture and design philosophy are aimed at enhancing customer productivity and are complimented by our unique software systems.

We remain committed to environmentally friendly, sustainable mobility solutions that are accessible to everyone. We proudly intend to manufacture our EVs in 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 monetizing 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. 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 Base, Premium, and Adventure trims; the Lifestyle Delivery Vehicle and its 130 and 190 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. The remaining layers include connected accessories and a digital customer ecosystem that present high-margin opportunities that extend through the lifecycle of the vehicle across multiple owners. Our software solutions provide us with monetizable opportunities throughout the vehicle life, including predictive maintenance and service or advanced driver assistance systems (“ADAS”) 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 transverse 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, 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 unique purpose-built mobility solutions.

In addition to our vehicle technology, we are developing an in-house designed and proprietary 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 (“OBD”) device for non-connected vehicles, we believe car data is critical to empowering 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 Vehicle Management, Fleet Management, Lifecycle Management and Vehicle Asset Management. Through our software offering, we believe we can provide differentiated and substantial value to customers while creating revenue opportunities throughout the vehicle lifecycle, across multiple owners.

Core to our values 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 in-house scale production with less supply chain risk and provide us with 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.

Recent Developments

Refer to Note 18 for information regarding subsequent events.

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

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 and challenges in the supply chain could negatively affect our business.

Increased demand for semiconductor chips in 2020, due in part to increased demand for consumer electronics that use these chips, resulted in a global shortage of chips in 2021 that has continued into 2023. 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 limited commercial activities to date, which are primarily conducted in the United States. For more information about our basis of presentation, refer to Note 2, Basis of Presentation and Summary of Significant Accounting Policies, of the notes to the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Revenue

Our revenue was derived from vehicle revenues resulting from the delivery of our vehicles as well as revenues derived from battery modules and engineering services to our customers.

Cost of Revenue

We recorded cost of revenue for the vehicle components, parts, labor costs, and amortized tooling and capitalized costs involved in producing and assembly of our EVs.

Research and Development Expenses, excluding Depreciation

Research and development expenses, excluding depreciation consist of salaries, employee benefits and expenses for design and engineering, 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.

Interest (Expense)

Interest expense consists primarily of interest expense and amortization of debt discount and issuance costs.

Gain on Fair Value Change in Contingent Earnout Shares Liability

The gain on fair value change in the contingent earnout shares liability is due to the change in fair value of the corresponding contingent earnout shares liability.

Gain on Fair Value Change in Warrant Liability and Derivative Liability

The gain on fair value change in the warrant liability and derivative liability is primarily due to the change in fair value of the corresponding warrant and derivative liability described in Note 4 and Note 15.

Loss on Fair Value Change in Derivative Asset

The loss on fair value change in derivative asset is due to the change in fair value of the conversion feature of the fifth Pre-Paid Advance described in Note 9.

Loss on Fair Value Change in Convertible Debt

The loss on fair value change in convertible debt is due to the change in fair value of the convertible debentures further described in Note 9.

Loss on Extinguishment of Debt

The loss on extinguishment of debt arose from the redemption of our convertible debt with Yorkville into Common Stock, as discussed in Note 9, Convertible Debt.

Other (expense), net

Other expense is due to financing expenses related to the SPA and Placement Agent warrants, as discussed in Note 15, Warrants.

Results of Operations

Comparison of the Three and Nine Months Ended September 30, 2023 and 2022

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
(in thousands)	2023	2022	$ Change	% Change	2023	2022	$ Change	% Change
Revenue	$ 519	$ —	$ 519	NM	519	—	519	NM
Cost of revenue	903	—	903	NM	903	—	903	NM
Gross margin	(384)	—	(384)	NM	(384)	—	(384)	NM
Operating Expenses								
Research and development expenses, excluding depreciation	21,965	57,063	(35,098)	(62) %	107,651	255,009	(147,358)	(58) %
Selling, general and administrative expenses, excluding depreciation	24,925	48,826	(23,901)	(49) %	85,195	159,600	(74,405)	(47) %
Depreciation	1,495	3,449	(1,954)	(57) %	10,632	9,020	1,612	18 %
Total costs and operating expenses	48,385	109,338	(60,953)	(56) %	203,478	423,629	(220,151)	(52) %
Loss from operations	(48,769)	(109,338)	60,569	(55) %	(203,862)	(423,629)	219,767	(52) %
Interest expense	(4,195)	(2,179)	(2,016)	NM	(6,755)	(2,189)	(4,566)	NM
Gain (loss) on fair value change in contingent earnout shares liability	279	(2,067)	2,346	NM	2,843	22,869	(20,026)	(88) %
Gain on fair value change in warrant and derivative liability	17,126	—	17,126	NM	40,091	—	40,091	NM
Loss on fair value change in derivative asset	(3,761)	—	(3,761)	NM	(3,761)	—	(3,761)	NM
Loss on extinguishment of debt	(2,573)	(4,095)	1,522	(37) %	(30,261)	(4,095)	(26,166)	639 %
Loss on fair value change in convertible debt	(69,615)	—	(69,615)	NM	(69,615)	—	(69,615)	NM
Other expense, net	(466)	(26)	(440)	NM	(2,256)	(420)	(1,836)	NM
Loss before income taxes	(111,974)	(117,705)	5,731	(5) %	(273,576)	(407,464)	133,888	(33) %
Provision for income taxes	—	—	—	NM	—	—	—	NM
Net loss and comprehensive loss	(111,974)	(117,705)	5,731	(5) %	(273,576)	(407,464)	133,888	(33) %

“NM” means not meaningful

Revenue and Cost of Revenues

Revenues include vehicle revenues resulting from the delivery of our vehicles to our customers as well as revenues derived from other streams including battery modules, and engineering services to our customers. We generated $0.5 million in revenues during the three and nine months ended September 30, 2023. We expect to ramp volumes over the rest of 2023 and 2024 at a measured pace to match with the delivery schedules that are being agreed with our customers. Our cost of revenues primarily include vehicle components and parts, labor costs, and amortized tooling and capitalized costs involved in producing and assembly of our parts and components. We incurred $0.9 million in cost of revenues which includes LCNRV write down of $0.4 million during the three and nine months ended September 30, 2023.

As our cost of revenues were greater than our revenues, it resulted in a negative gross margin of $0.4 million during the three and nine months ended September 30, 2023. Negative gross margin was primarily due to the custom-built, low-volume initial vehicle deliveries. We expect negative gross margin to improve on a per-vehicle basis as we increase overall production levels, and achieve commercial cost savings on material and labor costs.

Research and Development Expenses, excluding Depreciation

Research and development expenses decreased by $35.1 million, or 62%, to $22.0 million in the three months ended September 30, 2023, compared to $57.1 million in the three months ended September 30, 2022. The decrease was primarily due to decreases in research and development costs of $13.2 million, salary and benefit costs of $9.8 million, and stock based compensation costs of $7.6 million.

Research and development expenses decreased by $147.4 million, or 58%, to $107.7 million in the nine months ended September 30, 2023. The decrease was primarily due to decreases in research and development costs of $88.4

million, salaries and benefits costs of $24.3 million, stock based compensation costs of $18.3 million, and professional fees of $5.9 million.

Research and development costs decreased by $13.2 million in the three months ended September 30, 2023, compared to the three months ended September 30, 2022 and by $88.4 million in the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. The decrease was primarily due to decreases in spending related to engineering and design, gamma parts, prototype tooling, and redirecting focus on initiatives related to commencing low-volume production.

Salary and benefit costs decreased by $9.8 million in the three months ended September 30, 2023, compared to three months ended September 30, 2022 and by $24.3 million in the nine months ended September 30, 2023, compared the nine months ended September 30, 2022. This was due to changes in headcount mix from engineering to manufacturing, turnover of employees and a decrease in temporary employees driven by the Company's focus on essential activities.

Stock based compensation expenses decreased by $7.6 million in the three months ended September 30, 2023, compared to the three months ended September 30, 2022 and by $18.3 million in the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. The decrease was primarily due to less grants of restricted stock units in the current period, and graded vesting of stock-based compensation expense.

Professional fee costs decreased by $5.9 million for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. The decrease was primarily due to reductions in consulting fees that are not required during the period. Professional fees for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 was immaterial.

Selling, General and Administrative Expenses, excluding Depreciation

Selling, general and administrative expenses decreased by $23.9 million, or 49%, to $24.9 million for the three months ended September 30, 2023, compared to $48.8 million for the three months ended September 30, 2022. The decrease was primarily due to professional fee expense of $13.4 million, stock-based compensation expense of $5.0 million, salary and benefits expense of $4.0 million, and information technology expense of $1.3 million.

Selling, general and administrative expenses decreased by $74.4 million, or 47%, to $85.2 million for the nine months ended September 30, 2023, compared to $159.6 million in the nine months ended September 30, 2022. The decrease was primarily due to professional fee expense of $27.9 million, stock-based compensation expense of $19.2 million, salary and benefits expense of $15.2 million, marketing expense of $7.3 million, and information technology expense of $3.4 million.

Professional fee costs decreased by $13.4 million in the three months ended September 30, 2023, compared to the three months ended September 30, 2022. Professional fee costs decreased by $27.9 million in the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. The decrease was primarily due to reduction in legal fees and consulting and recruiting fees.

Stock-based compensation costs decreased by $5.0 million in the three months ended September 30, 2023, compared to the three months ended September 30, 2022. Stock-based compensation costs decreased by $19.1 million in the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. The decrease was primarily due to forfeiture of restricted stock resulting from headcount changes, and graded vesting of stock-based compensation expense.

Marketing costs decreased by $7.3 million in the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. The decrease was primarily due to the company's reduced investment in marketing expenses. Marketing and event costs for the three months ended September 30, 2023 compared to the three months ended September 30, 2022 was immaterial.

Salary and benefit costs decreased by $4.0 million in the three months ended September 30, 2023, compared to the three months ended September 30, 2022. Salary and benefit costs decreased by $15.2 million in the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. This was due to changes in headcount driven by turnover, and the Company's focus on essential activities.

Depreciation Expense

Depreciation expense decreased by $2.0 million in the three months ended September 30, 2023, compared to the three months ended September 30, 2022 and increased by $1.6 million in the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. The increase was primarily due to tooling assets being transferred into service.

Interest (expense)

Interest expense increased by $2.0 million and $4.6 million in the three and nine months ended September 30, 2023, primarily due to amortization of debt discount and extinguishments of debt.

Gain on Fair Value Change in Contingent Earnout Shares Liability

Gain on fair value change in contingent earnout shares liability increased by $2.3 million to $0.3 millionin the three months ended September 30, 2023, compared to a loss of $2.1 million for the three months ended September 30, 2022 and decreased by $20.1 million to $2.8 million in the nine months ended September 30, 2023, compared to $22.9 million in the nine months ended September 30, 2022 . The change was primarily due to the periodic remeasurement of the fair value of our contingent earnout shares liability.

Gain on Fair Value Change in Warrant and Derivative Liability

Gain on fair value change in warrant and derivative liability increased by $17.1 million in thethree months ended September 30, 2023, and by $40.1 million in the nine months ended September 30, 2023, which was primarily due the fair value change of the corresponding warrant liability related to warrants discussed in Note 15.

Loss on Fair Value Change of Derivative Asset

Loss on fair value change in derivative asset increased by $3.8 million in thethree and nine months ended September 30, 2023, primarily due to the fair value change of the derivative assets related to Prepaid Advance Agreement discussed in Note 9.

Loss on Extinguishment of Debt

Loss on extinguishment of debt increased by $1.5 million and $30.3 million in the three and nine months ended September 30, 2023, which was due to the repayments made to Yorkville on the PPA and Convertible Debenture through the issuance of shares.

Loss on Fair Value Change of Debt Issuance

Loss on fair value change of debt issuance increased by $69.6 million in thethree and nine months ended September 30, 2023, primarily due the fair value change of the convertible debt between inception and September 30, 2023 related to Convertible Debentures discussed in Note 9.

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, Adjusted EBITDA, Adjusted Net Loss and Adjusted Earnings Per Share ("EPS")

“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, restructuring charges, asset impairments, non-routine legal fees, and other costs associated with exit and disposal activities, acquisition and related costs, changes to the fair value of contingent earnout shares liability, changes to the fair value of warrant and derivative liability, changes to the fair value of the derivative asset, changes to the fair value of convertible debt, loss on extinguishment of debt, and any other one-time non-recurring transaction amounts impacting the statement of operations during the year. "Adjusted Net Loss" is defined as net loss adjusted for stock-based compensation, restructuring charges, asset impairments, non-routine legal fees, and other costs associated with exit and disposal activities, acquisition and related costs, changes to the fair value of contingent earnout shares liability, changes to the fair value of warrants and derivative liability, changes to the fair value of the derivative asset, changes to the fair value of convertible debt, loss on extinguishment of debt, and any other one-time non-recurring transaction amounts impacting the statement of operations during the year. "Adjusted EPS" is defined as Adjusted Net Loss on a per share basis using the weighted average shares outstanding.

EBITDA, Adjusted EBITDA, Adjusted Net Loss, and Adjusted EPS are intended as a supplemental measure of our performance that is neither required by, nor presented in accordance with, GAAP. We believe EBITDA, Adjusted EBITDA, Adjusted Net Loss, and Adjusted EPS when combined with net loss and net loss per share are beneficial to an investor’s complete understanding of our operating performance. We believe that the use of EBITDA, Adjusted EBITDA, Adjusted Net Loss, and Adjusted EPS 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, Adjusted EBITDA, Adjusted Net Loss, and Adjusted EPS 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, Adjusted EBITDA, Adjusted Net Loss, and Adjusted EPS may not be comparable to other similarly titled measures computed by other companies, because all companies may not calculate EBITDA, Adjusted EBITDA, Adjusted Net Loss, and Adjusted EPS in the same fashion.

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

These non-GAAP financial measures, when presented, are reconciled to the most closely comparable U.S. GAAP measure as disclosed below for the three and nine months ended September 30, 2023 and 2022, respectively (in thousands):

	Three Months Ended September 30,					
	2023			2022		
	EBITDA	Adjusted EBITDA	Adjusted Net Loss	EBITDA	Adjusted EBITDA	Adjusted Net Loss
Net loss	$ (111,974)	$ (111,974)	$ (111,974)	$ (117,705)	$ (117,705)	$ (117,705)
Interest expense (income)	4,195	4,195	—	2,179	2,179	—
Provision for income taxes	—	—	—	—	—	—
Depreciation	1,495	1,495	—	3,449	3,449	—
Gain (loss) on fair value change in contingent earnout shares liability	—	(279)	(279)	—	2,067	2,067
Gain on fair value change in warrant and derivative liability	—	(17,126)	(17,126)	—	—	—
Loss on fair value change in derivative asset	—	3,761	3,761	—	—	—
Loss on extinguishment of debt	—	2,573	2,573	—	4,095	4,095
Loss on fair value change in convertible debt	—	69,615	69,615	—	—	—
Other expense, net	—	466	466	—	26	26
Stock-based compensation	—	6,908	6,908	—	19,527	19,527
Non-cash legal settlement	—	—	—	—	5,532	5,532
Adjusted Non-GAAP amount	(106,284)	(40,366)	(46,056)	(112,077)	(80,830)	(86,458)
US GAAP net loss per share						
Basic	N/A	N/A	(0.18)	N/A	N/A	(0.43)
Diluted	N/A	N/A	(0.18)	N/A	N/A	(0.43)
Adjusted Non-GAAP net loss per share (Adjusted EPS):						
Basic	N/A	N/A	(0.07)	N/A	N/A	(0.31)
Diluted	N/A	N/A	(0.07)	N/A	N/A	(0.31)
Weighted-average common shares outstanding:						
Basic	N/A	N/A	621,286	N/A	N/A	275,455
Diluted	N/A	N/A	621,286	N/A	N/A	275,455

	Nine Months Ended September 30,					
	2023			2022		
	EBITDA	Adjusted EBITDA	Adjusted Net Loss	EBITDA	Adjusted EBITDA	Adjusted Net Loss
Net loss	$ (273,576)	(273,576)	(273,576)	$ (407,464)	$ (407,464)	$ (407,464)
Interest expense (income)	6,755	6,755	—	2,189	2,189	—
Provision for income taxes	—	—	—	—	—	—
Depreciation	10,632	10,632	—	9,020	9,020	—
Gain (loss) on fair value change in contingent earnout shares liability	—	(2,843)	(2,843)	—	(22,869)	(22,869)
Gain on fair value change in warrant and derivative liability	—	(40,091)	(40,091)	—	—	—
Loss on fair value change in derivative asset	—	3,761	3,761	—	—	—
Loss on extinguishment of debt	—	30,261	30,261	—	4,095	4,095
Loss on fair value change in convertible debt	—	69,615	69,615	—	—	—
Other expense, net	—	2,256	2,256	—	420	420
Stock-based compensation	—	23,451	23,451	—	60,980	60,980
Non-cash legal settlement	—	—	—	—	5,532	5,532
Adjusted Non-GAAP amount	(256,189)	(169,779)	(187,166)	(396,255)	(348,097)	(359,306)
US GAAP net loss per share						
Basic	N/A	N/A	(0.53)	N/A	N/A	(1.62)
Diluted	N/A	N/A	(0.53)	N/A	N/A	(1.62)
Adjusted Non-GAAP net loss per share (Adjusted EPS):						
Basic	N/A	N/A	(0.36)	N/A	N/A	(1.43)
Diluted	N/A	N/A	(0.36)	N/A	N/A	(1.43)
Weighted-average common shares outstanding:						
Basic	N/A	N/A	515,879	N/A	N/A	250,783
Diluted	N/A	N/A	515,879	N/A	N/A	250,783

Liquidity and Capital Resources

As of September 30, 2023, we had unrestricted cash and cash equivalents in the amount of $8.3 million, which were 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 10 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 $1.5 billion as of September 30, 2023. 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 and as we raise additional funds by incurring loans or by issuing debt securities or preferred stock, these forms of financing have rights, preferences, and privileges senior to those of holders of our Common Stock. The availability and the terms under which we are able to raise additional capital could be disadvantageous, and the terms of debt financing or other non-dilutive financing involve restrictive covenants and dilutive financing instruments, which could place significant restrictions on our operations. Macroeconomic conditions and credit markets are also impacting the availability and cost of potential future debt financing. As we raise capital through the issuance of additional equity, such sales and issuance has and will continue to 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 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 for the next 12 months. Our financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. 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 related to the Company's ability to continue as a going concern.

Cash Flows Summary

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

	Nine Months Ended September 30,	
Consolidated Cash Flow Statements Data	**2023**	**2022**
Net cash used in operating activities	$ (191,435)	$ (329,863)
Net cash used in investing activities	(45,376)	(58,377)
Net cash provided by financing activities	208,902	181,271

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.

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 $107.7 million during the nine months ended September 30, 2023, of which $5.0 million related to stock-compensation expenses. We also incurred selling, general and administration expenses of $85.2 million for the nine months ended September 30, 2023, of which $18.5 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 nine months ended September 30, 2023.

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 $45.4 million for the nine months ended September 30, 2023, related to purchases of production tooling, machinery, and equipment to support manufacturing activities.

Cash Flows from Financing Activities

Net cash provided by financing activities was $208.9 million for the nine months ended September 30, 2023, which primarily consisted of proceeds from issuance of convertible debt of $107.5 million, shares under SPA of $52.5 million offset by issuance costs of $1.5 million, proceeds from Yorkville exercising their warrants of $21.2 million, proceeds from PPA of $16.8 million and proceeds from PIPE of $11.8 million.

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.

Convertible Debentures

The Company elected the fair value option to account for the Convertible Debentures in an aggregate principal amount of up to $62.5 million that were issued in April, June and September 2023, discussed in Note 9 titled "Convertible Debentures" of the Notes to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. The Convertible Debentures are measured at fair value on a recurring basis using Level 3 inputs. We use the Monte Carlo valuation technique to measure the fair value of the Convertible Debentures with any changes in the fair value of the Convertible Debentures recorded in the unaudited condensed consolidated statements of operations, with the exception of changes in fair value due to instrument-specific credit risk, if any, which are recorded as a component of other comprehensive income.

Except for any updates above, 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, 2022. 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 $8.3 million as of September 30, 2023. 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 CEO and Chief Financial Officer ("CFO"), has evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2023. 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 September 30, 2023.

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 and nine months ended September 30, 2023 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 11, 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 use 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 Securities

The issuance of shares of our Common Stock upon the conversion of the Yorkville Convertible Debentures, the Yorkville PPA or upon the exercise of the Yorkville Warrants will continue to increase the number of shares eligible for future resale in the public market and result in dilution to our stockholders.

On June 30, 2023, the Company entered into the July Convertible Debenture with Yorkville, in connection with the issuance and sale by the Company of convertible debentures in an aggregate principal amount of $26.6 million. Furthermore, in connection with the July Convertible Debenture, the Company issued to Yorkville a warrant to purchase up to 49.6 million shares of our Common Stock at an exercise price of $0.54 (the “July Warrant”).

On August 2, 2023, the Company also entered into the August Convertible Debenture with Yorkville, in connection with the issuance and sale by the Company of convertible debentures in an aggregate principal amount of $27.9 million. Furthermore, in connection with the August Convertible Debenture, the Company issued to Yorkville a warrant to purchase up to 49.6 million shares of our Common Stock at an exercise price of $0.54 (the “August Warrant").

On September 11, 2023, the Company received an aggregate of $12.5 million on account of the Fifth Pre-Paid Advance in accordance with the PPA. As of September 30, 2023, 15.1 million shares of Common Stock converted at the Amended Floor Price have been issued to Yorkville under the Fifth Pre-Paid Advance. The Company may enter into further pre-paid advance agreements with Yorkville under the PPA.

On September 26, 2023, the Company also entered into the September Convertible Debenture with Yorkville, in connection with the issuance and sale by the Company of convertible debentures in an aggregate principal amount of $15.0 million. Furthermore, in connection with the September Convertible Debenture, the Company issued to Yorkville a warrant to purchase up to 28.0 million shares of our Common Stock at an exercise price of $0.54 (the “September Warrant", together with the July Warrant and the August Warrant, collectively the "Yorkville Warrants").

The issuance of shares of our Common Stock upon the conversion of the Yorkville Convertible Debentures, the Yorkville PPA and upon the exercise of the Yorkville Warrants will continue to increase the number of shares eligible for future resale in the public market and result in dilution to our stockholders.

We have been notified by The Nasdaq Stock Market LLC of our failure to comply with certain continued listing requirements and, if we are unable to regain compliance with all applicable continued listing requirements and standards of Nasdaq, our Common Stock could be delisted from Nasdaq, which would have an adverse impact on the trading, liquidity, and market price of our Common Stock.

On March 27, 2023, the Company received a letter from the Listing Qualifications Department (the “Staff”) of The Nasdaq Stock Market indicating that, based upon the closing bid price of the Common Stock for the prior 30 consecutive business days, the Company was not in compliance with the $1.00 minimum bid price requirement set forth in Nasdaq Listing Rule 5450(a)(1) for continued listing on The Nasdaq Global Select Market (the “Bid Price Requirement”).

Pursuant to Nasdaq Listing Rule 5810(c)(3)(A), the Company was initially granted 180 calendar days, or until September 25, 2023, to regain compliance with the Bid Price Requirement.

On August 23, 2023, the Company applied to transfer its securities from The Nasdaq Global Select Market to The Nasdaq Capital Market. Along with its application, the Company also provided written notice to the Staff of its intention to cure the deficiency. On September 14, 2023, the Company received a letter from the Staff approving the Company's application to list its securities on The Nasdaq Capital Market. The Company's securities were transferred to The Nasdaq Capital Market on September 18, 2023. On September 26, 2023, the Company received a letter from the Staff granting the Company an additional 180 calendar days, or until March 25, 2024, to regain compliance with the Bid Price Requirement. For further discussion, see the Company's Current Report on Form 8-K filed with the SEC on September 15, 2023.

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

Unregistered Sales of Equity Securities

During the three months ended September 30, 2023, the Company sold 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
July 1 - July 31, 2023	3,993	$ 0.02	—	—
August 1 - August 31, 2023	6,978	$ 0.02	—	—
September 1 - September 30, 2023	4,854	$ 0.02	—	—

(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).
3.3	Certificate of Amendment, dated January 25, 2023, to the Second Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on January 25, 2023).
3.4	Form of Notice of Delisting or Failure to Satisfy a Continued Listing Rule; Transfer of Listing dated September 15, 2023 (incorporated by reference to exhibit 3.01 in the Form 8-K filed with the SEC on September 15, 2023)
3.5	Certificate of Amendment, dated October 6, 2023, to the Second Amended and Restated Certificate of Incorporation of Canoo Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on October 6, 2023)
3.6	Certificate of Designation of the Company for the 7.5% Series B Cumulative Perpetual Redeemable Preferred Stock, dated October 12, 2023 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on October 12, 2023)
4.1	Form of Convertible Debenture (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on April 25, 2023).
4.2	Form of Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on June 28, 2023).
4.3	Form of Convertible Debenture (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on July 7, 2023).
4.4	Form of Warrant (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on July 7, 2023).
4.5	Registration Rights Agreement (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the SEC on July 7, 2023).
4.6	Form of Convertible Debenture (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on August 4, 2023).
4.7	Form of Warrant (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on August 4, 2023)
4.8	Registration Rights Agreement (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the SEC on August 4, 2023).
4.9	Form of Convertible Debentures (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2023)
4.10	Form of Warrant (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2023)
4.11	Registration Rights Agreement (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2023)
4.12	Form of Warrant (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on October 2, 2023)
10.1	Lease Agreement between I-40 OKC Partners LLC and Canoo Inc., dated April 7, 2023 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 10, 2023)
10.2	Securities Purchase Agreement, dated April 24, 2023, 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 April 25, 2023)
10.3	Offer Letter dated as of January 26, 2023, by and between Canoo Inc. and Ken Manget (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on January 27, 2023)
10.4	Amendment to Sales Agreement, effective March 1, 2023, by and among Panasonic Industrial Devices Sales Company of America, Division of Panasonic Corporation of North America, SANYO Electric Co., Ltd., and Canoo Technologies Inc.(incorporated by reference to Exhibit 10.40 to the Company's Annual Report on Form 10-K filed with the SEC on March 30, 2023).
10.5	Common Stock and Common Warrant Subscription Agreement, effective June 22, 2023, by and between Canoo Inc. and certain special purpose vehicles (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on June 28, 2023)

10.6	Securities Purchase Agreement, dated June 30, 2023, 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 7, 2023)
10.7	Securities Purchase Agreement, dated August 2, 2023 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 August 4, 2023)
10.8	Offer Letter dated as of August 28, 2023, by and between Canoo Inc. and Greg Ethridge (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 31, 2023
10.9	Supplemental Agreement, dated September 13, 2023, by and between the Company 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 September 13, 2023)
10.10	Securities Purchase Agreement, dated September 26, 2023 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 September 26, 2023)
10.11	Securities Purchase Agreement, dated September 29, 2023 by and between Canoo Inc. and Institutional Investor(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 2, 2023)
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)

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† 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.

* 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.

SIGNATURES

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

Date: November 14, 2023

CANOO INC.

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

By:	/s/ Greg Ethridge
Name:	Greg Ethridge
Title:	Chief Financial Officer *(Principal Financial Officer)*

Exhibit 31.1

**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: November 14, 2023

By: /s/ Tony Aquila

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

Exhibit 31.2

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, Greg Ethridge, 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: November 14, 2023

By: /s/ Greg Ethridge
Greg Ethridge
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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 September 30, 2023 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: November 14, 2023	By:	/s/ Tony Aquila
		Tony Aquila
		Chief Executive Officer and Executive Chair of the Board (Principal Executive Officer)

Exhibit 32.2

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 September 30, 2023 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: November 14, 2023	By:	/s/ Greg Ethridge
		Greg Ethridge Chief Financial Officer (Principal Financial Officer)