

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023

OR

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

For the transition period from _____ to _____



Cepton, Inc.
(Exact name of registrant as specified in its charter)

Delaware

001-39959

27-2447291

(State or other jurisdiction of
incorporation or organization)

(Commission File Number)

(I.R.S. Employer
Identification Number)

399 West Trimble Road
San Jose, California

95131

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: 408-459-7579

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.00001 per share	CPTN	The Nasdaq Stock Market LLC
Redeemable warrants, exercisable for common stock at an exercise price of \$115.00 per share, subject to adjustment	CPTNW	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

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

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

As of November 1, 2023, 15,846,935 shares of common stock, par value \$0.00001, of the registrant were issued and outstanding.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (the “Report”) includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical or current fact included in this Report are forward-looking statements. Forward-looking statements may be identified by the use of words such as “estimate,” “plan,” “project,” “forecast,” “intend,” “will,” “expect,” “anticipate,” “believe,” “seek,” “target,” “designed to” or other similar expressions that predict or imply future events or trends or that are not statements of historical matters. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The Company cautions readers of this Report that these forward-looking statements are subject to risks and uncertainties, most of which are difficult to predict and many of which are beyond the Company’s control, that could cause the actual results to differ materially from the expected results. These factors include the information set forth in Part II, Item 1A, of this Report under the heading “*Risk Factors*”, which we encourage you to carefully read. Forward-looking statements include, but are not limited to, statements regarding estimates and forecasts of financial and performance metrics, projections of market opportunity and market share, the anticipated start date of production for our lead series production award, potential benefits and the commercial attractiveness to its customers of the Company’s products and services, the potential success of the Company’s marketing and expansion strategies, and the potential for the Company to achieve design awards. These statements are based on various assumptions, whether or not identified in this Report, and on the current expectations of the Company’s management and are not predictions of actual performance. These forward-looking statements are provided for illustrative purposes only and are not intended to serve as, and must not be relied on by any investor as, a guarantee, an assurance, a prediction or a definitive statement of fact or probability. Actual events and circumstances are difficult or impossible to predict and will differ from assumptions. You are therefore cautioned not to place undue reliance on such statements. Any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, except as required by law.

Cepton, Inc.
Quarterly Report on Form 10-Q

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

CEPTON, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In thousands, except share data)
(unaudited)

	September 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 43,860	\$ 31,953
Short-term investments	17,345	3,703
Accounts receivable, net of allowance for credit losses of \$0 and \$0, respectively	2,103	1,301
Inventories	3,911	2,985
Prepaid expenses and other current assets	2,311	6,272
Total current assets	69,530	46,214
Property and equipment, net	1,999	982
Restricted cash	1,283	2,565
Other assets	10,486	555
Total assets	\$ 83,298	\$ 50,316
LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 1,396	\$ 1,979
Operating lease liabilities, current	1,784	211
Accrued expenses and other current liabilities	3,409	2,265
Short-term debt	—	42,587
Total current liabilities	6,589	47,042
Warrant liability	141	440
Earnout liability	93	920
Operating lease liabilities, non-current	9,217	281
Total liabilities	16,040	48,683
Commitments and contingencies (Note 17)		
Convertible preferred stock:		
Convertible preferred stock – Par value \$0.00001 per share – 5,000,000 shares authorized at September 30, 2023 and December 31, 2022; 100,000 shares issued and outstanding at September 30, 2023 (aggregate liquidation preference of \$103.0 million at September 30, 2023); No shares issued and outstanding at December 31, 2022	98,891	—
Stockholders' equity (deficit):		
Common stock – Par value \$0.00001 per share – 35,000,000 shares authorized at September 30, 2023 and December 31, 2022; 15,846,935 and 15,674,781 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	—	—
Additional paid-in capital	94,991	88,058
Accumulated other comprehensive loss	(339)	(366)
Accumulated deficit	(126,285)	(86,059)
Total stockholders' equity (deficit)	(31,633)	1,633
Total liabilities, convertible preferred stock and stockholders' equity (deficit)	\$ 83,298	\$ 50,316

See accompanying notes to the condensed consolidated financial statements

CEPTON, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
(In thousands, except share and per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Lidar sensor and prototype revenue	\$ 3,802	\$ 1,778	\$ 7,813	\$ 4,642
Development revenue	31	26	292	1,207
Total revenue	\$ 3,833	\$ 1,804	\$ 8,105	\$ 5,849
Lidar sensor and prototype cost of revenue	3,339	1,872	7,135	5,608
Development cost of revenue	—	3	116	600
Total cost of revenue	\$ 3,339	\$ 1,875	\$ 7,251	\$ 6,208
Gross profit (loss)	494	(71)	854	(359)
Operating expenses:				
Research and development	6,706	8,227	23,309	24,368
Selling, general and administrative	6,136	6,722	19,052	21,954
Total operating expenses	12,842	14,949	42,361	46,322
Operating loss	(12,348)	(15,020)	(41,507)	(46,681)
Other income (expense):				
Gain (loss) on change in fair value of earnout liability	91	(1,440)	827	70,868
Gain (loss) on change in fair value of warrant liability	169	(135)	299	2,549
Foreign currency transaction loss, net	(7)	—	(757)	—
Loss on extinguishment of debt	—	—	(1,123)	—
Other income (expense), net	2	(493)	23	(487)
Interest income (expense), net	799	(318)	2,015	(1,597)
(Loss) income before income taxes	(11,294)	(17,406)	(40,223)	24,652
Provision for income taxes	—	(5)	(3)	(21)
Net (loss) income	\$ (11,294)	\$ (17,411)	\$ (40,226)	\$ 24,631
Net (loss) income per share, basic	\$ (0.71)	\$ (1.12)	\$ (2.55)	\$ 1.73
Net (loss) income per share, diluted	\$ (0.71)	\$ (1.12)	\$ (2.55)	\$ 1.62
Weighted-average common shares, basic	15,834,152	15,568,941	15,750,586	14,274,416
Weighted-average common shares, diluted	15,834,152	15,568,941	15,750,586	15,204,843
Net (loss) income	\$ (11,294)	\$ (17,411)	\$ (40,226)	\$ 24,631
Other comprehensive income (loss), net of tax:				
Changes in unrealized gain (loss) on available-for-sale securities	—	13	6	(35)
Foreign currency translation adjustments	5	(2)	21	(14)
Total other comprehensive income (loss), net of tax	5	11	27	(49)
Comprehensive (loss) income	\$ (11,289)	\$ (17,400)	\$ (40,199)	\$ 24,582

See accompanying notes to the condensed consolidated financial statements

CEPTON, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Convertible Preferred Stock and Stockholders' Equity (Deficit)
(In thousands, except share and per share data)
(unaudited)

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balance — December 31, 2022	—	\$ —	15,674,781	\$ —	\$ 88,058	\$ (366)	\$ (86,059)	\$ 1,633
Issuance of convertible preferred stock, net of transaction costs	100,000	98,891	—	—	—	—	—	—
Exercise of stock options and release of RSUs	—	—	9,638	—	8	—	—	8
Stock-based compensation expense	—	—	—	—	2,280	—	—	2,280
Unrealized gain on available-for-sale investments	—	—	—	—	—	17	—	17
Cumulative translation adjustment	—	—	—	—	—	20	—	20
Net loss	—	—	—	—	—	—	(14,742)	(14,742)
Balance — March 31, 2023	100,000	\$ 98,891	15,684,419	\$ —	\$ 90,346	\$ (329)	\$ (100,801)	\$ (10,784)
Exercise of stock options and release of RSUs	—	—	157,049	—	5	—	—	5
Stock-based compensation expense	—	—	—	—	2,362	—	—	2,362
Payments of employee taxes related to vested restricted stock units	—	—	(17,049)	—	(63)	—	—	(63)
Unrealized loss on available-for-sale investments	—	—	—	—	—	(11)	—	(11)
Cumulative translation adjustment	—	—	—	—	—	(4)	—	(4)
Net loss	—	—	—	—	—	—	(14,190)	(14,190)
Balance — June 30, 2023	100,000	\$ 98,891	15,824,419	\$ —	\$ 92,650	\$ (344)	\$ (114,991)	\$ (22,685)
Exercise of stock options and release of RSUs	—	—	22,516	—	9	—	—	9
Stock-based compensation expense	—	—	—	—	2,332	—	—	2,332
Cumulative translation adjustment	—	—	—	—	—	5	—	5
Net loss	—	—	—	—	—	—	(11,294)	(11,294)
Balance — September 30, 2023	100,000	\$ 98,891	15,846,935	\$ —	\$ 94,991	\$ (339)	\$ (126,285)	\$ (31,633)

	Convertible Preferred Stock		Preferred Stock		Common Stock		Class F Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance — December 31, 2021	2,167,149	\$ 99,470	—	\$ —	2,761,903	\$ —	837,214	\$ —	\$ 7,951	\$ (43)	\$ (95,439)	\$ (87,531)
Retroactive application of exchange ratio	3,140,708	—	—	—	4,002,628	—	1,213,320	—	—	—	—	—
Conversion of convertible preferred stock to common stock	(5,307,857)	(99,470)	—	—	5,307,857	—	—	—	99,470	—	1	99,471
Conversion of Class F stock to common stock	—	—	—	—	2,050,534	—	(2,050,534)	—	—	—	—	—
Reverse recapitalization, net of transaction costs	—	—	—	—	1,184,594	—	—	—	(33,051)	—	—	(33,051)
Exercise of Trinity warrants	—	—	—	—	23,757	—	—	—	547	—	—	547
Exercise of SVB warrants	—	—	—	—	14,695	—	—	—	—	—	—	—
Exercise of stock options	—	—	—	—	51,189	—	—	—	273	—	—	273
Stock-based compensation expense	—	—	—	—	—	—	—	—	1,357	—	—	1,357
Unrealized loss on available-for-sale investments	—	—	—	—	—	—	—	—	—	(11)	—	(11)
Cumulative translation adjustment	—	—	—	—	—	—	—	—	—	(4)	—	(4)
Net income	—	—	—	—	—	—	—	—	—	—	41,198	41,198
Balance — March 31, 2022	—	\$ —	—	\$ —	15,397,157	\$ —	—	\$ —	\$ 76,547	\$ (58)	\$ (54,240)	\$ 22,249
Exercise of stock options	—	—	—	—	40,416	—	—	—	211	—	—	211
Issuance of common stock to LPC	—	—	—	—	2,118	—	—	—	50	—	—	50
Vesting of early exercised options	—	—	—	—	4,592	—	—	—	38	—	—	38
Stock-based compensation expense	—	—	—	—	—	—	—	—	2,229	—	—	2,229
Incremental direct transaction costs related to reverse recapitalization	—	—	—	—	—	—	—	—	(226)	—	—	(226)
Unrealized loss on available-for-sale investments	—	—	—	—	—	—	—	—	—	(37)	—	(37)
Cumulative translation adjustment	—	—	—	—	—	—	—	—	—	(8)	—	(8)
Net income	—	—	—	—	—	—	—	—	—	—	843	843
Balance — June 30, 2022	—	\$ —	—	\$ —	15,444,283	\$ —	—	\$ —	\$ 78,849	\$ (103)	\$ (53,397)	\$ 25,349
Exercise of stock options	—	—	—	—	49,098	—	—	—	261	—	—	261
Issuance of common stock to LPC	—	—	—	—	127,132	—	—	—	1,831	—	—	1,831
Vesting of early exercised options	—	—	—	—	3,061	—	—	—	25	—	—	25
Stock-based compensation expense	—	—	—	—	—	—	—	—	2,368	—	—	2,368
Unrealized gain on available-for-sale investments	—	—	—	—	—	—	—	—	—	13	—	13
Cumulative translation adjustment	—	—	—	—	—	—	—	—	—	(2)	—	(2)
Net loss	—	—	—	—	—	—	—	—	—	—	(17,411)	(17,411)
Balance — September 30, 2022	—	\$ —	—	\$ —	15,623,574	\$ —	—	\$ —	\$ 83,334	\$ (92)	\$ (70,808)	\$ 12,434

See accompanying notes to the condensed consolidated financial statements

CEPTON, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	Nine Months Ended September 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ (40,226)	\$ 24,631
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	370	224
Stock-based compensation	6,989	5,954
Amortization of right-of-use asset	1,177	993
Amortization (accretion), other	(682)	838
Gain on change in fair value of earnout liability	(827)	(70,868)
Gain on change in fair value of warrant liability	(299)	(2,549)
Foreign currency transaction loss, net	757	—
Loss from extinguishment of debt	1,123	—
Other	—	181
Changes in operating assets and liabilities:		
Accounts receivable, net	(802)	(886)
Inventories	(941)	7
Prepaid expenses and other current assets	2,974	(472)
Other long-term assets	202	(864)
Accounts payable	(805)	(807)
Accrued expenses and other current liabilities	1,144	962
Operating lease liabilities	(680)	(1,169)
Other long-term liabilities	—	320
Net cash used in operating activities	(30,526)	(43,505)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,292)	(584)
Purchases of short-term investments	(37,806)	(32,368)
Proceeds from sales of short-term investments	—	8,303
Proceeds from maturities of short-term investments	25,200	8,624
Net cash used in investing activities	(13,898)	(16,025)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from convertible preferred stock, net of transaction costs	99,884	—
Repayment of Koito secured term loan	(45,220)	—
Proceeds from Business Combination and private offering	—	76,107
Payments of Business Combination and private offering transaction costs	—	(29,031)
Proceeds from issuance of debt and warrants, net of debt discount	—	9,724
Proceeds from issuance of common stock options	22	707
Payments of employee taxes related to vested restricted stock units	(63)	—
Issuance of common stock	—	1,700
Net cash provided by financing activities	54,623	59,207
Effect of exchange rate changes on cash	426	(19)
Net increase (decrease) in cash, cash equivalents and restricted cash	10,625	(342)
Cash, cash equivalents and restricted cash, beginning of period	34,518	3,654
Cash, cash equivalents and restricted cash, end of period	\$ 45,143	\$ 3,312

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest	\$	63	\$	741
Cash paid for income taxes	\$	—	\$	12
Business Combination transaction costs, accrued but not paid	\$	—	\$	135

SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING INFORMATION

Vesting of early exercised stock options	\$	—	\$	101
Right-of-use assets obtained in exchange for new operating lease liabilities	\$	11,190	\$	1,827

See accompanying notes to the condensed consolidated financial statements

CEPTON, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1. Description of Business and Summary of Significant Accounting Policies

Description of Business

Cepton, Inc., and its wholly owned subsidiaries, (collectively, the “Company”) formerly known as Growth Capital Acquisition Corp. (“GCAC”), was originally incorporated in Delaware on January 4, 2010, under the name PinstripesNYS, Inc. GCAC changed its name to Growth Capital Acquisition Corp. on February 14, 2020. GCAC was a special purpose acquisition company formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization, or other similar business combination with one or more target businesses. On February 2, 2021, the Company consummated its initial public offering (the “IPO”), following which its shares began trading on the Nasdaq Stock Market (“Nasdaq”). On August 4, 2021, GCAC entered into a Business Combination Agreement (as amended, the “Merger Agreement”) with Cepton Technologies, Inc. (“Legacy Cepton”) and GCAC Merger Sub Inc., a wholly owned subsidiary of GCAC (“Merger Sub”). On February 10, 2022 (the “Closing Date”), the transactions contemplated by the Merger Agreement (the “Business Combination”) were consummated. In connection with the closing of the Business Combination, GCAC changed its name to Cepton, Inc. and its shares and public warrants began trading on Nasdaq under the symbols “CPTN” and “CPTNW”, respectively. As a result of the Business Combination, Cepton, Inc. became the owner, directly or indirectly, of all of the equity interests of Legacy Cepton and its subsidiaries.

The Company provides state-of-the-art, intelligent, lidar-based solutions for a range of markets such as automotive, smart cities, smart spaces, and smart industrial applications. The Company’s patented lidar technology enables reliable, scalable, and cost-effective solutions that deliver long range, high resolution 3D perception for smart applications. The Company is headquartered in San Jose, California, USA, with a presence in Germany, Canada, China and India.

Basis of Presentation and Principles of Consolidation

The condensed consolidated financial statements are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The condensed consolidated financial statements include the accounts of the Company’s wholly owned subsidiaries in Canada, Germany, China and the United Kingdom. All intercompany balances and transactions have been eliminated in consolidation. The condensed consolidated financial statements include all adjustments considered necessary by management to fairly state the results of operations, financial position and cash flows. The accompanying interim unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes thereto for the year ended December 31, 2022 included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022.

The accompanying condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern. As of September 30, 2023, the Company had cash and cash equivalents of \$43.9 million, short-term investments of \$17.3 million, and an accumulated deficit of \$126.3 million. During the nine months ended September 30, 2023, the Company incurred an operating loss of \$41.5 million and had negative cash flows from operating activities of \$30.5 million. The Company believes that its cash position, including cash available from the Purchase Agreement with Lincoln Park (each as defined below in Note 11), will be sufficient to satisfy foreseeable liquidity needs and capital expenditure requirements, including for at least the next twelve months.

The Company is subject to risks and uncertainties frequently encountered by early-stage companies including, but not limited to, the uncertainty of successfully developing its products, securing certain contracts, building its customer base, successfully executing its business and marketing strategy and hiring appropriate personnel.

To date, the Company has been funded primarily by equity financings, convertible promissory notes, and the net proceeds received through the Business Combination, PIPE Investment (as defined below in Note 2), and private placements of the Legacy Cepton convertible preferred stock. Failure to generate sufficient revenues, achieve planned gross margins and operating profitability, control operating costs, or secure additional funding may require the Company to modify, delay, or abandon some of its planned future expansion or development, or to otherwise enact operating cost reductions available to management, which could have a material adverse effect on the Company’s business, operating results, financial condition, and ability to achieve its intended business objectives.

On September 7, 2023, the Company’s stockholders approved a one-for-ten reverse stock split of the Company’s issued common stock (the “Reverse Stock Split”) and a corresponding reduction in the total number of shares of common stock the Company is authorized to issue (the “Authorized Shares Reduction”). On September 18, 2023, the Company filed with

the Secretary of State of the State of Delaware a Certificate of Amendment to its Second Amended and Restated Certificate of Incorporation to effect the Reverse Stock Split and Authorized Shares Reduction. The Reverse Stock Split and Authorized Shares Reduction became effective on September 21, 2023 (“Effective Date”). The par value of the Company’s common stock was not adjusted as a result of the Reverse Stock Split. All of the Company’s share numbers, per share amounts, and related stockholders’ equity (deficit) balances presented herein have been retroactively adjusted to reflect the Reverse Stock Split. In addition, the exercise prices, conversion rates and other terms of the Company’s securities that adjusted pursuant to their terms as a result of the Reverse Stock Split have been presented after giving effect to such adjustments.

Concentration of Risk

Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments, and accounts receivable. The Company maintains a substantial portion of its cash and cash equivalents and short-term investments in money market funds, commercial paper, corporate debt securities, and U.S. government agency securities. Management believes that the financial institutions that hold its cash, cash equivalents, and short-term investments are financially sound and, accordingly, represent minimal credit risk. Deposits held with banks may exceed the amount of federal insurance limits provided on such deposits.

As of September 30, 2023 and December 31, 2022, two and two customers, respectively, each accounted for more than 10% of accounts receivable.

Customers with revenue equal to or greater than 10% of total revenue for the periods indicated were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Customer A	55 %	16 %	52 %	35 %
Customer B	31 %	— %	35 %	— %
Customer C	— %	40 %	— %	15 %
Customer D	— %	21 %	— %	24 %

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include, but are not limited to, inventory valuation and reserves, warranty reserves, valuation allowance for deferred tax assets, valuation of earnout and warrant liabilities, stock-based compensation, useful lives of property and equipment, income tax uncertainties, and other loss contingencies. The Company evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors and adjusts those estimates and assumptions when facts and circumstances dictate. Actual results could differ from those estimates, and such differences could be material to the Company’s condensed consolidated financial condition and results of operations.

Product Warranties

The Company typically provides a one-year warranty on its products. Estimated future warranty costs are accrued and charged to cost of goods sold in the period that the related revenue is recognized. These estimates are derived from historical data and trends of product reliability and costs of repairing and replacing defective products. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary. Through September 30, 2023, there were immaterial changes to the accrued warranty liability which was recorded in accrued expenses and other current liabilities on the condensed consolidated balance sheet.

Reclassifications

Certain reclassifications have been made to prior-period amounts to conform to current-period reporting classifications.

Recently Adopted Accounting Pronouncements

In June 2016, the Financial Standards Accounting Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which significantly changes the way entities recognize credit losses and impairment of financial assets recorded at amortized cost. Currently, the credit loss and impairment model for loans and leases is based on incurred losses, and investments are recognized as impaired when there is no longer an assumption that future cash flows will be collected in full under the originally contracted terms. Under the new current expected credit loss (“CECL”) model, the standard requires immediate recognition of estimated credit losses expected to occur over the remaining life of the asset. The Company adopted this standard on January 1, 2023 utilizing the modified retrospective method, and the adoption did not have a material impact on its condensed consolidated financial statements.

Recently Issued Accounting Pronouncements

In August 2020, the FASB issued ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40)—Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity*, which simplifies the accounting for convertible instruments by reducing the number of accounting models available for convertible debt instruments and convertible preferred stock. This update also amends the guidance for the derivatives scope exception for contracts in an entity’s own equity to reduce form-over-substance-based accounting conclusions. ASU 2020-06 amends the diluted earnings per share guidance, including the requirement to use the if-converted method for all convertible instruments. The update also requires entities to provide expanded disclosures about the terms and features of convertible instruments, how the instruments have been reported in the entity’s financial statements, and information about events, conditions, and circumstances that can affect how to assess the amount or timing of an entity’s future cash flows related to those instruments. The guidance is effective for interim and annual periods beginning after December 15, 2023 for smaller reporting companies. The Company is currently evaluating the potential impact on its condensed consolidated financial statements and related disclosures from the adoption of this standard.

Note 2. Business Combination

On February 10, 2022, the Business Combination was consummated and the following disclosure has been retained from our previously filed Form 10-K for the comparative prior period in 2022.

The Business Combination was accounted for as a reverse recapitalization as Legacy Cepton was determined to be the accounting acquirer under FASB ASC Topic 805, Business Combinations (ASC 805).

In connection with the Business Combination, outstanding capital stock of Legacy Cepton was converted into common stock of Legacy Cepton and then subsequently converted into Class A common stock of the Company, representing a recapitalization, and the net assets of the Company were acquired at historical cost, with no goodwill or intangible assets recorded. Legacy Cepton was deemed to be the predecessor of the Company, and the consolidated assets and liabilities and results of operations prior to the Closing Date are those of Legacy Cepton. The shares and corresponding capital amounts prior to the Business Combination, have been retroactively restated as shares reflecting an exchange ratio of approximately 2.449 (the “Exchange Ratio”). Operations prior to the Business Combination were those of Legacy Cepton in future reports of the combined entity.

PIPE Investment

Contemporaneously with the execution of the Merger Agreement, GCAC entered into subscription agreements with certain investors (the “PIPE Investors”), pursuant to which the PIPE Investors agreed to purchase an aggregate of 595,000 shares of common stock at a purchase price of \$100.00 per share (as adjusted to reflect the Reverse Stock Split), or an aggregate purchase price of \$59.5 million (the “PIPE Investment”).

Public and Private Placement Warrants

GCAC warrants issued in connection with the IPO (“Public Warrants”) and in connection with the private placement units held by the Sponsor (“Private Placement Warrants”) remained outstanding after the closing of the Business Combination. The Public Warrants are equity-classified and were valued based on the instruments’ publicly listed trading price as of the Closing Date. The Private Placement Warrants are liability-classified and are valued on a recurring basis with changes in fair value recognized as a gain or loss upon remeasurement (see Note 14).

Transaction Costs

For the nine months ended September 30, 2022, the Company incurred direct and incremental costs of approximately \$31.7 million in connection with the Business Combination and the related equity issuance, consisting primarily of investment banking, legal, accounting, and other professional fees, which were recorded to additional paid-in capital as a reduction of proceeds. An approximate additional \$2.6 million of transaction costs were recorded in general and administrative expense related to the liability classified instruments assumed subsequent to the Business Combination in 2022. There were no transaction costs related to the Business Combination recorded in 2023.

Transaction Proceeds

Upon closing of the Business Combination, the Company received gross proceeds of \$76.1 million from the Business Combination and PIPE Investment, offset by total transaction costs of \$40.7 million.

Note 3. Revenue

The Company disaggregates its revenue from contracts with customers by country of domicile based on the shipping location of the customer. Total revenue disaggregated by country of domicile is as follows (dollars in thousands):

	Three Months Ended September 30,			
	2023		2022	
	Revenue	% of Revenue	Revenue	% of Revenue
Revenue by country of domicile:				
Japan	\$ 2,151	56 %	\$ 376	21 %
United States	1,583	41 %	684	38 %
China	28	1 %	719	40 %
Other	71	2 %	25	1 %
Total	\$ 3,833	100 %	\$ 1,804	100 %

	Nine Months Ended September 30,			
	2023		2022	
	Revenue	% of Revenue	Revenue	% of Revenue
Revenue by country of domicile:				
Japan	\$ 4,454	55 %	\$ 2,640	45 %
United States	3,153	39 %	2,177	37 %
China	345	4 %	879	15 %
Other	153	2 %	153	3 %
Total	\$ 8,105	100 %	\$ 5,849	100 %

As of September 30, 2023 and December 31, 2022, the Company had \$0.6 million and \$0.5 million of deferred revenue included in accrued expenses and other current liabilities, respectively, and no contract assets.

Note 4. Fair Value Measurement

The following tables summarize the Company's assets and liabilities measured at fair value on a recurring basis, by level, within the fair value hierarchy (in thousands):

	September 30, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market fund	\$ 21,684	\$ —	\$ —	\$ 21,684
Total cash equivalents	\$ 21,684	\$ —	\$ —	\$ 21,684
Short-term investments:				
Commercial paper	\$ —	\$ 11,374	\$ —	\$ 11,374
U.S. government agency securities	—	5,971	—	5,971
Total short-term investments	\$ —	\$ 17,345	\$ —	\$ 17,345
Total assets measured at fair value	\$ 21,684	\$ 17,345	\$ —	\$ 39,029
Liabilities:				
Warrant liability	\$ —	\$ 141	\$ —	\$ 141
Earnout liability	—	—	93	93
Total liabilities measured at fair value	\$ —	\$ 141	\$ 93	\$ 234

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market fund	\$ 10,437	\$ —	\$ —	\$ 10,437
Total cash equivalents	\$ 10,437	\$ —	\$ —	\$ 10,437
Short-term investments:				
U.S. government agency securities	\$ —	\$ 2,493	\$ —	\$ 2,493
Corporate debt securities	—	1,210	—	1,210
Total short-term investments	\$ —	\$ 3,703	\$ —	\$ 3,703
Total assets measured at fair value	\$ 10,437	\$ 3,703	\$ —	\$ 14,140
Liabilities:				
Warrant liability	\$ —	\$ 440	\$ —	\$ 440
Earnout liability	—	—	920	920
Total liabilities measured at fair value	\$ —	\$ 440	\$ 920	\$ 1,360

Cash equivalents consist primarily of money market funds with original maturities of three months or less at the time of purchase, and the carrying amount is a reasonable estimate of fair value. Short-term investments consist of investment securities with original maturities greater than three months but less than twelve months and are included as current assets in the condensed consolidated balance sheets. For short-term investments, the fair value as of September 30, 2023 and December 31, 2022 approximates amortized cost basis.

Because the transfer of Private Placement Warrants to non-permitted transferees would result in the Private Placement Warrants having substantially the same terms as the Public Warrants, the Company determined that the fair value of each Private Placement Warrant is consistent with that of a Public Warrant. Accordingly, the Private Placement Warrants are classified as Level 2 financial instruments under warrant liability.

The value of the earnout liability is classified as Level 3 under the fair value hierarchy because it has been valued based on significant inputs not observable in the market.

Changes in Level 3 liabilities related to earnout liability measured at fair value for the nine months ended September 30, 2023 were as follows (in thousands):

	Nine Months Ended September 30, 2023
Balance as of December 31, 2022	\$ 920
Gain on change in fair value of earnout liability	(827)
Balance as of September 30, 2023	<u>\$ 93</u>

The gain on change in the fair value of the earnout liability was shown in the condensed consolidated statement of operations and comprehensive income (loss).

Note 5. Inventories

Inventories consist of the following as of September 30, 2023 and December 31, 2022 (in thousands):

	September 30, 2023	December 31, 2022
Raw materials	\$ 1,862	\$ 1,179
Work-in-process	1,096	1,141
Finished goods	953	665
Total inventories	<u>\$ 3,911</u>	<u>\$ 2,985</u>

Inventories are carried and depicted above at the lower of cost or net realizable value. Write-downs were \$0.4 million and \$0.6 million for the three and nine months ended September 30, 2023, respectively. Write-downs were \$0.4 million for each of the three and nine months ended September 30, 2022.

Note 6. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following as of September 30, 2023 and December 31, 2022 (in thousands):

	September 30, 2023	December 31, 2022
Prepaid insurance	\$ 1,214	\$ 2,533
Other prepaid expenses	946	1,376
Deferred transaction costs	—	993
Payroll tax receivable	—	865
Other current assets	151	505
Total prepaid expenses and other current assets	<u>\$ 2,311</u>	<u>\$ 6,272</u>

Note 7. Property and Equipment, Net

Property and equipment, net, consists of the following as of September 30, 2023 and December 31, 2022 (in thousands):

	September 30, 2023	December 31, 2022
Machinery and equipment	\$ 2,786	\$ 1,445
Automobiles	101	101
Leasehold improvements	235	189
Computer and equipment	116	116
Total property and equipment	3,238	1,851
Less: accumulated depreciation and amortization	(1,239)	(869)
Total property and equipment, net	\$ 1,999	\$ 982

Depreciation and amortization related to property and equipment was immaterial and \$0.4 million for the three and nine months ended September 30, 2023, respectively. Depreciation and amortization related to property and equipment was immaterial and \$0.2 million for the three and nine months ended September 30, 2022, respectively.

Note 8. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following as of September 30, 2023 and December 31, 2022 (in thousands):

	September 30, 2023	December 31, 2022
Accrued payroll	\$ 1,964	\$ 1,300
Accrued expenses and taxes	825	375
Deferred revenue	572	525
Warranty reserve	48	65
Total accrued expenses and other current liabilities	\$ 3,409	\$ 2,265

Note 9. Debt***Trinity Loan Agreement***

On January 4, 2022, Legacy Cepton entered into a loan and security agreement and subsequent amendments (“Trinity Loan Agreement”) with Trinity Capital Inc. (“Trinity”) to borrow up to \$25.0 million through January 1, 2023 at a floating per annum rate equal to the greater of (i) 10.75% or (ii) the prime rate plus 7.0%. The loan had a maturity date of February 1, 2026. In connection with the Trinity Loan Agreement, Legacy Cepton issued a warrant to purchase 96,998 shares of Legacy Cepton’s common stock with an exercise price of \$16.89 per share (see Note 14). The fair value of the warrant was estimated to be \$1.3 million on the date of issuance. On January 4, 2022, Legacy Cepton borrowed \$10.0 million under the agreement, incurring \$0.3 million in transaction costs which were accounted for as a debt discount. Legacy Cepton also recognized a pro rata portion of the warrant fair value as a debt discount related to the \$10.0 million loan. Amortization of debt discounts, in accordance with the effective interest method, are recorded as interest expense in the accompanying condensed consolidated statement of operations and comprehensive income (loss) during 2022. Obligations under the Trinity Loan Agreement were secured by interests in substantially all of the Company’s assets. The agreement contained customary affirmative and negative covenants.

For the three and nine months ended September 30, 2022, the Company recognized \$0.4 million and \$1.8 million in interest expense, respectively, in connection with the borrowings under the Trinity Loan Agreement.

On November 7, 2022, the Company repaid all outstanding principal and accrued interest under and terminated the Trinity Loan Agreement including a 1.5% prepayment penalty and 2.5% end of term payment.

Secured Term Loan Agreement with Koito

On October 27, 2022, the Company entered into an Investment Agreement (the “Investment Agreement”) with Koito Manufacturing Co., Ltd. (“Koito”) (See Note 10). Concurrently with the execution of the Investment Agreement, the Company entered into a Secured Term Loan Agreement with Koito to borrow Japanese Yen ¥5.8 billion (approximately \$39.4 million) (the “Secured Term Loan Agreement”). The loan accrued interest at a rate equal to 1.0% per annum and was payable at maturity. The Secured Term Loan Agreement entered into with Koito was a related party transaction issued at a below market interest rate. To reflect what a similar debt instrument would be issued at with a market interest rate, the Company recorded a \$2.0 million debt discount accounted for as a capital contribution within additional paid-in capital in the condensed consolidated balance sheet as of December 31, 2022. Amortization of the debt discount, in accordance with the effective interest method, was recorded as interest expense in the accompanying condensed consolidated statement of operations and comprehensive income (loss). The loan was set to mature on the earlier of three business days after the closing of the transactions contemplated by the Investment Agreement and the date on which the Investment Agreement is terminated in accordance with its terms. On November 7, 2022, the Company borrowed Japanese Yen ¥5.8 billion (approximately \$39.4 million) under the Secured Term Loan Agreement. Obligations under the Secured Term Loan Agreement were secured by interests in substantially all of the Company’s assets, including all patents. The agreement contained customary affirmative and negative covenants. On January 24, 2023, the Company repaid all outstanding principal and accrued interest under the Secured Term Loan Agreement.

For the nine months ended September 30, 2023, the Company recognized \$0.3 million in interest expense in connection with the borrowings under the Secured Term Loan Agreement. Additionally, the Company recognized a \$0.8 million foreign currency transaction loss on repayment using the applicable exchange rate on January 24, 2023 and a \$1.1 million loss on extinguishment of debt.

Note 10. Convertible Preferred Stock

Convertible Preferred Stock Prior to Business Combination

Prior to the Business Combination, Legacy Cepton had shares of \$0.00001 par value Series A, Series B, Series B-1, and Series C preferred stock outstanding, all of which were convertible into shares of common stock of Legacy Cepton on a 1:1 basis, subject to certain anti-dilution protections. Upon the closing of the Business Combination on February 10, 2022, each share of convertible preferred stock issued and outstanding was converted into shares of common stock at the Exchange Ratio. As discussed in Note 2, the Company has retroactively adjusted the shares issued and outstanding prior to February 10, 2022 to give effect to the Exchange Ratio.

Convertible Preferred Stock with Koito

On October 27, 2022, the Company entered into the Investment Agreement with Koito pursuant to which, among other things, at the closing of the transactions, and based on the terms and subject to the conditions set forth therein, the Company issued and sold to Koito, 100,000 shares of Series A Convertible Preferred Stock, par value \$0.00001 per share (the “Preferred Stock”), for a purchase price of \$100.0 million (the “Initial Liquidation Preference”). The issuance and sale of the Preferred Stock and related matters were approved by the Company’s stockholders on January 11, 2023, and the Preferred Stock issued to Koito on January 19, 2023. In connection with the issuance of the Preferred Stock, the Company incurred direct and incremental expenses of \$1.1 million, comprised of transaction fees, and financial advisory and legal expenses, which reduced the carrying value of the Preferred Stock.

As of September 30, 2023, the Company had authorized 5,000,000 shares of preferred stock, each with a par value of \$0.00001. As of September 30, 2023, there were 100,000 shares of preferred stock issued and outstanding.

Dividend Provisions

The Preferred Stock ranks senior to the Company’s common stock with respect to payment of dividends and rights on the distribution of assets on any liquidation, dissolution or winding up of the affairs of the Company and ranks junior to all secured and unsecured indebtedness. The Preferred Stock has an Initial Liquidation Preference of \$100.0 million, representing an aggregate Liquidation Preference (as defined below) of \$100.0 million upon issuance. At the Company’s election, the Preferred Stock carries a 4.250% per annum dividend if paid in kind or a 3.250% per annum dividend if paid in cash, in each case payable quarterly in arrears. Holders of the Preferred Stock are entitled to the dividend regardless of whether declared by the Company’s board of directors. Such dividends shall accrue and compound quarterly in arrears from the date of issuance of the shares. The Preferred Stock is also entitled to fully participate in any dividends paid to the holders of common stock in cash, in stock or otherwise, on an as-converted basis.

Liquidation Rights

In the event of any Liquidation, holders of the Preferred Stock are entitled to receive an amount per share equal to the greater of (1) the Initial Liquidation Preference per share plus any accrued or declared but unpaid dividends on such shares (the "Liquidation Preference") or (2) the amount payable if the Preferred Stock were converted into common stock. The Preferred Stock will have distribution and liquidation rights senior to all other equity interests of the Company. As of September 30, 2023, the Liquidation Preference of the Preferred Stock was \$103.0 million.

Conversion Feature

The Preferred Stock may be converted, at any time in whole or in part at the option of the holder, beginning on January 19, 2024, into shares of the Company's common stock equal to the quotient obtained by dividing the sum of the Liquidation Preference by the conversion price of \$25.85 (the "Conversion Price"), as adjusted to reflect the Reverse Stock Split.

Anti-Dilution Provisions

The Conversion Price of the Preferred Stock has customary anti-dilution provisions for stock splits, stock dividends, sales of shares through a tender or exchange offer, including under the Purchase Agreement with Lincoln Park (as defined below), subject to customary exceptions for issuances pursuant to current or future equity-based incentive plans or arrangements (including upon the exercise of employee stock options).

Optional Redemption

The Company has the option, upon 30 days' advance notice, to (A) repurchase all (but not less than all) of the outstanding Preferred Stock held by Koito or a Permitted Transferee (as defined in the Investment Agreement) on or after the second anniversary of the closing occurring after the end of the applicable fiscal year for which the Company has recorded positive net income, if the Company has recorded positive net income pursuant to GAAP in its audited financial statements for any fiscal year the end date of which falls after the fifth anniversary of the closing and (B) all or any portion of the outstanding Preferred Stock not held by Koito or a Permitted transferee any time after the seventh anniversary of the closing.

Fundamental Change Put Right

Upon occurrence of a fundamental change event, each holder of outstanding shares of the Preferred Stock has the right to require the Company to repurchase any or all of their Preferred Stock at a purchase price per share equal to the Liquidation Preference or in lieu of a repurchase, elect to convert the Preferred Stock into the Company's common stock equal to the quotient obtained by dividing 110% of the Liquidation Preference by the Conversion Price.

A fundamental change is defined as either the direct or indirect sale, or other disposition of all or substantially all assets of the Company and its subsidiaries to any third party or the consummation of any transaction, the result of which is that any third party or group of third parties become the beneficial owner of more than 50% of the voting power of the Company. Solely with respect to shares held by Koito, the definition of a fundamental change is expanded to include agreements entered by the Company to issue equity exceeding 10% of the Company's common stock, or any strategic alliance partnership, or joint venture agreement to a third party deemed to be a competitor with Koito (subject to certain exceptions).

Note 11. Stockholders' Equity (Deficit)

Common Stock

Holdings of Legacy Cepton's common stock were entitled to one vote per share, and to receive dividends when, as and if declared by the board of directors, and, upon liquidation or dissolution, were entitled to receive all assets available for distribution to stockholders. The holders had no preemptive or other subscription rights and there were no redemption or sinking fund provisions with respect to such shares. Upon the closing of the Business Combination on February 10, 2022, each share of Legacy Cepton common stock issued and outstanding was converted into common stock of the Company at the Exchange Ratio.

As of September 30, 2023, the Company had authorized 35,000,000 shares of common stock, each with a par value of \$0.00001. As of September 30, 2023, there were 15,846,935 shares of common stock issued and outstanding. See Note 1 *Basis of Presentation and Principles of Consolidation* for more information regarding the Reverse Stock Split and Authorized Shares Reduction and the retroactive adjustment therefor in this Report.

Lincoln Park Transaction

On November 24, 2021, Legacy Cepton entered into a purchase agreement with Lincoln Park Capital LLC (“Lincoln Park” or “LPC”), pursuant to which Lincoln Park has agreed to purchase up to \$100.0 million of common stock (subject to certain limitations contained in the Purchase Agreement) from time to time over a 36-month period (the “Purchase Agreement”) after the consummation of the Business Combination and certain other conditions set forth in the Purchase Agreement. The Company may, from time to time and at its sole discretion, direct Lincoln Park to purchase common stock in accordance with daily dollar thresholds as determined within the Purchase Agreement. The purchase price per share for common stock will be the lower of: (i) the lowest trading price for shares of common stock on the market in which it is listed, on the applicable purchase date and (ii) the average of the three (3) lowest closing sale price for common stock during the ten (10) consecutive business days ending on the business day immediately preceding such purchase date. In consideration for entering into the Purchase Agreement, the Company issued, as a commitment fee, 5,000 shares of common stock to Lincoln Park on the date of the closing of the Business Combination and subsequently an additional 15,000 shares of common stock 180 days after the date of the closing of the Business Combination.

As of September 30, 2023, 114,251 shares of common stock had been sold in aggregate to Lincoln Park under the Purchase Agreement for consideration of \$1.7 million. For the three and nine months ended September 30, 2023, no shares of common stock were sold to Lincoln Park under the Purchase Agreement. For the three and nine months ended September 30, 2022, 112,132 and 114,251 shares of common stock, respectively, were sold to Lincoln Park under the Purchase Agreement.

Class F Stock

Holders of Legacy Cepton’s Class F stock were entitled to the same voting rights as the equivalent number of common stock on an as-converted basis, and to receive dividends when, as and if declared by the board of directors. The holders had conversion rights for conversion into shares of common stock and preferred stock. The holders were subject to vesting terms wherein each holder acquired a vested interest in the stock over a service period of four years. Upon the closing of the Business Combination on February 10, 2022, each share of Legacy Cepton’s Class F stock issued and outstanding was converted to common stock of the Company at the Exchange Ratio.

Note 12. Stock-Based Compensation

Equity Incentive Plans

On July 5, 2016, Legacy Cepton adopted the 2016 Stock Plan (the “2016 Plan”) under which 4,800,000 shares of Legacy Cepton’s common stock were reserved for issuance to employees, nonemployee directors, consultants, and advisors. As a result of the Business Combination, the Company no longer grants new incentive awards under the 2016 Plan and there were no shares reserved or available for future issuance under the 2016 Plan. Incentive awards existing under the 2016 Plan immediately prior to the Business Combination were converted into options to receive shares of common stock through application of the Exchange Ratio (“Post Conversion Awards”).

On February 10, 2022, the Company adopted the 2022 Stock Plan (the “2022 Plan”) under which 1,512,314 shares of the Company’s common stock, as adjusted to reflect the Reverse Stock Split, were reserved for issuance to employees, nonemployee directors, consultants, and advisors. Per the terms of the 2022 Plan, in the event any Post Conversion Awards issued and outstanding under the 2016 Plan are cancelled, terminated, or expire, said number of shares will be made available for issuance under the 2022 Plan. The share limit shall automatically increase on the first trading day in January of every calendar year during the term of the 2022 Plan, by an amount equal to the lesser of (i) two percent (2%) of the total number of shares of common stock issued and outstanding on December 31 of the immediately preceding calendar year or (ii) such number of shares of common stock as may be established by the board of directors. As of September 30, 2023, as adjusted to reflect the Reverse Stock Split, there were 1,007,264 shares of common stock reserved for issuance under the 2022 Plan.

Incentive Stock Options and Nonqualified Stock Options

A summary of the Company's employee and nonemployee stock option activity for the nine months ended September 30, 2023 is presented below:

	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contract Term (in years)</u>	<u>Aggregate Intrinsic Value (in thousands)</u>
Outstanding as of December 31, 2022	1,426,132	\$ 21.45	6.5	\$ 6,486
Granted	8,500	\$ 4.45		
Exercised	(21,992)	\$ 1.00		
Expired/Forfeited	(71,827)	\$ 36.86		
Outstanding as of September 30, 2023	<u>1,340,813</u>	\$ 20.85	5.8	\$ 1,028
Exercisable as of September 30, 2023	1,119,579	\$ 16.88	5.4	\$ 1,028
Vested and expected to vest as of September 30, 2023	1,340,813	\$ 20.85	5.8	\$ 1,028

During the nine months ended September 30, 2023, the estimated weighted-average grant date fair value of options granted was \$2.03 per share. As of September 30, 2023, there was \$5.0 million of unrecognized stock-based compensation expense related to unvested stock options expected to be recognized over a weighted-average period of 1.4 years. The total intrinsic value of options exercised during the nine months ended September 30, 2023 was \$0.1 million. The Company recognizes forfeitures as they occur.

Restricted Stock Units

Each restricted stock unit ("RSU") granted under the 2022 Plan represents a right to receive one share of the Company's common stock when the RSU vests. RSUs generally vest over a period of one to four years based on fulfilling a service condition. The fair value of a RSU is equal to the fair value of the Company's common stock on the date of grant.

A summary of the Company's RSU activity for the nine months ended September 30, 2023 is presented below:

	<u>Shares</u>	<u>Weighted Grant Date Fair Value</u>
Outstanding as of December 31, 2022	470,868	\$ 25.66
Granted	489,762	\$ 10.19
Released	(167,211)	\$ 25.74
Forfeited	(63,471)	\$ 16.58
Outstanding as of September 30, 2023	<u>729,948</u>	\$ 16.05

As of September 30, 2023, there was \$9.3 million of unrecognized stock-based compensation expense related to unvested RSUs expected to be recognized over a weighted-average period of 2.3 years. The total intrinsic value of RSUs outstanding at September 30, 2023 was \$2.8 million. The Company recognizes forfeitures as they occur.

Performance-based Stock units

Each performance-based stock unit ("PSU") granted under the 2022 Plan represents a right to receive one share of the Company's common stock upon satisfaction of the performance-based conditions applicable to the PSU. There were no PSUs issued during the nine months ended September 30, 2023. During the nine months ended September 30, 2022, the Company granted 12,300 PSUs under the 2022 Plan, with 6,600 PSUs in the first tranche and 5,700 PSUs in the second tranche. Each grant consisted of two market-based vesting tranches, with the first tranche to vest if, at the close of regular trading for 20 trading days out of any period of 30 consecutive trading days, either (i) the closing price of the Company's common stock exceeds \$150.00 per share or (ii) the Company's market capitalization exceeds \$2.1 billion; and the second tranche to vest if, at the close of regular trading for 20 trading days out of any period of 30 consecutive trading days, either

(i) the closing price of the Company's common stock exceeds \$175.00 per share or (ii) the Company's market capitalization exceeds \$2.5 billion, provided in each case that the applicable stock price or market capitalization goal must be achieved no later than February 10, 2025 for the applicable tranche to vest, and provided further that the vesting of each tranche is subject to the grantee's continued employment with the Company through the day on which the applicable goal is achieved.

The fair value of the PSUs at valuation date was determined using a Monte Carlo valuation model that utilizes significant assumptions, including expected volatility, dividend yield, stock price as of the valuation date, market capitalization targets and the corresponding share price targets necessary for each tranche of PSUs to vest, expected life, and risk-free rate.

The fair value of the PSUs at valuation date was \$0.1 million with weighted-average grant date fair value of \$9.77, amortizing over a derived service period of 21 and 22 months for each tranche, respectively. As of September 30, 2023, unrecognized stock-based compensation expense related to PSU's was immaterial, which was expected to be recognized over a weighted-average period of 1.4 years.

Stock-Based Compensation

For the three and nine months ended September 30, 2023 and 2022, the Company recorded stock-based compensation expense as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Cost of revenue	\$ 45	\$ 42	\$ 149	\$ 145
Research and development expense	1,148	1,269	3,518	3,250
Selling, general and administrative expense	1,142	1,057	3,322	2,559
Total stock-based compensation expense	\$ 2,335	\$ 2,368	\$ 6,989	\$ 5,954

For the three months ended September 30, 2023 and 2022, the Company capitalized \$42 thousand and \$42 thousand, respectively, of stock-based compensation expense into inventory. For the nine months ended September 30, 2023 and 2022, the Company capitalized \$0.1 million and \$0.1 million, respectively, of stock-based compensation expense into inventory. There were no modifications during the three and nine months ended September 30, 2023, or during the three months ended September 30, 2022. During the nine months ended September 30, 2022, the Company recognized additional stock-based compensation expense of \$0.3 million as a result of modification of a cancelled option of a nonemployee.

Note 13. Earnout Liability

In addition to the shares issued upon closing of the Business Combination (see Note 2), additional contingent shares ("Earnout Shares") are payable to each holder of common stock and/or options receiving consideration in the Business Combination, in the amounts set forth below (as adjusted to reflect the Reverse Stock Split):

- (a) If the closing price of the Company's common stock equals or exceeds \$150.00 per share for any 20 trading days within any consecutive 30-trading day period that occurs after the Closing Date and on or prior to the three-year anniversary of the Closing Date, then, the Company will issue to each holder of common stock that is entitled to Earnout Shares a number of shares of common stock equal to such holder's pro rata portion of 700,000 shares.
- (b) If the closing price of the Company's common stock equals or exceeds \$175.00 per share for any 20 trading days within any consecutive 30-trading day period that occurs after the Closing Date and on or prior to the three-year anniversary of the Closing Date, the Company will issue to each holder of common stock that is entitled to Earnout Shares a number of shares of common stock equal to such holder's pro rata portion of 600,000 shares.

The Company concluded the Earnout Shares meet the criteria for liability classification due to the existence of contingent settlement provisions that could result in holders receiving differing amounts of shares depending on the Company's stock price or the price paid in a change of control. Because the settlement is not solely determined by the share price of the Company (that is, the share price observed in or implied by a qualifying change-in-control event), but also by the occurrence of a qualifying change-in-control event, this causes the Earnout Shares to not be indexed to the Company's own shares, resulting in liability classification. Upon the closing of the Business Combination, the Company recorded these

instruments as liabilities on the condensed consolidated balance sheet at fair value and will recognize subsequent changes in fair value in earnings at each reporting date. The fair value of the earnout liability was determined using a Monte Carlo valuation model that utilizes significant assumptions, including expected volatility, expected term, and risk-free rate, to determine the probability of achieving the common share price milestones.

The following table summarizes the assumptions used in estimating the fair value of the earnout liability at each of the relevant periods:

	September 30, 2023	December 31, 2022
Current stock price	\$ 3.80	\$ 12.70
Expected volatility	117.0 %	79.0 %
Risk-free interest rate	5.32 %	4.42 %
Expected term (in years)	1.4	2.1
Expected dividend yield	0 %	0 %

Current stock price: the stock price was based on the closing price as of the valuation date, as adjusted to reflect the Reverse Stock Split.

Expected volatility: the volatility rate was determined using the historical volatility of the Company's stock price and a mix of historical and implied volatilities of selected industry peers deemed to be comparable to the Company's business, corresponding to the expected term of the awards.

Risk-free interest rate: The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of issuance for zero-coupon U.S. Treasury notes with maturities corresponding to the expected three-year term of the earnout period.

Expected term: The expected term is the remaining term of the three-year earnout period.

Expected dividend yield: The expected dividend rate is zero as the Company currently has no history or expectation of declaring dividends in the foreseeable future.

As of September 30, 2023, the balance of the earnout liability was approximately \$0.1 million. For the three and nine months ended September 30, 2023, the Company recorded an immaterial gain and a gain of \$0.8 million, respectively, in the condensed consolidated statement of operations and comprehensive income (loss) for the change in fair value of the earnout liability. For the three and nine months ended September 30, 2022, the Company recorded a loss of \$1.4 million and a gain of \$70.9 million, respectively, in the condensed consolidated statement of operations and comprehensive income (loss) for the change in fair value of the earnout liability.

Note 14. Warrants

Common Stock Warrants Assumed in Business Combination

As part of GCAC's initial public offering, 8,625,000 Public Warrants were sold. The terms of outstanding warrants and equity-based awards (including exercise price and number of shares issuable thereunder) were proportionately adjusted to reflect the Reverse Stock Split. The as-adjusted terms of the Public Warrants provide that every ten shares of common stock that could have been purchased pursuant to the exercise of warrants prior to the Effective Date represent one share of common stock that may be purchased pursuant to such warrants following the Effective Date. The exercise price for each warrant following the Effective Date equals the product of 10 multiplied by the exercise price prior to the Effective Date; accordingly, the exercise price for the Company's warrants is \$115.00 following the Effective Date. The Public Warrants will expire five years after the completion of the Business Combination, or earlier upon redemption or liquidation. The Public Warrants are listed on Nasdaq under the symbol "CPTNW".

The Company may redeem the Public Warrants when exercisable, in whole and not in part, at a price of \$0.01 per warrant, so long as the Company provides not less than 30 days' prior written notice of redemption to each warrant holder, and only if the reported last sale of common stock equals or exceeds \$180.00 per share for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date the Company sends the notice of redemption to the warrant holders.

Simultaneously with GCAC's initial public offering, GCAC consummated a private placement of 5,175,000 Private Placement Warrants with the Sponsor. The Private Placement Warrants are identical to the Public Warrants, including with respect to the Reverse Stock Split adjustments described above, except that the Private Placement Warrants and the shares of common stock issuable upon exercise were not transferable, assignable or salable until 30 days after the completion of the Business Combination, subject to certain limited exceptions. Additionally, the Private Placement Warrants are non-redeemable so long as they are held by the initial purchasers or such purchaser's permitted transferees. If the Private Placement Warrants are held by someone other than the initial stockholders or their permitted transferees, the Private Placement Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.

The Company concluded the Private Placement Warrants meet the criteria for liability classification due to the existence of a settlement provision that adjusts the settlement amount based on who the holder of the warrant is (i.e., permitted vs. non-permitted transferees). This provision causes the Private Placement Warrants to not be indexed to the Company's own shares, resulting in liability classification. Upon consummation of the Business Combination, the fair value of the Private Placement Warrants was recorded at a value of approximately \$2.6 million. The fair value of the Private Placement Warrants was remeasured on September 30, 2023 at \$0.1 million. For the three and nine months ended September 30, 2023, the Company recorded a gain of \$0.2 million and \$0.3 million, respectively, in the condensed consolidated statement of operations and comprehensive income (loss) for the change in fair value of the liability. For the three and nine months ended September 30, 2022, the Company recorded an immaterial loss and a gain of \$1.8 million, respectively, in the condensed consolidated statement of operations and comprehensive income (loss) for the change in fair value of the liability.

Common Stock Warrants Issued with Borrowings

In August 2019, Legacy Cepton entered into a loan and security agreement ("2019 Loan Agreement") with Silicon Valley Bank ("SVB") that allowed for borrowings of up to \$5.0 million under a term loan through July 31, 2020 (which was repaid in February 2020). In connection with the 2019 Loan Agreement, Legacy Cepton issued detachable warrants ("SVB warrants") to purchase an aggregate of 60,000 shares of Legacy Cepton's common stock. Immediately prior to the consummation of the Business Combination, the SVB warrants were net exercised and subsequently converted into shares of common stock of the Company.

On January 4, 2022, in connection with the Trinity Loan Agreement, Legacy Cepton issued a warrant ("Trinity warrants") to purchase 96,998 shares of Legacy Cepton's common stock with an exercise price of \$16.89 per share. The warrant was immediately exercisable and expires on January 4, 2032. The Company concluded the warrant meets the criteria for liability classification due to the existence of contingent settlement provisions that could result in holders receiving differing amounts of shares depending on the Company's stock price or the price paid in a change of control. Because the settlement is not solely determined by the share price of the Company (that is, the share price observed in or implied by a qualifying change-in-control event), but also by the occurrence of a qualifying change-in-control event, this causes the warrant to not be indexed to the Company's own shares, resulting in liability classification. The fair value of the warrant was initially estimated to be \$1.3 million using the Black-Scholes valuation model. Immediately prior to the consummation of the Business Combination, the Trinity warrants were net exercised and subsequently converted into shares of common stock of the Company. For the nine months ended September 30, 2022, the Company recorded a gain of \$0.7 million in the condensed consolidated statement of operations and comprehensive income (loss) for the exercise of the Trinity warrants.

Note 15. Income Taxes

The Company conducts its business globally and its operating income is subject to varying rates of tax in the U.S., Canada, Germany, Hong Kong, China, and the United Kingdom. Consequently, the Company's effective tax rate is dependent upon the geographic distribution of its earnings or losses and the tax laws and regulations in each geographical region.

The Company's provision for income taxes was immaterial for each of the three and nine months ended September 30, 2023 and 2022. The Company continues to maintain a full valuation allowance against its U.S. federal and state deferred tax assets.

Note 16. Leases

The Company leases office and manufacturing facilities under non-cancelable operating leases expiring at various dates through April 2028. The Company's lease agreements do not contain any material terms and conditions of residual value guarantees or material restrictive covenants. The Company adopted ASU 2016-02, *Leases (Topic 842)* using the modified retrospective method on January 1, 2022.

The Company determines if an arrangement is or contains a lease at inception. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on an amount equal to the present value of lease payments over the lease term. The Company's leases do not provide an implicit rate; therefore, the Company uses an incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The Company uses the implicit rate when it is readily determinable. The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward existing lease classification and to exclude leases with original terms of one year or less. Further, the Company elected to combine lease and non-lease components for all asset classes. Variable lease payments are defined as payments made for the right to use an asset that vary because of changes in facts or circumstances occurring after the commencement date, other than the passage of time. Any variable lease components are expensed as incurred. The operating lease right-of-use assets also include adjustments related to prepaid or deferred lease payments and lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term.

The components of lease expense for the three and nine months ended September 30, 2023 and 2022 were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Operating lease cost	\$ 803	\$ 388	\$ 2,271	\$ 1,129
Variable lease cost	202	210	610	631
Total operating lease cost	<u>\$ 1,005</u>	<u>\$ 598</u>	<u>\$ 2,881</u>	<u>\$ 1,760</u>

Supplemental cash flow information for the nine months ended September 30, 2023 and 2022 related to leases was as follows (in thousands):

	Nine Months Ended September 30,	
	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Cash paid for operating leases included in operating activities	\$ 1,774	\$ 1,358
Right of use assets obtained in exchange for lease obligations:		
Operating leases	\$ 11,190	\$ 1,827

Supplemental balance sheet information related to leases was as follows (in thousands):

	September 30, 2023	December 31, 2022
Operating lease right-of-use assets:		
Operating lease right-of-use assets, current	\$ —	\$ 121
Operating lease right-of-use assets, non-current	10,457	324
Total operating lease right-of-use assets	<u>\$ 10,457</u>	<u>\$ 445</u>
Operating lease liabilities:		
Operating lease liabilities, current	\$ 1,784	\$ 211
Operating lease liabilities, non-current	9,217	281
Total operating lease liabilities	<u>\$ 11,001</u>	<u>\$ 492</u>

The non-current portion of the operating lease right-of-use assets was recorded in other assets in the condensed consolidated balance sheets.

Weighted-average remaining term and discount rates were as follows (term in years):

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Weighted-average remaining lease term	4.51	3.06
Weighted-average discount rate	14.48 %	13.78 %

Maturities of lease liabilities were as follows (in thousands):

Year Ending December 31,	
2023	\$ 790
2024	3,250
2025	3,328
2026	3,324
Thereafter	4,215
Total undiscounted lease payments	<u>\$ 14,907</u>
Present value adjustment for minimum lease commitments	(3,905)
Net lease liabilities	<u>\$ 11,002</u>

Note 17. Commitments and Contingencies

Legal Proceedings

From time to time, the Company may be involved in various legal claims, litigation and other matters that arise in the normal course of its operations. Although there can be no assurances and the outcome of these matters is currently not determinable, the Company currently believes that none of these claims, actions or proceedings are likely to have a material adverse effect on the Company's financial position.

The Company records accruals for our outstanding legal proceedings, investigations or claims when it is probable that a liability will be incurred, and the amount of loss can be reasonably estimated. The Company evaluated developments in legal proceedings, investigations or claims that could affect the amount of any accrual, as well as any developments that would result in a loss contingency to become both probable and reasonably estimable. There were no material accruals for loss contingencies associated with such legal claims, actions or litigation as of September 30, 2023.

Note 18. Related Party Transactions

Investment Agreement and Investor Rights Agreement with Koito

On October 27, 2022, the Company entered into the Investment Agreement with Koito pursuant to which, among other things, at the closing of the transactions, and based on the terms and subject to the conditions set forth therein, the Company issued and sold to Koito 100,000 shares of Preferred Stock for a purchase price of \$100.0 million. The issuance and sale of the Preferred Stock and related matters were approved by the Company's stockholders on January 11, 2023, and the Preferred Stock issued to Koito on January 19, 2023. See Note 10 to the condensed consolidated financial statements for further information. At the closing of the issuance of the Preferred Stock, the Company and Koito entered into the Investor Rights Agreement (the "Investor Rights Agreement"), pursuant to which, among other things, the Company ensured that two designees of Koito sat on the Company's board of directors immediately following the issuance of the Preferred Stock. The Investor Rights Agreement also provides for certain investor consent, preemptive, registration, and termination rights, which contain certain provisions that limit the Company's ability to access additional sources of funding without Koito's consent.

Secured Term Loan Agreement with Koito

Concurrently with the execution of the Investment Agreement, the Company entered into a Secured Term Loan Agreement with Koito to borrow Japanese Yen ¥5.8 billion (approximately \$39.4 million). On January 24, 2023, the Company repaid all outstanding principal and accrued interest under the Secured Term Loan Agreement. See Note 9 to the condensed consolidated financial statements for further information.

Transactions with Koito

Koito is an automotive tier 1 partner and investor of the Company. Sales to Koito were \$2.1 million and \$0.3 million for the three months ended September 30, 2023 and 2022, respectively. Sales to Koito were \$4.2 million and \$2.1 million for the nine months ended September 30, 2023 and 2022, respectively. Accounts receivable from Koito were \$0.8 million as of September 30, 2023 and \$1.0 million as of December 31, 2022.

Note 19. Basic and Diluted Net Income (Loss) Per Share

The Company follows the two-class method when computing net income (loss) per common share when shares are issued that meet the definition of participating securities. The Company was in a net loss position for the three and nine months ended September 30, 2023 and for the three months ended September 30, 2022. The Company was in a net income position for the nine months ended September 30, 2022. The Company considers its Preferred Stock outstanding as of September 30, 2023 to be participating as holders of such securities have non-forfeitable dividend rights in the event of the declaration of a dividend for shares of common stock. When the Company is in a net loss position, the net loss attributable to common stockholders is not allocated to the Preferred Stock under the two-class method as these securities do not have a contractual obligation to share in losses. Basic net income (loss) per share is computed by dividing net income (loss) attributable to common stockholders by the weighted-average number of shares of the Company's common stock outstanding. When there is a net loss attributable to common stockholders, potentially dilutive common stock equivalents have been excluded from the calculation of diluted net loss per share attributable to common stockholders as their effect is anti-dilutive.

The following table present reconciliations of the denominators of basic and diluted net (loss) income per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Denominator:				
Weighted-average common shares outstanding – Basic	15,834,152	15,568,941	15,750,586	14,274,416
Stock options to purchase common stock and RSUs ⁽¹⁾	—	—	—	930,427
Weighted-average common shares outstanding – Diluted	15,834,152	15,568,941	15,750,586	15,204,843

(1) Includes the weighted-average unvested shares subject to repurchase of 782 shares as of the nine months ended September 30, 2022.

The following common stock equivalents were excluded from the computation of diluted net (loss) income per share for the periods presented because including them would have been antidilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Stock options to purchase common stock and RSUs	1,672,055	1,034,469	1,850,720	500,219
Preferred Stock on an as-converted basis	3,984,232	—	3,984,232	—
Total	5,656,287	1,034,469	5,834,952	500,219

As of September 30, 2023 and 2022, 1,300,000 Earnout Shares were excluded from the table above because the shares are considered contingently issuable and the required common share price milestones were not achieved as of September 30, 2023 and 2022. As of September 30, 2023 and 2022, 13,800,000 common stock warrants (which are exercisable for an aggregate of 1,380,000 shares of common stock) were excluded from the table above as no shares were issuable under the treasury stock method of computing diluted earnings per share.

Note 20. Segments

The Company conducts its business in one operating segment that develops and produces lidar sensors for use in automotive and smart infrastructure industries. The Company's Chief Executive Officer is the chief operating decision maker ("CODM"). The CODM allocates resources and makes operating decisions based on financial information presented on a consolidated basis, accompanied by disaggregated information about sales and gross margin by product group. The profitability of the Company's product group is not a determining factor in allocating resources and the CODM does not evaluate profitability below the level of the consolidated company. Long-lived assets of the Company located in its country of domicile, the United States, are approximately 79%.

Note 21. Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through November 13, 2023, the issuance date of the condensed consolidated financial statements, and determined there are no other transactions that require additional accounting or disclosure.

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

Unless otherwise indicated, references in this section to “we,” “our,” “us,” and “Cepton” generally refer to Cepton Technologies, Inc. and its consolidated subsidiaries prior to the Business Combination and to Cepton, Inc. and its consolidated subsidiaries after giving effect to the Business Combination. The following discussion and analysis of our results of operations and financial condition should be read in conjunction with the condensed consolidated financial statements included in this Report. This discussion contains forward-looking statements based upon our current expectations, estimates and projections that involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements due to, among other considerations, the matters discussed under “Risk Factors” and “Cautionary Note Regarding Forward-Looking Statements” herein.

Certain amounts that appear in this Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) may not sum due to rounding. Percentage amounts included in this MD&A have not in all cases been calculated on the basis of such rounded figures, but on the basis of such amounts prior to rounding. For this reason, percentage amounts in this MD&A may vary from those obtained by performing the same calculations using the figures in our condensed consolidated financial statements included elsewhere in this Report. Terms used but not defined in this MD&A shall have the meanings ascribed to such terms in this Report.

On September 18, 2023, we filed with the Secretary of State of the State of Delaware a Certificate of Amendment to our Certificate of Incorporation to effect the Reverse Stock Split (as described in Note 1 to the condensed consolidated financial statements in this Report). The historical share and per share information included herein have been adjusted to reflect the Reverse Stock Split.

Business Overview

Cepton is focused on the deployment of high performance, mass-market lidar solutions to deliver safety and autonomy across the automotive and smart infrastructure markets. By adopting our solutions, our customers can enable safety and autonomy applications across a broad range of end-markets including our primary market, advanced driver assistance systems (“ADAS”) in consumer and commercial vehicles, which we believe represents not just the largest market opportunity for lidar applications over the next decade, but also the market with the best potential for near term mass-market commercialization.

Since the inception of our company in 2016, building lidars for broad market adoption has been our guiding principle. Mass-market deployment guided not just our end-market focus, but also our product design choices, our areas of technological innovation, and our approach to manufacturing, and our go-to-market strategy and partnerships. To pursue mass-market adoption, our value proposition has focused on developing a lidar that achieves high performance with automotive grade reliability at competitive prices. Our thesis was that lidar would gain broad based adoption only when solutions strike the right balance across three key facets of performance, cost and reliability.

Based on this approach, we have gained acceptance for our technology in the automotive market. In 2019, following approximately three years of rigorous engagement and working alongside our automotive tier 1 partner, Koito, we were awarded a significant ADAS lidar series production award from General Motors (“GM”) through Koito. This award includes multiple platforms and vehicle models.

As a Silicon Valley-based company led by recognized technical experts in the optical field, technology innovation is at the core of our company. We developed a comprehensive lidar platform consisting of proprietary components including our breakthrough imaging technology and our system-on-a-chip lidar engine application-specific integrated circuit, a portfolio of automotive-grade and industrial-grade long-range and near-range lidars, a software layer enabling the integration of automotive functions, and feature rich perception software capabilities.

Market Conditions

The global economy, including the financial and credit markets, continues to experience significant volatility and disruptions and has been impacted by increases in inflation rates, the ongoing conflicts in Ukraine and the Middle East, rising fuel prices, rising interest rates, declines in consumer confidence, declines in economic growth, and uncertainty about economic stability. The severity and duration of the impact of broader macroeconomic conditions on our business is dynamic and cannot be predicted.

For more information on our operations and risks related to our macroeconomic environment, please see the section titled “*Risk Factors*”.

Key Factors Affecting Our Operating Results

We believe that our future performance and success depends, to a substantial extent, on our ability to capitalize on the following opportunities, which in turn is subject to significant risks and challenges, including those discussed below and in Part II, Item 1A of this Report under the heading “*Risk Factors*”.

Series Production Awards in the Automotive Market

An important part of our mission is to deploy high performance, mass-market lidar in the automotive market. Within the automotive market, we believe that passenger car ADAS applications represent the largest opportunity but also have the most stringent requirements for reliability, cost, and performance. Major automotive original equipment manufacturers (“OEMs”) typically undergo several years of planning, technology selection, and vehicle integration work before introducing new and important technologies in their vehicle offerings. We anticipate that lidar, as a new sensor that improves safety and enhances autonomy, will undergo the same technology introduction and validation process as similar technologies in the past, such as anti-lock braking systems or stability control systems. The number of vehicle platforms and vehicle models that will be equipped with lidar will depend on OEM product planning, vehicle integration, and marketing schedules. Once a lidar supplier is chosen, the number of awarded vehicle platforms and vehicle models is likely to increase over time. This is because the development efforts of integrating lidar into the OEM’s product offerings is leveraged across multiple vehicle classes and platforms to maximize the OEM’s return on investment.

For example, our series production award through Koito for GM’s ADAS program initially included four vehicle models and was subsequently updated to include nine vehicle models spanning different classes of vehicles from luxury sedans to mid-level passenger cars to SUVs and trucks. These vehicles include traditional internal combustion engine types as well as electric drive train types. We expect additional vehicle models to be added to this series production award over time.

Due to recent headwinds in the automotive industry, the start of production of the GM series production award has been delayed. As a result, we have temporarily suspended production at our own facilities and at our contract manufacturers’ facilities to account for the delays. If future planned targets of our series production award are not realized, or if GM were to terminate or significantly alter or further delay its series production program and/or alter its relationship with us or with Koito in a manner that is adverse to us, our business would be adversely affected. Similarly, if we are unable to maintain our relationship with Koito, or the terms of our arrangement with Koito with respect to the GM program differs from our expectations, including with respect to volume, pricing, and timing, then our business and prospects would be materially adversely affected.

Adoption of Lidar Solutions in Automotive and Smart Infrastructure Markets

In an endless pursuit of safety and product differentiation, many leading automotive OEMs have decided to include lidar in their next generation of vehicles for increased safety and higher levels of autonomy. The speed of lidar adoption depends on many factors, including sensor performance, reliability, and cost, as well as the time it takes to win large series production awards. Large automotive series production awards usually take a number of years to secure but once awarded, the production award typically covers the entire duration of a typical vehicle model period of five to seven years for consumer vehicles. In the case of trucking applications, the production period of a typical model may exceed seven years in many cases. We are currently engaged in discussions with all of the top 10 global automotive OEMs based on vehicle production volume rankings for 2019 according to IHS Markit, a leading independent third-party industry analytics and information provider. We believe that our current series production award from GM through Koito is a validation of our technology leadership, product maturity, and potential for scalability that favorably positions us for additional series production awards at other large global OEMs.

While lidar adoption in the automotive market may take multiple years to materialize, smart infrastructure end markets could adopt lidar solutions at a more rapid pace. Applications within smart infrastructure vary widely from tolling to security, to delivery and logistics. These applications are typically project based and require certain levels of customization to deliver an end-to-end solution. To address opportunities in the smart infrastructure space, we partner with system integrators who leverage our lidar hardware as well as our Helius® perception software to provide solutions unique to each opportunity. We expect to grow our system integrator partnership network to further drive the adoption of lidar in smart infrastructure applications.

We expect our revenue to increase as lidar adoption increases in the automotive and smart infrastructure markets; however, the rate of adoption may vary due to many factors, including but not limited to competing technologies, time to market, changes in macroeconomic conditions, including rising inflation and interest rates, geopolitical conflicts and tensions, any of which may impact the pace and magnitude of lidar adoption and our revenues.

Product Cost and Margins

To drive mass-market adoption of lidar in automotive applications, product cost must be controlled. As such, cost is one of the primary design criteria that we focused on from the very beginning. Design choices were carefully evaluated to create products with the best overall balance between performance, reliability, and cost. Working with our partners, we expect to continue driving costs down as volumes increase and we achieve higher margin unit economics in the future.

In the case of our series production award from GM through Koito, we are working with our tier 1 partner, Koito, in order to effectively manage supply chain, component costs, and manufacturing costs to meet margin expectations at scale. Pursuant to our arrangement with Koito, we license our technology and sell components to Koito, who can manufacture and sell lidars using our technology. Following the start of series production, we expect our gross margin to rapidly increase as material costs decrease and fixed manufacturing overhead costs are absorbed over larger production volumes and as other economies of scale are achieved.

In the smart infrastructure space, the average selling price of a lidar solution may be higher than that in the automotive space due to a number of reasons, such as unit volume, level of customization, and additional software content. At the same time, the cost of production is also higher due to lower production volumes and higher levels of system integration requirements.

We have experienced supply chain shortages and longer lead times for some of our products in recent years. Our costs and margins may be impacted by such shortages and longer lead times, which may lead to significant mismatches between supply and demand, give rise to product shortages for both us and our customers, and make our demand forecast more uncertain. Further, in preparation for the start of series production, which has been delayed as discussed above, lead time for some of our products may increase as our suppliers resume production or increase their manufacturing capabilities to meet the volume and quality requirements for components demanded by us, which may constrain our ability to meet customer demand in the short term. Higher production volume may lead to short term increases in our product costs and decreases in gross margin resulting from additional components and quality control costs required to deliver high-quality, consistent products to our customers at scale volume.

During fiscal year 2023 and 2022, we made continued efforts in broadening our supply base to support our growth and better serve customer demand. Market conditions discussed above have strained global supply chains and could result in a shortage of key materials that our suppliers require to satisfy our needs. While we have seen improvements recently, we expect continued supply constraints for some of our products, through the end of fiscal year 2023 and potentially beyond. We have placed orders for certain supply in advance of our historical lead times, paid premiums to secure future supply and capacity, and may need to continue to do so in the future. Placing orders in advance of our historical lead times to secure supply in a constrained environment may result in excess inventory, cancellation penalties, or other charges if there is a partial or complete reduction in long-term demand for our products. These actions may also increase our product costs and decrease gross margin, in addition to increased overall costs as a result of rising inflation. Increased costs for components, logistics and other supply chain expenses, driven in part by inflation and supply chain shortages, have negatively impacted, and may continue to negatively impact our gross margin.

If we cannot generate our expected revenues, margins or income from operations, we may be required to raise additional debt or equity capital, which may not be available or may only be available on terms that are onerous to our stockholders.

End Market Concentration

We believe that the automotive market represents a large portion of the total addressable market and large global automotive OEMs represent the majority of unit volume demand as well as leaders in active safety and autonomy. To drive mass-market commercialization of our lidar solutions, we have focused on top automotive OEMs and are currently engaged with all of the top 10 global automotive OEMs based on vehicle production volume rankings for 2019. Series production awards from top OEMs tend to be large and long-term in nature. While we continue to expand our system integrator partnership network to address opportunities in the smart infrastructure markets, program awards tend to be smaller and short-term in nature as compared to those in the automotive end-markets. As such, we expect a large portion of our future revenue to come from the automotive end-market.

Components of Results of Operations

Revenue

We categorize our revenue as (1) lidar sensor and prototype revenue and (2) development revenue.

Lidar sensor and prototype revenue is primarily derived from the sale of components and license of technologies to tier 1 suppliers for mass market ADAS applications in the automotive market and the sale of lidar sensors directly to end-user customers in the smart infrastructure markets. We anticipate strong revenue growth in the foreseeable future as we continue to form strategic partnerships and as the primary source of revenue shifts from prototype sales to sales of commercialized production-ready lidar sensors. However, in light of the recent delay and our temporary suspension of production for GM's ADAS program, we expect revenue to decrease until the program is resumed.

Development revenue represents arrangements with tier 1 suppliers focused on the specific customization of our proprietary lidar capabilities to the customers' applications, typically involving development of customized software for producing or operating lidar sensor prototypes for those customers. The timing of revenue recognition for development contracts is determined for each performance obligation based on the unique facts and circumstances within each development arrangement, which generally results in recognition at a point in time. This assessment is made at the outset of the arrangement for each performance obligation.

Revenue is primarily derived from the sale of components and license of technologies to tier 1 suppliers for mass market ADAS applications in the automotive market and the sale of lidar sensors directly to end-user customers in the smart infrastructure markets. Our lidar sensors are used in applications such as advanced driver assistance systems, autonomous vehicles, and intelligent transportation systems. Our customers include leading OEMs and suppliers within the automotive and smart infrastructure industries.

Cost of Revenue

Cost of revenue includes the manufacturing cost of our lidar sensors and components, which primarily consists of personnel-related costs directly associated with our manufacturing organization, and amounts paid to our third-party contract manufacturers and vendors. Our cost of revenue also includes cost of component inventory, product testing costs, an allocated portion of overhead costs, warranty expense, excess and obsolete inventory, and shipping costs. Development cost of revenue includes personnel-related costs incurred in the completion of the development projects. We expect cost of revenue to increase in absolute dollars in future periods, in particular when we begin series production as part of GM's ADAS program; Increased costs for components, logistics and other supply chain expenses, driven in part by inflation and supply chain shortages, have negatively impacted, and may continue to negatively impact, our cost of revenue.

Gross Margin

Our gross margin in future periods will depend on a variety of factors including market conditions that may impact our pricing; product mix changes between established products and new products; excess and obsolete inventories; our cost structure for manufacturing operations, including third-party manufacturers, relative to volume. Our gross margin varies by product. We expect our gross margins to fluctuate over time, depending on the factors described above. Increased costs for components, logistics and other supply chain expenses, driven in part by inflation and supply chain shortages, have negatively impacted, and may continue to negatively impact our gross margin. When we begin series production as part of GM's ADAS program, we expect gross margin to decrease initially, followed by an increase in gross margin as unit volumes increase.

Operating Expenses

Research and Development Expenses

Research and development expenses consist primarily of personnel-related costs, material expenses, permits, licenses, and professional services costs directly associated with our research and development activities. The remainder primarily relates to the allocated portion of overhead costs. Our research and development efforts are focused on enhancing and developing additional functionality for our existing products and on new product development, including new releases and upgrades to our lidar sensors. We expense research and development costs as incurred. We expect our research and development expenses to decrease in the short term as research and development projects mature into production; however, we expect our research and development expenses to increase in the long term as we increase our investment in software development to broaden the capabilities of our solutions and introduce new products and features.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses consist primarily of personnel-related costs, professional services costs, and advertising expenses directly associated with our sales and general and administrative activities. The remainder primarily relates to the allocated portion of overhead costs. We expect our selling expenses to increase in the long term as we hire additional sales personnel, increase our marketing activities, grow our domestic and international operations, and build brand awareness. We also expect to increase the size of our general and administrative function to support the foregoing as well as the growth of our business.

Gain (Loss) on Change in Fair Value of Earnout and Warrant Liabilities

The gain (loss) on the change in fair value of earnout and warrant liabilities consists of the change in fair value of earnout and warrant liabilities assumed in connection with the Business Combination as well as the change in fair value of other warrant liability. We expect continued financial statement volatility from the fair value adjustments at the end of each reporting period or until the Earnout Shares are issued upon the attainment of common share price milestones or through the exercise of the warrants.

Foreign Currency Transaction Loss, Net

We incurred foreign currency transaction losses resulting from the repayment of the Secured Term Loan with Koito (the “Secured Term Loan”), which was denominated in Japanese Yen.

Loss on Extinguishment of Debt

Loss on extinguishment of debt represents the loss associated with the repayment of the Secured Term Loan with Koito to borrow Japanese Yen ¥5.8 billion (approximately \$39.4 million on the date of borrowing). See Note 9 to our condensed consolidated financial statements included elsewhere in this Report for further information.

Other Income (Expense), Net

Other income (expense), net consists primarily of foreign currency transaction gains and losses related to the impact of transactions denominated in a foreign currency other than the U.S. dollar and issuance of common stock under the Lincoln Park Agreement.

Interest Income (Expense), Net

Interest income (expense), net consists primarily of interest earned on our cash equivalents and short-term investments in commercial paper, corporate debt securities, and other available-for-sale securities. These amounts will vary based on our cash, cash equivalents and short-term investment balances, and also with market rates.

Provision for Income Taxes

Our provision for income taxes consists of federal, state, and foreign current and deferred income taxes. Significant changes to the scale and scope of our business activities in the United States and foreign countries may increase our overall provision for income taxes in the future.

We have a full valuation allowance for net deferred tax assets, including federal and state net operating loss carryforwards and research and development credit carryforwards. We expect to maintain this valuation allowance until it becomes more likely than not that the benefit of our federal and state deferred tax assets are realizable by way of expected future taxable income.

We believe that we have adequately reserved for our uncertain tax positions, although we can provide no assurance that the final outcome of these matters will not be materially different. To the extent that the final outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made and could have a material impact on our financial condition and results of operations.

Results of Operations for the Three and Nine Months Ended September 30, 2023 and 2022

The results of operations presented below should be reviewed in conjunction with the condensed consolidated financial statements and notes included elsewhere in this Report. The following table sets forth our condensed consolidated results of operations data for the periods presented:

	Three Months Ended September 30,		Change \$	Change %	Nine Months Ended September 30,		Change \$	Change %
	2023	2022			2023	2022		
	(dollars in thousands)							
Lidar sensor and prototype revenue	\$ 3,802	\$ 1,778	\$ 2,024	114 %	\$ 7,813	\$ 4,642	\$ 3,171	68 %
Development revenue	31	26	5	19 %	292	1,207	(915)	(76 %)
Total revenue	\$ 3,833	\$ 1,804	\$ 2,029	112 %	\$ 8,105	\$ 5,849	\$ 2,256	39 %
Lidar sensor and prototype cost of revenue	3,339	1,872	1,467	78 %	7,135	5,608	1,527	27 %
Development cost of revenue	—	3	(3)	NA	116	600	(484)	(81 %)
Total cost of revenue	3,339	1,875	1,464	78 %	7,251	6,208	1,043	17 %
Gross profit (loss)	494	(71)	565	NM	854	(359)	1,213	NM
Operating expenses:								
Research and development	6,706	8,227	(1,521)	(18 %)	23,309	24,368	(1,059)	(4 %)
Selling, general, and administrative	6,136	6,722	(586)	(9 %)	19,052	21,954	(2,902)	(13 %)
Total operating expenses	12,842	14,949	(2,107)	(14 %)	42,361	46,322	(3,961)	(9 %)
Operating loss	(12,348)	(15,020)	2,672	(18 %)	(41,507)	(46,681)	5,174	(11 %)
Other income (expenses):								
Gain (loss) on change in fair value of earnout liability	91	(1,440)	1,531	NM	827	70,868	(70,041)	(99 %)
Gain (loss) on change in fair value of warrant liability	169	(135)	304	NM	299	2,549	(2,250)	(88 %)
Foreign currency transaction loss, net	(7)	—	(7)	NA	(757)	—	(757)	NA
Loss on extinguishment of debt	—	—	—	NA	(1,123)	—	(1,123)	NA
Other income (expense), net	2	(493)	495	NM	23	(487)	510	NM
Interest income (expense), net	799	(318)	1,117	NM	2,015	(1,597)	3,612	NM
(Loss) income before income taxes	(11,294)	(17,406)	6,112	(35 %)	(40,223)	24,652	(64,875)	NM
Provision for income taxes	—	(5)	5	NA	(3)	(21)	18	(86 %)
Net (loss) income	\$ (11,294)	\$ (17,411)	\$ 6,117	(35 %)	\$ (40,226)	\$ 24,631	\$ (64,857)	NM

NA: Not applicable

NM: Not meaningful

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

Revenue

Lidar sensor and prototype revenue increased by \$2.0 million, or 114%, to \$3.8 million for the three months ended September 30, 2023, from \$1.8 million for the three months ended September 30, 2022. Approximately \$1.4 million of the increase was driven by new products sold, \$0.4 million was driven by an increase in lidar sales volume and \$0.2 million was driven by an increase in lidar sensor average sales price.

Change in development revenue was immaterial from the three months ended September 30, 2022 to the three months ended September 30, 2023.

Lidar sensor and prototype revenue increased by \$3.2 million, or 68%, to \$7.8 million for the nine months ended September 30, 2023, from \$4.6 million for the nine months ended September 30, 2022. Approximately \$2.1 million of the increase was driven by new products sold, \$0.7 million was driven by an increase in lidar sensor average sales price and \$0.5 million was driven by an increase in lidar sales volume.

Development revenue decreased by \$0.9 million, or 76%, to \$0.3 million for the nine months ended September 30, 2023, from \$1.2 million for the nine months ended September 30, 2022. The decrease was driven by timing of the satisfaction of performance obligations defined under active development work order projects.

Cost of Revenue

Lidar sensor and prototype cost of revenue increased by \$1.5 million, or 78%, to \$3.3 million for the three months ended September 30, 2023, from \$1.9 million for the three months ended September 30, 2022. The increase was driven by a \$1.7 million increase resulting from increased sales volume, partially offset by a \$0.2 million decrease in standard costing adjustments due to increased production volume.

Change in development revenue cost of revenue was immaterial from the three months ended September 30, 2022 to the three months ended September 30, 2023.

Lidar sensor and prototype cost of revenue increased by \$1.5 million, or 27%, to \$7.1 million for the nine months ended September 30, 2023, from \$5.6 million for the nine months ended September 30, 2022. The increase was driven by a \$2.1 million increase resulting from increased sales volume, partially offset by a \$0.6 million decrease driven by standard costing adjustments due to increased production volume.

Development cost of revenue decreased by \$0.5 million, or 81%, to \$0.1 million for the nine months ended September 30, 2023, from \$0.6 million for the nine months ended September 30, 2022. The decrease in development cost of revenue resulted from the decrease in development revenue described above.

Operating Expenses

Research and development expense decreased by \$1.5 million, or 18%, to \$6.7 million for the three months ended September 30, 2023, from \$8.2 million for the three months ended September 30, 2022, resulting primarily from a \$1.3 million decrease in materials costs and a \$0.2 million decrease in professional services costs.

Selling, general and administrative expense decreased by \$0.6 million, or 9%, to \$6.1 million for the three months ended September 30, 2023, from \$6.7 million for the three months ended September 30, 2022, resulting primarily from a \$0.3 million decrease in professional services costs and a \$0.2 million decrease in insurance expense.

Research and development expense decreased by \$1.1 million, or 4%, to \$23.3 million for the nine months ended September 30, 2023, from \$24.4 million for the nine months ended September 30, 2022, resulting primarily from a \$1.8 million decrease in materials costs, a \$0.3 million decrease in permits and licenses fees, partially offset by a \$1.0 million increase in personnel costs.

Selling, general and administrative expense decreased by \$2.9 million, or 13%, to \$19.1 million for the nine months ended September 30, 2023, from \$22.0 million for the nine months ended September 30, 2022, resulting primarily from \$2.7 million in transaction costs related to the Business Combination attributable to liability-classified instruments in the prior year period and a \$0.2 million decrease in travel expenses.

Gain (Loss) on Change in Fair Value of Earnout and Warrant Liabilities

The earnout liability was assumed in connection with the Business Combination. The change in fair value of the earnout liability changed into an immaterial gain position for the three months ended September 30, 2023, compared to a loss of \$1.4 million for the three months ended September 30, 2022. This is primarily due to a decrease in the Company's common stock price during the three months ended September 30, 2023, compared to an increase in the Company's common stock price during the three months ended September 30, 2022.

The change in fair value of the warrant liability changed into a gain position of \$0.2 million for the three months ended September 30, 2023, compared to a loss of \$0.1 million for the three months ended September 30, 2022. This is primarily

due to a decrease in the Company's common stock price during the three months ended September 30, 2023, compared to an increase in the Company's common stock price during the three months ended September 30, 2022.

The gain on change in fair value of the earnout liability decreased by \$70.0 million for the nine months ended September 30, 2023. This is primarily due to a larger decrease in the Company's common stock price during the nine months ended September 30, 2022 compared to the nine months ended September 30, 2023.

The gain on change in fair value of the warrant liability decreased by \$2.3 million for the nine months ended September 30, 2023. This is primarily due to a larger decrease in the Company's common share price during the nine months ended September 30, 2022 compared to the nine months ended September 30, 2023.

Foreign Currency Transaction Loss, Net

Change in foreign currency transaction loss, net was immaterial from the three months ended September 30, 2022 to the three months ended September 30, 2023.

Foreign currency transaction loss, net was \$0.8 million for the nine months ended September 30, 2023 resulted from the repayment of the Secured Term Loan with Koito, which was denominated in Japanese Yen.

Loss on Extinguishment of Debt

Loss on extinguishment of debt of \$1.1 million for the nine months ended September 30, 2023 resulted from repayment of the Secured Term Loan with Koito.

Other Income (Expense), Net

Other income (expense), net increased by \$0.5 million for the three and nine months ended September 30, 2023, resulting from a \$0.3 million expense related to the Business Combination and a \$0.2 million expense on issuance of common stock to Lincoln Park incurred in 2022 that did not recur in 2023.

Interest Income (Expense), Net

Interest income (expense), net changed into a net interest income position of \$0.8 million for the three months ended September 30, 2023, primarily due to increased interest income from the investment of the cash received from the issuance of Preferred Stock to Koito. Interest income (expense), net was a net interest expense of \$0.3 million for the three months ended September 30, 2022, primarily due to interest expense on borrowings under the Trinity Loan Agreement in the prior year.

Interest income (expense), net changed into a net interest income position of \$2.0 million for the nine months ended September 30, 2023, primarily due to increased interest income from the investment of the cash received from the issuance of Preferred Stock to Koito. Interest income (expense), net was a net interest expense of \$1.6 million for the nine months ended September 30, 2022, primarily due to interest expense on borrowings under the Trinity Loan Agreement in the prior year.

Provision for Income Taxes

Our provision for income taxes remained consistent for each of the three and nine months ended September 30, 2023 and 2022. We provided a full valuation allowance on our net U.S. federal and state deferred tax assets for the three and nine months ended September 30, 2023 and 2022. For both reporting periods, we had U.S. federal and state tax-effected net operating loss carryforwards available to reduce future taxable income, of which post-2017 Federal net operating loss will be carried forward indefinitely and pre-2017 Federal net operating loss carryover and state net operating loss carryover will expire on varying dates.

Liquidity and Capital Resources

Sources of Liquidity

As of September 30, 2023, we had cash, cash equivalents, and short-term investments totaling \$61.2 million, comprised of money market funds, commercial paper and U.S. government agency securities, all of which were available-for-sale securities held for working capital purposes. We believe that our current cash position, including our Purchase Agreement

with Lincoln Park, will be sufficient to satisfy our foreseeable liquidity needs and capital expenditure requirements, including for at least the next twelve months.

On November 24, 2021, we entered into a Purchase Agreement with Lincoln Park, pursuant to which Lincoln Park has agreed to purchase up to \$100.0 million of common stock (subject to certain limitations contained in the Purchase Agreement) from time to time over a 36-month period after the consummation of the Business Combination and certain other conditions set forth in the Purchase Agreement. On May 11, 2022, the registration statement related to the Lincoln Park Purchase Agreement became effective and the other terms and conditions of the Purchase Agreement were satisfied, which enabled us to begin selling common stock to Lincoln Park as a source of funds, subject to specified limitations, including that the closing price of our common stock is not less than \$1.00 per share. Following the filing of our Annual Report on Form 10-K for the year ended December 31, 2022, we amended the registration statement and it was subsequently declared effective on March 22, 2023.

Following the approval of the Business Combination, on February 10, 2022, we received net cash proceeds of \$47.1 million from the Business Combination and PIPE Investment (as defined in Note 2 to the condensed consolidated financial statements in this Report), net of certain transaction costs.

On October 27, 2022, we entered into the Investment Agreement with Koito, pursuant to which, among other things, at the closing of the transactions, and based on the terms and subject to the conditions set forth therein, we issued and sold to Koito, 100,000 shares of the Preferred Stock, for a purchase price of \$100.0 million. The issuance and sale of the Preferred Stock and related matters were approved by our stockholders on January 11, 2023, and the Preferred Stock was issued to Koito on January 19, 2023. The Preferred Stock will be convertible, beginning on January 19, 2024, into shares of our common stock at an approximate initial conversion price of \$25.85 per share (subject to adjustment).

We have incurred negative cash flows from operating activities and significant operating losses in the past as reflected in our accumulated deficit of \$126.3 million as of September 30, 2023. During the nine months ended September 30, 2023, we had negative cash flows from operating activities of \$30.5 million. Although much of the negative cash flow resulted from continuing expenses related to research and development for product development, and continuing administrative expenses related to becoming a publicly traded company, we expect to continue to invest in research and development and generate operating losses in the future. In addition, our future capital requirements will depend on many factors, including our lidar sales volume and the timing of series production for automotive OEMs, the timing and extent of spending to support our research and development efforts in lidar technology, the expansion of sales and marketing activities, market adoption of new and enhanced products and features, and increased spending due to inflation and supply chain shortages. If we are required to raise additional funds by issuing equity securities, dilution to stockholders would result. Any equity securities issued may also provide for rights, preferences, or privileges senior to those of common stockholders. For example, the issuance of the Preferred Stock to Koito involves the issuance of preferred equity securities that rank senior to our common stock in the event of liquidation and include other rights and preferences senior to those of our common stock. In addition, the Preferred Stock is convertible into shares of our common stock and, upon conversion, will result in dilution to our stockholders. If we raise funds by issuing debt securities, these debt securities would have rights, preferences, and privileges senior to those of common stockholders. Our ability to raise additional funds through the issuance of debt or equity securities may be subject to Koito's consent pursuant to the Investor Rights Agreement. For information regarding our cash requirements from lease obligations, see Notes 16 to the condensed consolidated financial statements included elsewhere in this Report.

We are subject to risks and uncertainties frequently encountered by early-stage companies including, but not limited to, the uncertainty of successfully developing products, securing certain contracts, building a customer base, successfully executing business and marketing strategies, and hiring appropriate personnel.

To date, we have been funded primarily by equity financings, convertible promissory notes, and the net proceeds we received through the Business Combination, PIPE Investment, and private placements of the Legacy Cepton convertible preferred stock. Failure to generate sufficient revenues, achieve planned gross margins and operating profitability, control operating costs, or secure additional funding may require us to modify, delay, or abandon some of our planned future expansion or development, or to otherwise enact operating cost reductions available to management, which could have a material adverse effect on our business, operating results, financial condition, and ability to achieve our intended business objectives.

Cash Flow Summary — Nine Months Ended September 30, 2023 and 2022

	Nine Months Ended September 30,	
	2023	2022
Net cash provided by (used in):	(dollars in thousands)	
Operating activities	\$ (30,526)	\$ (43,505)
Investing activities	(13,898)	(16,025)
Financing activities	54,623	59,207

Operating Activities

During the nine months ended September 30, 2023, our operating activities used \$30.5 million in cash. We recorded a net loss of \$40.2 million; however, this was offset by \$8.6 million of non-cash income and expenses consisting primarily of stock-based compensation expense of \$7.0 million, amortization of right-of-use assets of \$1.2 million, loss on extinguishment of debt of \$1.1 million, foreign currency transaction loss of \$0.8 million, and depreciation and amortization of \$0.4 million. These non-cash income items were partially offset by gains from the change in fair value of earnout and warrant liabilities of \$1.1 million and other accretion of \$0.7 million. During the nine months ended September 30, 2023, we generated net cash of \$1.1 million from changes in our operating assets and liabilities resulting primarily from a \$3.0 million decrease in prepaid expenses and other current assets due to amortization of our director and officers insurance policy, and a \$1.1 million increase in accrued expenses and other current liabilities. These were offset by a \$0.9 million increase in inventory as the Company made preparations for the start of series production prior to production being delayed, and a \$0.8 million increase in accounts receivable driven by the increase in revenue, and a \$0.8 million decrease in accounts payable due to timing of payments.

During the nine months ended September 30, 2022, our operating activities used \$43.5 million in cash. We recorded net income of \$24.6 million; however, this was offset by \$65.2 million of non-cash income and expenses consisting primarily of gains from the change in fair value of earnout and warrant liabilities of \$73.4 million. These non-cash income items were partially offset by stock-based compensation expense of \$6.0 million, depreciation and amortization of \$0.2 million, and amortization of right-of-use assets of \$1.0 million, and other amortization of \$0.8 million. During the nine months ended September 30, 2022, we used net cash of \$2.9 million from changes in our operating assets and liabilities resulting primarily from a \$0.9 million increase in other long-term assets primarily related to prepaid director and officer insurance, a \$0.9 million increase in accounts receivable, a \$1.2 million decrease in operating lease liabilities, a \$0.8 million decrease in accounts payable due to timing of payments, a \$0.5 million increase in prepaid expenses and other current assets due to increases in prepaid insurance offset by decreases in deferred transaction costs in connection with the closing of the Business Combination, a \$1.0 million increase in accrued expenses and other current liabilities due to timing of payments.

Investing Activities

During the nine months ended September 30, 2023, our investing activities used \$13.9 million of cash, resulting primarily from purchases of short-term investments of \$37.8 million and purchases of property and equipment of \$1.3 million, partially offset by proceeds from maturities of short-term investments of \$25.2 million.

During the nine months ended September 30, 2022, our investing activities used \$16.0 million of cash, resulting primarily from purchases of short-term investments of \$32.4 million and purchases of property and equipment of \$0.6 million, partially offset by proceeds from the sales and maturities of short-term investments of \$16.9 million.

Financing Activities

During the nine months ended September 30, 2023, our financing activities provided \$54.6 million of cash consisting primarily of \$99.9 million of net proceeds from the issuance of Preferred Stock to Koito, partially offset by the repayment of \$45.2 million of short-term debt to Koito.

During the nine months ended September 30, 2022, our financing activities provided \$59.2 million of cash consisting primarily of \$47.1 million of net proceeds from the Business Combination and PIPE investment, \$9.7 million of proceeds from the issuance of debt and warrants, \$1.7 million from proceeds from issuance of common stock, and \$0.7 million from proceeds from common stock option exercises.

Critical Accounting Policies and Estimates

We prepare our condensed consolidated financial statements in accordance with U.S. GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates, assumptions and judgments that can significantly impact the amounts we report as assets, liabilities, revenue, costs and expenses and the related disclosures. We base our estimates on historical experience and other assumptions that we believe are reasonable under the circumstances. Our actual results could differ significantly from these estimates under different assumptions and conditions. A discussion of the accounting policies that management considers critical in that they involve significant management judgments and assumptions, require estimates about matters that are inherently uncertain and because they are important for understanding and evaluating our reported financial results is included in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2022. There have been no material changes to our critical accounting policies.

Emerging Growth Company Status

Section 102(b)(1) of the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”) exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can choose not to take advantage of the extended transition period and comply with the requirements that apply to non-emerging growth companies, and any such election to not take advantage of the extended transition period is irrevocable.

We are an “emerging growth company” as defined in Section 2(a) of the Securities Act and have elected to take advantage of the benefits of the extended transition period for new or revised financial accounting standards. We expect to remain an emerging growth company at least through the end of the 2023 fiscal year and to continue to take advantage of the benefits of the extended transition period, although we may decide to early adopt such new or revised accounting standards to the extent permitted by such standards. This may make it difficult or impossible to compare our financial results with the financial results of another public company that is either not an emerging growth company or is an emerging growth company that has chosen not to take advantage of the extended transition period exemptions because of the potential differences in accounting standards used.

Subject to certain conditions set forth in the JOBS Act, if, as an emerging growth company, we intend to rely on such exemptions, we are not required to, among other things: (i) provide an auditor’s attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act; (ii) provide all of the compensation disclosure that may be required of non-emerging growth public companies under the Dodd-Frank Wall Street Reform and Consumer Protection Act; (iii) comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements (auditor discussion and analysis); and (iv) disclose certain executive compensation-related items such as the correlation between executive compensation and performance and comparisons of the Chief Executive Officer’s compensation to median employee compensation.

We will remain an emerging growth company until the earlier of: (1) the last day of the fiscal year (a) ending December 31, 2026, (b) in which we have total annual gross revenue of at least \$1.235 billion, or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the end of the prior fiscal year’s second fiscal quarter; and (2) the date on which we have issued more than \$1.0 billion in non-convertible debt during the prior three-year period. References herein to “emerging growth company” shall have the meaning associated with it in the JOBS Act.

Recent Accounting Pronouncements

See Note 1 to our condensed consolidated financial statements included elsewhere in this Report for recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted as of the date of this Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our market risk exposures or management of market risk from those disclosed in Quantitative and Qualitative Disclosures About Market Risk included under Part II, Item 7A in our Annual Report on Form 10-K for the year ended December 31, 2022.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Report.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost benefit relationship of possible controls and procedures.

As discussed elsewhere in this Report, we completed the Business Combination on February 10, 2022. Prior to the consummation of the Business Combination, we were a private company with limited accounting personnel and other resources with which to address our internal control over financial reporting. Based on the evaluation of our disclosure controls and procedures as of the end of the period covered by this Report, our management concluded that our disclosure controls and procedures were not effective as of such date because of the material weaknesses in our internal control over financial reporting identified as of December 31, 2021 that continued to exist with respect to our internal control over financial reporting as of September 30, 2023:

- We did not maintain a sufficient complement of resources with an appropriate level of accounting knowledge and experience commensurate with the financial reporting requirements for a public company, in particular with respect to technical accounting knowledge regarding the accounting for certain non-standard transactions.

We cannot assure you that additional significant deficiencies or material weaknesses in our internal control over financial reporting will not be identified in the future. Any failure to maintain or implement required new or improved controls, or to implement our remediation plans or any difficulties we encounter in our implementation thereof, could result in additional significant deficiencies or material weaknesses or result in material misstatements in our financial statements. If we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting when required, lenders and investors may lose confidence in the accuracy and completeness of our financial reports.

This material weakness, if not remediated, could result in misstatements of accounts or disclosures that would result in a material misstatement to the annual consolidated financial statements or the interim condensed consolidated financial statements that would not be prevented or detected.

Our management anticipates that our internal control over financial reporting will not be effective until the above material weakness is remediated. If our remediation of this material weakness is not effective, or we experience additional material weaknesses in the future or otherwise fail to maintain an effective system of internal control over financial reporting in the future, the accuracy and timing of our financial reporting may be adversely affected, we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports in addition to the Nasdaq listing requirements, investors may lose confidence in our financial reporting, and the price of our common stock may decline as a result. In addition, we may be unable to sell shares of common stock to Lincoln Park pursuant to the Purchase Agreement at prices we consider to be reasonable or at all, we may be unable to borrow funds from banking institutions on acceptable terms or at all, and we may face restricted access to various sources of financing in the future.

We will continue to evaluate our accounting and financial staffing needs in light of the material weakness described above. While we have made progress to enhance our internal control over financial reporting and will continue to devote effort in control remediation, additional time is required to complete implementation and to assess and ensure the sustainability of these procedures. Accordingly, the material weakness cannot be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Changes in Internal Control Over Financial Reporting

Other than the remediation steps taken above, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended September 30, 2023 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, the Company may be involved in various legal claims, litigation and other matters that arise in the normal course of its operations. Although there can be no assurances and the outcome of these matters is not determinable, the Company currently believes that none of these claims, actions or proceedings are likely to have a material adverse effect on the Company's financial position.

Item 1A. Risk Factors

In addition to the other information set forth in this Report, you should carefully consider the risk factors described in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, which could materially affect our business, financial condition and/or operating results. The risks described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results. There have not been any material changes in the Risk Factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
2.1	Business Combination Agreement, dated as of August 4, 2021, by and among GCAC, Merger Sub and Cepton (incorporated by reference to Exhibit 2.1 to the Registration Statement on Form S-1 filed by the Company on February 11, 2022).
2.2	Amendment to Business Combination Agreement, dated as of January 21, 2022, by and among GCAC, Merger Sub and Cepton (incorporated by reference to Exhibit 2.2 to the Registration Statement on Form S-1 filed by the Company on February 11, 2022).
3.1	Second Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S-1 filed by the Company on February 11, 2022).
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to the to the Current Report on Form 8-K filed by the Company on February 10, 2022).
3.3	Certificate of Designations of Series A Convertible Preferred Stock, par value \$0.00001, of Cepton, Inc., dated January 18, 2023 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed by the Company on January 24, 2023).
3.4	Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of Cepton, Inc. (incorporated by reference to Exhibit 3.1 on Form 8-K filed by the Company on September 18, 2023).
4.1	Form of Common Stock Certificate of the Company (incorporated by reference to Exhibit 4.1 on Form 8-K filed by the Company on September 22, 2023).
10.1*++	Employment Agreement, dated September 18, 2023, between the Company and Mitchel Hourtienne.
31.1*	Certification of the Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2*	Certification of the Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of the Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of the Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

++ Indicates a management or compensatory plan.

SIGNATURES

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

CEPTON, INC.

Date: November 13, 2023

/s/ Jun Pei

Name: Jun Pei
Title: President and Chief Executive Officer
(Principal Executive Officer)

Date: November 13, 2023

/s/ Hull Xu

Name: Hull Xu
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this “Agreement”) is made and entered into this 18th day of September, 2023, by and between Cepton, Inc., a Delaware corporation (the “Company”), and Mitchell Hourtienne (the “Executive”).

RECITALS

THE PARTIES ENTER THIS AGREEMENT on the basis of the following facts, understandings and intentions:

A. The Company desires to employ the Executive, and the Executive desires to accept such employment, on the terms and conditions set forth in this Agreement.

B. This Agreement shall be effective as of September 18th, 2023 (the “Effective Date”), shall govern the employment relationship between the Executive and the Company from and after the Effective Date, and, as of the Effective Date, shall supersede and negate all previous agreements and understandings with respect to such relationship (including, without limitation, the offer letter by and between the Company and the Executive dated Feb 8th, 2018 and the Change in Control Severance Agreement by and between the Company and the Executive dated Feb 10th, 2022 (the “Prior Agreements”)).

AGREEMENT

NOW, THEREFORE, in consideration of the above recitals incorporated herein and the mutual covenants and promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby expressly acknowledged, the parties agree as follows:

1. Retention and Duties.

1.1 Retention. The Company does hereby hire, engage and employ the Executive on the terms and conditions expressly set forth in this Agreement. The Executive does hereby accept and agree to such hiring, engagement and employment, on the terms and conditions expressly set forth in this Agreement. Certain capitalized terms used herein are defined in Section 5.5 of this Agreement.

1.2 Duties. During the time the Executive is employed with the Company (the “Period of Employment”), the Executive shall serve the Company as its Chief Commercial Officer and shall have the powers, authorities, duties and obligations of management usually vested in such position for a company of a similar size and similar nature of the Company, and such other powers, authorities, duties and obligations commensurate with such positions as the Company’s Board of Directors (the “Board”) or Chief Executive Officer may assign from time to time, all subject to the directives of the Board and the corporate policies of the Company as they are in effect from time to time throughout the Period of Employment (including, without limitation, the Company’s business conduct and ethics policies, as they may change from time to time). During the Period of Employment, the Executive shall report to the Company’s Chief Executive Officer.

1.3 No Other Employment; Minimum Time Commitment. During the Period of Employment, the Executive shall (i) devote substantially all of the Executive's business time, energy and skill to the performance of the Executive's duties for the Company, (ii) perform such duties in a faithful, effective and efficient manner to the best of his abilities, and (iii) hold no other employment. The Executive's service on the boards of directors (or similar body) of other business entities is subject to the prior written approval of the Board. The Company shall have the right to require the Executive to resign from any board or similar body (including, without limitation, any association, corporate, civic or charitable board or similar body) which he may then serve if the Board reasonably determines that the Executive's service on such board or body interferes with the effective discharge of the Executive's duties and responsibilities to the Company or that any business related to such service is then in direct or indirect competition with any business of the Company or any of its Affiliates, successors or assigns.

1.4 No Breach of Contract. The Executive hereby represents to the Company and agrees that: (i) the execution and delivery of this Agreement by the Executive and the Company and the performance by the Executive of the Executive's duties hereunder do not and shall not constitute a breach of, conflict with, or otherwise contravene or cause a default under, the terms of any other agreement or policy to which the Executive is a party or otherwise bound or any judgment, order or decree to which the Executive is subject; (ii) the Executive will not enter into any new agreement that would or reasonably could contravene or cause a default by the Executive under this Agreement; (iii) the Executive has no information (including, without limitation, confidential information and trade secrets) relating to any other Person which would prevent, or be violated by, the Executive entering into this Agreement or carrying out his duties hereunder; (iv) the Executive is not bound by any employment, consulting, non-compete, non-solicitation, confidentiality, trade secret or similar agreement (other than this Agreement and the Confidentiality Agreement) with any other Person; (v) to the extent the Executive has any confidential or similar information that he is not free to disclose to the Company, he will not disclose such information to the extent such disclosure would violate applicable law or any other agreement or policy to which the Executive is a party or by which the Executive is otherwise bound; and (vi) the Executive understands the Company will rely upon the accuracy and truth of the representations and warranties of the Executive set forth herein and the Executive consents to such reliance.

1.5 Location. The Executive's principal place of employment shall be the Company's principal executive office as it may be located from time to time. The Executive agrees that he will be regularly present at that office. The Executive acknowledges that he will be required to travel from time to time in the course of performing his duties for the Company.

2. At-Will Employment. The Executive and the Company acknowledge and agree that, notwithstanding any other provision of this Agreement, the Executive's employment with the Company is for an unspecified duration and constitutes "at-will" employment, meaning that either the Executive or the Company may terminate the Executive's employment at any time and for any reason, with or without cause (subject to the notice requirements set forth in Section 5).

3. Compensation.

3.1 Base Salary. During the Period of Employment, the Company shall pay the Executive a base salary (the "**Base Salary**"), which shall be paid in accordance with the Company's regular payroll practices in effect from time to time but not less frequently than in

monthly installments. The Executive's Base Salary shall be at an annualized rate of two hundred eighty thousand Dollars (\$280,000). The Board (or a committee thereof) may, in its sole discretion, increase (but not decrease) the Executive's rate of Base Salary.

3.2 Discretionary Incentive Bonus. Commencing with fiscal year 2023, the Executive shall be eligible to receive an incentive bonus for each fiscal year of the Company that occurs during the Period of Employment ("Incentive Bonus"). The Executive's Incentive Bonus amount for a particular fiscal year shall be determined by the Board (or a committee thereof) in its sole discretion, based on performance objectives (which may include corporate, business unit or division, financial, strategic, individual or other objectives) established with respect to that particular fiscal year by the Board (or a committee thereof) or such other factors it may consider relevant in the circumstances. Notwithstanding the foregoing and except as otherwise expressly provided in this Agreement, the Executive must be employed by the Company at the time the Company pays incentive bonuses to employees generally with respect to a particular fiscal year in order to earn and be eligible for an Incentive Bonus for that year (and, if the Executive is not so employed at such time, in no event shall he have been considered to have "earned" any Incentive Bonus with respect to the fiscal year).

4. Benefits.

4.1 Retirement, Welfare and Fringe Benefits. During the Period of Employment, the Executive shall be entitled to participate in all employee pension and welfare benefit plans and programs, and fringe benefit plans and programs, made available by the Company to the Company's employees generally, in accordance with the eligibility and participation provisions of such plans and as such plans or programs may be in effect from time to time.

4.2 Reimbursement of Business Expenses. The Executive is authorized to incur reasonable expenses in carrying out the Executive's duties for the Company under this Agreement and shall be entitled to reimbursement for all reasonable business expenses the Executive incurs during the Period of Employment in connection with carrying out the Executive's duties for the Company, subject to the Company's expense reimbursement policies and any pre-approval policies in effect from time to time. The Executive agrees to promptly submit and document any reimbursable expenses in accordance with the Company's expense reimbursement policies to facilitate the timely reimbursement of such expenses.

4.3 Vacation and Other Leave. During the Period of Employment, the Executive's annual rate of vacation accrual shall be fifteen (15) days per year, with such vacation to accrue and be subject to the Company's vacation policies in effect from time to time, including any policy which may limit vacation accruals and/or limit the amount of accrued but unused vacation to carry over from year to year. The Executive shall also be entitled to all other holiday and leave pay generally available to other executives of the Company.

5. Termination.

5.1 Termination by the Company. The Executive's employment by the Company may be terminated at any time by the Company: (i) with Cause, or (ii) with no less than thirty (30) days advance written notice to the Executive (such notice to be delivered in accordance with Section 17), without Cause, or (iii) in the event of the Executive's death, or (iv) in the event that the Board determines in good faith that the Executive has a Disability.

5.2 Termination by the Executive. The Executive's employment by the Company may be terminated by the Executive with no less than thirty (30) days advance written notice to the Company (such notice to be delivered in accordance with Section 17); provided, however, that in the case of a termination for Good Reason, the Executive may provide immediate written notice of termination once the applicable cure period (as contemplated by the definition of Good Reason) has lapsed if the Company has not reasonably cured the circumstances that gave rise to the basis for the Good Reason termination.

5.3 Benefits upon Termination. If the Executive's employment by the Company is terminated for any reason by the Company or by the Executive (the date that the Executive's employment by the Company terminates is referred to as the "Severance Date"), the Company shall have no further obligation to make or provide to the Executive, and the Executive shall have no further right to receive or obtain from the Company, any payments or benefits except as follows:

(a) The Company shall pay the Executive (or, in the event of his death, the Executive's estate) any Accrued Obligations;

(b) If the Executive's employment with the Company terminates as a result of a termination by the Company without Cause (other than due to the Executive's death or Disability) or a resignation by the Executive for Good Reason, the Executive shall be entitled to the following benefits:

(i) The Company shall pay the Executive (in addition to the Accrued Obligations), subject to tax withholding and other authorized deductions, an amount equal to one (1.0) times the Executive's Base Salary at the annual rate in effect on the Severance Date. The amount determined pursuant to the preceding sentence is referred to hereinafter as the "Severance Benefit." Subject to Section 20(b), the Company shall pay the Severance Benefit to the Executive in equal monthly installments (rounded down to the nearest whole cent) over a period of twelve (12) consecutive months, with the first installment payable on (or within ten (10) days following) the sixtieth (60th) day following the Executive's Separation from Service and to include each such installment that was otherwise (but for such 60-day delay) scheduled to be paid following the Executive's Separation from Service and prior to the date of such payment. Notwithstanding the foregoing, however, if the Severance Date occurs in connection with or within eighteen (18) months after a Change in Control Event, the Severance Benefit shall be one (1.0) times the sum of the Executive's Base Salary at the annual rate in effect on the Severance Date and the Applicable Bonus Amount, and the Severance Benefit shall be payable to the Executive in a lump sum on (or within ten (10) days following) the sixtieth (60th) day following the Executive's Separation from Service. For these purposes, the "Applicable Bonus Amount" shall equal the Executive's target Incentive Bonus (as established by the Board or a committee thereof) for the Company's fiscal year in which the Severance Date occurs, provided that if no such target Incentive Bonus has been established for that fiscal year, the Applicable Bonus Amount shall be the Executive's target Incentive Bonus (as established by the Board or a committee thereof) for the Company's fiscal year immediately preceding the fiscal year in which the Severance Date occurs (and if no such target Incentive Bonus was established for either such fiscal year, shall be the amount of the annual Incentive Bonus actually paid to the Executive, if any, for the immediately preceding fiscal year).

(ii) The Company will pay or reimburse the Executive for his premiums charged to continue medical coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act (“COBRA”), at the same or reasonably equivalent medical coverage for the Executive (and, if applicable, the Executive’s eligible dependents) as in effect immediately prior to the Severance Date, to the extent that the Executive elects such continued coverage; provided that the Company’s obligation to make any payment or reimbursement pursuant to this clause (ii) shall, subject to Section 20(b), commence with continuation coverage for the month following the month in which the Executive’s Separation from Service occurs and shall cease with continuation coverage for the twelfth (12th) month following the month in which the Executive’s Separation from Service occurs (or, if earlier, shall cease upon the first to occur of the Executive’s death, the date the Executive becomes eligible for coverage under the health plan of a future employer, or the date the Company ceases to offer group medical coverage to its active executive employees or the Company is otherwise under no obligation to offer COBRA continuation coverage to the Executive). To the extent the Executive elects COBRA coverage, he shall notify the Company in writing of such election prior to such coverage taking effect and complete any other continuation coverage enrollment procedures the Company may then have in place. The Company’s obligations pursuant to this Section 5.3(b)(ii) are subject to the Company’s ability to comply with applicable law and provide such benefit without resulting in adverse tax consequences.

(iii) The Company shall promptly pay to the Executive any Incentive Bonus that would otherwise be paid to the Executive had the Executive’s employment with the Company not terminated with respect to any fiscal year that ended before the Severance Date, to the extent not theretofore paid.

(iv) As to each then-outstanding stock option and other equity-based award granted by the Company to the Executive that vests based solely on the Executive’s continued service with the Company, the Executive shall vest as of the Severance Date in any portion of such award in which the Executive would have vested thereunder if the Executive’s employment with the Company had continued for twelve (12) months after the Severance Date (and any portion of such award that is not vested after giving effect to this acceleration provision shall terminate on the Severance Date). As to each outstanding stock option or other equity-based award granted by the Company to the Executive that is subject to performance-based vesting requirements, the vesting of such award will continue to be governed by its terms, provided that for purposes of any service-based vesting requirement under such award, the Executive’s employment with the Company will be deemed to have continued for twelve (12) months after the Severance Date. Notwithstanding the foregoing, if the Severance Date occurs in connection with or within eighteen (18) months after a Change in Control Event, (i) each stock option and other equity-based award granted by the Company to the Executive that vests based solely on the Executive’s continued service with the Company, to the extent then outstanding and unvested, shall be fully vested as of the Severance Date, and (ii) any service-based vesting requirement under each outstanding stock option or other equity-based award granted by the Company to the Executive that is subject to performance-based vesting requirements shall be deemed satisfied in full as of the Severance Date.

(c) If the Executive’s employment with the Company terminates as a result of the Executive’s death or Disability, the Company shall pay the Executive (or the Executive’s estate) any Incentive Bonus with respect to any fiscal year that ended before the Severance Date (to the extent not theretofore paid) that would otherwise be paid to the Executive had the

Executive's employment with the Company not terminated (such payment to be made at the same time annual bonuses for the applicable fiscal year are paid to the Company's executives generally).

(d) Notwithstanding the foregoing provisions of this Section 5.3, if the Executive breaches his obligations under the Confidentiality Agreement at any time, from and after the date of such breach and not in any way in limitation of any right or remedy otherwise available to the Company, the Executive will no longer be entitled to, and the Company will no longer be obligated to pay, any remaining unpaid portion of the Severance Benefit or any remaining unpaid amount contemplated by Section 5.3(b)(iii) or 5.3(b)(iv), or to any continued Company-paid or reimbursed coverage pursuant to Section 5.3(b)(ii); provided that, if the Executive provides the Release contemplated by Section 5.4, in no event shall the Executive be entitled to benefits pursuant to Section 5.3(b) of less than \$5,000 (or the amount of such benefits, if less than \$5,000), which amount the parties agree is good and adequate consideration, in and of itself, for the Executive's Release contemplated by Section 5.4.

(e) The foregoing provisions of this Section 5.3 shall not affect: (i) the Executive's receipt of benefits otherwise due to terminated employees under group insurance coverage consistent with the terms of the applicable Company welfare benefit plan; (ii) the Executive's rights under COBRA to continue health coverage; or (iii) the Executive's receipt of benefits otherwise due in accordance with the terms of the Company's 401(k) plan (if any).

5.4 Release; Exclusive Remedy; Leave.

(a) This Section 5.4 shall apply notwithstanding anything else contained in this Agreement or any stock option or other equity-based award agreement to the contrary. As a condition precedent to any Company obligation to the Executive pursuant to Section 5.3(b) or any other obligation to accelerate vesting of any equity-based award in connection with the termination of the Executive's employment, the Executive shall provide the Company with a valid, executed general release agreement in substantially the form attached hereto as Exhibit A (with such changes as the Company may reasonably make to such form consistent with the purposes and intent of such form and to help ensure its enforceability in light of any changes in applicable law, rules or regulations) (the "Release"), and such Release shall have not been revoked by the Executive pursuant to any revocation rights afforded by applicable law. The Company shall provide the final form of Release to the Executive not later than seven (7) days following the Severance Date, and the Executive shall be required to execute and return the Release to the Company within twenty-one (21) days (or forty-five (45) days if such longer period of time is required to make the Release maximally enforceable under applicable law) after the Company provides the form of Release to the Executive.

(b) The Executive agrees that the payments and benefits contemplated by Section 5.3 (and any applicable acceleration of vesting of an equity-based award in accordance with the terms of such award in connection with the termination of the Executive's employment) shall constitute the exclusive and sole remedy for any termination of his employment and the Executive covenants not to assert or pursue any other remedies, at law or in equity, with respect to any termination of employment. The Company and the Executive acknowledge and agree that there is no duty of the Executive to mitigate damages under this Agreement. All amounts paid to the Executive pursuant to Section 5.3 shall be paid without regard to whether the Executive has taken or takes actions to mitigate damages. The Executive agrees to resign, on the Severance

Date, as an officer and director of the Company and any Affiliate of the Company, and as a fiduciary of any benefit plan of the Company or any Affiliate of the Company, and to promptly execute and provide to the Company any further documentation, as requested by the Company, to confirm such resignation, and to remove himself as a signatory on any accounts maintained by the Company or any of its Affiliates (or any of their respective benefit plans).

(c) In the event that the Company provides the Executive notice of termination without Cause pursuant to Section 5.1 or the Executive provides the Company notice of termination pursuant to Section 5.2, the Company will have the option to place the Executive on paid administrative leave during the notice period.

5.5 Certain Defined Terms.

(a) As used herein, “Accrued Obligations” means:

(i) any Base Salary that had accrued but had not been paid (including accrued and unpaid vacation time) on or before the Severance Date; and

(ii) any reimbursement due to the Executive pursuant to Section 4.2 for expenses reasonably incurred by the Executive on or before the Severance Date and documented and pre-approved, to the extent applicable, in accordance with the Company’s expense reimbursement policies in effect at the applicable time.

(b) As used herein, “Affiliate” of the Company means a Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Company. As used in this definition, the term “control,” including the correlative terms “controlling,” “controlled by” and “under common control with,” means the possession, directly or indirectly, of the power to direct or cause the direction of management or policies (whether through ownership of securities or any partnership or other ownership interest, by contract or otherwise) of a Person.

(c) As used herein, “Cause” shall mean, as reasonably determined by the Board (excluding the Executive, if he is then a member of the Board) based on the information then known to it, that one or more of the following has occurred:

(i) the Executive is convicted of, pled guilty or pled *nolo contendere* to a felony (under the laws of the United States or any relevant state, or a similar crime or offense under the applicable laws of any relevant foreign jurisdiction);

(ii) the Executive has engaged in acts of fraud, dishonesty or other acts of willful misconduct in the course of his duties hereunder;

(iii) the Executive willfully fails to perform or uphold his duties under this Agreement and/or willfully fails to comply with reasonable directives of the Board; or

(iv) a material breach by the Executive of the Confidentiality Agreement (as defined below) or any other contract he is a party to with the Company or any of its Affiliates or any written employment policy of the Company;

provided, however, that any condition or conditions, as applicable, referenced in clause (iii) or clause (iv) above shall not (if a cure is reasonably possible in the circumstances) constitute Cause unless both (x) the Company provides written notice to the Executive of such condition(s) claimed to constitute Cause (such notice to be delivered in accordance with Section 17), and (y) the Executive fails to remedy such condition(s) within thirty (30) days of receiving such written notice thereof. For purposes of the foregoing definition of Cause, no act or failure to act, on the Executive's part shall be considered "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive's action or omission was in the best interest of the Company.

(d) As used herein, "Change in Control Event" shall mean

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (1) the then-outstanding common stock of the Company (the "Outstanding Company Common Stock") or (2) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that, for purposes of this paragraph (i), the following acquisitions shall not constitute a Change in Control Event; (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any affiliate of the Company or a successor, or (D) any acquisition by any entity pursuant to a transaction that complies with Sections (iii)(1), (2) and (3) below;

(ii) Individuals who, as of the Effective Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board (including for these purposes, the new members whose election or nomination was so approved, without counting the member and his predecessor twice) shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(iii) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the Company or any corporation or other entity a majority of whose outstanding voting stock or voting power is beneficially owned directly or indirectly by the Company (a "Subsidiary"), a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any of its Subsidiaries (each, a "Business Combination"), in each case unless, following such Business Combination, (1) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding

Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets directly or through one or more subsidiaries (a "Parent")), in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (2) no Person (excluding any entity resulting from such Business Combination or a Parent or any employee benefit plan (or related trust) of the Company or such entity resulting from such Business Combination or Parent) beneficially owns, directly or indirectly, 50% or more of, respectively, the then-outstanding shares of common stock of the entity resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such entity, except to the extent that the ownership in excess of 50% existed prior to the Business Combination, and (3) at least a majority of the members of the board of directors or trustees of the entity resulting from such Business Combination or a Parent were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(iv) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company other than in the context of a transaction that does not constitute a Change in Control Event under clause (iii) above.

(e) As used herein, "Disability," shall mean a physical or mental impairment which, as reasonably determined by the Board, renders the Executive unable to perform the essential functions of his employment with the Company, even with reasonable accommodation that does not impose an undue hardship on the Company, for more than 90 days in any 180-day period, unless a longer period is required by federal or state law, in which case that longer period would apply.

(f) As used herein, "Good Reason" shall mean the occurrence (without the Executive's consent) of any one or more of the following conditions:

(i) a material diminution in the Executive's rate of Base Salary;

(ii) a material diminution in the Executive's authority, duties, or responsibilities;

(iii) a material change in the geographic location of the Executive's principal office with the Company (for this purpose, in no event shall a relocation of such office to a new location that is not more than thirty-five (35) miles from the current location of the Company's executive offices or a relocation that does not increase the Executive's commute time from his personal residence constitute a "material change"); or

(iv) a material breach by the Company of this Agreement;

provided, however, that any such condition or conditions, as applicable, shall not constitute Good Reason unless both (x) the Executive provides written notice to the Company of the condition claimed to constitute Good Reason within sixty (60) days of the initial existence of

such condition(s) (such notice to be delivered in accordance with Section 17), and (y) the Company fails to remedy such condition(s) within thirty (30) days of receiving such written notice thereof; and provided, further, that in all events the termination of the Executive's employment with the Company shall not constitute a termination for Good Reason unless such termination occurs not more than one hundred and twenty (120) days following the initial existence of the condition claimed to constitute Good Reason.

(g) As used herein, the term "Person" shall be construed broadly and shall include, without limitation, an individual, a partnership, a limited liability company, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

(h) As used herein, a "Separation from Service" occurs when the Executive dies, retires, or otherwise has a termination of employment with the Company that constitutes a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h)(1), without regard to the optional alternative definitions available thereunder.

5.6. Notice of Termination. Any termination of the Executive's employment under this Agreement shall be communicated by written notice of termination from the terminating party to the other party. This notice of termination must be delivered in accordance with Section 17 and must indicate the specific provision(s) of this Agreement relied upon in effecting the termination.

6. Confidentiality Agreement. The Executive hereby acknowledges that he is party to a Proprietary Information and Inventions Assignment Agreement with the Company, dated [_____, 20__] (the "Confidentiality Agreement"), and affirms that such agreement continues in effect and that he remains subject to continuing obligations to the Company thereunder. In the event any terms of this Agreement and the Confidentiality Agreement conflict, this Agreement shall prevail.

7. Withholding Taxes. Notwithstanding anything else herein to the contrary, the Company may withhold (or cause there to be withheld, as the case may be) from any amounts otherwise due or payable under or pursuant to this Agreement such federal, state and local income, employment, or other taxes as may be required to be withheld pursuant to any applicable law or regulation. Except for such withholding rights, the Executive is solely responsible for any and all tax liability that may arise with respect to the compensation provided under or pursuant to this Agreement.

8. Successors and Assigns.

(a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns. Without limiting the generality of the preceding sentence, the

Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor or assignee, as applicable, which assumes and agrees to perform this Agreement by operation of law or otherwise.

9. Number and Gender; Examples. Where the context requires, the singular shall include the plural, the plural shall include the singular, and any gender shall include all other genders. Where specific language is used to clarify by example a general statement contained herein, such specific language shall not be deemed to modify, limit or restrict in any manner the construction of the general statement to which it relates.

10. Section Headings. The section headings of, and titles of paragraphs and subparagraphs contained in, this Agreement are for the purpose of convenience only, and they neither form a part of this Agreement nor are they to be used in the construction or interpretation thereof.

11. Governing Law. This Agreement will be governed by and construed in accordance with the laws of the state of California, without giving effect to any choice of law or conflicting provision or rule (whether of the state of California or any other jurisdiction) that would cause the laws of any jurisdiction other than the state of California to be applied. In furtherance of the foregoing, the internal law of the state of California will control the interpretation and construction of this Agreement, even if under such jurisdiction's choice of law or conflict of law analysis, the substantive law of some other jurisdiction would ordinarily apply.

12. Severability. It is the desire and intent of the parties hereto that the provisions of this Agreement be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this Agreement shall be adjudicated by a court of competent jurisdiction or determined by an arbitrator pursuant to Section 16 to be invalid, prohibited or unenforceable under any present or future law, and if the rights and obligations of any party under this Agreement will not be materially and adversely affected thereby, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction, and to this end the provisions of this Agreement are declared to be severable; furthermore, in lieu of such invalid or unenforceable provision there will be added automatically as a part of this Agreement, a legal, valid and enforceable provision as similar in terms to such invalid or unenforceable provision as may be possible. Notwithstanding the foregoing, if such provision could be more narrowly drawn (as to geographic scope, period of duration or otherwise) so as not to be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

13. Entire Agreement. This Agreement embodies the entire agreement of the parties hereto respecting the matters within its scope and supersedes all prior and contemporaneous agreements of the parties hereto that directly or indirectly bears upon the subject matter hereof (including,

without limitation, the Prior Agreements). Any prior negotiations, correspondence, agreements, proposals or understandings relating to the subject matter hereof shall be deemed to have been merged into this Agreement, and to the extent inconsistent herewith, such negotiations, correspondence, agreements, proposals, or understandings shall be deemed to be of no force or effect. There are no representations, warranties, or agreements, whether express or implied, or oral or written, with respect to the subject matter hereof, except as expressly set forth herein. The Confidentiality Agreement is outside the scope of the preceding provisions of this Section 13 and continues in effect.

14. Modifications. This Agreement may not be amended, modified or changed (in whole or in part), except by a formal, definitive written agreement expressly referring to this Agreement, which agreement is executed by both of the parties hereto.

15. Waiver. Neither the failure nor any delay on the part of a party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

16. Arbitration.

16.1 Arbitration. In consideration of the Company's promise to arbitrate all employment-related disputes against the Executive, the Executive agrees that any and all controversies, claims or disputes with anyone (including the Company and any employee, officer, stockholder, affiliate or benefit plan of the Company in their capacity as such or otherwise) arising out of, relating to or resulting from the Executive's employment with the Company or the termination of the Executive's employment with the Company, including any breach of this Agreement or the Confidentiality Agreement, shall be subject to binding arbitration under the arbitration rules set forth in California Code of Civil Procedure Section 1280 through 1294.2, including Section 128.05 (the "Rules") and pursuant to California law. Disputes which Executive agrees to arbitrate, and thereby agrees to waive any right to a trial by jury, include any statutory claims under state or federal law, include, but not limited to, claims under Title VII of the Civil Rights Act of 1964, the Fair Labor Standards Act, the Americans with Disabilities Act of 1990, the Age Discrimination in Employment Act of 1967, the Older Workers Benefit Protection Act, the California Fair Employment and Housing Act, the California Labor Code, claims of harassment, discrimination or wrongful termination and any other statutory claims. Executive further understands that this agreement to arbitrate also applies to any disputes that the Company may have with the Executive.

16.2 Procedure. Executive agrees that any arbitration will be administered by the American Arbitration Association ("AAA") and that the neutral arbitrator will be selected in a manner consistent with its National Rules for the Resolution of Employment Disputes. Executive agrees that the arbitrator shall have the power to decide any motions brought by any party to the arbitration, including motions for summary judgment and/or adjudication and motions to dismiss and demurrers, prior to any arbitration hearing. Executive agrees that the arbitrator shall have the power to award any remedies, including attorneys' fees and costs, available under applicable law. Executive understands that the Company will pay for any administrative or hearing fees

charged by the arbitrator or AAA except that the Executive shall pay the first \$200.00 of any filing fees associated with any arbitration initiated by the Executive. Executive agrees that the arbitrator shall administer and conduct any arbitration in a manner consistent with the Rules and that to the extent that the AAA's National Rules for the Resolution of Employment Disputes conflict with the Rules, the Rules shall take precedence. Executive agrees that the decision of the arbitrator shall be in writing. There is no right or authority for any claims subject to this arbitration provision to be arbitrated on a class or collective action basis or on any basis involving claims brought in a purported representative capacity on behalf of any other person or group of people similarly situated. Such claims are prohibited. Nonetheless, claims brought by or against either the Company or Executive by similarly situated parties, that are based upon a common set of factual allegations, will be consolidated by the AAA for the purposes of arbitration, before one arbitrator, unless otherwise agreed to in writing by all parties, or determined to be unjust or unmanageable by the arbitrator.

16.3. Remedy. Except as provided by the Rules and this Agreement, arbitration shall be the sole, exclusive and final remedy for any dispute between the parties. Accordingly, except as provided for by the Rules and this Agreement, neither Executive nor the Company will be permitted to pursue court action regarding claims that are subject to arbitration. Notwithstanding, the arbitrator will not have the authority to disregard or refuse to enforce any lawful Company policy, and the arbitrator shall not order or require the Company to adopt a policy not otherwise required by law which the Company has not adopted.

16.4. Availability of Injunctive Relief. In addition to the right under the Rules to petition the court for provisional relief, Executive agrees that any party may also petition the court for injunctive relief where either party alleges or claims a violation of this Agreement, the Confidentiality Agreement or any other agreement regarding trade secrets, confidential information, non-solicitation or Labor Code § 2870. Executive understands that any breach or threatened breach of such an agreement will cause irreparable injury and that money damages will not provide an adequate remedy therefor and both parties hereby consent to the issuance of an injunction. In the event either party seeks injunctive relief, the prevailing party shall be entitled to recover reasonable costs and attorneys' fees.

16.5. Voluntary Nature of Agreement. Executive acknowledges and agrees that Executive is executing this agreement to arbitrate voluntarily and without any duress or undue influence by the Company or anyone else. Executive further acknowledges and agrees that Executive has carefully read this agreement to arbitrate and that Executive has asked any questions needed for Executive to understand the terms, consequences and binding effect of this agreement to arbitrate and fully understands it, including that Executive is waiving Executive's right to a jury trial. Executive agrees that Executive has been provided an opportunity to seek the advice of any attorney of Executive's choice before signing this agreement to arbitrate. Executive agrees that this agreement to arbitrate is a consensual between Executive and the Company and is mutually beneficial for Executive and the Company.

17. Notices. Any notice provided for in this Agreement must be in writing and must be either personally delivered, transmitted via telecopier, mailed by first class mail (postage prepaid and return receipt requested) or sent by reputable overnight courier service (charges prepaid) to the recipient at the address below indicated or at such other address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party. Notices will be deemed to have been given hereunder and received when delivered personally,

when received if transmitted via telecopier, five days after deposit in the U.S. mail and one day after deposit with a reputable overnight courier service.

if to the Company:

Cepton, Inc.

399 W. Trimble Rd.

San Jose, CA 95131

Attention: Chief Legal Officer

with a copy to:

O'Melveny & Myers LLP

2765 Sand Hill Road

Menlo Park, CA 94025-7019

Attn: Paul Sieben

psieben@omm.com

if to the Executive, to the address most recently on file in the payroll records of the Company.

18. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any party whose signature appears thereon, and all of which together shall constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories. Photographic copies of such signed counterparts may be used in lieu of the originals for any purpose.

19. Legal Counsel; Mutual Drafting. Each party recognizes that this is a legally binding contract and acknowledges and agrees that they have had the opportunity to consult with legal counsel of their choice. Each party has cooperated in the drafting, negotiation and preparation of this Agreement. Hence, in any construction to be made of this Agreement, the same shall not be construed against either party on the basis of that party being the drafter of such language. The Executive agrees and acknowledges that he has read and understands this Agreement, is entering into it freely and voluntarily, and has been advised to seek counsel prior to entering into this Agreement and has had ample opportunity to do so.

20. Section 409A.

(a) It is intended that any amounts payable under this Agreement shall either be exempt from or comply with Section 409A of the Code (including the Treasury regulations and other published guidance relating thereto) ("Code Section 409A") so as not to subject the Executive to payment of any additional tax, penalty or interest imposed under Code Section 409A. The provisions of this Agreement shall be construed and interpreted to avoid the imputation of any such additional tax, penalty or interest under Code Section 409A yet preserve

(to the nearest extent reasonably possible) the intended benefit payable to the Executive. Any installment payments provided for in this Agreement shall be treated as a series of separate payments for purposes of Code Section 409A.

(b) If the Executive is a “specified employee” within the meaning of Treasury Regulation Section 1.409A-1(i) as of the date of the Executive’s Separation from Service, the Executive shall not be entitled to any payment or benefit pursuant to Section 5.3(b) or (c) until the earlier of (i) the date which is six (6) months after his or her Separation from Service for any reason other than death, or (ii) the date of the Executive’s death. The provisions of this Section 20(b) shall only apply if, and to the extent, required to avoid the imputation of any tax, penalty or interest pursuant to Code Section 409A. Any amounts otherwise payable to the Executive upon or in the six (6) month period following the Executive’s Separation from Service that are not so paid by reason of this Section 20(b) shall be paid (without interest) as soon as practicable (and in all events within thirty (30) days) after the date that is six (6) months after the Executive’s Separation from Service (or, if earlier, as soon as practicable, and in all events within thirty (30) days, after the date of the Executive’s death).

(c) To the extent that any benefits pursuant to Section 5.3(b)(ii) or reimbursements pursuant to Section 4.2 are taxable to the Executive, any reimbursement payment due to the Executive pursuant to any such provision shall be paid to the Executive on or before the last day of the Executive’s taxable year following the taxable year in which the related expense was incurred. The benefits and reimbursements pursuant to such provisions are not subject to liquidation or exchange for another benefit and the amount of such benefits and reimbursements that the Executive receives in one taxable year shall not affect the amount of such benefits or reimbursements that the Executive receives in any other taxable year.

[The remainder of this page has intentionally been left blank.]

IN WITNESS WHEREOF, the Company and the Executive have executed this Agreement as of the date first set forth above.

“COMPANY”

Cepton, Inc.,
a Delaware corporation

By: /s/ Jun Pei

Name: Jun Pei

Title: Chief Executive Officer

“EXECUTIVE”

/s/ Mitchell Hourtienne

EXHIBIT A

FORM OF GENERAL RELEASE AGREEMENT

1. Release. [_____] ("Executive"), on his own behalf and on behalf of his descendants, dependents, heirs, executors, administrators, assigns and successors, and each of them, hereby acknowledges full and complete satisfaction of and releases and discharges and covenants not to sue Cepton, Inc. (the "Company"), its divisions, subsidiaries, parents, or affiliated corporations, past and present, and each of them, as well as its and their assignees, successors, directors, officers, stockholders, partners, representatives, attorneys, agents or employees, past or present, or any of them (individually and collectively, "Releasees"), from and with respect to any and all claims, agreements, obligations, demands and causes of action, known or unknown, suspected or unsuspected, arising out of or in any way connected with Executive's employment or any other relationship with or interest in the Company or the termination thereof, including without limiting the generality of the foregoing, any claim for severance pay, profit sharing, bonus or similar benefit, pension, retirement, life insurance, health or medical insurance or any other fringe benefit, or disability, or any other claims, agreements, obligations, demands and causes of action, known or unknown, suspected or unsuspected resulting from any act or omission by or on the part of Releasees committed or omitted prior to the date of this General Release Agreement (this "Agreement") set forth below, including, without limiting the generality of the foregoing, any claim under Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Family and Medical Leave Act, the Fair Labor Standards Act, the Employee Retirement Income Security Act of 1974, the Civil Rights Act of 1964 and 1991, the Civil Rights Act of 1866, the Rehabilitation Act of 1973, the Equal Pay Act of 1963, the Older Workers Benefit Protection Act, the Worker Adjustment and Retraining Notification Act, the Consolidated Omnibus Budget Reconciliation Act of 1985, the Genetic Information Nondiscrimination Act, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Families First Coronavirus Response Act, the California Fair Employment and Housing Act, the California Civil Code, the California Constitution, the California Labor Code, the California Family Rights Act, the California Private Attorney General Act, the California Worker Adjustment and Retraining Notification Act, or any other federal, state or local law, regulation, ordinance, constitution or common law (collectively, the "Claims"); provided, however, that the foregoing release does not apply to any obligation of the Company to Executive pursuant to any of the following: (1) Section 5.3(b) of the Employment Agreement dated as of [_____] , 2023 by and between the Company and Executive (the "Employment Agreement"); (2) any equity-based awards previously granted by the Company to Executive, to the extent that such awards continue after the termination of Executive's employment with the Company in accordance with the applicable terms of such awards; (3) any right to indemnification that Executive may have pursuant to the Company's bylaws, its corporate charter or under any written indemnification agreement with the Company (or any corresponding provision of any subsidiary or affiliate of the Company) with respect to any loss, damages or expenses (including but not limited to attorneys' fees to the extent otherwise provided) that Executive may in the future incur with respect to his service as an employee, officer or director of the Company or any of its subsidiaries or affiliates; (4) with respect to any rights that Executive may have to insurance coverage for such losses, damages or expenses under

any Company (or subsidiary or affiliate) directors and officers liability insurance policy; (5) any rights to continued medical and dental coverage that Executive may have under COBRA; or (6) any rights to payment of benefits that Executive may have under a retirement plan sponsored or maintained by the Company that is intended to qualify under Section 401(a) of the Internal Revenue Code of 1986, as amended. In addition, this release does not cover any Claim that cannot be so released as a matter of applicable law, such as claims for unemployment compensation benefits or workers' compensation. Notwithstanding anything to the contrary herein, nothing in this Agreement prohibits Executive from filing a charge with or participating in an investigation conducted by any state or federal government agencies. However, Executive does waive, to the maximum extent permitted by law, the right to receive any monetary or other recovery, should any agency or any other person pursue any claims on Executive's behalf arising out of any claim released pursuant to this Agreement. For clarity, and as required by law, such waiver does not prevent Executive from accepting a whistleblower award from the Securities and Exchange Commission pursuant to Section 21F of the Securities Exchange Act of 1934, as amended. Executive acknowledges and agrees that he has received any and all leave and other benefits that he has been and is entitled to pursuant to federal, state or local leave or disability accommodation laws.

2. Acknowledgement of Payment of Wages. [Except for accrued vacation (which the parties agree totals approximately [] days of pay) and salary for the current pay period,] Executive acknowledges that he has received all amounts owed for his regular and usual salary (including, but not limited to, any bonus, incentive or other wages), and usual benefits through the date of this Agreement, except for any vested benefits pursuant to the Employee Retirement Income Security Act of 1974, as amended under any retirement plan(s) of the Company, to which Executive may be entitled to in the future.

3. Waiver of Unknown Claims. This Agreement is intended to be effective as a general release of and bar to each and every Claim hereinabove specified. Accordingly, Executive hereby expressly waives any rights and benefits conferred by Section 1542 of the California Civil Code and any similar provision of any other applicable state law as to the Claims. Section 1542 of the California Civil Code provides:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”

Executive acknowledges that he later may discover claims, demands, causes of action or facts in addition to or different from those which Executive now knows or believes to exist with respect to the subject matter of this Agreement and which, if known or suspected at the time of executing this Agreement, may have materially affected its terms. Nevertheless, Executive hereby waives, as to the Claims, any claims, demands, and causes of action that might arise as a result of such different or additional claims, demands, causes of action or facts.

4. ADEA Waiver. Executive expressly acknowledges and agrees that by entering into this Agreement, he is waiving any and all rights or claims that he may have arising under the Age Discrimination in Employment Act of 1967, as amended (the “ADEA”), and that this waiver and release is knowing and voluntary. Executive and the Company agree that this waiver and

release does not apply to any rights or claims that may arise under the ADEA after the date Executive signs this Agreement. Executive further expressly acknowledges and agrees that:

(a) In return for this Agreement, he will receive consideration beyond that which he was already entitled to receive before executing this Agreement;

(b) He is hereby advised in writing by this Agreement to consult with an attorney before signing this Agreement;

(c) He was given a copy of this Agreement on [_____, 202__], and informed that he had [twenty-one (21)] days within which to consider this Agreement and that if he wished to execute this Agreement prior to the expiration of such [21]-day period he will have done so voluntarily and with full knowledge that he is waiving his right to have [twenty-one (21)] days to consider this Agreement; and that such [twenty-one (21)] day period to consider this Agreement would not and will not be re-started or extended based on any changes, whether material or immaterial, that are or were made to this Agreement in such [twenty-one (21)] day period after he received it;

(d) He was informed that he had seven (7) days following the date of execution of this Agreement in which to revoke this Agreement, and this Agreement will become null and void if Executive elects revocation during that time. Any revocation must be in writing and must be received by the Company during the seven-day revocation period. In the event that Executive exercises this revocation right, neither the Company nor Executive will have any obligation under this Agreement. Any notice of revocation should be sent by Executive in writing to the Company (attention [_____]), [Insert Address], so that it is received within the seven-day period following execution of this Agreement by Executive.

(e) Nothing in this Agreement prevents or precludes Executive from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties or costs for doing so, unless specifically authorized by federal law.

5. No Transferred Claims. Executive represents and warrants to the Company that he has not heretofore assigned or transferred to any person not a party to this Agreement any released matter or any part or portion thereof.

6. Return of Property. Executive represents and covenants that he has returned to the Company (a) all physical, computerized, electronic or other types of records, documents, proposals, notes, lists, files and any and all other materials, including computerized electronic information, that refer, relate or otherwise pertain to the Company or any of its Affiliates (as defined in the Employment Agreement) that were in Executive's possession, subject to Executive's control or held by Executive for others; and (b) all property or equipment that Executive has been issued by the Company or any of its Affiliates during the course of his employment or property or equipment that Executive otherwise possessed, including any keys, credit cards, office or telephone equipment, computers (and any software, power cords, manuals, computer bag and other equipment that was provided to Executive with any such computers), tablets, smartphones, and other devices. Executive acknowledges that he is not authorized to retain any physical, computerized, electronic or other types of copies of any such physical, computerized, electronic or other types of records, documents, proposals, notes, lists, files or materials, and is not authorized to retain any property or equipment of the Company or any of its

Affiliates. Executive further agrees that Executive will immediately forward to the Company (and thereafter destroy any electronic copies thereof) any business information relating to the Company or any of its Affiliates that has been or is inadvertently directed to Executive following the date of the termination of Executive's employment.

7. Covenant Not to Sue. A "covenant not to sue" is a legal term which means Executive promises not to file a lawsuit in court or arbitration against the Releasees. It is different from the release of claims contained in the "Release" paragraph above. In addition to waiving and releasing the claims governed by the "Release" paragraph above, Executive covenants and agrees never to sue the Company or any other Releasees based on any claim released by Executive under the "Release" paragraph, except as otherwise provided in the "Release" paragraph.

8. Confidentiality. Through the course of Executive's employment, Executive has acquired "Confidential Information" as described in the Confidentiality Agreement (as defined in the Employment Agreement), certain paragraphs of which survive the cessation of Executive's employment with Company and are incorporated herein by reference. Executive understands and agrees that (i) Executive must keep such "Confidential Information" confidential at all times after Executive's employment ends, (ii) Executive may not make use of Confidential Information on Executive's own behalf, or on behalf of any third party, and (iii) Executive will comply with the terms of the Confidentiality Agreement even after his separation from the Company.

9. Future Cooperation. Executive agrees to reasonably cooperate with the Company in connection with any matter or event relating to Executive's employment or events that occurred during Executive's employment, including, without limitation, in transitioning Executive's job duties to other Company employees, the defense or prosecution of any claims or actions not in existence or which may be brought or threatened in the future against the Company and any claims or actions against its past, present or future officers, directors and employees, including after the termination of Executive's employment. Executive's cooperation in connection with such matters, actions and claims shall include, without limitation, being available, at reasonable times and after reasonable notice to meet with the Company regarding matters in which Executive was involved; to prepare for any proceeding (including without limitation, depositions, consultations, discovery or trial); to provide affidavits; to assist with any legal proceeding or other inquiry and to act as a witness in connection with any litigation or other legal proceeding affecting the Company. Executive shall be reimbursed for any reasonable out-of-pocket expenses incurred in connection with providing such cooperation under this paragraph. Executive further agrees that should Executive be contacted (directly or indirectly) by any person or entity adverse to the Company, Executive shall promptly notify the Company of such contact in writing.

10. Miscellaneous. The following provisions shall apply for purposes of this Agreement:

(a) Number and Gender. Where the context requires, the singular shall include the plural, the plural shall include the singular, and any gender shall include all other genders.

(b) Section Headings. The section headings of, and titles of paragraphs and subparagraphs contained in, this Agreement are for the purpose of convenience only, and they

neither form a part of this Agreement nor are they to be used in the construction or interpretation thereof.

(c) Governing Law. This Agreement, and all questions relating to its validity, interpretation, performance and enforcement, as well as the legal relations hereby created between the parties hereto, shall be governed by and construed under, and interpreted and enforced in accordance with, the laws of the State of California, notwithstanding any California or other conflict of law provision to the contrary, except for the "Arbitration" provision below, which shall be governed solely by the Federal Arbitration Act.

(d) Severability. If any provision of this Agreement or the application thereof is held invalid, the invalidity shall not affect other provisions or applications of this Agreement which can be given effect without the invalid provisions or applications and to this end the provisions of this Agreement are declared to be severable.

(e) Modifications. This Agreement may not be amended, modified or changed (in whole or in part), except by a formal, definitive written agreement expressly referring to this Agreement, which agreement is executed by both of the parties hereto.

(f) Waiver. No waiver of any breach of any term or provision of this Agreement shall be construed to be, nor shall be, a waiver of any other breach of this Agreement. No waiver shall be binding unless in writing and signed by the party waiving the breach.

(g) Arbitration. Any controversy arising out of or relating to this Agreement shall be submitted to arbitration in accordance with the arbitration provisions of the Employment Agreement.

(h) Counterparts. This Agreement may be executed in counterparts, and each counterpart, when executed, shall have the efficacy of a signed original. Photographic copies of such signed counterparts may be used in lieu of the originals for any purpose.

[Remainder of page intentionally left blank]

Executive acknowledges and agrees that Executive has had at least 21 days to consider this Agreement and has been advised that Executive may consult with an attorney of Executive's choice before signing this Agreement. Executive acknowledges and agrees that Executive has fully read, understands, and voluntarily enters into this Agreement freely and knowingly. Executive further acknowledges that Executive's signature below is an agreement to release the Company and the Releasees from any and all claims that can be released as a matter of law. Executive further acknowledges and agrees never to sue the Company or any other Releasees based on any claim released in this Agreement.

The undersigned have read and understand the consequences of this Agreement and voluntarily sign it. The undersigned declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

EXECUTED this _____ day of _____ 20____, at _____ County, _____.

“EXECUTIVE”

[Name]

EXECUTED this _____ day of _____ 20____, at _____ County, _____.

“COMPANY”

Cepton, Inc.

By:

[Name]

[Title]

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

I, Jun Pei, certify that:

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

Date: November 13, 2023

By: /s/ Jun Pei
Name: Jun Pei
Title: President and Chief Executive Officer
(Principal Executive Officer)

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

I, Hull Xu, certify that:

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

Date: November 13, 2023

By: /s/ Hull Xu
Name: Hull Xu
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)

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

In connection with the Quarterly Report of Cepton, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jun Pei, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

Date: November 13, 2023

By: /s/ Jun Pei
Name: Jun Pei
Title: President and Chief Executive Officer
(Principal Executive Officer)

The foregoing certification is being furnished pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, and it is not to be incorporated by reference into any filing of the Company, regardless of any general incorporation language in such filing.

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

In connection with the Quarterly Report of Cepton, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Hull Xu, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

Date: November 13, 2023

By: /s/ Hull Xu
Name: Hull Xu
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)

The foregoing certification is being furnished pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, and it is not to be incorporated by reference into any filing of the Company, regardless of any general incorporation language in such filing.