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

# FORM 8-K/A
# (Amendment No. 1)

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

Date of Report (Date of earliest event reported) **July 16, 2021**

## Evolv Technologies Holdings, Inc.
(Exact name of registrant as specified in its charter)

| Delaware | 001-39417 | 84-4473840 |
|---|---|---|
| (State or other jurisdiction of incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

| 500 Totten Pond Road, 4th Floor Waltham, Massachusetts | 02451 |
|---|---|
| (Address of principal executive offices) | (Zip Code) |

**(781) 374-8100**
Registrant's telephone number, including area code

**NewHold Investment Corp.**
**12141 Wickchester Ln., Suite 325**
**Houston, Texas 77079**
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Class A common stock, par value $0.0001 per share | EVLV | The Nasdaq Stock Market |
| Warrants to purchase one share of Class A common stock | EVLVW | The Nasdaq Stock Market |
| Units, each consisting of one share of common stock, $0.0001 par value, and one-half of one redeemable warrant | EVLVU | The Nasdaq Stock Market |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

**Explanatory Note**

Unless the context otherwise requires, "we," "us," "our," "Evolv" and the "Company" refer to Evolv Technologies Holdings, Inc., a Delaware corporation, and its consolidated subsidiaries following July 16, 2021 (the "Closing"). Unless the context otherwise requires, references to "NHIC" refer to NewHold Investment Corp., a Delaware corporation, prior to the Closing. All references herein to the "Board" refer to the board of directors of the Company.

Terms used in this Current Report on Form 8-K (this "Report") but not defined herein, or for which definitions are not otherwise incorporated by reference herein, shall have the meaning given to such terms in the proxy statement/prospectus (the "Proxy Statement/Prospectus") filed with the Securities and Exchange Commission (the "SEC") on June 28, 2021 by NHIC in the section entitled "Frequently Used Terms" beginning on page 1 thereof, and such definitions are incorporated herein by reference.

This Current Report on Form 8-K/A (this "Amendment") amends the Current Report on Form 8-K filed with the SEC on July 22, 2021 (the "Original Form 8-K"). The Company is filing this Amendment to the Original Form 8-K to include (a) the unaudited condensed consolidated financial statements of the Company as of June 30, 2021 and for the three and six months ended June 30, 2021 and 2020 as Exhibit 99.3, (b) the Management's Discussion and Analysis of Financial Conditions and Results of Operations of the Company for the three and six months ended June 30, 2021 and 2020 as Exhibit 99.4 and (c) the unaudited pro forma condensed combined financial information of the Company for the year ended December 31, 2020 and as of and for the six months ended June 30, 2021 as Exhibit 99.2.

Accordingly, the Original Form 8-K is hereby amended solely to amend and restate Item 9.01. The Original Form 8-K otherwise remains unchanged.

**Item 9.01. Financial Statement and Exhibits.**

(a) Financial statements of businesses acquired.

The audited consolidated financial statements of Legacy Evolv for the years ended December 31, 2020 and 2019 are included in the Proxy Statement/Prospectus beginning on page F-40 and are incorporated herein by reference.

The unaudited condensed consolidated financial statements of Legacy Evolv for the three months ended March 31, 2021 and 2020 are included in the Proxy Statement/Prospectus beginning on page F-22 and are incorporated herein by reference.

The unaudited condensed consolidated financial statements of the Company for the three and six months ended June 30, 2021 and 2020 are filed as Exhibit 99.3 to this Current Report on Form 8-K and are incorporated herein by reference.

The Management's Discussion and Analysis of Financial Conditions and Results of Operations of the Company for the three and six months ended June 30, 2021 and 2020 is filed as Exhibit 99.4 to this Current Report on Form 8-K and is incorporated herein by reference.

(b) Pro forma financial information.

The unaudited pro forma condensed combined financial information of the Company for the year ended December 31, 2020 as of and for the six months ended June 30, 2021 is filed as Exhibit 99.2 and is incorporated herein by reference.

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(d) Exhibits.

| Exhibit Number | Description | Incorporated by Reference | | |
|---|---|---|---|---|
| | | Form | Exhibit | Filing Date |
| 2.1* | Agreement and Plan of Merger, dated as of March 5, 2021, by and among the NHIC, Merger Sub and Legacy Evolv. | 8-K | 2.1 | 3/8/21 |
| 2.2** | First Amendment to Agreement and Plan of Merger dated June 5, 2021, by and among the Company, Merger Sub and Legacy Evolv. | | | |
| 3.1** | Amended and Restated Certificate of Incorporation. | | | |
| 3.2** | Amended and Restated By-Laws. | | | |
| 4.1 | Specimen Class A Common Stock Certificate. | S-4/A | 4.4 | 6/9/21 |
| 4.2 | Specimen Warrant Certificate. | S-1/A | 4.3 | 7/27/20 |
| 4.3 | Warrant Agreement, dated July 30, 2020, by and between NHIC and Continental Stock Transfer & Trust Company, as warrant agent. | S-1/A | 4.4 | 7/27/20 |
| 10.1 | Letter Agreement, dated July 30, 2020, by and among NHIC, its officers, its directors and NewHold Industrial Technology Holdings LLC. | S-1/A | 10.1 | 7/27/20 |
| 10.2 | Investment Management Trust Agreement, dated July 30, 2020, by and between Continental Stock Transfer & Trust Company and NewHold. | S-1/A | 10.3 | 7/27/20 |
| 10.3 | Registration Rights Agreement, dated July 30, 2020, by and among NHIC and certain stockholders. | S-1/A | 10.4 | 7/27/20 |
| 10.4 | Promissory Note, dated July 30, 2020, issued to NewHold Industrial Technology Holdings LLC. | S-1/A | 10.2 | 7/27/20 |
| 10.5 | Administrative Support Agreement, dated July 30, 2020, by and between the Registrant and NewHold Enterprises LLC. | S-1/A | 10.8 | 7/27/20 |
| 10.6 | Subscription Agreement, dated July 30, 2020, by and among the Registrant, NewHold Industrial Technology Holdings LLC and each of the Anchor Investors. | S-1/A | 10.8 | 7/27/20 |
| 10.7 | Form of Indemnity Agreement of NHIC. | S-1/A | 10.7 | 7/27/20 |
| 10.8 | Sponsor Support Agreement, dated March 5, 2021, by and among NHIC and the Sponsor. | 8-K | 10.1 | 3/8/21 |
| 10.9 | Letter Agreement, dated March 5, 2021, by and among NewHold Industrial Technology Holdings LLC, Legacy Evolv, NHIC and certain other parties thereto. | 8-K | 10.2 | 3/8/21 |
| 10.10 | Form of Indemnification Agreement. | S-4/A | 10.10 | 6/9/21 |
| 10.11 | Amended and Restated Executive Employment Agreement between Legacy Evolv and Peter George. | S-4/A | 10.11 | 6/9/21 |
| 10.12 | Executive Employment Agreement between Legacy Evolv and Anil R. Chitkara. | S-4/A | 10.12 | 6/9/21 |
| 10.13 | Executive Employment Agreement between Legacy Evolv and Peter Faubert. | S-4/A | 10.13 | 6/9/21 |
| 10.14 | Form of 2021 Evolv Technologies Holdings, Inc. Incentive Award Plan. | S-4/A | 10.14 | 6/9/21 |
| 10.15 | Form of 2021 Evolv Technologies Holdings, Inc. Employee Stock Purchase Plan. | S-4/A | 10.15 | 6/9/21 |
| 10.16** | Form of Amended and Restated Registration Rights Agreement by and among NHIC, Evolv and certain stockholders. | | | |
| 16.1** | Letter from WithumSmith+Brown PC to the U.S. Securities and Exchange Commission dated July 21, 2021. | | | |
| 21.1** | Subsidiaries of the Company. | | | |

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| | |
|---|---|
| 99.1** | Press release dated July 19, 2021. |
| 99.2 | Unaudited pro forma condensed combined financial information of the Company for the year ended December 31, 2020 and as of and for the six months ended June 30, 2021. |
| 99.3 | Unaudited condensed consolidated financial statements of the Company as of June 30, 2021 and for the three and six months ended June 30, 2021 and 2020. |

| | |
|---|---|
| 99.4 | Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company for the three and six months ended June 30, 2021 and 2020. |

* Certain of the exhibits and schedules to this Exhibit have been omitted in accordance with Regulation S-K Item 601(a)(5). The Company agrees to furnish a copy of all omitted exhibits and schedules to the SEC upon its request.

** Previously Filed

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**SIGNATURE**

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 hereunto duly authorized.

Dated: August 16, 2021

EVOLV TECHNOLOGIES HOLDINGS, INC.

| | |
|---|---|
| By: | /s/ Peter George |
| Name: | Peter George |
| Title: | Chief Executive Officer |

**Exhibit 99.2**

## UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

*Capitalized terms used but not defined in this Exhibit 99.2 shall have the meanings ascribed to them in the Current Report on Form 8-K filed with the Securities and Exchange Commission (the "SEC") on July 22, 2021 and, if not defined in the Form 8-K, the Proxy Statement/Prospectus.*

The following unaudited pro forma condensed combined financial information is provided to aid you in your analysis of the financial aspects of the Business Combination and the PIPE Investment. The Business Combination will be accounted for as a reverse recapitalization, pursuant to which the Business Combination will be treated as the equivalent of Evolv issuing stock for the net assets of NewHold, accompanied by a recapitalization. The net assets of NewHold will be stated at historical cost, with no goodwill or other intangible assets recorded.

The following unaudited pro forma condensed combined balance sheet as of June 30, 2021 combines the unaudited historical condensed balance sheet of NewHold as of June 30, 2021 with the unaudited historical consolidated balance sheet of Evolv as of June 30, 2021, giving effect to the Business Combination, the PIPE Investment as if they had been consummated on June 30, 2021.

The following unaudited pro forma condensed combined statement of operations for the six months ended June 30, 2021 combines the unaudited historical condensed statement of operations of NewHold for the six months ended June 30, 2021 and the unaudited historical consolidated statement of operations of Evolv for such period, giving effect to the Business Combination and the PIPE Investment as if they had been consummated on January 1, 2020, the beginning of the earliest period presented. The following unaudited pro forma condensed combined statement of operations for the year ended December 31, 2020 combines the audited historical statement of operations of NewHold (as restated) for the period January 24, 2020 (inception) through December 31, 2020 and the audited historical consolidated statement of operations of Evolv for the year ended December 31, 2020, giving effect to the Business Combination and the PIPE Investment as if they had been consummated on January 1, 2020, the beginning of the earliest period presented.

The unaudited pro forma condensed combined financial information has been derived from and should be read in conjunction with:

- the accompanying notes to the unaudited pro forma condensed combined financial information;
- the unaudited historical condensed balance sheet of NewHold as of June 30, 2021 and the audited historical statement of operations (as restated) for the period from January 24, 2020 (inception) through December 31, 2020 and the unaudited historical condensed statement of operations for the six months ended June 30, 2021, and the related notes thereto, included in the Proxy Statement/Prospectus and the Quarterly Report on Form 10-Q to be filed today, each of which is incorporated by reference herein;
- the unaudited historical consolidated financial statements of Evolv as of and for the six months ended June 30, 2021 and the audited historical consolidated financial statements for the year ended December 31, 2020, and the related notes thereto, included in the Proxy Statement/Prospectus and Exhibit 99.3, each of which is incorporated by reference herein; and
- the sections entitled "*The Merger Agreement,*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations of NewHold*," "*Management's Discussion and Analysis of Financial Condition and Results of Operation of Evolv,*" and other financial information relating to NewHold and Evolv included in the Proxy Statement/Prospectus, which is incorporated by reference herein.

The unaudited pro forma condensed combined financial information below reflects stockholders' approval of the Business Combination on July 15, 2021 and 8,755,987 shares of outstanding NewHold Class A common stock that were redeemed, resulting in an aggregate payment of $87.6 million out of the trust account, at a redemption price of $10.00 per share.

The unaudited pro forma condensed combined financial information is for illustrative purposes only and is not necessarily indicative of what the actual results of operations and financial position would have been had the Business Combination, and the PIPE Investment taken place on the dates indicated, nor are they indicative of the future consolidated results of operations or financial position of the combined company. Further, it should be noted the Private Placement Warrants are currently classified as fair value liability instruments. The final accounting of the transaction, including the earnout, Founder Shares and private and public warrants, will be finalized by Evolv and reported on in the first reporting period following the consummation of the Business Combination.

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## UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
## AS OF JUNE 30, 2021
## (in thousands, except share and per share data)

| | Historical (A) Evolv | Historical (B) NHIC | Transaction Accounting Adjustments | | PIPE Transaction Adjustments | | Pro Forma Combined |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Current assets: | | | | | | | |
| Cash and cash equivalents | $ 9,963 | $ 181 | $ (12,257) | **5(b)** | $ 280,114 | **5(n)** | $ 354,067 |
| | | | 166,570 | **5(d)** | | | |
| | | | (2,940) | **5(k)** | | | |
| | | | (87,564) | **5(m)** | | | |
| Restricted cash | 400 | - | - | | - | | 400 |
| Accounts receivable | 2,799 | - | - | | - | | 2,799 |
| Inventory | 3,869 | - | - | | - | | 3,869 |
| Current portion of commission asset | 842 | - | - | | - | | 842 |
| Prepaid expenses and other current assets | 8,395 | 145 | - | | - | | 8,540 |
| Total current assets | 26,268 | 326 | 63,809 | | 280,114 | | 370,517 |
| Commission asset, noncurrent | 2,192 | - | - | | - | | 2,192 |
| Property and equipment, net | 17,552 | - | - | | - | | 17,552 |
| Cash and investments held in trust account | - | 172,608 | (6,038) | **5(a)** | - | | - |
| | | | (166,570) | **5(d)** | | | |
| Restricted cash, noncurrent | 275 | - | - | | - | | 275 |
| Long-term contract assets | 239 | - | - | | - | | 239 |
| Total assets | $ 46,526 | $ 172,934 | $ (108,799) | | $ 280,114 | | $ 390,775 |

| | | | | | |
|---|---|---|---|---|---|
| **Liabilities, Convertible Preferred Stock and Stockholders' Equity (Deficit)** | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | $ 9,798 | $ 296 | $ - | $ - | $ 10,094 |
| Accrued expenses and other current liabilities | 5,493 | 7,310 | (152)**5(f)** | - | 12,651 |
| Accrued income and franchise taxes | - | 100 | - | - | 100 |
| Current portion of deferred rent | 163 | - | - | - | 163 |
| Current portion of deferred revenue | 3,769 | - | - | - | 3,769 |
| Current portion of long-term debt | 29,606 | - | (29,606)**5(f)** | - | - |
| Total current liabilities | 48,829 | 7,706 | (29,758) | - | 26,777 |
| Deferred revenue, noncurrent | 681 | - | - | - | 681 |
| Derivative liability | 20,206 | - | (20,206)**5(f)** | - | - |
| Earn-out liability | - | - | 82,799**5(j)** | - | 82,799 |
| Common stock warrant liability | 922 | - | (922)**5(i)** | - | - |
| Warrant liability | - | 25,124 | (14,912)**5(c)** | - | 10,212 |
| Deferred underwriting compensation | - | 6,038 | (6,038)**5(a)** | - | - |
| Long-term debt, noncurrent | 18,548 | - | (3,196)**5(f)** | - | 15,352 |
| Total liabilities | 89,186 | 38,868 | 7,767 | - | 135,821 |

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**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET**
**AS OF JUNE 30, 2021 — (Continued)**
**(in thousands, except share and per share data)**

| | **Historical (A) Evolv** | **Historical (B) NHIC** | **Transaction Accounting Adjustments** | **PIPE Transaction Adjustments** | **Pro Forma Combined** |
|---|---|---|---|---|---|
| NewHold common stock subject to possible redemption | - | 129,066 | (129,066)**5(m)** | - | - |
| Evolv convertible preferred stock; (Series A,A-1, B, and B-1) | 75,877 | - | (75,877)**5(e)** | - | - |
| Commitments and contingencies | | | | | |
| | | | | | |
| **Stockholders' equity (deficit):** | | | | | |
| NewHold convertible preferred stock | - | - | - | - | - |
| NewHold Class A common stock | - | - | 100**5(l)** | 30**5(n)** | 138 |
| | | | -**5(d)** | | |
| | | | 8**5(m)** | | |
| NewHold Class B common stock | - | - | - | - | - |
| Evolv common stock | 35 | - | 217**5(e)** | - | - |
| | | | 4**5(f)** | | |
| | | | 3**5(g)** | | |
| | | | 4**5(i)** | | |
| | | | (263)**5(l)** | | |
| Additional paid-in capital | 11,435 | 28,620 | (12,257)**5(b)** | 280,084**5(n)** | 385,783 |
| | | | 14,912**5(c)** | | |
| | | | -**5(d)** | | |
| | | | 75,660**5(e)** | | |
| | | | 54,116**5(f)** | | |
| | | | (3)**5(g)** | | |
| | | | 922**5(h)** | | |
| | | | (4)**5(i)** | | |
| | | | (82,799)**5(j)** | | |
| | | | (2,940)**5(k)** | | |
| | | | (23,457)**5(l)** | | |
| | | | 41,494**5(m)** | | |
| Accumulated deficit | (130,007) | (23,620) | (960)**5(f)** | | (130,967) |
| | | | 23,620**5(l)** | | |
| Stockholders' deficit | (118,537) | 5,000 | 88,377 | 280,114 | 254,954 |
| Total liabilities, convertible preferred stock and stockholders' deficit | $ 46,526 | $ 172,934 | $ (108,799) | $ 280,114 | $ 390,775 |

See accompanying notes to the unaudited pro forma condensed combined financial information.

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**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**
**FOR THE SIX MONTHS ENDED JUNE 30, 2021**
**(in thousands, except share and per share amounts)**

| | **Historical** | | | |
|---|---|---|---|---|
| | **(A) Evolv** | **(B) NHIC** | **Pro Forma Adjustments** | **Pro Forma Combined** |
| Revenue: | | | | |
| Product revenue | $ 4,954 | $ - | $ - | $ 4,954 |
| Subscription revenue | 2,813 | - | - | 2,813 |
| Service revenue | 712 | - | - | 712 |
| Total revenue | 8,479 | - | - | 8,479 |
| Cost of revenues: | | | | |
| Cost of product revenue | 4,304 | - | - | 4,304 |

| | | | | |
|---|---|---|---|---|
| Cost of subscription revenue | 1,456 | - | - | 1,456 |
| Cost of service revenue | 540 | - | - | 540 |
| Total cost of revenue | 6,300 | - | - | 6,300 |
| Gross profit | 2,179 | - | - | 2,179 |
| Operating expenses: | | | | |
| Research and development | 4,689 | - | - | 4,689 |
| Sales and marketing | 8,774 | - | - | 8,774 |
| General and administrative | 4,179 | 8,132 | - | 12,311 |
| Total operating expenses | 17,642 | 8,132 | - | 25,774 |
| Loss from operations | (15,463) | (8,132) | - | (23,595) |
| Other income (expense): | | | | |
| Interest expense | (5,702) | - | 5,047**6(a)** | (655) |
| Loss on extinguishment of debt | (11,820) | - | - | (11,820) |
| Change in fair value of derivative liability | (2,220) | - | - | (2,220) |
| Change in fair value of warrants | (921) | (3,605) | 2,070**6(c)** | (1,535) |
| | | | 921**6(d)** | 892 |
| Interest income | - | 29 | (29)**6(b)** | - |
| Total other income (expense) | (20,663) | (3,576) | 8,009 | (15,338) |
| Net loss attributable to common stockholders – basic and diluted | $ (36,126) | $ (11,708) | $ 8,009 | $ (38,933) |
| Net loss per share attributable to common stockholders – basic and diluted | $ (1.23) | $ (2.72) | | $ (0.27) |
| Weighted average common shares outstanding – basic and diluted | 29,322,119 | 4,312,500 | 138,845,104 | 143,157,604 |

See accompanying notes to the unaudited pro forma condensed combined financial information.

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**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**
**FOR THE YEAR ENDED DECEMBER 31, 2020**
**(in thousands, except share and per share amounts)**

| | Historical | | | |
|---|---|---|---|---|
| | **(A) Evolv** | **(B) NHIC** | **Pro Forma Adjustments** | **Pro Forma Combined** |
| Revenue: | | | | |
| Product revenue | $ 1,279 | $ - | $ - | $ 1,279 |
| Subscription revenue | 2,637 | - | - | 2,637 |
| Service revenue | 869 | - | - | 869 |
| Total revenue | 4,785 | - | - | 4,785 |
| Cost of revenues: | | | | |
| Cost of product revenue | 1,177 | - | - | 1,177 |
| Cost of subscription revenue | 1,824 | - | - | 1,824 |
| Cost of service revenue | 495 | - | - | 495 |
| Total cost of revenue | 3,496 | - | - | 3,496 |
| Gross profit | 1,289 | - | - | 1,289 |
| Operating expenses: | | | | |
| Research and development | 15,710 | - | - | 15,710 |
| Sales and marketing | 7,365 | - | - | 7,365 |
| General and administrative | 5,110 | 1,030 | - | 6,140 |
| Total operating expenses | 28,185 | 1,030 | - | 29,215 |
| Loss from operations | (26,896) | (1,030) | - | (27,926) |
| Other income (expense): | | | | |
| Interest expense | (430) | - | 407**7(a)** | (390) |
| Loss on extinguishment of debt | (66) | - | (5,566)**7(b)** | (5,632) |
| Cost of issuance of public and private warrants | - | (390) | - | (390) |
| Change in fair value of warrants | - | (10,571) | 6,267**7(d)** | (4,304) |
| Interest income | - | 79 | (79)**7(c)** | - |
| Total other income (expense) | (496) | (10,882) | 662 | (10,716) |
| Net loss attributable to common stockholders – basic and diluted | $ (27,392) | $ (11,912) | $ 662 | $ (38,642) |
| Net loss per share attributable to common stockholders – basic and diluted | $ (1.16) | $ (2.97) | | $ (0.27) |
| Weighted average common shares outstanding – basic and diluted | 23,625,483 | 4,312,500 | 138,845,104 | 143,157,604 |

See accompanying notes to the unaudited pro forma condensed combined financial information.

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**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION**

**1. Description of the Transactions**

*The Business Combination*

The board of directors of NewHold Investment Corp., a Delaware corporation ("NewHold"), unanimously approved the Agreement and Plan of Merger (the "Merger Agreement") by and among NewHold, NHIC Sub Inc., a Delaware corporation and a wholly owned subsidiary of NewHold ("Merger Sub"), and Evolv Technologies, Inc. dba

Evolv Technology, Inc., a Delaware corporation ("Evolv") .. Pursuant to the terms of the Merger Agreement, a business combination between NewHold and Evolv will be effected through the merger of Merger Sub with and into Evolv, with Evolv surviving the merger as a wholly owned subsidiary of NewHold (the "Merger"). We refer to the Merger and the other transactions contemplated by the Merger Agreement as the "Business Combination" and the "PIPE Transaction".

*Treatment of Evolv Securities*

*Preferred Stock.* Immediately prior to the effective time of the Merger (the "Effective Time") and subject to the consent of the holders of Evolv's preferred stock, par value $0.001 per share (the "Evolv Preferred Stock"), each issued and outstanding share of Evolv Preferred Stock converted into shares of the common stock, par value $0.001 per share, of Evolv (the "Evolv Common Stock") at the then-applicable conversion rates.

*Convertible Notes.* Immediately prior to the Effective Time, each issued and outstanding convertible promissory note of Evolv (the "Evolv Convertible Notes") automatically converted into shares of Evolv Common Stock in accordance with the then-applicable conversion rates. We have assumed for pro forma purposes the conversion of all outstanding Evolv Convertible Notes, including the Evolv Convertible Notes issued in January 2021, and the extinguishment of the related derivative liability.

*Warrants.* With the exception of a warrant to purchase 6,756,653 shares of Evolv Common Stock (the "Finback Warrant"), immediately prior to the Effective Time, Evolv shall cause each outstanding warrant to purchase shares of Evolv capital stock to be exercised in full on a cash or cashless basis or terminated without exercise. With respect to the Finback Warrant, the portion that is vested immediately prior to the Effective Time was either exercised in full on a cash or cashless basis or terminated as of the Effective Time, while the portion that is unvested as of immediately prior to the Effective Time automatically converted into a warrant to purchase shares of the Class A common stock, par value $0.0001 per share, of NewHold (the "NHIC common stock"), proportionately adjusted for the Exchange Ratio (as defined below). We have assumed for pro forma purposes that 348,598 of the Finback warrants are vested as of the Effective Time. All Evolv warrants that are converted into shares of Evolv Common Stock are hereafter referred to as the "Evolv Warrants." We have assumed for pro forma purposes that all of the warrants (excluding the unvested Finback Warrant) are exercised on a cashless basis using an implied fair value of Evolv Common Stock of $3.78 per share and include a warrant exercisable for 2,686,246 shares of Series A-1 Preferred Stock and warrants exercisable for 2,665,678 shares of Evolv Common Stock. The warrant exercisable for Series A-1 Preferred Stock is converted into 2,685,535 shares of Series A-1 Preferred Stock with 711 shares of Series A-1 Preferred Stock being forfeited to cover the exercise price using the assumed Evolv Common Stock fair value of $3.78 per share. The warrants exercisable for Evolv Common Stock are converted into 2,686,390 shares of Evolv Common Stock with 103,199 shares of Evolv Common Stock being forfeited to cover the exercise price using the assumed Evolv Common Stock fair value of $3.78 per share. The vested Finback warrants exercisable for Evolv Common Stock are converted into 333,836 shares of Evolv Common Stock with 14,762 shares of Evolv Common Stock being forfeited to cover the exercise price using the assumed Evolv Common Stock fair value of $3.78 per share.

*Common Stock.* At the Effective Time, each share of Evolv Common Stock (including shares outstanding as a result of the conversion of the Evolv Preferred Stock, the Evolv Convertible Notes and the Evolv Warrants converted into the right to receive such number of shares of NHIC common stock equal to the Exchange Ratio and a number of Earn-Out Shares (as defined below). The Exchange Ratio is defined in the Merger Agreement to be 125,000,000 divided by the number of outstanding shares of Evolv Common Stock and options to purchase shares of Evolv Common Stock as of immediately prior to the Effective Time, after giving effect to the conversion of the Evolv Preferred Stock, Evolv Convertible Notes and Evolv Warrants and as further adjusted pursuant to the Merger Agreement. The Exchange Ratio is 0.378 at the effective time of the Merger.

*Stock Options.* At the Effective Time, each outstanding option to purchase shares of Evolv Common Stock converted into an option to purchase shares of NHIC common stock equal to the number of shares subject to such option prior to the Effective Time multiplied by the Exchange Ratio, with the per share exercise price equal to the exercise price prior to the Effective Time divided by the Exchange Ratio.

*Restricted Stock Units.* At the Effective Time, each outstanding award of Evolv restricted stock units whether vested or unvested, converted into a restricted stock unit covering a number of shares of NewHold Common Stock equal to the number of shares subject to such restricted stock units prior to the Effective Time multiplied by the Exchange Ratio.

*Earn-Out Shares.* Following the closing of the Merger, former holders of shares of Evolv Common Stock (including shares received as a result of the Evolv Preferred Stock conversion, Evolv Convertible Notes conversion and Evolv Warrants conversion), the former holder of the unvested portion of the Finback Warrant, former holders of Evolv RSUs and former holders of Evolv stock options and restricted stock units shall be entitled to receive their pro rata share of up to 15,000,000 additional shares of NHIC common stock (the "Earn-Out Shares") if, within a five-year period following the signing date of the Merger Agreement, the closing share price of the NHIC common stock equals or exceeds any of three thresholds over any 20 trading days within a 30-day trading period (each, a "Triggering Event") and, in respect of a former holder of Evolv stock options, the former holder of the unvested portion of the Finback Warrant and former holders of Evolv RSUs, the holder continues to provide services to NewHold or one of its subsidiaries at the time of such Triggering Event. The Earn-Out Shares to be issued upon the occurrence of the Triggering Events is deemed to be a contingent consideration arrangement and should be accounted for as a liability ("Earn-Out Liability"). The Earn-Out Liability should be accounted for as a liability and remeasured to fair value each reporting period. The Earn-Out Liability fair value of $82.8 million was determined using the Monte Carlo Simulation for the Earn-Out shares to be issued to Evolv's selling equity holders upon the achievement of the Triggering Events, assuming no Earn-Out Forfeitures by Earn-Out Service Provider and the share price of NHIC common stock at closing of $9.55 per share. The key inputs into this formula included (i) the share price at closing; (ii) the constant risk-free rate over the Earnout Period, which was based on the US Treasury Yield Curve and (iii) a constant equity volatility assumption, which was based on observed historical equity volatility of guideline public companies, adjusted to account for different levels of financial leverage used.

*The PIPE Investment*

On March 5, 2021, concurrently with the execution of the Merger Agreement, NewHold entered into subscription agreements (collectively, the "Subscription Agreements") with certain investors (collectively, the "PIPE Investors" which include certain existing equity holders of Evolv), pursuant to which the PIPE Investors have collectively subscribed for 30,000,000 shares of NHIC common stock for an aggregate purchase price equal to $300.0 million (the "PIPE Investment") less $19.9 million of equity issuance costs associated with the PIPE Investment accounted for as a reduction to additional paid-in capital. The PIPE Investment consummated immediately prior to the closing of the Business Combination.

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## 2. Basis of Presentation

The unaudited pro forma condensed combined financial information were prepared in accordance with Article 11 of SEC Regulation S-X as amended by the final rule, Release No. 33-10786 "Amendments to Financial Disclosures about Acquired and Disposed Businesses." Release No. 33-10786 replaces the existing pro forma adjustment criteria with simplified requirements to depict the accounting for the transaction ("Transaction Accounting Adjustments") and present the reasonably estimable synergies and other transaction effects that have occurred or reasonably expected to occur ("Management's Adjustments"). Evolv has elected not to present Management's Adjustments and will only be presenting Transaction Accounting Adjustments in the unaudited pro forma condensed combined financial information. The adjustments presented in the unaudited pro forma condensed combined financial information have been identified and presented to provide relevant information necessary for an understanding of the combined company upon consummation of the Business Combination and the PIPE Investment.

The unaudited pro forma condensed combined balance sheet as of June 30, 2021 gives effect to the Business Combination, and the PIPE Investment as if they occurred on June 30, 2021. The unaudited pro forma condensed combined statement of operations for the six months ended June 30, 2021 and the year ended December 31, 2020 gives effect to the Business Combination and the PIPE Investment as if they occurred January 1, 2020, the beginning of the earliest period presented.

The pro forma adjustments reflecting the consummation of the Business Combination, and the PIPE Investment are based on certain currently available information and certain assumptions and methodologies that Evolv believes are reasonable under the circumstances. The pro forma adjustments, which are described in the accompanying notes, may be revised as additional information becomes available and is evaluated. Therefore, it is likely that the actual adjustments will differ from the pro forma adjustments, and it is possible that the difference may be material. Evolv believes that its assumptions and methodologies provide a reasonable basis for presenting all of the significant effects of the Business Combination, and the PIPE Investment based on information available to management at this time and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined financial information does not give effect to any anticipated synergies, operating efficiencies, tax savings, or cost savings that may be associated with the Business Combination, and the PIPE Investment. NewHold and Evolv have not had any historical relationship prior to the Business Combination. Accordingly, no pro forma adjustments were required to eliminate activities between the companies.

On January 21, 2021, Evolv issued convertible promissory notes (the "2021 Notes") to certain existing investors for gross proceeds of $30.0 million with a stated interest rate of 8.0% per annum. The 2021 Convertible Notes provided a conversion option whereby upon the closing of a Qualified Financing event, in which the aggregate gross proceeds totaled at least $100.0 million, the notes would automatically convert into shares of the same class and series of capital stock issued to other investors in the financing at a conversion price equal to 80% of the price per share paid by the other investors. Separately, Evolv issued the Finback Warrant to a service provider for the purchase of 6,756,653 shares of Evolv Common Stock at an exercise price of $0.16 per share. The warrants are not exercisable upon grant and become exercisable upon meeting certain performance-based milestone vesting conditions. The warrants will be accounted for as a performance based equity award to non-employees for remuneration of services using the Black-Scholes model to measure the value of the warrants upon grant date and will assess the probability of the warrants vesting at each reporting date. As of the Effective Date, ,there is a total of 348,598 warrant shares vested and $1.0 million adjustment for the Finback Warrant. Accordingly, the pro forma adjustments are preliminary, subject to further revision as additional information becomes available and additional analyses are performed, and have been made solely for the purpose of providing unaudited pro forma condensed combined financial information. Upon consummation of the Business Combination, final valuations and studies will be performed. Differences between these preliminary estimates and the final accounting may occur and these differences could have a material impact on the accompanying unaudited pro forma condensed combined financial information and the combined company's future financial position and results of operations.

Management has made significant estimates and assumptions in its determination of the pro forma adjustments. As the unaudited pro forma condensed combined financial information has been prepared based on these preliminary estimates, the final amounts recorded may differ materially from the information presented.

The unaudited pro forma condensed combined financial information reflects 8,755,987 shares of outstanding NewHold Class A common stock that were redeemed, resulting in an aggregate payment of $87.6 million out of the trust account, at a redemption price of $10.00 per share.

This unaudited pro forma condensed combined financial information and related notes have been derived from and should be read in conjunction with:

- the unaudited historical condensed financial statements of NewHold as of and for the six months ended June 30, 2021 and the audited historical financial statements for the period from January 24, 2020 (inception) through December 31, 2020 (as restated), and the related notes thereto, included in the Proxy Statement/Prospectus and the Quarterly Report on Form 10-Q to be filed today, each of which is incorporated by refence herein;

- the unaudited historical consolidated financial statements of Evolv as of and for the six months ended June 30, 2021 and the audited historical financial statements for the year ended December 31, 2020, and the related notes thereto, included in the Proxy Statement/Prospectus and Exhibit 99.3, each of which is incorporated by reference herein; and

- the sections entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations of NewHold*," "*Management's Discussion and Analysis of Financial Condition and Results of Operation of Evolv,*" and other financial information relating to NewHold and Evolv included in the Proxy Statement/Prospectus, which is incorporated by reference herein.

The unaudited pro forma condensed combined financial information is for illustrative purposes only and is not necessarily indicative of what the actual results of operations and financial position would have been had the Business Combination, and the PIPE Investment taken place on the dates indicated, nor are they indicative of the future consolidated results of operations or financial position of the combined company.

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### 3. Accounting for the Business Combination

The Business Combination will be accounted for as a reverse recapitalization, in accordance with GAAP. Under this method of accounting, although NewHold will issue shares for outstanding equity interests of Evolv in the Business Combination, NewHold will be treated as the "acquired" company for financial reporting purposes. Accordingly, the Business Combination will be treated as the equivalent of Evolv issuing stock for the net assets of NewHold, accompanied by a recapitalization. The net assets of NewHold will be stated at historical cost, with no goodwill or other intangible assets recorded. Operations prior to the Business Combination will be those of Evolv.

### 4. Capitalization

The following summarizes the pro forma ownership of common stock of Evolv following the Business Combination, and the PIPE Investment:

| Equity Capitalization Summary | Shares | % |
|---|---|---|
| Evolv Equity Holders | 100,351,091 | 70.1% |
| NHIC Public Stockholders | 8,494,013 | 5.9% |
| NHIC Sponsor(1) | 4,312,500 | 3.0% |
| PIPE Investors(2) | 30,000,000 | 21.0% |
| Total Class A common stock | 143,157,604 | 100.0% |

(1) The 4,312,500 NHIC Sponsor Shares ("Founder Shares") outstanding are subject to certain share-performance-based vesting provisions whereas 50% of the Founder Shares shall vest at the closing of the Merger, 25% of the Founder Shares shall vest on or before the fifth anniversary of the Closing if the closing share price of the common stock equals or exceeds $12.50 over any 20 trading days within a 30-day trading period and the remaining 25% will vest on or before the fifth anniversary of the Closing if the closing share price of the common stock equals or exceeds $15.00 over any 20 trading days within any 30-day trading period.
(2) The PIPE Investment consummated in accordance with its terms for aggregate proceeds of $300.0 million in connection with the issuance of 30,000,000 shares of NHIC common stock issued to the PIPE Investors.

### 5. Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet as of June 30, 2021

The pro forma notes and adjustments, based on preliminary estimates that could change materially as additional information is obtained, are as follows:

*Pro forma notes*

(A) Derived from the unaudited consolidated balance sheet of Evolv as of June 30, 2021.

(B) Derived from the unaudited condensed balance sheet of NewHold as of June 30, 2021.

*Pro forma transaction adjustments*

(a) To reflect the settlement of $6.0 million of deferred underwriting compensation incurred during NHIC's IPO that are contractually due upon completion of the Business Combination.

(b) To reflect the payment of NHIC's total estimated advisory, legal, accounting and other professional fees of $12.3 million that are deemed to be direct and incremental costs of the Business Combination as a reduction to additional paid-in capital.

(c) To reflect the reclassification of NHIC's warrant liability related to the public warrants as the NHIC public warrants are expected to qualify for equity classification upon the consummation of the Business Combination.

(d) To reflect (i) to reflect the release of $166.6 million of cash from the Trust Account, and (ii) to reflect the conversion of 4,312,500 shares of NewHold Class B common stock for NewHold Class A common stock, on a one-for-one basis. The 4,312,500 NewHold Class B common stock as converted to NewHold Class A common stock ("Founder Shares") are subject to certain share-performance-based vesting provisions whereas 50% of the Founder Shares shall vest at the closing of the Merger, 25% of the Founder Shares shall vest on or before the fifth anniversary of the Closing if the closing share price of the common stock equals or exceeds $12.50 over any 20 trading days within a 30-day trading period and the remaining 25% will vest on or before the fifth anniversary of the Closing if the closing share price of the common stock equals or exceeds $15.00 over any 20 trading days within any 30-day trading period.

(e) To reflect the issuance of 216,441,907 shares of Evolv Common Stock upon the automatic conversion of all outstanding shares of Evolv Preferred Stock immediately prior to the Effective Time of the Merger. The adjustment reflects the derecognition of the carrying value of the Evolv Preferred Stock of $85.4 million, including 2,685,535 shares of Evolv Series A-1 Preferred Stock issued upon the cashless exercise of a warrant immediately prior to the Effective Time of the Merger.

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(f) To reflect (i) the automatic conversion of Evolv's convertible notes (including the 2021 Notes) into 3,409,006 shares of Evolv Common Stock and the right to receive 1,000,000 shares of NHIC Common Stock at the Effective Time as further consideration for the conversion of the 2021 Notes consistent with terms thereof, (ii) the extinguishment of the related derivative liability, (iii) the reversal of the accrued interest and (iv) the resulting loss on extinguishment. Upon the conversion, the carrying value of the debt of $32.8 million, including unamortized debt discount of $9.9 million, and the related derivative liability of $20.2 million and accrued interest of $0.2 million were derecognized. The 3,409,006 shares of Evolv Common Stock issued upon conversion of the debt were recorded at the implied fair value of Evolv Common Stock of $3.78 per share as negotiated between NHIC and Evolv, or $44.1 million, and with the resulting difference being accounted for as a loss on extinguishment of $1.0 million in earnings (see note 6(a) below).

(g) To reflect the issuance of 2,686,390 shares of Evolv Common Stock upon the cashless exercise of common stock warrants outstanding immediately prior to the Effective Time of the Merger.

(h) To reflect the elimination of the loss on Evolv's common stock warrant reality as the warrants are expected to convert to common stock and qualify for equity classification upon the consummation of the Business Combination.

(i) To reflect the release of restriction on 3,888,889 shares of Evolv Common Stock held by an employee which secure a promissory note. The shares were released upon the settlement of the promissory note through the surrender 115,565 shares of Evolv Common Stock by the employee.

(j) To record the Earn-Out Liability of $82.8 million for the estimated fair value of the Earn-Out shares to be issued to Evolv's selling equity holders upon the achievement of the Triggering Events, assuming no Earn-Out Forfeitures by Earn-Out Service Providers and the share price of NHIC common at closing of $9.55 per share.

(k) To reflect the payment of Evolv's total estimated advisory, legal, accounting and other professional fees of $2.9 million that are deemed to be direct and incremental costs of the Business Combination as a reduction to additional paid-in capital.

(l) To reflect the recapitalization of Evolv through the contribution of all outstanding common stock of Evolv to NewHold and the issuance of 100,351,091 shares of NHIC common stock and the elimination of the accumulated deficit of NewHold, the accounting acquiree.

(m) To reflect 8,755,987 shares of outstanding NewHold Class A common stock that were redeemed, resulting in an aggregate payment of $87.6 million out of the trust account, at a redemption price of $10.00 per share

*Pro forma transaction directly attributable to the PIPE Investment*

(n) To reflect the issuance of an aggregate of 30,000,000 shares of NHIC common stock at a price of $10.00 per share, for an aggregate purchase price of $300.0 million and to record the fee associated with the PIPE Transaction in the amount of $19.9 million.

**6. Adjustments to Unaudited Pro Forma Condensed Combined Statement of Operations for the Six months Ended June 30, 2021**

NewHold and Evolv did not have any historical relationship prior to the Business Combination. Accordingly, no pro forma adjustments were required to eliminate activities between the companies.

The pro forma basic and diluted earnings per share amounts presented in the unaudited pro forma condensed combined statements of operations are based upon the number of shares of NHIC common stock outstanding at the closing of the Business Combination and the PIPE Transaction, assuming the Business Combination.

The pro forma notes and adjustments, based on preliminary estimates that could change materially as additional information is obtained, are as follows:

*Pro forma notes*

(A) Derived from the unaudited consolidated statement of operations of Evolv for the six months ended June 30, 2021.

(B) Derived from the unaudited statement of operations of NewHold for the six months ended June 30, 2021.

*Pro forma adjustments*

(a) To reflect an adjustment to eliminate interest expense and amortization of discount on debt upon the automatic conversion of Evolv's convertible promissory notes as it is assumed that the convertible notes would have been converted to Evolv Common Stock and then to NHIC common stock as if the Business Combination had occurred on January 1, 2020.

(b) To eliminate interest income earned on the Trust Account which will be released upon closing of the Business Combination.

(c) To reflect the elimination of the loss on NHIC's derivative warrant liability related to the public warrants as the NHIC public warrants are expected to qualify for equity classification upon the consummation of the Business Combination.

(d) To eliminate the loss on Evolv's common stock warrant as the warrants will convert to common stock upon the consummation of the Business Combination.

(e) The pro forma basic and diluted net loss per share amounts presented in the unaudited pro forma condensed combined statement of operations are based upon the number of shares of NHIC common stock outstanding at the closing of the Business Combination and the PIPE Investment, assuming the Business Combination and PIPE Investment occurred on January 1, 2020. The unaudited pro forma condensed combined financial information has been prepared to reflect 8,755,987 shares of outstanding NewHold Class A common stock that were redeemed, resulting in an aggregate payment of $87.6 million out of the trust account, at a redemption price of $10.00 per share.

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| | Six Months Ended June 30, 2021 (in thousands, except share and per share data) |
|---|---|
| Pro forma net loss | $ (38,933) |
| Weighted average shares outstanding – basic and diluted | 143,157,604 |
| Net loss per share – basic and diluted | $ (0.27) |
| | |
| **Weighted average shares calculation - basic and diluted** | |
| NewHold weighted average public shares outstanding | 4,312,500 |
| NewHold common stock subject to redemption reclassified to equity | 8,494,013 |
| Issuance of NewHold common stock in connection with closing of the PIPE Transaction | 30,000,000 |
| Issuance of NewHold common stock to Evolv shareholders in connection with Business Combination | 100,351,091 |
| | |
| Weighted average shares outstanding | 143,157,604 |

As the unaudited pro forma condensed combined statement of operations is in a loss position, the following anti-dilutive instruments were not included in the calculation of diluted weighted average number of common shares outstanding:

| | Six Months Ended June 30, 2021 |
|---|---|
| Options to purchase NewHold Common Stock | 22,227,710 |
| Warrants to purchase NewHold Common Stock | 16,746,199 |
| | 38,973,909 |

Following the Closing, the former holders of shares of Evolv Common Stock (including shares received as a result of the Evolv Preferred Stock conversion, Evolv Convertible Notes conversion and Evolv Warrants conversion), the former holder of the unvested portion of the Finback Warrant, former holders of Evolv RSUs and former holders of Evolv stock options shall be entitled to receive their pro rata share of Earn-Out Shares, issuable in three equal tranches upon the occurrence of each Earnout Triggering Event during the Earnout Period. Because the Earnout Shares are contingently issuable based upon the share price of NHIC common stock specified thresholds that have not been achieved, the Earnout Shares have been excluded from basic and diluted pro forma net loss per share.

**7. Adjustments to Unaudited Pro Forma Condensed Combined Statement of Operations for the Year Ended December 31, 2020**

NewHold and Evolv did not have any historical relationship prior to the Business Combination. Accordingly, no pro forma adjustments were required to eliminate activities between the companies.

The pro forma basic and diluted earnings per share amounts presented in the unaudited pro forma condensed combined statements of operations are based upon the number of shares of NHIC common stock outstanding at the closing of the Business Combination and the PIPE Transaction, assuming the Business Combination.

The pro forma notes and adjustments, based on preliminary estimates that could change materially as additional information is obtained, are as follows:

*Pro forma notes*

(A) Derived from the audited consolidated statements of operations for the year ended December 31, 2020.

(B) Derived from the audited consolidated statements of operations for the period from January 24, 2020 (inception) through December 31, 2020, as restated.

Pro forma adjustments

(a) To reflect an adjustment to eliminate interest expense and amortization of discount on debt upon the automatic conversion of Evolv's convertible promissory notes as it is assumed that the convertible notes would have been converted to Evolv Common Stock and then to NHIC common stock as if the Business Combination had occurred on January 1, 2020.

(b) To reflect an adjustment to record a loss of $5.6 million on conversion of Evolv's convertible promissory notes as if the Business Combination had occurred on January 1, 2020. It should be noted that the loss on conversion of $5.6 million was calculated based on the carrying amounts of the convertible notes and derivative liability as of December 31, 2020, which represents the best available information.

(c) To eliminate interest income earned on the Trust Account which will be released upon closing of the Business Combination.

(d) To reflect the elimination of the loss on NHIC's derivative warrant liability related to the public warrants as the NHIC public warrants are expected to qualify for equity classification upon the consummation of the Business Combination.

(e) The pro forma basic and diluted net loss per share amounts presented in the unaudited pro forma condensed combined statement of operations are based upon the number of shares of NHIC common stock outstanding at the closing of the Business Combination and the PIPE Investment, assuming the Business Combination and PIPE Investment occurred on January 1, 2020. The unaudited pro forma condensed combined financial information has been prepared to reflect 8,755,987 shares of outstanding NewHold Class A common stock that were redeemed, resulting in an aggregate payment of $87.6 million out of the trust account, at a redemption price of $10.00 per share.

| | Year Ended December 31, 2020 (in thousands, except share and per share data) |
|---|---|
| Pro forma net loss | $ (38,642) |
| Weighted average shares outstanding – basic and diluted | 143,157,604 |
| Net loss per share – basic and diluted | $ (0.27) |
| | |
| **Weighted average shares calculation - basic and diluted** | |
| NewHold weighted average public shares outstanding | 4,312,500 |
| NewHold common stock subject to redemption reclassified to equity | 8,494,013 |
| Issuance of NewHold common stock in connection with closing of the PIPE Transaction | 30,000,000 |
| Issuance of NewHold common stock to Evolv shareholders in connection with Business Combination | 100,351,091 |
| | |
| Weighted average shares outstanding | 143,157,604 |

As the unaudited pro forma condensed combined statement of operations is in a loss position, the following anti-dilutive instruments were not included in the calculation of diluted weighted average number of common shares outstanding:

| | Year Ended December 31, 2020 |
|---|---|
| Options to purchase NewHold Common Stock | 16,964,452 |
| Warrants to purchase NewHold Common Stock | 16,821,525 |
| | 33,785,977 |

Exhibit 99.3

# EVOLV TECHNOLOGIES, INC.
## CONSOLIDATED BALANCE SHEETS
**(In thousands, except share and per share amounts)**
**(Unaudited)**

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 9,963 | $ 4,704 |
| Restricted cash | 400 | $ - |
| Accounts receivable, net | 2,799 | 1,401 |
| Inventory | 3,869 | 2,742 |
| Current portion of commission asset | 842 | 562 |
| Prepaid expenses and other current assets | 8,395 | 900 |
| Total current assets | 26,268 | 10,309 |
| Commission asset, noncurrent | 2,192 | 1,730 |
| Property and equipment, net | 17,552 | 9,316 |
| Restricted cash, noncurrent | 275 | - |
| Long-term contract assets | 239 | - |
| Total assets | $ 46,526 | $ 21,355 |
| | | |
| **Liabilities, Convertible Preferred Stock and Stockholders' Deficit** | | |
| Current liabilities: | | |
| Accounts payable | $ 9,798 | $ 4,437 |
| Accrued expenses and other current liabilities | 5,493 | 3,727 |
| Current portion of deferred revenue | 3,769 | 3,717 |
| Current portion of deferred rent | 163 | 11 |
| Current portion of financing obligation | - | 227 |
| Current portion of long-term debt | 29,606 | - |
| Total current liabilities | 48,829 | 12,119 |
| Deferred revenue, noncurrent | 681 | 480 |
| Common stock warrant liability | 922 | 1 |
| Derivative liability | 20,206 | 1,000 |
| Financing obligation, noncurrent | - | 132 |
| Long-term debt, noncurrent | 18,548 | 16,432 |
| Total liabilities | 89,186 | 30,164 |
| Commitments and contingencies (Note 16) | | |
| | | |
| Convertible preferred stock; (Series A,A-1, B, and B-1), $0.001 par value; 207,390,039 shares authorized at June 30, 2021 and December 31, 2020; 204,703,793 shares issued and outstanding at June 30, 2021 and December 31, 2020; liquidation preference of $77,100 at June 30, 2021 | 75,877 | 75,877 |
| Stockholders' deficit: | | |
| Common stock, $0.001 par value; 325,991,899 and 305,491,899 shares authorized at June 30, 2021 and December 31, 2020, respectively; 35,342,394 and 26,045,532 shares issued and outstanding at June 30, 2021 and December 31, 2020, respectively | 35 | 26 |
| Additional paid-in capital | 11,435 | 9,169 |
| Accumulated deficit | (130,007) | (93,881) |
| Stockholders' deficit | (118,537) | (84,686) |
| Total liabilities, convertible preferred stock and stockholders' deficit | $ 46,526 | $ 21,355 |

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



# EVOLV TECHNOLOGIES, INC.
## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
**(In thousands, except share and per share amounts)**
**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Revenue: | | | | |
| Product revenue | $ 2,452 | $ 17 | $ 4,954 | $ 73 |
| Subscription revenue | 1,513 | 490 | 2,813 | 949 |
| Service revenue | 515 | 142 | 712 | 267 |
| Total revenue | 4,480 | 649 | 8,479 | 1,289 |
| Cost of revenues: | | - | | |
| Cost of product revenue | 2,075 | 37 | 4,304 | 198 |
| Cost of subscription revenue | 861 | 364 | 1,456 | 702 |
| Cost of service revenue | 413 | 85 | 540 | 207 |
| Total cost of revenue | 3,349 | 486 | 6,300 | 1,107 |
| Gross profit | 1,131 | 163 | 2,179 | 182 |
| Operating expenses: | | | | |
| Research and development | 1,077 | 2,947 | 4,689 | 6,541 |
| Sales and marketing | 5,090 | 1,371 | 8,774 | 3,553 |

| | | | | |
|---|---|---|---|---|
| General and administrative | 1,280 | 869 | 4,179 | 1,499 |
| Total operating expenses | 7,447 | 5,187 | 17,642 | 11,593 |
| Loss from operations | (6,316) | (5,024) | (15,463) | (11,411) |
| Other expense: | - | - | | |
| Interest expense | 3,255 | 80 | 5,702 | 123 |
| Loss on extinguishment of debt | 11,820 | - | 11,820 | - |
| Change in fair value of derivative liability | 795 | - | 2,220 | - |
| Change in fair value of common stock warrant liability | 185 | - | 921 | - |
| Total other expense | 16,055 | 80 | 20,663 | 123 |
| Net loss and comprehensive loss attributable to common stockholders – basic and diluted | $ (22,371) | $ (5,104) | $ (36,126) | $ (11,534) |
| Net loss per share attributable to common stockholders – basic and diluted | $ (0.71) | $ (0.22) | $ (1.22) | $ (0.49) |
| Weighted average common shares outstanding – basic and diluted | 31,540,397 | 23,568,291 | 29,593,131 | 23,491,518 |

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



**EVOLV TECHNOLOGIES, INC.**
**CONSODLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT**
**(In thousands, except share amounts)**
**(Unaudited)**

| | Convertible Preferred Stock | | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Total Stockholders' Deficit |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | |
| **Balances at December 31, 2020** | 204,703,793 | $ 75,877 | 26,045,532 | $ 26 | $ 9,169 | $ (93,881) | $ (84,686) |
| Issuance of warrants to purchase common stock | - | - | - | - | 1 | - | 1 |
| Issuance of common stock upon exercise of stock options | - | - | 4,137,451 | 4 | 451 | - | 455 |
| Stock-based compensation expense | - | - | - | - | 1,082 | - | 1,082 |
| Net loss | - | - | - | - | - | (13,755) | (13,755) |
| **Balances at March 31, 2021** | 204,703,793 | 75,877 | 30,182,983 | 30 | 10,703 | (107,636) | (96,903) |
| Issuance of common stock upon exercise of stock options | - | - | 5,159,411 | 5 | 197 | - | 202 |
| Stock-based compensation expense | - | - | - | - | 535 | - | 535 |
| Net loss | - | - | - | - | - | (22,371) | (22,371) |
| **Balances at June 30, 2021** | 204,703,793 | $ 75,877 | 35,342,394 | $ 35 | $ 11,435 | $ (130,007) | $ (118,537) |
| | | | | | | | |
| **Balances at December 31, 2019** | 196,217,618 | 72,883 | 22,809,158 | 23 | 7,956 | (66,489) | (58,510) |
| Issuance of Series B-1 convertible preferred stock, net of issuance costs of $106 | 8,486,175 | 2,994 | - | - | - | - | - |
| Issuance of warrant to purchase common stock | - | - | - | - | 45 | - | 45 |
| Issuance of common stock upon exercise of stock options | - | - | 744,710 | 1 | 66 | - | 67 |
| Stock-based compensation expense | - | - | - | - | 62 | - | 62 |
| Net loss | - | - | - | - | - | (6,430) | (6,430) |
| **Balances at March 31, 2020** | 204,703,793 | 75,877 | 23,553,868 | 24 | 8,129 | (72,919) | (64,766) |
| Issuance of common stock upon exercise of stock options | - | - | 29,166 | - | 3 | - | 3 |
| Stock-based compensation expense | - | - | - | - | 60 | - | 60 |
| Net loss | - | - | - | - | | (5,104) | (5,104) |
| **Balances at June 30, 2020** | 204,703,793 | $ 75,877 | 23,583,034 | $ 24 | $ 8,192 | $ (78,023) | $ (69,807) |

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



**EVOLV TECHNOLOGIES, INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In thousands)**
**(Unaudited)**

| | Six Months Ended June 30, | |
|---|---|---|
| | **2021** | **2020** |
| **Cash flows from operating activities:** | | |
| Net loss | $ (36,126) | $ (11,534) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 1,102 | 394 |
| Stock-based compensation | 1,617 | 122 |
| Noncash interest expense | 5,455 | - |
| Provision recorded for allowance for doubtful accounts | (63) | (16) |
| Loss on extinguishment of debt | 11,820 | - |
| Change in fair value of derivative liability | 2,220 | - |
| Change in fair value of common stock warrant liability | 921 | - |
| Changes in operating assets and liabilities | | |
| Accounts receivable | (1,335) | (130) |
| Inventory | (1,173) | (855) |
| Commission assets | (742) | (676) |
| Contract assets | (239) | - |
| Prepaid expenses and other current assets | (7,495) | (467) |

| | | | | |
|---|---|---|---|---|
| Accounts payable | | 5,361 | | (696) |
| Deferred revenue | | 253 | | 1,087 |
| Deferred rent | | 152 | | (14) |
| Warranty Reserve | | (42) | | (56) |
| Accrued expenses and other current liabilities | | 1,360 | | (268) |
| Net cash provided (used in) operating activities | | (16,954) | | (13,109) |
| **Cash flows from investing activities:** | | | | |
| Purchases of property and equipment | | (9,292) | | (2,106) |
| Net cash used in investing activities | | (9,292) | | (2,106) |
| **Cash flows from financing activities:** | | | | |
| Proceeds from issuance of Series B-1 convertible preferred stock, net of issuance costs | | - | | 2,994 |
| Proceeds from exercise of stock options | | 657 | | 70 |
| Repayment of financing obligations | | (359) | | (161) |
| Proceeds from long-term debt, net of issuance costs | | 31,882 | | 3,154 |
| Net cash provided by financing activities | | 32,180 | | 6,057 |
| Net increase (decrease) in cash, cash equivalents and restricted cash | | 5,934 | | (9,158) |
| **Cash, cash equivalents and restricted cash** | | | | |
| Cash, cash equivalents and restricted cash at beginning of period | | 4,704 | | 17,341 |
| Cash, cash equivalents and restricted cash at end of period | $ | 10,638 | $ | 8,183 |
| **Supplemental disclosure of cash flow information** | | | | |
| Cash paid for interest | $ | 247 | $ | 123 |
| **Supplemental disclosure of non-cash activities** | | | | |
| Issuance of equity classified warrants | | - | | 45 |
| Transfer of inventory to property and equipment | $ | 46 | | 86 |

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



**1. Nature of the Business and Basis of Presentation**

Evolv Technologies, Inc. (the "Company") was incorporated under the laws of the State of Delaware on July 8, 2013. The Company is the global leader in AI-based touchless security screening. The Company's mission is to make the world a safer and more enjoyable place to live, work, learn, and play. The Company is democratizing security by making it seamless for gathering spaces to address the chronic epidemic of mass shootings and terrorist attacks in a cost-effective manner while improving the visitor experience. The Company is headquartered in Waltham, Massachusetts.

***Proposed Merger***

In March 2021, the Company entered into an agreement and plan of merger (the "Merger Agreement") with NewHold Investment Corp., a publicly-traded Delaware corporation ("NHIC") and NHIC Sub Inc., a Delaware corporation and wholly-owned subsidiary of NHIC ("Merger Sub"), pursuant to which, subject to the satisfaction or waiver of the conditions therein, Merger Sub will merge with and into the Company, with the Company surviving as a wholly owned subsidiary of Merger Sub. The merger transactions are collectively referred to herein as the "Business Combination". The Merger Agreement was approved by the members of the board of directors of the Company (the "Board") and the Board resolved to recommend approval of the Merger Agreement to the Company's shareholders. The Company has concluded that the transaction represents a business combination pursuant to FASB ASC Topic 805, *Business Combinations.* The Business Combination will be accounted for as a "reverse recapitalization" in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Under this method of accounting, NHIC will be treated as the "acquired" company for financial reporting purposes. This determination is primarily based on the fact that subsequent to the Business Combination, the Company's stockholders are expected to have a majority of the voting power of the combined company, the Company will comprise all of the ongoing operations of the combined entity, the Company will comprise a majority of the governing body of the combined company, and the Company's senior management will comprise all of the senior management of the combined company. Accordingly, for accounting purposes, the Business Combination will be treated as the equivalent of the Company issuing shares for the net assets of NHIC, accompanied by a recapitalization. The net assets of NHIC will be stated at historical costs. No goodwill or other intangible assets will be recorded. Operations prior to the Business Combination will be those of the Company.

Subject to the terms of the Merger Agreement, at the effective time of the Merger (the "Effective Time"), each share of the Company's convertible preferred stock ("Convertible Preferred Stock") issued and outstanding immediately prior to the Effective Time shall be converted into a share of the Company's common stock, the Company's outstanding convertible debt immediately prior to the Effective Time shall be converted into the Company's common stock and each of the Company's warrants to purchase the Company's capital stock issued and outstanding immediately prior to the Effective Time will be forced to settle the warrants through either a cash or a cashless exercise for the Company's common stock with the exception of the unvested portion of certain Finback warrants issued to a holder on January 13, 2021 ("2021 Finback Common Stock Warrants") and will become warrants exercisable for shares of Merger Sub common stock. After conversion of Preferred Stock, conversion of the convertible notes and the forced settlement of the warrants, each share of the Company's common stock issued and outstanding immediately prior to the Effective Time shall be converted into 0.378 newly issued shares of Merger Sub common stock which is the Exchange Ratio that was initially estimated as of the date of the execution of the Merger Agreement. At the Effective Time, each option to purchase the Company's common stock became an option, respectively, to purchase shares of Merger Sub common stock, subject to adjustment in accordance with the Exchange Ratio.

In June 2021, the Company entered into an amendment to the Merger Agreement (as so amended, the "Amended Merger Agreement"). Immediately prior to the Effective Time of the Amended Merger Agreement, each of the outstanding common stock warrants, other than the unvested 2021 Finback Common Stock Warrants, shall either be exercised in full on a cash or cashless basis or terminated without exercise and each outstanding RSU, whether vested or unvested, shall be converted into an RSU of the Merger Sub.

In July 2021, NHIC held a special meeting of stockholders (the "Special Meeting"), at which the NHIC stockholders considered and adopted, among other matters, a proposal to approve the Business Combination, including (a) adopting the Amended Merger Agreement and (b) approving the other transactions and matters contemplated by the Merger Agreement and related agreements as described in the Proxy Statement/Prospectus. Pursuant to the terms and subject to the conditions set forth in the Merger Agreement, following the Special Meeting, on July 16, 2021 (the "Closing Date"), the transactions were consummated (the "Closing"). In connection with the Closing, the Company changed its name from NewHold Investment Corp. to Evolv Technologies Holdings, Inc. (see Note 18).

***Subscription Agreement***

In connection with the execution of the Merger Agreement, NHIC entered into subscription agreements (collectively, the "PIPE Investment") with certain parties subscribing for shares of NHIC common stock (the "Subscribers") pursuant to which the Subscribers agreed to purchase, and NHIC agreed to sell to the Subscribers, an aggregate of 30,000,000 shares of NHIC common stock, for a purchase price of $10.00 per share and an aggregate purchase price of $300.0 million. The obligations to consummate the transactions contemplated by the PIPE Investment were conditioned upon, among other things, customary closing conditions and the consummation of the transactions contemplated by the Merger Agreement. In July 2021, the Company closed the PIPE Investment.

***Risks and uncertainties***

The Company is subject to risks and uncertainties common to early stage companies in the human security industry including, but not limited to, the successful development, commercialization, marketing and sale of existing and new products, fluctuations in operating results and financial risks, protection of proprietary knowledge and patent risks, dependence on key personnel, competition, technological risks, cybersecurity risks, customer demand and management of growth. Potential risks and uncertainties also include, without limitation, uncertainties regarding the duration and magnitude of the impact of the COVID-19 pandemic on the Company's business and the economy in general.

In March 2020, the World Health Organization declared the global novel coronavirus disease 2019 ("COVID-19") outbreak a pandemic. The impact of this pandemic has been and will likely continue to be extensive in many aspects of society, which has resulted in and will likely continue to result in significant disruptions to the global economy, as well as businesses and capital markets around the world. The Company cannot at this time predict the ultimate extent, duration, or full impact that the COVID-19 pandemic will have on its future financial condition and operations. The impact of the COVID-19 coronavirus outbreak on the Company's financial performance will depend on future developments, including the duration and spread of the pandemic and related governmental advisories and restrictions. These developments and the impact of COVID-19 on the financial markets and the overall economy are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, the Company's results may be materially adversely affected.

Future impacts to the Company's business as a result of COVID-19 could include disruptions to the Company's revenue caused by closures of customer operations, manufacturing operations and supply chain caused by facility closures, reductions in operating hours, staggered shifts and other social distancing efforts; labor shortages; decreased productivity and unavailability of materials or components; limitations on its employees' and customers' ability to travel, and delays in shipments to and from affected countries and within the United States. While the Company maintains an inventory of finished products and raw materials used in its products, a prolonged pandemic could lead to shortages in the raw materials necessary to manufacture its products.

***Basis of presentation***

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include the accounts of the Company and its wholly owned subsidiary in the United Kingdom, Evolv Technologies UK Ltd. All intercompany accounts and transactions have been eliminated in consolidation. Any reference in these notes to applicable guidance is meant to refer to the authoritative GAAP as found in the Accounting Standards Codification ("ASC") and Accounting Standards Update ("ASU") of the Financial Accounting Standards Board ("FASB").



***Revision of Prior Period Financial Statements***

During the year ended December 31, 2020, an error was identified by the Company related to the preferred stock warrant classification in prior periods. Specifically, the Company had misclassified these warrants for the purchase of shares of its preferred stock as equity for the period from September 2016 through December 2018 when these warrants should have been liability classified and changes to fair value recorded in the Statement of Operations, therefore retained earnings were understated for changes in fair value of the warrant over that period of time of liability classification. Upon the modified retrospective adoption of ASU No. 2018-07 Compensation Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting and ASU No. 2019-08 Codification Improvements-Share-Based Consideration Payable to a Customer, on January 1, 2019, the warrants were classified within temporary equity. The Company concluded that the impacts of the error were not material to the consolidated financial statements as of and for the years ended December 31, 2020 and 2019. While not material, the Company has elected to revise the previously issued consolidated financial statements as of and for the years ended December 31, 2020 and 2019 for the impacts of the error. In addition, the applicable notes to the accompanying financial statements have also been revised to correct for these misstatements.

The following table reflects the impacts of the error on the consolidated financial statements (in thousands):

| | As of December 31, 2020 | | | As of December 31, 2019 | | |
|---|---|---|---|---|---|---|
| | **As previously reported** | **Adjustment** | **Revised** | **As previously reported** | **Adjustment** | **Revised** |
| Convertible preferred stock | $ 75,393 | $ 484 | $ 75,877 | $ 72,399 | $ 484 | $ 72,883 |
| Additional paid-in capital | $ 9,921 | $ (752) | $ 9,169 | $ 8,708 | $ (752) | $ 7,956 |
| Accumulated deficit | $ (94,149) | $ 268 | $ (93,881) | $ (66,757) | $ 268 | $ (66,489) |
| Stockholders' deficit | $ (84,202) | $ (484) | $ (84,686) | $ (58,026) | $ (484) | $ (58,510) |

***Removal of the Conclusion That There is Substantial Doubt about the Company's Ability to Continue as a Going Concern***

As described below, as of April 2, 2021, the original issuance date of the consolidated financial statements for the year ended December 31, 2020, the Company had concluded that there was substantial doubt about its ability to continue as a going concern. In order to improve the Company's liquidity and fund future growth, Management developed the plan to raise additional financing through the closure of the Merger with NHIC and receive the $300 million PIPE investment. In July 2021, the Company received gross proceeds of $300.0 million from its PIPE Investment described above, which has alleviated the substantial doubt about the Company's ability to continue as a going concern. As of August 16, 2021, the date on which the unaudited interim consolidated financial statements for the six months ended June 30, 2021 were issued, the Company expects that its existing cash and cash equivalents, including the $300.0 million of gross proceeds it received in July 2021 from its PIPE Investment, will be sufficient to fund its operating expenses and capital expenditure requirements for the next 12 months from the date of issuance of the interim financial statements. The future viability of the Company beyond that point is dependent on its ability to generate cash from operating activities and to raise additional capital to finance its operations.



***Unaudited Interim Financial Information***

The accompanying consolidated balance sheet as of June 30, 2021, and the consolidated statements of operations and comprehensive loss, convertible preferred shares and shareholders' deficit, and of cash flows for the three and six months ended June 30, 2021 and 2020 are unaudited. The unaudited interim consolidated financial statements have been prepared on the same basis as the audited annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary for the fair statement of the Company's financial position as of June 30, 2021 and the results of its operations and its cash flows for the three and six months ended June 30, 2021 and 2020. The financial data and other information disclosed in these notes related to the three and six months ended June 30, 2021 and 2020 are also unaudited. The results for the three and six months ended June 30, 2021 are not necessarily indicative of results to be expected for the year ending December 31, 2021, any other interim periods, or any future year or period.

These unaudited interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements as of December 31, 2020 and 2019 and for each of the two years in the period ended December 31, 2020.

**2. Summary of Significant Accounting Policies**

***Use of Estimates***

The preparation of the Company's consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Significant estimates and assumptions reflected in these consolidated financial statements include but are not limited to calculating the standalone selling price for revenue recognition, the valuation of inventory, the valuation of derivative liability, the valuation of common stock and stock-based awards, and the valuation of the preferred stock warrant liability. The Company bases its estimates on historical experience, known trends and other market-specific or other relevant factors that it believes to be reasonable under the circumstances. On an ongoing basis, management evaluates its estimates when there are changes in circumstances, facts, and experience. Changes in estimates are recorded in the period in which they become known. Actual results could differ from those estimates.

Due to the COVID-19 pandemic, there has been uncertainty and disruption in the global economy and financial markets. The full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations and financial condition, including revenues and expenses, will depend on future developments that are highly uncertain, including as a result of new information that may emerge concerning COVID-19 and the actions taken to contain it or treat COVID-19. We have made estimates of the impact of COVID-19 within our consolidated financial statements and there may be changes to those estimates in future periods. These estimates may change, as new events occur, and additional information is obtained. On an ongoing basis, management evaluates its estimates as there are changes in circumstances, facts, and experience. Changes in estimates are recorded in the period in which they become known. Actual results may differ from those estimates or assumptions.

***Risk of Concentrations of Credit, Significant Customers and Significant Suppliers***

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, and accounts receivable, net. Periodically, the Company maintains deposits in accredited financial institutions in excess of federally insured limits. The Company maintains its cash, cash equivalents and restricted cash with financial institutions that management believes to be of high credit quality. The Company has not experienced any losses on such accounts and does not believe it is exposed to any unusual credit risk beyond the normal credit risk associated with commercial banking relationships.

Significant customers are those which represent more than 10% of the Company's total revenue or accounts receivable, net balance at each respective balance sheet date. The following table presents customers that represent 10% or more of the Company's total revenue:



| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Customer A | - | 11.0% | - | 11.0% |
| Customer B | 17.0% | - | - | - |
| Customer C | - | - | 14.0% | - |
| | 17.0% | 11.0% | 14.0% | 11.0 |

The following table presents customers that represent 10% or more of the Company's accounts receivable, net:

| | **June 30, 2021** | **December 31, 2020** |
|---|---|---|
| Customer B | 11.80% | - |
| Customer C | 18.30% | - |
| Customer D | - | 23.8% |
| Customer E | - | 23.4% |
| | 30.1% | 47.2% |

The Company relies on third parties for the supply and manufacture of its products as well as third-party logistics providers. In instances where these parties fail to perform their obligations, the Company may be unable to find alternative suppliers to satisfactorily deliver its products to its customers on time, if at all, which could have a material adverse effect on the Company's operating results, financial condition and cash flows and damage its customer relationships.

***Debt Issuance Costs***

The Company capitalizes certain legal, accounting, and other third-party fees that are directly associated with the issuance of debt as debt issuance costs. Debt issuance costs are recorded as a direct reduction of the carrying amount of the associated debt on the consolidated balance sheet and amortized as interest expense on the consolidated statement of operations and comprehensive loss using the effective interest method. As of June 30, 2021, and December 31, 2020, debt issuance costs totaled $0.1 million and $0.1 million and were recorded as a reduction in the carrying amount of long term debt in the consolidated balance sheets. During the three months ended June 30, 2021 and 2020, and six months ended June 30, 2021 and 2020 the Company recorded less than $0.1 million in amortization of the debt issuance costs recorded within interest expense in the consolidated statement of operations and comprehensive loss.

***Cash, Cash Equivalents, and Restricted Cash***

Cash, cash equivalents, and restricted cash as reported on the consolidated statement of cash flows consists of the following (in thousands):

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Cash and cash equivalents | $ 9,963 | $ 4,704 |
| Restricted cash | 675 | - |
| Total cash, cash equivalents, and restricted cash | $ 10,638 | $ 4,704 |

The Company considers all short-term, highly liquid investments purchased with an original maturity of three months or less at the date of purchase to be cash equivalents. Restricted cash consists of a security deposit on the Company's new office lease in Waltham, Massachusetts, with $0.4 million included in the current portion of restricted cash which will be returned during the first half of 2022, and $0.3 million included in restricted cash, noncurrent in the consolidated balance sheets.

***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization expense is recognized using the straight-line method over the estimated useful life of each asset, as follows:

| | Estimated Useful Life |
|---|---|
| Computers and telecommunications equipment | 3 years |
| Lab equipment | 5 years |
| Software | 4 years |
| Furniture and fixtures | 5 years |
| Leasehold improvements | Shorter of remaining lease term or useful life |
| Leased equipment | 7 years |

Estimated useful lives are periodically assessed to determine if changes are appropriate. Leasehold improvements are amortized using the straight-line method over the lesser of the lease term or its estimated economic useful life. Lease terms are used based upon the initial lease agreement and do not consider potential renewals or extensions until such time that the renewals or extensions are contracted. Maintenance and repairs are charged to expense as incurred. When assets are retired or otherwise disposed of, the cost of these assets and related accumulated depreciation or amortization are eliminated from the consolidated balance sheet and any resulting gains or losses are included in the consolidated statement of operations and comprehensive loss in the period of disposal. Costs for capital assets not yet placed into service are capitalized as construction-in-progress and depreciated once placed into service.

Our leases for leased equipment generally are 48 months. The Company's subscription contracts are classified as operating leases because title does not transfer and they do not meet any of the other criteria per ASC 840. To date, the Company has not had any subscription arrangements come up for renewal and will reassess the classification of any such leases upon renewal.

We evaluate leased equipment for obsolescence and impairment whenever circumstances indicate that the carrying value of such equipment is not recoverable by considering any (1) reduced demand in the markets in which we operate, (2) technological obsolescence due to developments of new products and improvements, or (3) changes in economic or other events and conditions that impact the market price for our products. Based on our evaluations at June 30, 2021 and December 31, 2020, we did not recognize a reserve for obsolescence for leased equipment.

***Impairment of Long-Lived Assets***

Long-lived assets consist of property and equipment. Long-lived assets to be held and used are tested for recoverability whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Factors that the Company considers in deciding when to perform an impairment review include significant underperformance of the business in relation to expectations, significant negative industry or economic trends and significant changes or planned changes in the use of the assets. If an impairment review is performed to evaluate a long-lived asset group for recoverability, the Company compares forecasts of undiscounted cash flows expected to result from the use and eventual disposition of the long-lived asset group to its carrying value. An impairment loss would be recognized in loss from operations when estimated undiscounted future cash flows expected to result from the use of an asset group are less than its carrying amount. The impairment loss is based on the excess of the carrying value of the impaired asset group over its fair value, determined based on discounted cash flows. The Company did not record any impairment losses on long-lived assets during the three or six months ended June 30, 2021 or June 30, 2020 nor the year ended December 31, 2020.



***Fair Value Measurements of Financial Instruments***

Certain assets and liabilities of the Company are carried at fair value under GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

- 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 in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Unobservable inputs that are supported by little or no market activity that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

The Company's cash equivalents, derivative liability and its common stock warrant liability are carried at fair value, determined according to the fair value hierarchy described above (see Note 3). The carrying values of the Company's accounts receivable, net, accounts payable and accrued expenses approximate their fair values due to the short-term nature of these assets and liabilities. The carrying value of the Company's long-term debt approximates its fair value (a Level 2 measurement) at each balance sheet date due to its variable interest rate, which approximates a market interest rate.

***Derivative Liability***

In August through September 2019 and in September through December 2020, the Company issued Convertible Notes to several investors (see Note 8) that provided a conversion option whereby upon the closing of a specified financing event the notes would automatically convert into shares of the same class and series of capital stock of the Company issued to other investors in the financing at a conversion price equal to 85% and 80%, respectively, of the price per share of the securities paid by the other investors. This conversion option was determined to be an embedded derivative that was required to be bifurcated and accounted for separately from the notes. The derivative liability was initially recorded at fair value upon issuance of the notes and is subsequently remeasured to fair value at each reporting date. Changes in the fair value of the derivative liability are recognized in the consolidated statements of operations and comprehensive loss. In October 2019, the specified financing event was consummated, as such the Convertible Notes issued August through September 2019 were converted into shares of Series B-1 Preferred Stock (see Note 9), and the derivative liability was extinguished. The derivative liability related to the Convertible Notes issued in September and December 2020 is outstanding as of June 30, 2021 and is included as a derivative liability in the consolidated balance sheets as of June 30, 2021 and December 31, 2020 (see Note 8).

Between January 21, 2021 and February 4, 2021, the Company entered into a Convertible Note Purchase Agreement (the "2021 Convertible Notes") with various investors for gross proceeds of $30.0 million with a stated interest rate of 8.0% per annum. The 2021 Convertible Notes provided a conversion option whereby upon the closing of a Qualified Financing event, in which the aggregate gross proceeds totaled at least $100.0 million, the 2021 Convertible Notes would automatically convert into shares of the same class and series of capital stock of the Company issued to other investors in the financing at a conversion price equal to 80% of the price per share paid by the other investors. The conversion option met the definition of an embedded derivative and was required to be bifurcated and accounted for separately from the notes. The proceeds from the 2021 Convertible Notes were allocated between the derivative liability and current portion of long-term debt on the Company's consolidated balance sheet. The difference between the initial carrying value of the notes and the stated value of the notes represented a discount that was accreted to interest expense over the term of the Convertible Notes using the effective interest method.



On June 21, 2021, the Company and the holders of the 2021 Convertible Notes agreed that, in connection with the Business Combination, such holders would receive an additional 1,000,000 shares of NHIC common stock as further consideration for the automatic conversion of such notes upon closing of the Business Combination. This modification of the 2021 Convertible Notes resulted in an extinguishment, and recognition of a derivative liability, which represents both the value of the 1,000,000 NHIC shares as of June 21, 2021 as well as a bifurcated embedded derivative for conversion into shares of the same class and series of capital stock of the Company issued to other investors in the financing at a conversion price equal to 80% of the price per share paid by the other investors. The derivative liability related to the 2021 Convertible Notes is outstanding as of June 30, 2021 and is included as a derivative liability in the consolidated balance sheets as of June 30, 2021 (see Note 8).

***Classification of Convertible Preferred Stock***

The holders of Series A, Series A-1, Series B and Series B-1 convertible preferred stock have certain liquidation rights in the event of a deemed liquidation event that, in certain situations, is not solely within the control of the Company and would call for the redemption of the then outstanding Series A, Series A-1, Series B and Series B-1 convertible preferred stock (see Note 9). Therefore, the Series A, Series A-1, Series B and Series B-1 convertible preferred stock are classified outside of stockholders' deficit on the consolidated balance sheets.

***Warrant Liability***

The Company classifies certain warrants for the purchase of shares of its common stock (see Note 10) as a liability on its consolidated balance sheets as these warrants are freestanding financial instruments that may require the Company to adjust the exercise price and number of shares that is not consistent with a fixed-for-fixed option pricing model. The warrant liability is initially recorded at fair value on the issuance date of each warrant and is subsequently remeasured to fair value at each reporting date. Changes in the fair value of the warrant liability are recognized as a component of other expense in the consolidated statements of operations and comprehensive loss. Changes in the fair value of the warrant liability will continue to be recognized until the warrants are exercised, expire or qualify for equity classification.

***Equity Classified Preferred Stock Warrants***

The Company classifies warrants for the purchase of shares of its preferred stock (see Note 10) as temporary equity on its consolidated balance sheets. In connection with a customer development agreement, the Company issued warrants to a customer to purchase shares of its Series A-1 Preferred Stock. Upon adoption of ASU No. 2018-07 and ASU No. 2019-08 on January 1, 2019, any liability classified warrants issued to non-employees for goods or services were modified to temporary equity classification.

***Equity Classified Common Stock Warrants***

The Company classifies certain warrants for the purchase of shares of its common stock (see Note 10) as equity on its consolidated balance sheets as these warrants are considered to meet the derivative scope exception for freestanding equity contracts. For these warrants that are classified on the Company's consolidated balance sheets as equity instruments, the Company uses the Black-Scholes model to measure the value of the warrants at issuance.

***Revenue Recognition***

The Company recognizes revenue in accordance with ASC 606. Under ASC 606, revenue is recognized when a customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In order to achieve this core principle, the Company applies the following five steps when recording revenue: (1) identify the contract, or contracts, with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when, or as, performance obligations are satisfied.



The Company derives revenue from (1) subscription arrangements accounted for as operating leases under ASC 840 and (2) from the sale of products, inclusive of maintenance and services. The Company's arrangements are generally noncancelable and nonrefundable after ownership passes to the customer. Revenue is recognized net of sales tax.

*Product Revenue*

The Company derives revenue from the sale of its Express and Edge equipment and related add-on accessories to customers. Revenue is recognized when control of the product has transferred to the customer. Transfer of control occurs when the Company has transferred title and risk of loss and has a present right to payment for the equipment, which is generally upon delivery as the Company's normal terms of sale are freight on board destination. Products are predominately sold with distinct services, which are described in the services section below.

*Subscription Revenue*

In addition to selling its products directly to customers, the Company also leases Express and Edge equipment. These arrangements convey the right to use the equipment for a period of time in exchange for consideration and therefore are accounted for under ASC 840 due to the scope exception of ASC 606-10-15-2. Lease terms are typically four years and customers pay quarterly or annual fixed payments for the lease and maintenance elements over the contractual lease term. In accordance with ASC 840, *Leases*, we consider only the fixed payments for purposes of allocating between the lease and non-lease deliverables on a relative fair value basis. Equipment leases are generally classified as operating leases as they do not meet any of the capital lease criteria per ASC 840.

Generally, lease arrangements include both lease and non-lease components. The non-lease components relate to (i) distinct services, such as installation, training and maintenance, and (ii) any add-on accessories. Installation and training are included in service revenue as described below, and add-on accessories are included in product revenue as described above. Because the equipment and maintenance components of a subscription arrangement are recognized as revenue over the same time period and in the same pattern and because revenue allocated to maintenance components is not material, the equipment lease and maintenance performance obligations are classified as a single category of subscription revenue in the consolidated statements of operations.

As leases with customers are classified as operating leases, lease revenue is recognized ratably over the duration of the lease. There are no contingent lease payments as a part of these arrangements.

*Services Revenue*

The Company provides installation, training and maintenance services for its products. Revenue for installation and training is recognized upon transfer of control of these services, which are normally rendered over a short duration. Maintenance consists of technical support, bug fixes, and when-and-if-available threat updates. Maintenance revenue is recognized ratably over the period of the arrangement. The Company sells separately priced extended or nonstandard warranty services and preventative maintenance plans, which are recognized ratably over the associated service period.

*Revenue from Distributors*

A portion of the Company's revenue is also generated by sales in conjunction with its distributors. When the Company transacts with a distributor, its contractual arrangement is with the distributor and not with the end-use customer. In these transactions, the distributor is considered the customer; the Company has discretion over the pricing to the distributor and maintains overall control of the inventory and sales process to the distributor. Revenue is recognized upon delivery to the distributors. Right of return does not generally exist. Whether the Company transacts with a distributor and receives the order from a distributor or directly from an end-use customer, its revenue recognition policy and resulting pattern of revenue recognition is the same upon delivery.

*Transaction Price*

The transaction price is the amount of consideration that the Company expects to be entitled for providing goods and services under a contract. It includes not only fixed consideration, such as the stated amount in a contract, but also several other types of variable consideration or adjustments (generally discounts or incentives which are included as a part of the standalone selling price ("SSP") estimation process). The Company provides discounts to customers which reduces the transaction price. From time-to-time, the Company may offer customers the option to purchase additional goods and services at a fixed price. In these limited circumstances, the Company assesses whether these offers constitute a material right, and if so, the Company would account for the material right as a separate performance obligation. Other types of variable consideration are not considered significant. The Company does not normally provide for rights of returns to customers on product sales and, therefore, does not record a provision for returns.



*Performance Obligations*

A performance obligation is a promise in a contract to transfer a distinct product or service to a customer that is both capable of being distinct, whereby the customer can benefit from the product or service either on its own or together with other resources that are readily available, and is distinct in the context of the contract, whereby the transfer of the product or service is separately identifiable from other promises in the contract. For both Express and Edge units, equipment is sold or leased with embedded software, which is considered a single performance obligation. Maintenance, which includes future updates, security threat updates, and minor bug fixes on a when-and-if available basis, is considered a single performance obligation. As a part of reported subscription sales, certain non-lease components, such as maintenance, are included within the subscription revenue amount. The Company sells separately priced extended or nonstandard warranty services and preventative maintenance plans, which are accounted for as separate performance obligations. Installation and training are considered separate performance obligations and are included within services revenue. Any add-on accessories are also considered separate performance obligations.

*Payment terms*

Payment terms for customer orders are typically 30 days after the shipment or delivery of the product. For certain products, services and customer types, the Company requires payment before the products or services are delivered to, or performed for, the customer. Generally, the Company's contracts do not contain a significant financing component.

*Multiple Performance Obligations within an Arrangement*

The Company's contracts may include multiple performance obligations when customers purchase a combination of products and services. When the Company's customer arrangements have multiple performance obligations that contain a lease for Express or Edge equipment for the customer's use at its site as well as distinct services that are delivered simultaneously, the Company allocates the arrangement consideration between the lease deliverables and non-lease deliverables based on the relative estimated SSP of each distinct performance obligation. For multiple performance obligation arrangements that do not contain a lease, the Company allocates the contract's transaction price to each performance obligation on a relative SSP basis. The Company determines SSP based on the price at which the performance obligation is sold separately. If the SSP is not observable through past transactions, the Company estimates the SSP taking into account available information such as market conditions and internally approved pricing guidelines related to the performance obligation.

*Remaining Performance Obligations*

ASC 606 requires that the Company disclose the aggregate amount of transaction price that is allocated to performance obligations that have not yet been satisfied as of June 30, 2021. The following table includes estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially satisfied) as of June 30, 2021. Note that with respect to ASC 840, Subscription revenue includes maintenance in addition to the operating lease components of these transactions (in thousands).

| | Less than 1 year | Greater than 1 year | Total |
|---|---|---|---|
| Product revenue | $ 156 | $ 181 | $ 337 |
| Subscription revenue | 7,089 | 15,326 | 22,415 |
| Service revenue | - | - | - |

| | | | |
|---|---|---|---|
| Maintenance revenue | 849 | 2,008 | 2,857 |
| Total revenue | $ 8,094 | $ 17,515 | $ 25,609 |



The amount of minimum future leases is based on expected income recognition. As of June 30, 2021, future minimum payments on noncancelable leases are as follows (in thousands):

| **Quarter Ending June 30, 2021:** | |
|---|---|
| 2021 | $ 3,627 |
| 2022 | 6,869 |
| 2023 | 6,224 |
| 2024 | 4,356 |
| 2025 | 1,130 |
| Thereafter | 209 |
| | $ 22,415 |

*Contract Balances from Contracts with Customers*

Contract assets arise from unbilled amounts in customer arrangements when revenue recognized exceeds the amount billed to the customer and the Company's right to payment is conditional and not only subject to the passage of time. As of June 30, 2021 and December 31, 2020, the Company had $2.3 million and $0 of contract assets included within prepaid expenses and other current assets and long-term contract assets on the consolidated balance sheet, respectively.

Contract liabilities represent the Company's obligation to transfer goods or services to a customer for which it has received consideration (or the amount is due) from the customer. The Company has a contract liability related to service revenue, which consists of amounts that have been invoiced but that have not been recognized as revenue. Amounts expected to be recognized as revenue within 12 months of the balance sheet date are classified as current deferred revenue and amounts expected to be recognized as revenue beyond 12 months of the balance sheet date are classified as noncurrent deferred revenue. The Company recognized $0.6 million and $1.8 million during the three months and six months ended June 30, 2021 of revenue that was previously included in the 2020 deferred revenue balance, respectively. The following table provides a rollforward of deferred revenue (in thousands):

| **Contract Liabilities** | |
|---|---|
| Balance at December 31, 2020 | $ 4,197 |
| Revenue recognized | (3,740) |
| Revenue deferred | 3,993 |
| Balance at June 30, 2021 | $ 4,450 |

*Disaggregated Revenue*

The following table presents the Company's revenue by revenue stream (in thousands):

| | **Three Months Ended June 30,** | | **Six Months Ended June 30,** | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Product revenue | $ 2,452 | $ 18 | $ 4,954 | $ 73 |
| Subscription revenue (1) | 1,513 | 490 | 2,813 | 949 |
| Service revenue | 291 | - | 356 | 5 |
| Maintenance revenue | 224 | 141 | 356 | 262 |
| Total revenue | $ 4,480 | $ 649 | $ 8,479 | $ 1,289 |

(1) Subscription revenue is inclusive of $0.4 million and $0.1 million of maintenance revenue during the three months ended June 30, 2021 and 2020, respectively, and of $0.7 million and $0.3 million of maintenance revenue during the six months ended June 30, 2021 and 2020, respectively determined based on a relative fair value allocation as prescribed by ASC 606.

*Contract Acquisition Costs*

The Company incurs and pays commissions on product sales. The Company applies the practical expedient for contracts less than one year to expense the costs in the period in which they were incurred. Commissions on product sales and services are expensed in the period in which the sale occurs and the services are provided. Commissions on subscription arrangements and maintenance are expensed ratably over the life of the contract. The Company had a deferred asset related to commissions of $3.0 million at June 30, 2021 and $2.3 million at December 31, 2020. The increase in deferred assets is due to an increase of subscription revenue in 2020 and 2021 for which the related revenue and commissions are recognized over the contract term. The Company amortized commissions of $0.3 million during the three months ended June 30, 2021 which related to 2021 commissions, $0.1 million which related to 2020 commissions and $0.0 million which related to 2019 commissions. The Company amortized commissions of $0.3 million during the six months ended June 30, 2021 which related to 2021 commissions, $0.2 million which related to 2020 commissions and $0.1 million which related to 2019 commissions.



***Stock-Based Compensation***

The Company measures all stock-based awards granted to employees, officers, directors and non-employees based on their fair value on the date of the grant and recognizes compensation expense for those awards over the requisite service period, which is generally the vesting period of the respective award. The Company issues stock-based awards with service-based vesting conditions and records the expense for these awards using the straight-line method. Forfeitures are accounted for as they occur. The Company has issued stock-based awards with performance-based vesting conditions. In August 2020, the Company granted an officer 1,481,982 stock options with a performance-based milestone vesting condition which vested immediately upon achievement of a certain sales milestone. The milestone was achieved in December 2020, and the Company recorded $0.1 million in stock compensation expense upon vesting during the year ended December 31, 2020 In March 2021, the Company granted a warrant exercisable for 6,756,653 shares of common stock to a consulting group ("2021 Finback Common Stock Warrants") with performance based vesting conditions which vest upon certain sales being met under a Business Development agreement which has a term of three years.

The Company classifies stock-based compensation expense in its consolidated statements of operations and comprehensive loss in the same manner in which the award recipient's payroll costs are classified or by the nature of the services provided by consultants are classified.

The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model, which uses the following inputs: (i) the fair value per share of the common stock issuable upon exercise of the option, (ii) the expected term is used for an option grant to an employee and the contractual term for an option grant to a non-employee, (iii) expected volatility of the price of the common stock, (iv) the risk-free interest rate, and (v) the expected dividend yield. The Company values its common stock taking into consideration its most recently available valuation of common stock performed by third parties as well as additional factors which may have changed since the date of the most recent contemporaneous valuation through the date of grant. The exercise price of the option cannot be less than the fair market value of a share of common stock on the date of grant. The expected term of the Company's stock options has been determined utilizing the "simplified" method for awards that qualify as "plain-vanilla". The Company historically has been a private company and lacks company-specific historical and implied volatility information for its stock. Therefore, the Company estimates its expected stock price volatility based on the historical volatility of publicly traded peer companies and expects to continue to do so until such time as it has adequate historical data regarding the volatility of its own traded stock price. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. Expected dividend yield is based on the fact that the Company has never paid cash dividends on common stock and does not expect to pay any cash dividends in the foreseeable future.

***Income Taxes***

The Company accounts for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the consolidated financial statements or in the Company's tax returns. Deferred tax assets and liabilities are determined on the basis of the differences between the consolidated financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Changes in deferred tax assets and liabilities are recorded in the provision for income taxes.

The Company assesses the likelihood that its deferred tax assets will be recovered from future sources of income and, to the extent it believes, based upon the weight of available evidence, that it is more likely than not that all or a portion of the deferred tax assets will not be realized, a valuation allowance is established through a charge to income tax expense. Potential for recovery of deferred tax assets is evaluated by analyzing past operating results, estimating the future taxable profits expected and considering prudent and feasible tax planning strategies.



The Company accounts for uncertainty in income taxes recognized in the consolidated financial statements by applying a two-step process to determine the amount of tax benefit to be recognized. First, the tax position must be evaluated to determine the likelihood that it will be sustained upon external examination by the taxing authorities. If the tax position is deemed more-likely-than-not to be sustained, the tax position is then assessed to determine the amount of benefit to recognize in the consolidated financial statements. The amount of the benefit that may be recognized is the largest amount that has a greater than 50% likelihood of being realized upon ultimate settlement. The provision for income taxes includes the effects of any resulting tax reserves, or unrecognized tax benefits, that are considered appropriate as well as the related net interest and penalties.

The Company evaluates at the end of each reporting period whether some or all of the undistributed earnings of its foreign subsidiaries are permanently reinvested. The Company would recognize deferred income tax liabilities to the extent that management asserts that undistributed earnings of its foreign subsidiaries are not permanently reinvested and will not be permanently reinvested in the future. As of June 30, 2021 and December 31, 2020 the Company had no foreign earnings in any foreign jurisdictions.

***Net Loss per Share Attributable to Common Stockholders***

The Company follows the two-class method when computing net income (loss) per share as the Company has issued shares that meet the definition of participating securities. The two-class method determines net income (loss) per share for each class of common and participating securities according to dividends declared or accumulated and participation rights in undistributed earnings. The two-class method requires income available to common stockholders for the period to be allocated between common and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed.

Basic net income (loss) per share attributable to common stockholders is computed by dividing the net income (loss) attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net income (loss) attributable to common stockholders is computed by adjusting net income (loss) attributable to common stockholders to reallocate undistributed earnings based on the potential impact of dilutive securities. Diluted net income (loss) per share attributable to common stockholders is computed by dividing the dilutednet income (loss) attributable to common stockholders by the weighted average number of common shares outstanding for the period, including potential dilutive common shares. For purposes of this calculation, outstanding stock options, convertible preferred stock, convertible notes, and warrants to purchase preferred stock are considered potential dilutive common shares.

The Company's convertible preferred shares contractually entitle the holders of such shares to participate in dividends but do not contractually require the holders of such shares to participate in losses of the Company. Accordingly, in periods in which the Company reports a net loss attributable to common stockholders, such losses are not allocated to such participating securities. In periods in which the Company reported a net loss attributable to common stockholders, diluted net loss per share attributable to common stockholders is the same as basic net loss per share attributable to common stockholders, since dilutive common shares are not assumed to have been issued if their effect is anti-dilutive. The Company reported a net loss attributable to common stockholders for the three and six months ended June 30, 2021 and 2020.

***Recently Issued Accounting Pronouncements***

The Company qualifies as "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012 and has elected not to "opt out" to the extended transition related to complying with new or revised accounting standards, which means that when a standard is issued or revised and it has different application dates for public and nonpublic companies, the Company will adopt the new or revised standard at the time nonpublic companies adopt the new or revised standard and will do so until such time that the Company either (i) irrevocably elects to "opt out" of such extended transition period or (ii) no longer qualifies as an emerging growth company. The Company may choose to early adopt any new or revised accounting standards whenever such early adoption is permitted for nonpublic companies.



In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments — Credit Losses (Topic 326)* ("ASU 2016-13"). The new standard adjusts the accounting for assets held at amortized costs basis, including marketable securities accounted for as available for sale, and trade receivables. The standard eliminates the probable initial recognition threshold and requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For public entities except smaller reporting companies, the guidance is effective for annual reporting periods beginning after December 15, 2019 and for interim periods within those fiscal years. In November 2019, the FASB issued ASU No. 2019-10, which deferred the effective date for non-public entities to annual reporting periods beginning after December 15, 2022, including interim periods within those fiscal years.

Early application is allowed. The Company expects to adopt this guidance effective January 1, 2023, and it is currently evaluating the impact on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02*, Leases (Topic 842)* ("ASU 2016-02"), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less may be accounted for similar to existing guidance for operating leases today. For nonpublic entities, this guidance is effective for annual periods beginning after December 15, 2021. In July 2018, the FASB issued *ASU No. 2018-11, Leases (Topic 842)* , which added an optional transition method under which financial statements may be prepared under the revised guidance for the year of adoption, but not for prior years. Under the latter method, entities will recognize a cumulative catch-up adjustment to the opening balance of retained earnings in the period of adoption. The Company expects to adopt this guidance effective January 1, 2022, and it is currently evaluating the impact on its consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (ASC 740): Simplifying the Accounting for Income Taxes*("ASU 2019-12"), which is intended to simplify various areas related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in ASC 740 and also clarifies and amends existing guidance to improve consistent application. For public entities the guidance is effective for annual reporting periods beginning after December 15, 2020 and for interim periods within those fiscal years. For non-public entities, the guidance is effective for annual reporting periods beginning after December 15, 2021 and for interim periods withinyears beginning after December 15, 2022, with early adoption permitted. The Company expects to adopt this guidance effective January 1, 2022, and it is currently evaluating the impact on its consolidated financial statements and related disclosures.

In August 2020, the FASB issued ASU 2020-06, "Accounting for Convertible Instruments and Contracts in an Entity's Own Equity," which simplifies and clarifies certain calculation and presentation matters related to convertible and equity and debt instruments. Specifically, ASU 2020-06 removes requirements to separately account for conversion features as a derivative under ASC Topic 815 and removing the requirement to account for beneficial conversion features on such instruments. ASU 2020-06 also provides clearer guidance surrounding disclosure of such instruments and provides specific guidance for how such instruments are to be incorporated in the calculation of Diluted EPS. The guidance under ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. The Company expects to adopt this guidance effective January 1, 2022, and it is currently evaluating the impact on its consolidated financial statements and related disclosures.



**3. Fair Value Measurements**

The following tables present information about the Company's financial assets and liabilities measured at fair value on a recurring basis and indicate the level of the fair value hierarchy used to determine such fair values (in thousands):

| | Fair Value Measurements at June 30, 2021 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Money market funds | $ 7,982 | $ - | $ - | $ 7,982 |
| Total assets measured at fair value | $ 7,982 | $ - | $ - | $ 7,982 |
| Liabilities: | | | | |
| Warrant liability | $ - | $ - | $ 922 | $ 922 |
| Derivative liability | - | - | 20,206 | 20,206 |
| Total liabilities measured at fair value | $ - | $ - | $ 21,128 | $ 21,128 |

| | Fair Value Measurements as of December 31, 2020 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Liabilities: | | | | |
| Warrant liability | $ - | $ - | $ 1 | $ 1 |
| Derivative liability | - | - | 1,000 | 1,000 |
| Total liabilities measured at fair value | - | - | 1,001 | 1,001 |
| | $ - | $ - | $ 1,001 | $ 1,001 |

During the six months ended June 30, 2021 and year ended December 31, 2020, respectively, there were no transfers between Level 1, Level 2 and Level 3.

*Valuation of Common Stock Warrant*

The warrant liability is related to the warrants (the "Warrants") to purchase shares of the Company's common stock (see Note 10).

The Company used the Black-Scholes option-pricing model, which incorporates assumptions and estimates, to value the warrant liability. Key estimates and assumptions impacting the fair value measurement include (i) the fair value per share of the underlying shares of applicable series of stock issuable upon exercise of the Warrants, (ii) the remaining contractual term of the Warrants, (iii) the risk-free interest rate, (iv) the expected dividend yield and (v) expected volatility of the price of the underlying applicable common stock. The Company estimated the fair value per share of the underlying applicable series of stock based, in part, on the results of third-party valuations andadditional factors deemed relevant. The risk-free interest rate was determined by reference to the U.S. Treasury yield curve for time periods approximately equal to the remaining contractual term of the Warrant. The Company estimated a zero expected dividend yield based on the fact that the Company has never paid or declared dividends and does not intend to do so in the foreseeable future. As the Company is a private company and lacks company-specific historical and implied volatility information of its stock, the expected stock volatility was based on the historical volatility of publicly traded peer companies for a term equal to the remaining contractual term of the Warrant.

The following table provides a rollforward of the common stock warrant liability (in thousands):

| | |
|---|---|
| **Balance at December 31, 2020** | $ 1 |
| Change in fair value | 921 |
| **Balance at June 30, 2021** | $ 922 |

*Valuation of Derivative Liability*

In September and December 2020, the Company entered into a Convertible Note Purchase Agreement (the "2020 Convertible Notes") (see Note 8). The 2020 Convertible Notes provided a conversion option whereby upon the closing of a specified financing event the Convertible Notes would automatically convert into shares of the same class and series of capital stock of the Company issued to other investors in the financing at a conversion price equal to 80% of the price per share of the securities paid by the other investors. This conversion option was determined to be an embedded derivative and was required to be bifurcated and accounted for separately from the 2020 Convertible Notes. The fair value of the derivative liability was determined based on inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy.



Upon the closing of the 2020 Convertible Notes management determined that the probability of completing the specified financing event was 100%; thus, the value of the automatic conversion option was deemed to be 20% of the fair value of the capital stock to be issued upon conversion of the 2020 Convertible Notes, or $1.0 million. This amount represented the fair value of the embedded derivative at issuance.

In January and February 2021, the Company entered into a Convertible Note Purchase Agreement (the “2021 Convertible Notes”) (see Note 8). The 2021 Convertible Notes provided a conversion option whereby upon the closing of a specified financing event the Convertible Notes would automatically convert into shares of the same class and series of capital stock of the Company issued to other investors in the financing at a conversion price equal to lower of 80% of the price per share of the securities paid by the other investors or price per share at which shares are issued and sold in connection with the conversion or cancellation of convertible notes (other than the Notes) or simple agreements for future equity (“SAFEs”) of the Company in such Qualified Financing. This conversion option was determined to be an embedded derivative and was required to be bifurcated and accounted for separately from the 2021 Convertible Notes. The fair value of the derivative liability was determined based on inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy.

Upon the closing of the 2021 Convertible Notes management determined that the probability of completing the specified financing event was 80%; thus, the value of the automatic conversion option was deemed to be 20% of the fair value of the capital stock to be issued upon conversion of the 2021 Convertible Notes, or $7.0 million. This amount represented the fair value of the embedded derivative at issuance. As of June 30, 2021 the probability of completing a specified financing event was 100% resulting in a fair value of the derivative liability of $9.2 million. On June 21, 2021, the Company modified the 2021 Convertible Notes to grant the holders an additional 1,000,000 shares of NHIC common stock as further consideration upon the automatic conversion of the notes upon closing of the Business Combination. The modification of the 2021 Convertible Notes resulted in the recognition of an additional $9.8 million derivative liability for the fair value of the 1,000,000 NHIC shares as of June 21, 2021(see Note 8).

The following table provides a rollforward of the derivative liability (in thousands):

| | | |
|---|---|---|
| **Balance at December 31, 2020** | $ | 1,000 |
| Initial fair value of the embedded derivative | | 16,986 |
| Change in fair value | | 2,220 |
| **Balance at June 30, 2021** | $ | 20,206 |

### 4. Inventory

Inventory consisted of the following (in thousands):

| | | June 30, 2021 | | December 31, 2020 |
|---|---|---|---|---|
| Raw materials | $ | 459 | $ | 499 |
| Work in process | | - | | 188 |
| Finished goods | | 3,410 | | 2,055 |
| Total | $ | 3,869 | $ | 2,742 |



### 5. Prepaid expenses and other current assets

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

| | | June 30, 2021 | | December 31, 2020 |
|---|---|---|---|---|
| Prepaid deposits | $ | 2,949 | $ | - |
| Deferred transaction costs | | 2,875 | | - |
| Short-term contract assets | | 2,034 | | - |
| Prepaid subscriptions | | 314 | | 594 |
| Other | | 223 | | 306 |
| Total | $ | 8,395 | $ | 900 |

### 6. Property and Equipment, Net

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

| | | June 30, 2021 | | December 31, 2020 |
|---|---|---|---|---|
| Computers and telecom equipment | $ | 217 | $ | 217 |
| Lab equipment | | 494 | | 487 |
| Software | | 59 | | 59 |
| Furniture and fixtures | | 37 | | 37 |
| Leasehold improvements | | 553 | | 95 |
| Leased equipment | | 19,821 | | 10,948 |
| | | 21,181 | | 11,843 |
| Less: Accumulated depreciation and amortization | | (3,629) | | (2,527) |

| | | |
|---|---|---|
| | $ 17,552 | $ 9,316 |

Depreciation and amortization expense related to property and equipment was $0.6 million and $0.3 million for the three months ended June 30, 2021 and 2020, and $1.1 million and $0.4 million for the six months ended June 30, 2021, and 2020, respectively.

Leased equipment and the related accumulated depreciation were as follows:

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Leased equipment | $ 19,821 | $ 10,948 |
| Accumulated depreciation | (2,724) | (1,649) |
| Leased equipment, net | $ 17,097 | $ 9,299 |

Depreciation related to leased units was $0.6 million and $0.3 million during the three months ended June 30, 2021 and 2020, respectively. Depreciation expense related to leased units was $1.0 million and $0.4 million during the six months ended June 30, 2021 and 2020, respectively. Depreciable lives are generally 7 years, consistent with our planned and historical usage of the equipment subject to operating leases.



**7. Accrued Expenses and Other Current Liabilities**

Accrued expenses and other current liabilities consisted of the following (in thousands):

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Accrued employee compensation and benefits expense | $ 1,846 | $ 2,345 |
| Accrued professional services and consulting | 2,597 | 1,327 |
| Accrued interest | 347 | - |
| Other | 703 | 55 |
| | $ 5,493 | $ 3,727 |

**8. Long-term Debt**

The components of the Company's long-term debt consisted of the following (in thousands):

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Term loans payable | $ 10,000 | $ 10,000 |
| Revolving line of credit outstanding | 5,422 | 3,550 |
| Convertible note | 32,802 | 3,000 |
| Less: Unamortized discount | (70) | (118) |
| | 48,154 | 16,432 |
| Less: Current portion of long-term debt | 29,606 | - |
| Long-term debt, net of discount | $ 18,548 | $ 16,432 |

***Term Loan Agreements***

*Silicon Valley Bank ("SVB") Term Loan*

On July 5, 2017, the Company entered into a $5.0 million Loan and Security Agreement with Silicon Valley Bank ("2017 SVB Term Loan"), which provided the Company with a first term loan advance of $4.0 million which was drawn down on July 5, 2017 ("Term Loan A Advance") and a second term loan advance of $1.0 million that was available to be drawn down until May 31, 2018 ("Term Loan B Advance"; collectively, "Term Loan Advances"). The agreement also provided the Company with a revolving line of credit of up to $1.0 million. Interest payments were due monthly and commenced upon receipt of principal. Principal was payable in 36 monthly payments and commenced on June 1, 2018. The 2017 SVB Term Loan accrued interest at an annual rate calculated as the Wall Street Journal Prime Rate plus 1.25%.

On February 12, 2019, the Company amended the 2017 SVB Term Loan to change the interest rate to the greater of the (A) Wall Street Journal Prime Rate or (B) 5.25%. Additionally, the maturity date was extended to August 2022. Upon closing, the Company issued warrants to purchase 75,000 shares of common stock to SVB with an exercise price of $0.09 per share (see Note 10).

As of December 31, 2019, the Company was not in compliance with certain reporting related covenants within the SVB Loan and Security Agreement. As a result, SVB had the right to call for prepayment of the debt and it was therefore considered current as of December 31, 2019.

In March 2020, the Company entered into a Loan Modification Agreement with SVB ("2020 SVB Term Loan"), which provided a $5.0 million term loan and a revolving line of credit of up to $7.0 million. The Company repaid the outstanding balance owed on the 2017 SVB Term Loan of $3.1 million of principal and accrued interest with the proceeds from the 2020 SVB Term Loan. Additionally, upon closing, the Company issued warrants to purchase 740,991 shares of common stock to SVB with an exercise price of $0.15 per share with a fair value of less than $0.1 million on the date of issuance. The Company also paid debt issuance costs of less than $0.1 million and owed an end-of-term charge of $0.1 million to SVB. The debt issuance costs were recorded as debt discount and were being amortized to interest expense, using the effective interest method, over the term of the loan. The 2020 SVB Term Loan interest was payable monthly and the principal was payable in 36 monthly payments commencing on April 1, 2021. The 2020 SVB Term Loan accrued interest at an annual rate calculated as the greater of (A) Wall Street Journal Prime Rate plus 0.50% or (B) 5.0%. In December 2020, the Company repaid the outstanding balance on the 2020 SVB Term loan of $8.0 million.



*JPMorgan Chase Bank, N.A.("JPM") Credit Agreement*

In December 2020, the Company entered into a $10.0 million credit agreement with JPMorgan Chase Bank, N.A. ("JPM Credit Agreement") with a maturity date of

December 3, 2024 and a revolving line of credit of up to $10.0 million with a maturity date of December 3, 2022. The Company repaid the outstanding balance on the 2020 SVB Term Loan Advance, including the $5.0 million in principal and $3.0 million outstanding on the revolving line of credit. Upon repayment of the outstanding amounts, the Company recorded a loss on extinguishment of debt of less than $0.1 million, which was included in interest expense in the December 31, 2020 consolidated statements of operations and comprehensive loss.

Principal and interest on the JPM Credit Agreement is payable monthly commencing on July 1, 2022. The JPM Credit Agreement accrues interest at an annual rate calculated as the greater of (A) the Wall Street Journal Prime Rate plus 2.25% or (B) 5.5%. The revolving line of credit accrues interest at an annual rate calculated as the greater of (A) the Wall Street Journal Prime Rate plus 1.25% or (B) 4.5%. Upon closing, the Company issued warrants to purchase 1,000,000 shares of common stock to the lender with an exercise price of $0.16 per share with a fair value of $0.1 million on the date of issuance. The Company incurred debt issuance costs of $0.1 million equal to the fair value of the warrants in connection with the JPM Credit Agreement. These costs were recorded as debt discount and are amortized to interest expense, using the effective interest method, over the term of the loan.

As of June 30, 2021, the unamortized debt discount was less than $0.1 million. As of June 30, 2021, the accrued interest on the JPM Credit Agreement was less than $0.2 million, which is included in accrued expenses and other current liabilities in the consolidated balance sheet. Interest expense totaled $0.2 million for the three months ended June 30, 2021, which includes the amortization of the debt discount which totaled less than $0.1 million. Interest expense totaled $0.3 million for the six months ended June 30, 2021, which includes the amortization of the debt discount which totaled less than $0.1 million. The interest rate in effect as of June 30, 2021 was 5.5% and 4.5% for the JPM Credit Agreement and revolving line of credit, respectively. As of June 30, 2021, the Company has drawn down $5.4 million on the revolving line of credit.

The Company's obligations under the JPM Credit Agreement were secured by a first-priority security interest in all of its assets, including intellectual property.

As of June 30, 2021, future principal payments on long-term debt are as follows (in thousands):

| **Year Ending December 31,** | | |
|---|---|---|
| 2021 (remaining six months) | $ | 29,606 |
| 2022 | | 7,421 |
| 2023 | | 7,197 |
| 2024 | | 4,000 |
| | $ | 48,224 |



*Convertible Note*

In September 2020, the Company entered into a Convertible Note Purchase Agreement (the "2020 Convertible Notes") with an investor for gross proceeds of $2.0 million with a stated interest rate of 6.0% per annum. An additional $2.0 million in gross proceeds were made available in December 2020 upon achievement of the integration milestone, whereby the Company successfully created software utilizing the investor's application programming interface. The 2020 Convertible Notes provided a conversion option whereby upon the closing of a Qualified Financing event, in which the aggregate gross proceeds of the issuance of preferred stock totaled at least $10.0 million, the notes would automatically convert into shares of the same class and series of capital stock of the Company issued to other investors in the financing at a conversion price equal to 80% of the price per share paid by the other investors. The conversion option met the definition of an embedded derivative and was required to be bifurcated and accounted for separately from the notes. The proceeds from the 2020 Convertible Notes were allocated between the derivative liability, with a fair value at issuance of $1.0 million, and the notes, with an initial carrying value of $3.0 million, and included in long-term liabilities on the Company's consolidated balance sheet. The difference between the initial carrying value of the notes and the stated value of the notes represented a discount that was accreted to interest expense over the term of the Convertible Notes using the effective interest method. As of June 30, 2021, the accrued interest on the 2020 Convertible Notes was less than $0.1 million, which is included in accrued expenses and other current liabilities in the consolidated balance sheet. Interest expense totaled $0.1 million and $0.3 million for the three and six months ended June 30, 2021, respectively.

Between January 21, 2021 and February 4, 2021, the Company entered into a Convertible Note Purchase Agreement (the "2021 Convertible Notes") with various investors for gross proceeds of $30.0 million with a stated interest rate of 8.0% per annum. The 2021 Convertible Notes provided a conversion option whereby upon the closing of a Qualified Financing event, in which the aggregate gross proceeds totaled at least $100.0 million, the notes would automatically convert into shares of the same class and series of capital stock of the Company issued to other investors in the financing at a conversion price equal to 80% of the price per share paid by the other investors. The conversion option met the definition of an embedded derivative and was required to be bifurcated and accounted for separately from the notes. The proceeds from the 2021 Convertible Notes were allocated between the derivative liability, with a fair value at issuance of $7.0 million, and the notes, with an initial carrying value of $23.0 million, and included in long-term liabilities on the Company's consolidated balance sheet. The difference between the initial carrying value of the notes and the stated value of the notes represented a discount that was accreted to interest expense over the term of the Convertible Notes using the effective interest method. This derivative liability had a fair value of $9.2 million at June 30, 2021.

On June 21, 2021, the Company modified the 2021 Convertible Notes to grant the holders an additional 1,000,000 shares of NHIC common stock as further consideration upon the automatic conversion of the notes upon closing of the Business Combination. This modification of the notes resulted in an extinguishment and the Company recognized a loss on extinguishment of the 2021 Convertible Notes of $11.8 million. The $26.7 million carrying value of the notes at June 21, 2021 was derecognized and replacement notes with an initial carrying value of $29.6 million were recorded. Interest expense for the difference of the fair value of the notes and the face value of $30 million was recorded for less than $0.1 million as of June 30, 2021.

Additionally, in the extinguishment accounting, a derivative liability of $19.2 million was recognized, which represents the value of the 1,000,000 NHIC shares as well as a bifurcated embedded derivative for the conversion option. The mark to market change to June 30, 2021 resulted in an additional loss of less than $0.1 million. Interest expense totaled $2.8 million and $4.7 million for the three and six months ended June 30, 2021, respectively.



**9. Convertible Preferred Stock**

The Company has issued Series A convertible preferred stock ("Series A Preferred Stock"), Series A-1 convertible preferred stock ("Series A-1 Preferred Stock"), Series B convertible preferred stock ("Series B Preferred Stock"), and Series B-1 convertible preferred stock ("Series B-1 Preferred Stock"), collectively referred to as the "Preferred Stock".

In February and March 2020, the Company issued and sold an additional 8,486,175 shares of Series B-1 Preferred Stock at a price of $0.3653 per share for aggregate proceeds of $3.1 million, excluding issuance costs of $0.1 million. As of each balance sheet date, the Preferred Stock consisted of the following (in thousands, except share amounts):

| | June 30, 2021 and December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Preferred Stock Authorized | Preferred Stock Issued and Outstanding | Carrying Value | Liquidation Preference | Common Stock Issuable Upon Conversion |
| Series A-1 Preferred Stock | 67,156,152 | 64,469,906 | $ 18,394 | $ 18,000 | 64,469,906 |
| Series A Preferred Stock | 9,233,677 | 9,233,677 | 11,321 | 11,819 | 18,481,789 |
| Series B-1 Preferred Stock | 90,328,396 | 90,328,396 | 31,953 | 32,997 | 90,328,396 |
| Series B Preferred Stock | 40,671,814 | 40,671,814 | 14,209 | 14,284 | 40,671,814 |
| | 207,390,039 | 204,703,793 | $ 75,877 | $ 77,100 | 213,951,905 |

The holders of the Preferred Stock have the following rights and preferences:

*Voting Rights*

The holders of the Preferred Stock are entitled to vote, together with the holders of common stock voting as a single class, on all matters submitted to the stockholders for a vote. Each holder of Preferred Stock is entitled to the number of votes equal to the number of shares of common stock into which each share of Preferred Stock is convertible as of the record date for determining stockholders entitled to vote on such matters.

*Conversion*

Each share of Series A-1 Preferred, Series B Preferred, and Series B-1 Preferred is convertible into one share of common stock at the option of the stockholder at any time after issuance. As a result of the Series A-1 Preferred Stock being issued at a lower price per share than the Series A Preferred Stock, the Series A Preferred Stock is convertible into 2.0016 shares of common stock at the option of the stockholder.

The terms of the Preferred Stock also provide for further adjustment to the conversion price in the event of a future issuance of shares by the Company that would dilute the ownership of the Preferred Stockholders. There is no impact of this beneficial conversion feature reflected in the consolidated financial statements as of June 30, 2021 and December 31, 2020 as the conversion price of the Preferred Stock exceeded the fair value of the common stock on the original issuance dates of the Preferred Stock.

Conversion of the Preferred Stock is at the option of the holder but is mandatory at the earlier of the closing of a sale of shares of the Company's common stock to the public with gross proceeds of at least $50 million and listed on an exchange, or an agreement by each of the holders of at least a majority by the holders of the outstanding shares of Preferred Stock to convert their shares.

*Dividends*

The Company shall not declare, pay or set aside any dividends on shares of any class or series of capital stock unless dividends are declared, paid or set aside on all classes and series of capital stock of the Company then outstanding. For any dividend to common stockholders, holders of Preferred Stock will receive an amount equal to the dividend based on the number of shares that would be outstanding if all then outstanding shares of Preferred Stock had converted into common stock.



*Liquidation Preference*

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company or upon the occurrence of a Liquidation Event, as defined in the Restated Certificate of Incorporation, the holders of shares of Series B-1 Preferred Stock then outstanding will be entitled to be paid out of the assets of the Company available for distribution to its stockholders, before any payment is made to the holders of Series B Preferred Stock, Series A-1 Preferred Stock, Series A Preferred Stock or Common Stock, an amount per share equal to the greater of (i) the Series B-1 Original Issue Price of $0.3653, plus any dividends declared but unpaid thereon, or (ii) the amount per share that would have been payable had all then outstanding shares of Series B-1 Preferred Stock been converted into Common Stock immediately prior to such liquidation, dissolution, winding up or Liquidation Event. After the holders of Series B-1 Preferred Stock have received the foregoing amount, the holders of Series B Preferred Stock are entitled to receive in preference to remaining stockholders, to the extent available, an amount per share equal to the greater of (i) the Series B original issue price of $0.3512 per share plus any dividends declared but unpaid thereon or (ii) such amount as would have been payable had all then outstanding shares of Series B Preferred Stock been converted into common stock prior to such event. After the holders of Series B Preferred Stock have received the foregoing amount, the holders of Series A-1 Preferred Stock are entitled to receive in preference to other stockholders, to the extent available, an amount per share equal to the greater of (i) the Series A-1 original issue price of $0.2792 per share plus any dividends declared but unpaid thereon or (ii) such amount as would have been payable had all then outstanding shares of Series A-1 Preferred Stock been converted into common stock prior to such event. After the holders of Series A-1 Preferred Stock have received the foregoing amount, the holders of Series A Preferred Stock are entitled to receive in preference to remaining stockholders, to the extent available, an amount per share equal to the greater of (i) the Series A original issue price of $1.28 per share plus any dividends declared but unpaid thereon or (ii) such amount as would have been payable had all then outstanding shares of Series A Preferred Stock been converted into common stock prior to such event.

If upon such liquidation, dissolution, winding up or Liquidation Event, the assets of the Company available for distribution to its stockholders are insufficient to pay the holders of shares of Series B-1 Preferred Stock the full amount to which they are entitled, the holders of Series B-1 Preferred Stock will share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable to them had they been paid in full**.** After payments have been made in full to the holders of Series A-1 and Series A Preferred, then to the extent available, holders of common stock will receive the remaining amounts available for distribution ratably in proportion to the number of common shares held by them.

*Redemption*

The Preferred Stock is not redeemable at the option of the holder other than pursuant to the terms and conditions of a separate contractual agreement between the Company and a certain holder of Preferred Stock that allows the redemption at fair value of all then outstanding shares of the holder's Preferred Stock upon certain contingent events within the Company's control. However, upon certain change in control events that are outside of the Company's control, including liquidation, sale or transfer of control of the Company, holders of the Preferred Stock may cause redemption of the Preferred Stock, with such redemption in an amount equal to the liquidation preference. The Company classifies its Preferred Stock outside of stockholders' deficit as certain change in control events are outside the Company's control. As there is no certain redemption date and the redemption feature could only be triggered in the event of a liquidation, sale, or transfer of control of the Company or similar event, the Company has concluded that it is not probable that the Preferred Stock will become redeemable and as such does not accrete the Preferred Stock to its redemption value.

**10. Warrants**

In February 2019, in connection with the 2019 Term Loan Advance, the Company issued a warrant to SVB for the purchase of 75,000 shares of common stock at an exercise price of $0.09 per share (the "2019 SVB Common Stock Warrant"). The 2019 SVB Common Stock Warrant was immediately exercisable and expires in February 2029. The warrant was classified as an equity instrument and recorded at its fair value of less than $0.1 million on the date of issuance through additional paid-in-capital.

In March 2020, in connection with the 2020 Term Loan Advance, the Company issued a warrant to SVB for the purchase of 740,991 shares of common stock at an exercise price of $0.15 per share (the “2020 SVB Common Stock Warrant”). The 2020 SVB Common Stock Warrant was immediately exercisable and expires in March 2030. The warrant was classified as an equity instrument and recorded at its fair value of less than $0.1 million on the date of issuance through additional paid-in-capital.

In December 2020, in connection with the JPM Term Loan, the Company issued a warrant to JPM for the purchase of 1,000,000 shares of common stock at an exercise price of $0.16 per share (the “2020 JPM Common Stock Warrant”). The 2020 JPM Common Stock Warrant was immediately exercisable and expires in December 2030. The warrant was classified as an equity instrument and recorded at its fair value of $0.1 million on the date of issuance through additional paid-in-capital.

As of June 30, 2021 and December 31, 2020, warrants to purchase the following classes of Preferred Stock and Common Stock outstanding consisted of the following in the table below.

**Preferred stock warrants outstanding**

| | June 30, 2021 and December 31, 2020 | | | | |
|---|---|---|---|---|---|
| Issuance Date | Contractual Term (in years) | Underlying Equity Instrument | Balance Sheet Classification | Shares Issuable Upon Exercise of Warrant | Weighted Average Exercise Price |
| March 17, 2014 | 10 | Common stock | Liability | 250,000 | $ 0.09 |
| September 28, 2016 | 10 | Preferred Stock | Temporary Equity | 2,686,246 | $ 0.001 |
| July 5, 2017 | 10 | Common stock | Equity | 375,000 | $ 0.09 |
| February 12, 2019 | 10 | Common stock | Equity | 75,000 | $ 0.09 |
| March 30, 2020 | 10 | Common stock | Equity | 740,991 | $ 0.15 |
| December 3, 2020 | 10 | Common stock | Equity | 1,000,000 | $ 0.16 |
| | | | | 5,127,237 | |

As a result of changes in the fair value of these warrants, the Company recorded other expense of $0.2 million and $0 for the three months ended June 30, 2021 and 2020, and $0.9 million and $0 for the six months ended June 30, 2021, and 2020, respectively.

**11. Common Stock**

As of June 30, 2021 and December 31, 2020, the Company’s amended certificate of incorporation authorized the issuance of 325,991,899 and 305,491,899 shares of $0.001 par value common stock, respectively.

Each share of common stock entitles the holder to one vote on all matters submitted to a vote of the Company’s stockholders. Common stockholders are entitled to receive dividends, as may be declared by the board of directors, subject to the preferential dividend rights of Preferred Stock. As of June 30, 2021 and December 31, 2020, no cash dividends had been declared or paid.

As of June 30, 2021 and December 31, 2020, the Company had reserved 289,195,124 and 271,350,898 shares, respectively, of common stock for the conversion of the outstanding Preferred Stock, exercise of outstanding stock options, the number of shares remaining available for grant under the Company’s 2013 Equity Incentive Plan (see Note 12) and the exercise of outstanding warrants (including warrants to purchase Preferred Stock as if converted to common stock) (see Note 10).

**12. Stock-Based Compensation**

*2013 Equity Incentive Plan*

The Company’s 2013 Equity Incentive Plan (the “Plan”) provides for the Company to grant incentive stock options or nonqualified stock options, restricted stock awards and other stock-based awards to employees, officers, directors and non-employees of the Company. Per the initial terms of the Plan, up to 2,852,300 shares of common stock may be issued.



At June 30, 2021 and December 31, 2020, shares of common stock that may be issued under the 2013 Plan were 325,991,899 and 305,491,899, respectively. As of June 30, 2021 and December 31, 2020, 5,420,954 shares and 2,592,202 shares, respectively, remained available for future grant under the 2013 Plan. Shares that are expired, forfeited, canceled or otherwise terminated without having been fully exercised will be available for future grant under the 2013 Plan. In addition, shares of common stock that are tendered to the Company by a participant to exercise an award are added to the number of shares of common stock available for future grants.

The 2013 Plan is administered by the Board of Directors or, at the discretion of the Board of Directors, by a committee of the Board of Directors. The exercise prices, vesting and other restrictions are determined at the discretion of the Board of Directors, or its committee if so delegated, except that the exercise price per share of stock options may not be less than 100% of the fair market value of a share of common stock on the date of grant and the term of the stock option may not be greater than ten years. Stock options granted to employees, officers, members of the Board of Directors and non-employees typically vest over a four-year period. The Company’s Board of Directors values the Company’s common stock, taking into consideration its most recently available valuation of common stock performed by third parties as well as additional factors which may have changed since the date of the most recent contemporaneous valuation through the date of grant.

During the three months ended June 30, 2021, there were no options granted by the Company. During the six months ended June 30, 2021, the Company granted 17,130,123 options.

The following table presents, on a weighted average basis, the assumptions used in the Black-Scholes option-pricing model to determine the grant-date fair value of stock options granted:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2021 | 2020 |
| Risk-free interest rate | 0.7% | N/A |
| Expected term (in years) | 6.0 | N/A |
| Expected volatility | 31.4% | N/A |
| Expected dividend yield | 0.0% | N/A |

The following tables summarize the Company’s stock option activity since December 31, 2020 (in thousands, except for share and per share data):

| | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding as of December 31, 2020 | 49,679,554 | $ 0.14 | 8.24 | $ 1,073 |
| Granted | 17,130,123 | 0.16 | 9.53 | 49,335 |
| Exercised | (5,523,538) | 0.12 | 5.43 | 16,132 |
| Exercised upon settlement of related party note | (3,888,889) | 0.09 | 7.21 | 272 |
| Forfeited | (223,875) | 0.15 | - | 646 |
| Outstanding as of June 30, 2021 | 57,173,375 | 0.15 | 8.46 | $ 165,295 |
| | | | | |
| Vested and expected to vest as of June 30, 2021 | 57,173,375 | $ 0.15 | 8.46 | $ 165,295 |
| Options exercisable as of June 30, 2021 | 23,914,233 | $ 0.14 | 7.45 | $ 69,461 |

The aggregate intrinsic value of options is calculated as the difference between the exercise price of the stock options and the fair value of the Company’s common stock for those options that had exercise prices lower than the fair value of the Company’s common stock.



The intrinsic value of stock options exercised during the three months ended June 30, 2021 and 2020 was $4.0 million and less than $0.1 million, respectively, and $16.1 million and less than $0.1 million for the six months ended June 30, 2021 and 2020, respectively.

The weighted average grant-date fair value per share of stock options granted during the three months ended June 30, 2020 was $0. The weighted average grant-date fair value per share of stock options granted during the six months ended June 30, 2021 and 2020 was $0.05 and $0, respectively.

*Restricted Stock Units*

The following table summarize the Company's restricted stock units activity since December 31, 2020 (in thousands, except for share and per share data):

| | Number of Shares | Grant Date Fair Value |
|---|---|---|
| Outstanding as of December 31, 2020 | - | - |
| Granted | 765,000 | $ 3.04 |
| Vested | - | - |
| Cancelled | - | - |
| Outstanding as of June 30, 2021 | 765,000 | $ 3.04 |

*Warrants to Non-Employee Service Provider*

In January 2021, in connection with a Business Development Agreement entered into with Finback Evolv II, LLC (“Finback BDA ”) , the Company issued a warrant to Finback for the purchase of 6,756,653 shares of common stock at an exercise price of $0.16 per share (the “2021 Finback Common Stock Warrants”). The 2021 Finback Common Stock Warrants vest upon meeting certain sales criteria as defined in the agreement and expires in January 2030. The warrants will be accounted for under ASC 718 as the warrants will vest upon certain performance conditions being met.

The Company utilized a Black-Scholes pricing model to determine the grant-date fair value of the 2021 Finback Common Stock Warrants granted. The assumptions used are presented in the following table:

| | |
|---|---|
| Risk-free interest rate | 0.4% |
| Expected term (in years) | 3.0 |
| Expected volatility | 23.9% |
| Expected dividend yield | 0.0% |

On the date of issuance, the total value of the 2021 Finback Common Stock Warrants were valued as $19.6 million.

As of June 30, 2021, 348,598 shares of the 2021 Finback Common Stock Warrants were exercisable at a total aggregate intrinsic value of $1 million. The remaining 6,408,055 shares of the 2021 Finback Common Stock Warrants are unvested and have a total aggregate intrinsic value of $18.5 million. As of June 30, 2021, none of the 2021 Finback Common Stock Warrants were exercised. The Company will recognize compensation expense for the 2021 Finback Common Stock warrants when the warrants become vested based on meeting the certain sales criteria. During the three and six months ended June 30, 2021, the Company recorded $0.2 million and $1.0 million, respectively, of stock-based compensation expense within sales and marketing expense for the 2021 Finback Common Stock warrants.



*Stock-Based Compensation*

Stock-based compensation expense was classified in the consolidated statements of operations and comprehensive loss as follows (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Cost of revenue | $ 5 | $ 2 | $ 10 | $ 4 |
| Sales and marketing | 375 | 19 | 1,308 | 40 |
| General and administrative | 102 | 19 | 196 | 38 |
| Research and development | 53 | 20 | 103 | 40 |
| Total stock-based compensation expense | $ 535 | $ 60 | $ 1,617 | $ 122 |

Stock-based compensation expense was classified by award type in the consolidated statements of operations and comprehensive loss as follows (in thousands):

| | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 |
|---|---|---|---|---|
| Stock options | $ 264 | $ 60 | $ 467 | $ 122 |
| Warrants | 197 | - | 1,004 | - |
| RSU's | 74 | - | 146 | - |
| Total stock-based compensation expense | $ 535 | $ 60 | $ 1,617 | $ 122 |

Total unrecognized compensation expense related to unvested stock options and unvested restricted stock units as of June 30, 2021, was $3.6 million, which is expected to be recognized over weighted average period of 1.5 years.

**13. Income Taxes**

During the three and six months ended June 30, 2020 and 2021, the Company did not record income tax benefits for the net operating losses incurred or for the research and development tax credits generated in each period, due to its uncertainty of realizing a benefit from those items.

The Company's tax provision and the resulting effective tax rate for interim periods is determined based upon its estimated annual effective tax rate ("AETR"), adjusted for the effect of discrete items arising in that quarter. The impact of such inclusions could result in a higher or lower effective tax rate during a particular quarter, based upon the mix and timing of actual earnings or losses versus annual projections. In each quarter, the Company updates its estimate of the annual effective tax rate, and if the estimated annual tax rate changes, a cumulative adjustment is made in that quarter.

The Company has evaluated the positive and negative evidence bearing upon its ability to realize its deferred tax assets, which primarily consist of net operating loss carryforwards. The Company has considered its history of cumulative net losses, estimated future taxable income and prudent and feasible tax planning strategies and has concluded that it is more likely than not that the Company will not realize the benefits of its deferred tax assets. As a result, as of June 30, 2021 and December 31, 2020 the Company has recorded a full valuation allowance against its net deferred tax assets.

The Company files U.S. income tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by federal and state jurisdictions, where applicable. There are currently no pending tax examinations in the U.S. The Company has not received notice of examination by any jurisdictions in the U.S.



**14. Net Loss per Share**

Basic and diluted net loss per share attributable to common stockholders was calculated as follows (in thousands, except share and per share amounts):

| | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 |
|---|---|---|---|---|
| Numerator: | | | | |
| Net loss attributable to common stockholders – basic and diluted | $ (22,371) | $ (5,104) | $ (36,126) | $ (11,534) |
| | | | | |
| Denominator: | | | | |
| Weighted average common shares outstanding—basic and diluted | 31,540,397 | 23,568,291 | 29,593,131 | 23,491,518 |
| Net loss per share attributable common stockholders—basic and diluted | $ (0.71) | $ (0.22) | $ (1.22) | $ (0.49) |

The Company's potentially dilutive securities, which include stock options, convertible preferred stock, preferred and common stock warrants and convertible notes have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share. Therefore, the weighted average number of common shares outstanding used to calculate both basic and diluted net loss per share attributable to common stockholders is the same. The Company excluded the following potential common shares, presented based on amounts outstanding at each period end, from the computation of diluted net loss per share attributable to common stockholders for the periods indicated because including them would have had an anti-dilutive effect:

| | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 |
|---|---|---|
| Options to purchase common stock | 57,173,375 | 28,348,557 |
| Warrants to purchase common stock | 2,789,589 | 1,440,991 |
| Convertible preferred stock (as converted to common stock) | 213,951,905 | 213,951,905 |
| Warrants to purchase preferred stock (as converted to warrants to purchase common stock) | 2,686,246 | 2,686,246 |
| Unvested restricted stock units | 765,000 | - |
| Convertible notes (as converted to common stock) | 10,028,000* | - |
| | 287,394,115 | 246,427,699 |

*Conversion feature is only triggered upon the closing of a Qualified Financing Event

**15. Related Party Transactions**

*Nonrecourse Promissory Note with Officer*

In August 2020, the Company entered into a $0.4 million promissory note with an officer with the proceeds being used to exercise options for 3,888,889 shares of common stock at a price of $0.09 per share. The promissory note bore interest at the Wall Street Journal Prime Rate and was secured by the underlying shares of common stock that were issued upon the exercise of the stock options. The promissory note was treated as nonrecourse as the loan was only secured by the common stock issued from the exercise of the stock options. As such, (i) the underlying stock option grant was still considered to be outstanding and the shares of common stock were not considered issued and outstanding for accounting purposes until the loan was repaid in full or otherwise forgiven and (ii) no receivable was recorded for the promissory note on the Company's consolidated balance sheets. As such, the promissory note effectively extended the maturity date of the option grant for the life of the loan, this change is treated as a stock option modification. The incremental fair value from the stock option modification was deemed immaterial. The interest on this nonrecourse loan is also considered nonrecourse. As the Company has no intent to collect interest, no accrued interest was recorded.

In June 2021, the Company agreed to repurchase 115,565 shares of common stock valued at $3.04 per share of common stock held by the officer of the Company. In exchange for the repurchase of the common stock by the Company, the $0.4 million promissory note held by the officer was considered repaid in full.

**16. Commitments and Contingencies**

*Operating Leases*

The Company entered into a new lease agreement for additional office space starting May 1, 2021 through October 31, 2024, with the option to extend through October 31, 2027 with written notice. In May 2021, the Company leased the space. The Company is required to maintain a minimum cash balance of $0.7 million as a security deposit on the space which is classified as restricted cash and restricted cash, noncurrent on the consolidated balance sheet as of June 30, 2021. The Company is generally obligated for the cost of property taxes, insurance, and maintenance relating to this lease.

Total future minimum lease payments under this noncancelable operating lease amount to $3.4 million. Rent expense for the three months ended June 30, 2021 and 2020 was approximately $0.3 million and $0.1 million, respectively. Rent expense for the six months ended June 30, 2021 and 2020 was approximately $0.4 million and $0.2 million, respectively.

Future minimum rental commitments to be paid by the Company at June 30, 2021 for this lease is as follows (in thousands):

| | | |
|---|---|---|
| **Year Ending December 31:** | | |
| 2021 (remaining six months) | $ | 185 |
| 2022 | | 1,116 |
| 2023 | | 1,150 |
| 2024 | | 981 |
| | $ | 3,432 |

*Indemnification Agreements*

In the ordinary course of business, the Company may provide indemnification of varying scope and terms to vendors, lessors, business partners and other parties with respect to certain matters including, but not limited to, losses arising out of breach of such agreements or from intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with members of its Board of Directors and certain of its executive officers and employees that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their role, status or service as directors or officers. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is, in many cases, unlimited. To date, the Company has not incurred any material costs as a result of such indemnifications. The Company is not currently aware of any indemnification claims and has not accrued any liabilities related to such obligations in its consolidated financial statements as of June 30, 2021 or December 31, 2020.

*Legal Proceedings*

The Company is not a party to any litigation and does not have contingency reserves established for any litigation liabilities. At each reporting date, the Company evaluates whether or not a potential loss amount or a potential range of loss is probable and reasonably estimable under the provisions of the authoritative guidance that addresses accounting for contingencies. The Company expenses as incurred the costs related to such legal proceedings.

**17. Benefit Plans**

The Company established a defined contribution savings plan under Section 401(k) of the Code. This plan covers all employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. Matching contributions to the plan may be made at the discretion of the Company's board of directors. The Company did not make contributions to the plan during the three months and six months ended June 30, 2021 or 2020.



**18. Subsequent Events**

The Company evaluated subsequent events through August 16, 2021, the date on which these consolidated financial statements were issued.

*Close of Merger Agreement*

On July 15, 2021, NHIC held a special meeting of stockholders (the "Special Meeting"), at which the NHIC stockholders considered and adopted, among other matters, a proposal to approve the Business Combination, including (a) adopting the Amended Merger Agreement and (b) approving the other transactions and matters contemplated by the Merger Agreement and related agreements as described in the Proxy Statement/Prospectus.

Pursuant to the terms and subject to the conditions set forth in the Amended Merger Agreement, following the Special Meeting, on July 16, 2021 (the "Closing Date"), the Transactions were consummated (the "Closing").

In connection with the Closing, NHIC changed its name from NewHold Investment Corp. to Evolv Technologies Holdings, Inc.

Holders of 8,755,987 shares of NHIC's Class A common stock sold in its initial public offering (the "public shares") properly exercised their right to have such shares redeemed for a full pro rata portion of the trust account holding the proceeds from NHIC's initial public offering, calculated as of two business days prior to the consummation of the Business Combination, which was approximately $10.00 per share, or $87.6 million in the aggregate.

As a result of the Business Combination, each share of Legacy Evolv preferred stock and common stock was converted into the right to receive approximately 0.378 shares of the NHIC's Class A common stock. Additionally, the 4,312,500 shares of NHIC Class B common stock held by NewHold Industrial Technology Holdings LLC (the "Sponsor"), automatically converted to 4,312,500 shares of the NHIC's Class A common stock.

Pursuant to subscription agreements entered into in connection with the Merger Agreement (collectively, the "Subscription Agreements"), certain investors agreed to subscribe for an aggregate of 30,000,000 newly-issued shares of Class A common stock at a purchase price of $10.00 per share for an aggregate purchase price of $300 million (the "PIPE Investment"). At the Closing, Evolv consummated the PIPE Investment.

After giving effect to the Business Combination, the redemption of public shares as described above, and the consummation of the PIPE Investment, at the closing there were 142,260,102 shares of the NHIC's Class A common stock issued and outstanding.

As noted above, an aggregate of $87.6 million was paid from NHIC's trust account to holders that properly exercised their right to have public shares redeemed, and the remaining balance immediately prior to the Closing of approximately $85.0 million remained in the trust account. The remaining amount in the trust account was used to fund the "Business Combination".

**Exhibit 99.4**

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF EVOLV

*You should read the following discussion and analysis of Evolv's financial condition and results of operations together with our consolidated financial statements and the related notes appearing at Exhibit 99.3 of this Current Report on Form 8-K/A (the "Form 8-K/A") filed with the Securities and Exchange Commission (the "SEC") . Some of the information contained in this discussion and analysis or set forth elsewhere in this Form 8-K/A, including information with respect to Evolv's plans and strategy for its business and related financing, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in the "Risk Factors" section of the proxy statement/prospectus filed with the SEC on June 9, 2021, with the SEC, our actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.*

**Business Overview**

Evolv Technologies, Inc. ("we", "our", or "Evolv") is the global leader in SaaS-based weapons detection security screening. Unlike conventional walk-through metal detectors, our products use advanced sensors, artificial intelligence software, and cloud services to reliably detect guns, improvised explosives, and large knives while ignoring harmless items like phones and keys. This not only enhances security at venues and facilities but also improves the visitor experience by making screening up to ten times faster than alternatives at up to 70% lower total cost.

Our products have screened over 75 million people worldwide. We believe that we have screened more people through advanced systems than any organization other than the United States Transportation Security Administration ("TSA"). Our customers include many iconic venues across a wide variety of industries including major sports teams, notable performing arts and entertainment venues, major tourist destinations and cultural attractions, large industrial workplaces, large school districts, and prominent houses of worship. We primarily offer our products under a multi-year security-as-a-service subscription pricing model that delivers ongoing value to customers, generates predictable revenue and creates expansion and upsell opportunities.

Our mission is to make the world a safer and more enjoyable place to live, work, study, and play. We are focused on delivering value in the spaces in and around the physical threshold of large venues and facilities. We believe that digitally transforming the threshold experience is one of the most exciting innovation opportunities of our time. We believe that our ongoing innovations will not only make venues and facilities safer and more and more enjoyable, but also more efficient and profitable.

Touchless security screening represents a paradigm shift for the security screening market which, according to our estimates, is currently a $20 billion market opportunity. Touchless security screening is a radical change from conventional security screening processes that primarily rely on walk-through metal detectors based on core technology that was invented in the nineteenth century. This conventional approach presents numerous operational problems and hidden costs including a high number of nuisance alarms due to the inability to distinguish weapons from harmless items. These frequent nuisance alarms require resolution using manual bag checks and pat downs that are error-prone, labor cost-intensive, and unpleasant for visitors. This creates long wait times, dangerous crowding, and numerous opportunities for weapons to slip through. The result is reduced security, frustrated visitors, and acutely stressful working conditions for employees.

By allowing visitors to walk through at a normal pace with their bags in hand and without emptying their pockets, Evolv products significantly accelerate the security screening process while also reducing the number of nuisance alarms to a level that allows guards to focus their attention on real threats. We believe there is significant demand for touchless security screening in venues and facilities that currently use slower, more invasive conventional metal detector screening. We also believe there is additional opportunity in venues and facilities that have not previously adopted weapon screening because of the limitations of conventional screening. Our technology is designed to allow these venues and facilities to successfully deploy security screening for the first time.

Our potential to develop this significant opportunity is rooted in our deep domain experience and commitment to research and development. Our engineering efforts are led by a team of seasoned experts in physics, electronics, and software development. Since our founding in July 2013, we have invested significant resources in developing an extensive portfolio of proprietary and differentiated technologies, with a focus on making security screening more precise, much faster, and far less labor intensive. Our products, which incorporate these technologies, offer several key advantages over conventional alternatives.

Since our inception, we have incurred significant operating losses. Our ability to generate revenue and achieve cost improvements sufficient to achieve profitability will depend on the successful further development and commercialization of our products. We generated revenue of $4.5 million and $0.6 million for the three months ended June 30, 2021, and 2020, and $8.5 million and $1.3 million for the six months ended June 30, 2021, and 2020,respectively, and incurred net losses of $22.4 million and $5.1 million, and $36.1 million and $11.5 million for those same periods. We expect to continue to incur net losses as we focus on growing commercial sales of our products in both the United States and international markets, including growing our sales and marketing teams, scaling our manufacturing operations, and continuing research and development efforts to develop new products and further enhance our existing products. Further, following the closing of this merger, we expect to incur additional costs associated with operating as a public company. As a result, we will need substantial additional funding for expenses related to our operating activities, including selling, marketing, general and administrative expenses and research and development expenses.

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Because of the numerous risks and uncertainties associated with product development and commercialization, we are unable to accurately predict the timing or amount of increased expenses or when, or if, we will be able to achieve or maintain profitability. Until such time, if ever, as we can generate substantial revenue sufficient to achieve profitability, we expect to finance our operations through a combination of equity offerings and debt financings. In July 2021, the Company received gross proceeds of $300.0 million from its PIPE Investment. However, we may be unable to raise additional funds or enter into such other agreements or arrangements when needed on favorable terms, or at all. If we are unable to raise capital or enter into such agreements as, and when, needed, we may have to significantly delay, scale back or discontinue the further development and commercialization efforts of one or more of our products, or may be forced to reduce or terminate our operations. See "*Liquidity and Capital Resources.*"

**Recent Developments**

***NewHold Investment Corporation Merger***

On March 5, 2021, Evolv entered into the Merger Agreement with NewHold Investment Corporation ("NHIC"), a special purpose acquisition company and NHIC Sub Inc., a Delaware corporation and wholly-owned subsidiary of NHIC ("Merger Sub"). The terms of the Merger Agreement provided that effective at the time of the Business Combination, Merger Sub merged with and into Evolv (the "Combined Company"), which will survive the merger as a wholly-owned subsidiary. Upon the closing of the Business Combination, NHIC will change its name to Evolv Technologies Holdings, Inc. and its warrants continuing to be listed on NASDAQ under the symbol "EVLVW". Cash proceeds of the Business Combination will be funded through a combination of NHIC $166.6 million of *cash* held in trust, net of redemptions of $87.6 million, and $300.0 million in aggregate gross proceeds to Evolv from the Private Investment in Public Equity ("PIPE"). The Combined Company's cash on hand after giving effect to these transactions will be used for general corporate purposes, including advancement of our product development efforts. The Combined Company also intends to use the proceeds to acquire other companies or technologies in the security screening industry. However, there are no current definitive plans to engage in any acquisitive transactions.

The Business Combination will be accounted for as a reverse recapitalization, with no goodwill or other intangible assets recorded, in accordance with generally accepted accounting principles. Evolv has been determined to be the accounting acquirer based on evaluation of the following facts and circumstances:

- Evolv shareholders have a majority of the voting power in the Combined Company;
- Evolv has the ability to appoint a majority of the board of directors of the Combined Company;
- Evolv's existing management comprises the management of the Combined Company;
- Evolv comprises the ongoing operations of the Combined Company;
- Evolv is the larger entity based on historical revenues and business operations; and
- The Combined Company assumed Evolv's name.

Under this method of accounting, NHIC is treated as the "acquired" company for financial reporting purposes. Accordingly, for accounting purposes, the Business Combination is treated as the equivalent of the Combined Company issuing stock for the net assets of NHIC, accompanied by a recapitalization, and the historical financial statements of Evolv became the historical financial statements of the Combined Company upon the closing of the Business Combination.

On June 5, 2021, the Company entered into an amendment to the Merger Agreement (as so amended, the "Amended Merger Agreement"). Immediately prior to the effective time of the Amended Merger Agreement, each of the outstanding common stock warrants, other than the 2021 Finback Common Stock Warrants, shall either be exercised in full on a cash or cashless basis or terminated without exercise and each outstanding RSU, whether vested or unvested, shall be converted into an RSU of the parent company or the right to receive a number of earn-out shares.

Immediately prior to the effective timing of the closing of the Merger, the Company adopted the 2021 Incentive Plan ("2021 Plan") and 2021 Employee Stock Purchase Plan ("2021 ESPP"). The 2021 Plan shall provide an initial aggregate share reserve equal to 9.53% of the number of shares of common stock. The 2021 ESPP shall provide an initial aggregate share reserve equal to 1.5% of the number of shares of common stock.

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On July 16, 2021, the parties consummated the Business Combination. In connection with the Closing, the Company changed its name from NewHold Investment Corp. to Evolv Technologies Holdings, Inc.

Holders of 8,755,987 shares of NHIC's Class A common stock sold in its initial public offering (the "public shares") properly exercised their right to have such shares redeemed for a full pro rata portion of the trust account holding the proceeds from NHIC's initial public offering, calculated as of two business days prior to the consummation of the Business Combination, which was approximately $10.00 per share, or $87.6 million in the aggregate.

In connection with the execution of the Merger Agreement, NHIC entered into subscription agreements (collectively, the "PIPE Investment") with certain parties subscribing for shares of NHIC common stock (the "Subscribers") pursuant to which the Subscribers have agreed to purchase, and NHIC has agreed to sell to the Subscribers, an aggregate of 30,000,000 shares of NHIC common stock, for a purchase price of $10.00 per share and an aggregate purchase price of $300.0 million. The obligations to consummate the transactions contemplated by the PIPE Investment are conditioned upon, among other things, customary closing conditions and the consummation of the transactions contemplated by the Merger Agreement. In July 2021, the Company closed the PIPE Investment.

As a result of the Business Combination, each share of Legacy Evolv preferred stock and common stock was converted into the right to receive approximately 0.378 shares of the Company's Class A common stock.

***COVID-19***

In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. It is not possible to accurately predict the full impact of the COVID-19 pandemic on our business, financial condition and results of operations due to the evolving nature of the COVID-19 pandemic and the extent of its impact across industries and geographies and numerous other uncertainties. For example, we face uncertainties about the duration and spread of the outbreak, additional actions that may be taken by governmental entities, and the impact it may have on the ability of us, our customers, our suppliers, our manufacturers and our other business partners to conduct business. Governments in affected regions have implemented, and may continue to implement, safety precautions which include quarantines, travel restrictions, business closures, cancellations of public gatherings and other measures as they deem necessary. Many organizations and individuals, including our company and employees, are taking additional steps to avoid or reduce infections, including limiting travel and staying home from work. These measures are disrupting normal business operations and have had significant negative impacts on businesses and financial markets worldwide. We continue to monitor our operations and government recommendations and have made modifications to our normal operations because of the COVID-19 pandemic, including requiring most non-engineering or operations-related team members to work remotely, utilizing heightened cleaning and sanitization procedures, implementing new health and safety protocols and reducing non-essential travel.

The COVID-19 pandemic initially caused us to experience several adverse impacts, including extended sales cycles to close new orders for our products because many of our customers were required to completely or partially shut down facilities, delays in shipping and installing orders due to closed facilities and travel limitations and delays in collecting accounts receivable.

As the pandemic shutdown orders began to be relaxed and some segments of our prospective customer set began to formulate and execute their reopening plans, we began to see increased demand for touchless security screening processes of the kind enabled by our products. We also experienced new demand for rapid body temperature screening as part of the pandemic security screening process. In response to customer requests, we brought to market the Evolv Thermal Imaging Package™ for Evolv Express®™, a new add-on product developed in approximately 90 days during the pandemic lockdown. While ongoing demand for this product is uncertain, we believe our ability to integrate thermal screening into our product in a compressed time frame is an indicator of our innovation capabilities and of the potential for new future add-on products based on additional sensors and data types.

The rapid development and uncertainty of the impacts of the COVID-19 pandemic precludes any prediction as to the ultimate impact of the COVID-19 pandemic on our business. However, the COVID-19 pandemic, and the measures taken to contain it, continue to present material uncertainty and risk with respect to our performance and financial results. In particular, venues and facilities across an array of vertical markets are temporarily reducing capital expenditure budgets globally as they seek to preserve liquidity to ensure the longevity of their own operations, which in turn may lead to reductions in purchases of our security screening products. Further, office closures may prevent organizations from reaching typical utilizations of our security screening products, resulting in reductions in purchases of add-on products and expansion units. Additionally, the COVID-19 pandemic may contribute to facility closures at our third-party contract manufacturer and key suppliers, causing delays and disruptions in product manufacturing, which could affect our ability to ship products purchased by our customers in a timely manner. Disruptions in the capital markets as a result of the COVID-19 pandemic may also adversely affect our business if these impacts continue for a prolonged period and we need additional liquidity.

In the short-term, we have taken, and will continue to take, actions to mitigate the impact of the COVID-19 pandemic on our cash flow and results of operations and financial condition. While we are experiencing supply chain challenges, we do see this being overcome in the near future. In the long-term, we believe that the COVID-19 pandemic will encourage organizations to reassess their security screening processes and may continue to accelerate their adoption of solutions such as touchless security screening, which could create additional demand for our products.

Additional information regarding COVID-19 risks appears in the "Risk Factors" section of the proxy statement/prospectus filed with the SEC on June 9, 2021.

## Key Factors Affecting Our Operating Results

We believe that our performance and future success depend on many factors that present significant opportunities for us but also pose risks and challenges, including the following:

### *Adoption of our Security Screening Products*

We believe the world will continue to focus on the safety and security of people in the places where they gather. Many of these locations are moving toward a more frictionless security screening experience. We are well-positioned to take advantage of this opportunity due to our proprietary technologies and global distribution capabilities. Our products are designed to empower venues and facilities to realize the full benefits of touchless security screening, including a rapid visitor throughput and minimal security staff to screened visitor physical contact. We expect that our results of operations, including revenue, will fluctuate for the foreseeable future as venues and facilities continue to shift away from conventional security screening processes towards touchless security screening. The degree to which potential and current customers recognize these benefits and invest in our products will affect our financial results.

### *Pricing, Product Cost and Margins*

To date, most of our revenue has been generated by sales of subscriptions which represented 34% and 76% in the three months ended June 30, 2021 and 2020, respectively, and 33% and 74% in the six months ended June 30, 2021 and 2020, respectively. The remaining revenue was generated from product sales and service for our products. Going forward, we expect to sell our products in a variety of vertical industry markets and geographic regions. Pricing may vary by region due to market-specific dynamics. As a result, our financial performance depends, in part, on the mix of sales/bookings/business in different markets during a given period. In addition, we are subject to price competition, and our ability to compete in key markets will depend on the success of our investments in new technologies and cost improvements as well as our ability to efficiently and reliably introduce cost-effective touchless security screening products for our customers.

### *Continued Investment and Innovation*

We believe that we are a leader in touchless security screening products, offering transformative technologies that enable higher throughput, a more frictionless visitor experience, and substantial cost savings through our product innovations. Our performance is significantly dependent on the investment we make in our research and development efforts and on our ability to be at the forefront of the security screening industry. It is essential that we continually identify and respond to rapidly evolving customer requirements, develop and introduce innovative new products, enhance existing products and generate customer demand for our products. We believe that investment in our security screening products will contribute to long-term revenue growth, but it may adversely affect our near-term profitability.

## Components of Results of Operations

### *Revenue*

We derive revenue from (1) subscription arrangements accounted for as operating leases under ASC 840 and (2) from the sale of products, inclusive of maintenance and services. Our arrangements are generally noncancelable and nonrefundable after ownership passes to the customer. Revenue is recognized net of sales tax.

*Product Revenue*

We derive revenue from the sale of our Express and Edge equipment and related add-on accessories to customers. Revenue is recognized when control of the product has transferred to the customer. Transfer of control occurs when we have transferred title and risk of loss and have a present right to payment for the equipment, which is generally upon delivery as our normal terms of sale are freight on board destination. Products are predominately sold with distinct services which are described in the services section below.

*Subscription Revenue*

In addition to selling our products directly to customers, we also lease our Express and Edge equipment. These arrangements convey the right to use the equipment for a period of time in exchange for consideration and therefore are accounted for under ASC 840 due to the scope exception of ASC 606-10-15-2. Lease terms are typically four years and customers pay either a quarterly or annual fixed payment for the lease and maintenance elements over the contractual lease term. In accordance with ASC 840, *Leases*, we consider only the fixed payments for purposes of allocating between the lease and non-lease deliverables on a relative fair value basis. Equipment leases are classified as operating leases as they do not meet any of the capital lease criteria per ASC 840.

Generally, lease arrangements include both lease and non-lease components. The non-lease components relate to (i) distinct services, such as installation, training and maintenance, and (ii) any add-on accessories. Installation and training are included in service revenue as described below, and add-on accessories are included in product revenue as described above. Because the equipment and maintenance components of a subscription arrangement are recognized as revenue over the same time period and in the same pattern and because revenue allocated to maintenance components is not material, the equipment lease and maintenance performance obligations are classified as a single category of subscription revenue in the consolidated statements of operations.

As our leases with customers are classified as operating leases, lease revenue is recognized ratably over the duration of the lease. There are no contingent lease payments as a part of these arrangements.

*Services Revenue*

We provide installation, training and maintenance services for our products. Revenue for installation and training are recognized upon transfer of control of these services, which are normally rendered over a short duration. Maintenance consists of technical support, bug fixes and when-and-if available threat updates. Maintenance revenue is recognized ratably over the period of the arrangement. We sell separately priced extended or nonstandard warranty services and preventative maintenance plans, which are recognized ratably over the associated service period.

### *Cost of Revenue*

We recognize cost of revenues in the same manner that the related revenue is recognized.

*Cost of Product Revenue*

Cost of product revenue consists primarily of costs paid to third party manufacturers, labor costs, and shipping costs.

*Cost of Subscription Revenue*

Cost of subscription revenue consists primarily of labor costs, shipping costs, and depreciation related to leased units.

*Cost of Services Revenue*

Cost of services revenue consists primarily of labor, spare parts, shipping costs, and field service repair costs. Cost of service revenue related to maintenance consists primarily of labor, spare parts, shipping costs, field service repair costs, equipment, and supplies.

A provision for the estimated cost related to warranty is recorded to cost of revenue at the time revenue is recognized as necessary. Our estimate of costs to service the warranty obligations is based on historical experience and expectations of future conditions. As of June 30, 2021, and December 31, 2020, we recorded a warranty accrual of less than $0.1 million.

***Gross Profit and Gross Margin***

Our gross profit is calculated based on the difference between our revenues and cost of revenues. Gross margin is the percentage obtained by dividing gross profit by our revenue. Our gross profit and gross margin are, or may be, influenced by a number of factors, including:

- Market conditions that may impact our pricing;
- Product mix changes between established products and new products;
- Our cost structure for manufacturing operations, including contract manufacturers, relative to volume, and our product support obligations; and
- Our ability to maintain our costs on the components that go into the manufacture of our product.

We expect our gross margins to fluctuate over time, depending on the factors described above.

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***Research and Development***

Our research and development expenses represent costs incurred to support activities that advance the development of innovative security screening technologies, new product platforms, as well as activities that enhance the capabilities of our existing product platforms. Our research and development expenses consist primarily of salaries and bonuses, employee benefits, prototypes, design expenses, consulting and contractor costs and an allocated portion of overhead costs. We expect research and development costs will increase on an absolute dollar basis over time as we continue to invest in advancing our portfolio of security screening products.

***Sales and Marketing***

Sales and marketing expenses consist primarily of employee-related costs for individuals working in our sales and marketing departments, costs related to trade shows and events and an allocated portion of overhead costs. We expect our sales and marketing costs will increase on an absolute dollar basis as we expand our headcount and initiate new marketing campaigns.

***General and Administrative***

General and administrative expenses consist primarily of personnel-related expenses associated with our executive, finance, legal, information technology and human resources functions, as well as professional fees for legal, audit, accounting and other consulting services, and an allocated portion of overhead costs. We expect our general and administrative expenses will increase on an absolute dollar basis as a result of starting to operate as a public company, including expenses necessary to comply with the rules and regulations applicable to companies listed on a national securities exchange and related to compliance and reporting obligations pursuant to the rules and regulations of the SEC, as well as increased expenses for general and director and officer insurance, investor relations, and other administrative and professional services. In addition, we expect to incur additional costs as we hire additional personnel and enhance our infrastructure to support the anticipated growth of the business.

***Interest Expense***

Interest expense includes cash interest paid on our long-term debt as well as amortization of deferred financing fees and costs.

***Loss on Extinguishment of Debt***

There was a modification of the 2021 Convertible Notes due to an agreement with noteholders to receive an additional 1,000,000 shares of NHIC common stock as further consideration for the conversion of such notes consistent with the terms thereof, and interest due to each investor would automatically convert into shares of the same class and series of capital stock of the Company issued to other investors in the financing at a conversion price equal to 80% of the price per share paid by the other investors. This modification of the 2021 Convertible Notes was accounted for as an extinguishment.

***Change in Fair Value of Derivative Liability***

In August through September 2019 and in September 2020, the Company issued Convertible Notes to several investors (the "2020 Convertible Notes") that provided a conversion option whereby upon the closing of a specified financing event the notes would automatically convert into shares of the same class and series of capital stock of the Company issued to other investors in the financing at a conversion price equal to 85% and 80%, respectively, of the price per share of the securities paid by the other investors. This conversion option was determined to be an embedded derivative that was required to be bifurcated and accounted for separately from the notes. The derivative liability was initially recorded at fair value upon issuance of the notes and is subsequently remeasured to fair value at each reporting date. Changes in the fair value of the derivative liability are recognized in the consolidated statements of operations and comprehensive loss. In October 2019, the specified financing event was consummated, as such the 2020 Convertible Notes issued August through September 2019 were converted into shares of Series B-1 Preferred Stock and the derivative liability was extinguished. The derivative liability related to the 2020 Convertible Notes convertible note is outstanding as of June 30, 2021 and is included as a derivative liability in the consolidated balance sheet.

Between January 21, 2021 and February 4, 2021, the Company entered into a Convertible Note Purchase Agreement (the "2021 Convertible Notes") with various investors for gross proceeds of $30.0 million with a stated interest rate of 8.0% per annum. The 2021 Convertible Notes provided a conversion option whereby upon the closing of a Qualified Financing event, in which the aggregate gross proceeds totaled at least $100.0 million, the 2021 Convertible Notes would automatically convert into shares of the same class and series of capital stock of the Company issued to other investors in the financing at a conversion price equal to 80% of the price per share paid by the other investors. The conversion option met the definition of an embedded derivative and was required to be bifurcated and accounted for separately from the notes. The proceeds from the 2021 Convertible Notes were allocated between the derivative liability and included in long-term liabilities on the Company's consolidated balance sheet. The difference between the initial carrying value of the notes and the stated value of the notes represented a discount that was accreted to interest expense over the term of the Convertible Notes using the effective interest method.

On June 21, 2021, the Company modified the 2021 Convertible Notes to grant the holders an additional 1,000,000 shares of NHIC common stock as further consideration upon the automatic conversion of the notes upon closing of the Business Combination. The modification of the 2021 Convertible Notes resulted in the recognition of a derivative liability for the fair value of the 1,000,000 NHIC shares as of June 21, 2021 as well as a bifurcated embedded derivative for conversion feature into shares of the same class and series of capital stock of the Company issued to other investors in the financing at a conversion price equal to 80% of the price per share paid by the other investors.

***Change in Fair Value of Common Stock Warrant Liability***

Historically, Evolv has issued warrants to purchase our shares of common stock, in which the warrants have been classified as a liability on its consolidated balance sheet. Warrants classified as a liability are initially recorded at fair value on the issuance date and subsequently remeasured to fair value at each reporting date. Changes in the fair value of the warrant liability are recognized as a component of other income (expense) in the consolidated statements of operations and comprehensive loss. Changes in the fair value of the warrant liability will continue to be recognized until the warrants are exercised or expire or qualify for equity classification.

***Income Taxes***

Our income tax provision consists of an estimate for U.S. federal and state income taxes based on enacted rates, as adjusted for allowable credits, deductions, uncertain tax positions, changes in deferred tax assets and liabilities and changes in tax law. There is no provision for income taxes for the three months ended June 30, 2021, and 2020, and for the six months ended June 30, 2021, and 2020 because Evolv has historically incurred net operating losses and maintains a full valuation allowance against its deferred tax assets.

**Results of Operations**

**Comparison of the Three Months Ended June 30, 2021 and 2020**

The following table summarizes our results of operations for the three months ended June 30, 2021 and 2020, (in thousands):

| | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | Change |
|---|---|---|---|
| Revenue: | | | |
| Product revenue | $ 2,452 | $ 17 | $ 2,435 |
| Subscription revenue | 1,513 | 490 | 1,023 |
| Service revenue | 515 | 142 | 373 |
| Total revenue | 4,480 | 649 | 3,831 |
| Cost of revenues: | | | |
| Cost of product revenue | 2,075 | 37 | 2,038 |
| Cost of subscription revenue | 861 | 364 | 497 |
| Cost of service revenue | 413 | 85 | 328 |
| Total cost of revenue | 3,349 | 486 | 2,863 |
| Gross profit | 1,131 | 163 | 968 |
| Operating expenses: | | | |
| Research and development | 1,077 | 2,947 | (1,870) |
| Sales and marketing | 5,090 | 1,371 | 3,719 |
| General and administrative | 1,280 | 869 | 411 |
| Total operating expenses | 7,447 | 5,187 | 2,260 |
| Loss from operations | (6,316) | (5,024) | (1,292) |
| Other expense: | | | |
| Interest expense | 3,255 | 80 | 3,175 |
| Loss on extinguishment of debt | 11,820 | - | 11,820 |
| Change in fair value of derivative liability | 795 | - | 795 |
| Change in fair value of common stock warrant liability | 185 | - | 185 |
| Total other expense | 16,055 | 80 | 15,975 |
| Net loss and comprehensive loss | $ (22,371) | $ (5,104) | $ (17,267) |

***Revenue, Cost of Revenue and Gross Profit***

*Product*

Product revenue was $2.5 million for the three months ended June 30, 2021, compared to less than $0.1 million for the three months ended June 30, 2020. Cost of product revenue was $2.1 million for the three months ended June 31, 2021, compared to less than $0.1 million for the three months ended June 30, 2020. The increase of $2.4 million in revenue and increase of $2.0 million in cost of revenue for the three months ended June 30, 2021 compared to 2020 was primarily due to increases in direct product sales of Evolv Express and Evolv Edge. Gross profit increased by $0.4 million for three months ended June 30, 2021 compared to 2020, or 1,985%, and gross profit margin increased by 33 percentage points.

The increase in gross profit is primarily driven by our increased product sales and our continued efforts to streamline the manufacturing process and reduce costs by introducing standardized parts into our product. We will continue to see improvement in our gross margins as we continue to engineer our product for lower cost components and as we continue to gain leverage in the marketplace with increased sales, we expect higher discounts from suppliers.

*Subscription*

Subscription revenue was $1.5 million for the three months ended June 30, 2021, compared to $0.5 million for the three months ended June 30, 2020. Cost of subscription revenue was $0.9 million for the three months ended June 30, 2021, compared to $0.4 million for the three months ended June 30, 2020. The increase of $1.0 million in revenue and increase of $0.5 million in cost of revenue for three months ended June 30, 2021 compared to 2020 was primarily due to a larger install base of Evolv Express units during the period. Gross profit increased by $0.5 million, or 418%, and gross profit margin increased by 17 percentage points. The increase in gross profit was primarily driven by our increase in subscription revenue, while our gross profit margin increase is due to our continued efforts to streamline the manufacturing process. We will continue to see improvement in our gross margins as we continue to engineer our product for lower cost components and as we continue to gain leverage in the marketplace with increased sales, we expect higher discounts from suppliers.

*Services*

Service revenue was $0.5 million for the three months ended June 30, 2021, compared to $0.1 million for the three months ended June 30, 2020. Cost of service revenue was $0.4 million for the three months ended June 30, 2021, compared to $0.1 million for the three months ended June 30, 2020. The increase of $0.4 million in service revenue for three months ended June 30, 2021 was primarily due to increased installation and training related to the Evolv Express product. Gross profit increased by less than $0.1 million, or 79%, and gross profit margin decreased by 20 percentage points. The increase in gross profit is due to an increase in installations and training services from an increase in units sold or leased. The decrease in profit margin is due to higher field service costs, driven primarily by higher wages.

***Research and Development Expenses***

Research and development expenses were $1.0 million for the three months ended June 30, 2021, compared to $2.9 million for the three months ended June 30, 2020. The decrease of $1.9 million was primarily due to a decrease in research and development and prototype costs of $2.3 million and a decrease in professional fees of $0.3 million, partially offset by an increase in employee related expenses of $0.7 million during the three months ended June 30, 2021 compared to 2020. The decrease in professional fees is due to a decrease in consulting fees during the three months ended June 30, 2021. The increase in employee-related expenses is due to increased wages and benefits expense due to additional headcount. There was a transition from prototype production to standard manufacturing of the Evolv Express during the three months ended June 30, 2021, which resulted in lower prototyping costs and consulting fees.

***Sales and Marketing Expenses***

Sales and marketing expenses were $5.1 million for the three months ended June 30, 2021, compared to $1.4 million for the three months ended June 30, 2020. The increase of $3.7 million was primarily due to an increase of $2.4 million in employee related expenses, $0.2 million in miscellaneous expense, professional fees of $0.8 million, and an increase of $0.3 million of travel expenses. The increase in employee related expenses is due to additional commissions and personnel costs resulting from additional headcount in our sales function. The increase in professional fees is related to increased consulting on ways to maximize sales and business development. The increase in miscellaneous expense is due to an increase in subscriptions. The increase in travel and expense in 2021 is due to a low amount of travel costs in 2020 due to COVID-19.

***General and Administrative Expenses***

General and administrative expenses were $1.3 million for the three months ended June 30, 2021, compared to $0.9 million for the three months ended June 30, 2020. The increase of $0.4 million was primarily due to an increase in employee related expenses of $0.5 million, an increase in facility expenses of $0.3 million, an increase in computer/IT expenses of $0.1 million related to new non-capex related computer hardware purchases, and an increase in miscellaneous expense of $0.1 million, partially offset by a decrease of $0.5 million in professional fees. The increase in employee related expenses is due to an increase in salaries and related costs as a result of expanding our administrative team. The increase in facilities is due to an increase in rent expense. The decrease in professional fees was due to the deferral of certain transaction costs during the three months ended June 30, 2021.

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***Interest Expense***

Interest expense was $3.3 million for the three months ended June 30, 2021, compared to $0.1 million for the three months ended June 30, 2020. The increase of $3.2 million was primarily due to the issuance of $30.0 million of Convertible Notes during the three months ended June 30, 2021.

***Loss on Extinguishment of Debt***

Loss on extinguishment of debt was $11.8 million for the three months ended June 30, 2021. This was due to the modification of the 2021 Convertible Notes due to an agreement with noteholders to receive an additional 1,000,000 shares of NHIC common stock as further consideration for the conversion of such notes.

***Change in Fair Value of Derivative Liability***

Change in the fair value of the derivative liability was $0.8 million for the three months ended June 30, 2021. This was primarily due to an increase in the fair value of the stock given the pending Business Combination.

***Change in Fair Value of Common Stock Warrant Liability***

Change in the fair value of the common stock warrant liability was $0.2 million for the three months ended June 30, 2021. This is primarily due to mark to market fluctuations during this time period.

**Comparison of the Six Months Ended June 30, 2021 and 2020**

The following table summarizes our results of operations for the six months ended June 30, 2021 and 2020 (in thousands):

| | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 | Change |
|---|---|---|---|
| Revenue: | | | |
| Product revenue | $ 4,954 | $ 73 | $ 4,881 |
| Subscription revenue | 2,813 | 949 | 1,864 |
| Service revenue | 712 | 267 | 445 |
| Total revenue | 8,479 | 1,289 | 7,190 |

| | | | |
|---|---|---|---|
| Cost of revenues: | | | |
| Cost of product revenue | 4,304 | 198 | 4,106 |
| Cost of subscription revenue | 1,456 | 702 | 754 |
| Cost of service revenue | 540 | 207 | 333 |
| Total cost of revenue | 6,300 | 1,107 | 5,193 |
| Gross profit | 2,179 | 182 | 1,997 |
| Operating expenses: | | | |
| Research and development | 4,689 | 6,541 | (1,852) |
| Sales and marketing | 8,774 | 3,553 | 5,221 |
| General and administrative | 4,179 | 1,499 | 2,680 |
| Total operating expenses | 17,642 | 11,593 | 6,049 |
| Loss from operations | (15,463) | (11,411) | (4,052) |
| Other expense: | | | |
| Interest expense | 5,702 | 123 | 5,579 |
| Loss on extinguishment of debt | 11,820 | - | 11,820 |
| Change in fair value of derivative liability | 2,220 | - | 2,220 |
| Change in fair value of common stock warrant liability | 921 | - | 921 |
| Total other expense | 20,663 | 123 | 20,540 |
| Net loss and comprehensive loss | $ (36,126) | $ (11,534) | $ (24,592) |

***Revenue, Cost of Revenue and Gross Profit***

*Product*

Product revenue was $5.0 million for the six months ended June 30, 2021, compared to $0.1 million for the six months ended June 30, 2020. Cost of product revenue was $4.3 million for the six months ended June 30, 2021, compared to $0.2 million for the six months ended June 30, 2020. The increase of $4.9 million in revenue and increase of $4.1 million in cost of revenue for the six months ended June 30, 2021 compared to 2020 was primarily due to increases in direct product sales of Evolv Edge and Express Units. Gross profit increased by $0.8 million for six months ended June 2021, compared to 2020, or 620%, and gross profit margin increased by 184 percentage points.

The increase in gross profit is primarily driven by our increased product sales and our continued efforts to streamline the manufacturing process and reduce costs by introducing standardized parts into our product. We will continue to see improvement in our gross margins as we continue to engineer our product for lower cost components and as we continue to gain leverage in the market place with increased sales, we expect higher discounts from suppliers.

*Subscription*

Subscription revenue was $2.8 million for the six months ended June 30, 2021, compared to $0.9 million for the six months ended June 30, 2020. Cost of subscription revenue was $1.5 million for the six months ended June 30, 2021, compared to $0.7 million for the six months ended June 30, 2020. The increase of $1.9 million in revenue and increase of $0.8 million in cost of revenue for six months ended June 30, 2021 compared to 2020 was primarily due to a larger install base of Evolv Express units during the period. Gross profit increased by $1.1 million, or 449%, and gross profit margin increased by 22 percentage points for six months ended June 30, 2021 compared to 2020. The increase in gross profit was primarily driven by our increase in subscription revenue, while our gross profit margin increase is due to our continued efforts to streamline the manufacturing process. We will continue to see improvement in our gross margins as we continue to engineer our product for lower cost components and as we continue to gain leverage in the market place with increased sales, we expect higher discounts from suppliers.

*Service*

Service revenue was $0.7 million for the six months ended June 30, 2021, compared to $0.3 million for the six months ended June 30, 2020. Cost of service revenue was $0.5 million for the six months ended June 30, 2021, compared to $0.2 million for the six months ended June 30, 2020. The increase of $0.4 million in revenue and increase of $0.3 million for the six months ended June 30, 2021 compared to 2020 was primarily due to increased installation and training related to the Evolv Express product. Gross profit increased by $0.1 million, or 187%, and gross profit margin increased by 2 percentage points for six months ended June 30, 2021 compared to June 30, 2020. The increase in gross profit is primarily driven by standardization of the installation and training process, which results in overall lower costs.

***Research and Development Expenses***

Research and development expenses were $4.7 million for the six months ended June 30, 2021, compared to $6.5 million for the six months ended June 30, 2020. The decrease of $1.8 million was primarily due to a decrease in professional fees of $1.1 million and a decrease in research and development and prototype cost of $1.6 million, partially offset by an increase in employee related expenses of $0.9 million during six months ended June 30, 2021 compared to 2020. The decrease in professional fees is due to a decrease in consulting fees related to research and development efforts for prototype units. The decrease in research and development prototype cost is due to us beginning to officially manufacture Express units in the six months ended June 30, 2021. The increase in employee-related expenses is due to increased wages and benefits expense due to additional headcount.

***Sales and Marketing Expenses***

Sales and marketing expenses were $8.8 million for the six months ended June 30, 2021, compared to $3.6 million for the six months ended June 30, 2020. The increase of $5.2 million was primarily due to an increase of $0.3 million in miscellaneous expense, an increase of $3.6 million in employee related expenses, an increase in professional fees of $1.0 million, an increase of $0.1 million in computer/IT expenses related to new non-capex related computer hardware purchases, and an increase of $0.2 million of travel and entertainment related to increased travel costs for sales personnel meetings and events. The increase in miscellaneous expense is due to an increase in subscriptions. The increase in employee related expenses is due to additional commissions and personnel costs resulting from 13 new hires in our sales function. The increase in professional fees is related to increased consulting on ways to maximize sales and business development.

***General and Administrative Expenses***

General and administrative expenses were $4.2 million for the six months ended June 30, 2021, compared to $1.5 million for the six months ended June 30, 2020. The increase of $2.7 million was primarily due to increase in of $0.7 million in employee related expenses, an increase of $0.4 in facility expense, an increase of $1.4 million in professional fees, and $0.2 million computer and IT expenses related to new non-capex related computer hardware purchases. The increase in employee related expenses is due to an increase of salaries and related costs as a result of expanding our administrative team. The increase in professional fees is due to legal expenses as a result of the pending Business Combination. The increase in facility expense is due to increased rent expense.

***Interest Expense***

Interest expense was $5.7 million for the six months ended June 30, 2021, compared to $0.1 million for the six months ended June 30, 2020. The increase of $5.6 million was primarily due to the issuance of $30.0 million of convertible notes during the six months ended June 30, 2021.

***Loss on Extinguishment of Debt***

Loss on extinguishment of debt was $11.8 million for the six months ended June 30, 2021. This was due to the modification of the 2021 Convertible Notes due to an agreement with noteholders to receive an additional 1,000,000 shares of NHIC common stock as further consideration for the conversion of such notes.

***Change in Fair Value of Derivative Liability***

Change in the fair value of the derivative liability was $2.2 million for the six months ended June 30, 2021. This was primarily due to an increase in the fair value of the company stock price given the pending Business Combination.

***Change in Fair Value of Common Stock Warrant Liability***

Change in the fair value of the common stock warrant liability was $0.9 million for the six months ended June 30, 2021. This is primarily due to mark to market fluctuations during this time period.

***Income Taxes***

There is no provision for income taxes for the six months ended June 30, 2021 and 2020 because Evolv has historically incurred net operating losses and maintains a full valuation allowance against its deferred tax assets. We have provided a valuation allowance for all of our deferred tax assets as a result of our historical net losses in the jurisdictions in which we operate. We continue to assess all positive and negative evidence, including our future taxable income by jurisdiction based on our recent historical operating results, the expected timing of reversal of temporary differences, various tax planning strategies that we may be able to enact in future periods, the impact of potential operating changes on our business and our forecast results from operations in future periods based on available information at the end of each reporting period. To the extent that we are able to reach the conclusion that deferred tax assets are realizable based on any combination of the above factors in any given tax jurisdiction, a reversal of all or some related portion of our existing valuation allowances may occur.

**Liquidity and Capital Resources**

We have incurred a net loss since our inception. We incurred net losses of $22.4 million and $5.1 million for the three months ended June 30, 2021 and 2020, respectively, and $36.1 million and $11.5 million for the six months ended June 30, 2021 and 2020, respectively. We incurred cash outflows from operating activities of $17.0 million and $13.1 million during the six months ended June 30, 2021 and 2020, respectively. As of June 30, 2021, we had $10.0 million in cash and cash equivalents. As an early-stage company, we have primarily obtained cash to fund our operations through preferred stock offerings and debt instruments. In July 2021, the Company received gross proceeds of $300.0 million from its PIPE Investment described above. We expect the PIPE Investment will be sufficient to fund our operating expenses and capital expenditure requirements for the next 12 months from the date of issuance of the interim financial statements.

Since inception, we have received cumulative net proceeds from the sale of our preferred and common stock of $76.5 million to fund our operations. As of June 30, 2021, our principal sources of liquidity were our cash and cash equivalents and a $10.0 million line of credit with JPMorgan Chase Bank, N.A. ("JPM"), of which $5.6 million was unused and available to be accessed until the maturity date in December 2022.

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In December 2020, we entered into the Credit Agreement, which extinguished all previous debt. Under the terms of the Credit Agreement, we received proceeds of $10.0 million ("JPM Term Loan") with a maturity date in December 2024, and provides us with a revolving line of credit up to $10.0 million with a maturity date in December 2022. We entered into this loan to fund our operations. Interest on the JPM Term Loan is calculated as the greater of (A) Wall Street Journal Prime rate plus 2.25% and (B) 5.5%. Interest on the revolving line of credit is calculated as the greater of (A) Wall Street Journal Prime rate plus 1.25% and (B) 4.5%. In connection with this loan, we are also subject to periodic reporting requirements, and the lender has a first priority lien on all assets.

In September and December of 2020, we issued a total of $4.0 million of convertible notes. These convertible notes mature on September 25, 2023, however they convert to preferred shares upon a qualified financing. Upon a change in control event or default, the lender is entitled to receive the outstanding principal and any accrued but unpaid interest.

In January and February 2021, we issued a total of $30.0 million of convertible notes with a maturity date of September 2021 however they convert to preferred shares upon the closing of the Business Combination. Upon a change in control event or default, the lender is entitled to receive the outstanding principal and any accrued but unpaid interest.

In connection with the execution of the Merger Agreement, NHIC entered into subscription agreements (collectively, the "PIPE Investment") with certain parties subscribing for shares of NHIC common stock (the "Subscribers") pursuant to which the Subscribers have agreed to purchase, and NHIC has agreed to sell to the Subscribers, an aggregate of 30,000,000 shares of NHIC common stock, for a purchase price of $10.00 per share and an aggregate purchase price of $300.0 million. The obligations to consummate the transactions contemplated by the PIPE Investment are conditioned upon, among other things, customary closing conditions and the consummation of the transactions contemplated by the Merger Agreement. In July 2021, we closed the PIPE Investment.

As of April 2, 2021, the original issuance date of the consolidated financial statements for the year ended December 31, 2020, the Company had concluded that there was substantial doubt about its ability to continue as a going concern. In order to improve the Company's liquidity and fund future growth, Management developed the plan to raise additional financing through the closure of the Merger with NHIC and receive the $300 million PIPE investment. In July 2021, the Company received gross proceeds of $300.0 million from its PIPE Investment described above, which has alleviated the substantial doubt about the Company's ability to continue as a going concern. As of August 16, 2021, the date on which the interim consolidated financial statements for the period ended June 30, 2021 were issued, we expect that our existing cash and cash equivalents, including the $300.0 million of gross proceeds we received on July 16, 2021 from our PIPE Investment, will be sufficient to fund our operating expenses and capital expenditure requirements for the next 12 months from the date of issuance of the interim financial statements.

***Cash Flows***

Since inception, we have primarily used proceeds from issuances of preferred stock and debt instruments to fund our operations. The following table sets forth a summary of cash flows for the periods presented:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2021 | 2020 |
| Net cash used in operating activities | $ (16,954) | $ (13,109) |
| Net cash used in investing activities | (9,292) | (2,106) |
| Net cash provided by financing activities | 32,180 | 6,057 |
| Net increase (decrease) in cash and cash equivalents and restricted cash | $ 5,934 | $ (9,158) |

***Operating Activities***

During the six months ended June 30, 2021, operating activities used $17.0 million primarily resulting from a net loss of $36.1 million and $3.9 million of cash used by changes in operating assets and liabilities, partially offset by non-cash adjustments of $23.0 million. The non-cash adjustments consisted primarily of $2.2 million of change in fair value of derivative liability, $1.6 million in stock-based compensation expense, $5.5 million in noncash interest expense, $1.1 million in depreciation and amortization, $0.9 million of change in fair value of common stock warrant liability, and $11.8 million on loss on extinguishment of debt. The changes in operating assets and liabilities consisted primarily of cash used by an increase of $7.5 million in prepaid expenses and other current assets, an increase of $0.7 million in commission assets, an increase of $1.3 million in accounts receivable, an increase of $1.2 million in inventory, an increase of $0.3 million in deferred revenue, and an increase of $0.2 million in deferred rent, partially offset by an increase of $1.4 million in accrued expenses and other current liabilities and an increase of $5.4 million in accounts payable.

The changes in commission assets and deferred revenue were primarily due to a shift towards a subscription-based model. The increase in accounts receivable is primarily due to the timing of payments from customers. The increase in accrued expenses and other current liabilities and accounts payable is primarily due to an increase in sales and marketing and general and administrative expenses due to the growth in our business and anticipation of the Business Combination, as well as the timing of vendor invoicing and payments. The increase in prepaid expenses and other current assets is primarily due to prepaid subscriptions and insurance. The increase in inventory is primarily due to lower shipments to customers for Edge units, as well as an increase due to Express units now being held in inventory, in the first two quarters of 2021 compared to the fourth quarter of 2020. The increase in deferred rent is primarily due to the new office space lease entered into.

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During the six months ended June 30, 2020, cash used from operating activities was $13.1 million, primarily resulting from a net loss of $11.5 million and $2.1 million of cash used by changes in operating assets and liabilities, partially offset by non-cash adjustments of $0.5 million. The non-cash adjustments consisted primarily of $0.1 million in stock-based compensation and depreciation and amortization of $0.4 million. The changes in operating assets and liabilities consisted primarily of cash used by an increase of $0.1 million in accounts receivable, an increase of $0.9 million in inventory, a decrease of $0.7 million in accounts payable, and a decrease of $0.3 million in accrued expenses and other current liabilities.

The increase in accounts receivable is primarily due to the timing of payments from customers. The increase in accounts payable and accrued expenses is primarily due to increase in research and development and general and administrative expenses due to the growth in our business as well as the timing of vendor invoicing and payments. The increase in inventory is primarily due to lower shipments to customers in the first quarter of the year compared to the fourth quarter of the year.

***Investing Activities***

During the six months ended June 30, 2021 and 2020, investing activities used $9.3 million and $2.1 million, respectively for the purchases of property and equipment.

***Financing Activities***

During the six months ended June 30, 2021, cash provided by financing activities was $32.2 million primarily consisting of $31.9 million from the issuance of long-term debt, net of issuance costs, and $0.7 million from the exercise of stock options, partially offset by $0.4 million in net cash outflows for the repayment of our finance obligations.

During the six months ended June 30, 2020, cash provided by financing activities was $6.1 million primarily consisting of $3.0 million from the issuance of Series B-1 convertible preferred stock, net of issuance costs, $3.2 million from the issuance of long-term debt, net of issuance costs, and $0.1 million from the exercise of stock options, partially offset by $0.2 million in net cash outflows for the repayment of financing obligations.

**Recent Accounting Pronouncements**

Refer to Note 2 of our condensed consolidated financial statements in Exhibit 99.1 of this Form 8-K/A.

**Internal Control Over Financial Reporting**

In the course of preparing the financial statements were included in the Proxy Statement/Prospectus which included 2020 annual financial statements, management determined that we have material weaknesses in our internal control over financial reporting. These material weaknesses primarily pertain to maintaining effective segregation of duties, timely reconciliation, analysis of certain complex, non routine transactions, maintaining effective controls over information technology general controls for systems that are relevant to the preparing of financial statements and the ability to produce financial statements on a public company timeline. We have concluded that these material weaknesses in our internal control over financial reporting occurred because, prior to this offering, we were a private company and did not have the necessary business processes, personnel and related internal controls to operate in a manner to satisfy the accounting and financial reporting timeline requirements of a public company.

In accordance with the provisions of the JOBS Act, we and our independent registered public accounting firm were not required to, and did not, perform an evaluation of our internal control over financial reporting as of June 30, 2021 nor any period subsequent in accordance with the provisions of the Sarbanes-Oxley Act. Accordingly, we cannot assure you that we have identified all, or that we will not in the future have additional, material weaknesses. Material weaknesses may still exist when we report on the effectiveness of our internal control over financial reporting as required under Section 404 of the Sarbanes-Oxley Act after the completion of this offering.

**Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to market risks from fluctuations in interest rates, which may adversely affect our results of operations and financial condition. We seek to minimize these risks through regular operating and financing activities. For additional information on our variable rate debt, refer to the notes to our consolidated financial statements in Exhibit 99.1 to this Form 8-K/A.

***Interest Rate Risk***

We have exposure to interest rate risk from our variable rate debt. We do not hedge our exposure to changes in interest rates. At June 30, 2021, we had $32.8 million in variable rate debt outstanding. A hypothetical 10% change in interest rates would have an immaterial impact on annualized interest expense.

**Critical Accounting Policies**

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States. The preparation of our consolidated financial statements and related disclosures requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, costs and expenses, and the disclosure of contingent assets and liabilities in our consolidated financial statements. We base our estimates on historical experience, known trends and events and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are described in more detail in Note 2 to our consolidated financial statements included within exhibit 99.3 of this form 8-K/A, we believe that the following accounting policies are those most critical to the judgments and estimates used in the preparation of our consolidated financial statements.

***Revenue Recognition***

We recognize revenue in accordance with ASC 606. Under ASC 606, revenue is recognized when a customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In order to achieve this core principle, we apply the following five steps when recording revenue: (1) identify the contract, or contracts, with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when, or as, performance obligations are satisfied.

We derive revenue from (1) subscription arrangements accounted for as operating leases under ASC 840 and (2) from the sale of products, inclusive of maintenance and services. Our arrangements are generally noncancelable and nonrefundable after ownership passes to the customer. Revenue is recognized net of sales tax.

Product Revenue

We derive revenue from the sale of our Express and Edge equipment and related add-on accessories to customers. Revenue is recognized when control of the product has transferred to the customer. Transfer of control occurs when we have transferred title and risk of loss and have a present right to payment for the equipment, which is generally upon delivery as our normal terms of sale are freight on board destination. Products are predominately sold with distinct services, which are described in the services section below.

Subscription Revenue

In addition to selling products directly to customers, we also lease Express and Edge equipment. These arrangements convey the right to use the equipment for a period of time in exchange for consideration and therefore are accounted for under ASC 840 due to the scope exception of ASC 606-10-15-2. Lease terms are typically four years and customers pay quarterly or annual fixed payments for the lease and maintenance elements over the contractual lease term. In accordance with ASC 840, Leases, we consider only the fixed payments for purposes of allocating between the lease and non-lease deliverables on a relative fair value basis. Equipment leases are generally classified as operating leases as they do not meet any of the capital lease criteria per ASC 840.

Generally, lease arrangements include both lease and non-lease components. The non-lease components relate to (i) distinct services, such as installation, training and maintenance, and (ii) any add-on accessories. Installation and training are included in service revenue as described below, and add-on accessories are included in product revenue as described above. Because the equipment and maintenance components of a subscription arrangement are recognized as revenue over the same time period and in the same pattern and because revenue allocated to maintenance components is not material, the equipment lease and maintenance performance obligations are classified as a single category of subscription revenue in the consolidated statements of operations.

As our leases with customers are classified as operating leases, lease revenue is recognized ratably over the duration of the lease. There are no contingent lease payments as a part of these arrangements.

Services Revenue

We provide installation, training, and maintenance services for our products. Revenue for installation and training are recognized upon transfer of control of these services, which are normally rendered over a short duration. Maintenance consists of technical support, bug fixes, and when-and-if-available threat updates. Maintenance revenue is recognized ratably over the period of the arrangement. We sell separately priced extended or nonstandard warranty services and preventative maintenance plans, which are recognized ratably over the associated service period.

Revenue from Distributors

A portion of our revenue is generated by sales in conjunction with our distributors. When we transact with a distributor, our contractual arrangement is with the distributor and not with the end-use customer. In these transactions, the distributor is considered the customer; we have discretion over the pricing to the distributor and maintain overall control of the inventory and sales process to the distributor. Revenue is recognized upon delivery to the distributors. Right of return does not generally exist. Whether we transact with a distributor and receive the order from a distributor or directly from an end-use customer, our revenue recognition policy and resulting pattern of revenue recognition is the same (upon delivery).

*Transaction Price*

The transaction price is the amount of consideration that we expect to be entitled for providing goods and services under a contract. It includes not only fixed consideration, such as the stated amount in a contract, but also several other types of variable consideration or adjustments (generally discounts or incentives which are included as a part of the standalone selling price ("SSP") estimation process). We provide discounts to customers which reduces the transaction price. From time-to-time, we may offer customers the option to purchase additional goods and services at a fixed price. In these limited circumstances, we assess whether these offers constitute a material right, and if so, we would account for the material right as a separate performance obligation. Other types of variable consideration are not considered significant. We do not normally provide for rights of returns to customers on product sales and, therefore, does not record a provision for returns.

*Performance Obligations*

A performance obligation is a promise in a contract to transfer a distinct product or service to a customer that is both capable of being distinct, whereby the customer can benefit from the product or service either on its own or together with other resources that are readily available, and is distinct in the context of the contract, whereby the transfer of the product or service is separately identifiable from other promises in the contract.

For both Edge and Express units, equipment is sold or leased with embedded software which is considered a single performance obligation. Maintenance, which includes future updates, security threat updates, and minor bug fixes on a when-and-if available basis, is considered a single performance obligation. As a part of reported subscription sales, certain non-lease components, such as maintenance, are included within the subscription revenue amount. We sell separately priced extended or nonstandard warranty services and preventative maintenance plans, which are accounted for as separate performance obligations. Installation and training are considered separate performance obligations and are included within services revenue. Any add-on accessories are also considered separate performance obligations.

*Multiple Performance Obligations within an Arrangement*

Our contracts may include multiple performance obligations when customers purchase a combination of products and services. When our customer arrangements have multiple performance obligations that contain a lease for Express or Edge equipment for the customer's use at its site as well as distinct services that are delivered simultaneously, we allocate the arrangement consideration between the lease deliverables and non-lease deliverables based on the relative estimated SSP of each distinct performance obligation. For multiple performance obligation arrangements that do not contain a lease, we allocate the contract's transaction price to each performance obligation on a relative SSP basis. We determine SSP based on the price at which the performance obligation is sold separately. If the SSP is not observable through past transactions, we estimate the SSP taking into account available information such as market conditions and internally approved pricing guidelines related to the performance obligation.

***Stock-Based Compensation***

We measure stock-based option awards granted to employees, consultants and directors based on their fair value on the date of grant using the Black-Scholes option-pricing model. Compensation expense for those awards is recognized, net of estimated forfeitures, over the requisite service period, which is generally the vesting period of the respective award.

The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model, which uses the following inputs: (i) the fair value per share of the common stock issuable upon exercise of the option, (ii) the expected term of the option, (iii) expected volatility of the price of the common stock, (iv) the risk-free interest rate, and (v) the expected dividend yield. We value our common stock taking into consideration its most recently available valuation of common stock performed by third parties as well as additional factors which may have changed since the date of the most recent contemporaneous valuation through the date of grant. The exercise price of the option cannot be less than the fair market value of a share of common stock on the date of grant. The expected term of the stock options has been determined utilizing the "simplified" method for awards that qualify as "plain-vanilla". We have historically been a private company and lack company-specific historical and implied volatility information for its stock. Therefore, we estimate our expected stock price volatility based on the historical volatility of publicly traded peer companies and expect to continue to do so until such time as it has adequate historical data regarding the volatility of our own traded stock price. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. Expected dividend yield is based on the fact that we have never paid cash dividends on common stock and do not expect to pay any cash dividends in the foreseeable future.

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*Determination of Fair Value of Common Stock*

As there has been no public market for our common stock to date, the estimated fair value of our common stock has been determined by our board of directors as of the date of each option grant, with input from management, considering our most recently available third-party valuations of common stock and our board of directors' assessment of additional objective and subjective factors that it believed were relevant and which may have changed from the date of the most recent valuation through the date of the grant. These third-party valuations were performed in accordance with the guidance outlined in the American Institute of Certified Public Accountants' Accounting and Valuation Guide, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. Our common stock valuations were prepared using either an option pricing method, or OPM. The OPM treats common stock and preferred stock as call options on the total equity value of a company, with exercise prices based on the value thresholds at which the allocation among the various holders of a company's securities changes. Under this method, the common stock has value only if the funds available for distribution to stockholders exceeded the value of the preferred stock liquidation preferences at the time of the liquidity event, such as a strategic sale or a merger. These third-party valuations were performed at various dates, which resulted in valuations of our common stock of $3.28 per share as of June 30, 2021 and $0.16 per share as of December 31, 2020, respectively. In addition to considering the results of these third-party valuations, our board of directors considered various objective and subjective factors to determine the fair value of our common stock as of each grant date, including:

- the prices at which we sold shares of preferred stock and the superior rights and preferences of the preferred stock relative to our common stock at the time of each grant;
- the progress of our research and development of our products;
- our stage of development and commercialization and our business strategy;
- our financial position, including cash on hand, and our historical and forecasted performance and operating results;
- the lack of an active public market for our common stock and our preferred stock; and
- the likelihood of achieving a liquidity event, such as an initial public offering, or IPO, or sale of our company in light of prevailing market conditions.

The assumptions underlying these valuations represented management's best estimate, which involved inherent uncertainties and the application of management's judgment. As a result, if we had used significantly different assumptions or estimates, the fair value of our common stock and our stock-based compensation expense could have been materially different.

Once a public trading market for our common stock has been established in connection with the completion of this offering, it will no longer be necessary for our board of directors to estimate the fair value of our common stock in connection with our accounting for granted stock options and other such awards we may grant, as the fair value of our common stock will be determined based on the quoted market price of our common stock.

***Valuation of Common Stock Warrant Liability***

We classify certain warrants to purchase shares of our common stock as liabilities on our balance sheets as these warrants are free-standing financial instruments that may require the Company to adjust the exercise price and number of shares that is not consistent with a fixed-for-fixed option pricing model. The warrant liability associated with each of these warrants was initially recorded at fair value on the issuance date of each warrant and is subsequently remeasured to fair value at each balance sheet date. Changes in fair value of the warrants are recognized as a component of other income (expense) in our statements of operations and comprehensive loss. We will continue to adjust the liability for changes in fair value until the warrants are exercised, expire or qualify for equity classification.

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We utilize the Black-Scholes option-pricing model, which incorporates assumptions and estimates to value the warrant liability. Key estimates and assumptions impacting the fair value measurement include (i) the fair value per share of the underlying shares of applicable series of stock issuable upon exercise of the Warrants, (ii) the remaining contractual term of the Warrants, (iii) the risk-free interest rate, (iv) the expected dividend yield and (v) expected volatility of the price of the underlying applicable common stock. We assess these assumptions and estimates on a quarterly basis as additional information impacting the assumptions is obtained. We estimate the fair value per share of the underlying stock based in part on the results of third-party valuations and additional factors deemed relevant. We have historically been a private company and lack company-specific historical and implied volatility information of our stock. Therefore, we estimate expected stock volatility based on the historical volatility of publicly traded peer companies for a term equal to the remaining contractual term of the warrants. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve for time periods approximately equal to the remaining contractual term of the warrants.

***Valuation of Embedded Derivative Liability***

In March 2021, Evolv entered into Convertible Note Purchase Agreement ("2021 Convertible Notes") and in September and December 2020, Evolv entered into Convertible Notes Purchase Agreement ("2020 Convertible Notes") which provided a conversion option whereby upon the closing of a specified financing event the Convertible Notes would automatically convert into shares of the same class and series of capital stock of Evolv issued to other investors in the financing at a conversion price equal to 80% of the price per share of the securities paid by the other investors. This conversion option was determined to be an embedded derivative required to be bifurcated and accounted for separately from the 2021 Convertible Notes and 2020 Convertible Notes. The fair value of the derivative liability was determined based on inputs not observable in the market.

In June 2021, the 2021 convertible noteholders were granted an additional 1,000,000 shares of NHIC common stock as further consideration for the automatic conversion of such notes upon closing of the Business Combination. This modification resulted in an extinguishment, and recognition of a derivative liability, which represents both the value of the 1,000,000 NHIC shares as of June 2021 as well as a bifurcated embedded derivative for conversion into shares of common stock. This derivative was marked to market at the end of the quarter.

***Valuation of Inventory***

Inventory is valued at the lower of cost or net realizable value. Cost is computed using the first-in, first-out method. We regularly review inventory quantities on-hand for excess and obsolete inventory and, when circumstances indicate, record charges to write down inventories to their estimated net realizable value, after evaluating historical sales, future demand, market conditions and expected product life cycles. Such charges are classified as cost of product revenue in the statements of operations and comprehensive loss. Any write-down of inventory to net realizable value creates a new cost basis.

***Leases***

At the inception of each operating lease, we determine a residual value for the leased equipment based on our estimate of the future value of the equipment at the end of the lease term. All of our leases are currently in their initial lease term with our existing customers and we have not yet had any renewals of such leases with our current customers or leases of used equipment to new customers. We will continue to evaluate our estimates of the residual value of our leased equipment considering future lease extensions of such equipment with existing customers at the end of their lease terms as well as used equipment leased to new customers. The Company's subscription contracts are classified as operating leases because title does not transfer, there are no bargain purchase options, the present value of the lease payments does not exceed 90% of the asset's fair market value, and the lease term does not exceed 75% of the asset's economic life. The Company has not had a contract renewal point and will reassess the classification of any such leases upon renewal. We evaluate leased equipment for obsolescence and impairment whenever circumstances indicate that the carrying value of such equipment is not recoverable by considering any (1) reduced demand in the markets in which we operate, (2) technological obsolescence due to developments of new products and improvements, or (3) changes in economic or other events and conditions that impact the market price for our products. Based on our evaluations at June 30, 2021 and December 31, 2020, we did not recognize a reserve for obsolescence for leased equipment.

**Off-Balance Sheet Arrangements**

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

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**Emerging Growth Company Status**

The Jumpstart Our Business Startups Act of 2012, or the JOBS Act, permits an "emerging growth company" such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies until those standards would otherwise apply to private companies. The Combined Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, we will not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies and our financial statements may not be comparable to other public companies that comply with new or revised accounting pronouncements as of public company effective dates. We may choose to early adopt any new or revised accounting standards whenever such early adoption is permitted for private companies.

We will cease to be an emerging growth company on the date that is the earliest of (i) the last day of the fiscal year in which we have total annual gross revenues of $1.07 billion or more, (ii) the last day of our fiscal year following the fifth anniversary of the date of the closing of this offering, (iii) the date on which we have issued more than $1.0 billion in nonconvertible debt during the previous three years or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the Securities and Exchange Commission.

Further, even after we no longer qualify as an emerging growth company, we may still qualify as a "smaller reporting company," which would allow us to take advantage of many of the same exemptions from disclosure requirements, including reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. We cannot predict if investors will find our common shares less attractive because we may rely on these exemptions. If some investors find our common shares less attractive as a result, there may be a less active trading market for our common shares and our share price may be more volatile.

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