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

FORM 8-K/A
Amendment No. 1

CURRENT REPORT

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

Date of Report (Date of earliest event reported): **March 31, 2022 (February 10, 2022)**

CEPTON, INC.
(Exact name of registrant as specified in its charter)

Delaware	**001-39959**	**27-2447291**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

399 West Trimble Road
San Jose, CA 95131
(Address of principal executive offices, including zip code)

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

(Former name or former address, if changed since last report)

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

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

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

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

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

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

Title of Each Class:	Trading Symbol(s)	Name of Each Exchange on Which Registered:
Common stock, par value $0.00001 per share	**CPTN**	**The Nasdaq Capital Market**
Redeemable warrants, exercisable for common stock at an exercise price of $11.50 per share, subject to adjustment	**CPTNW**	**The Nasdaq Capital Market**

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

Emerging growth company ☒

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

Unless the context otherwise requires, "we," "us," "our," "Cepton" and the "Company" refer to Cepton, Inc., a Delaware corporation, and its consolidated subsidiaries.

Introductory Note

This Amendment No. 1 on Form 8-K/A ("Amendment No. 1") amends the Current Report on Form 8-K of Cepton, Inc., a Delaware corporation (the "Company") (f/k/a Growth Capital Acquisition Corp.), originally filed by the Company on February 11, 2022 (the "Original Report"), in which the Company reported, among other events, the consummation of the Transactions (as defined in the Original Report) on February 10, 2022.

This Amendment No. 1 is being filed solely for the purpose of supplementing the historical consolidated financial statements and pro forma condensed combined financial information provided under Item 9.01(a) and 9.01(b) in the Original Report to include (i) the audited consolidated financial statements of Cepton Technologies, Inc., a Delaware corporation ("Legacy Cepton"), and its subsidiaries as of and for the years ended December 31, 2021 and 2020, (ii) the related Management's Discussion and Analysis of Financial Condition and Results of Operations of Legacy Cepton for the years ended December 31, 2021 and 2020 and (iii) the unaudited pro forma condensed combined financial information of Legacy Cepton and Growth Capital Acquisition Corp. as of and for the year ended December 31, 2021.

This Amendment No. 1 does not amend any other item of the Original Report or purport to provide an update or a discussion of any developments at the Company or its subsidiaries subsequent to the filing date of the Original Report. The information previously reported in or filed with the Original Report is hereby incorporated by reference to this Amendment No. 1.

Item 8.01. Other Items.

The Company is supplementing the risk factors set out under "Risk Factors" in the Original Report. This Amendment No. 1 supplements the risk factors with the additional risk factor filed as Exhibit 99.1 hereto and incorporated herein by reference. The additional risk factor should be read in conjunction with the risk factors reported in or filed with the Original Report.

Item 9.01. Financial Statements and Exhibits.

(a) Financial statements of businesses acquired.

The audited consolidated financial statements of Legacy Cepton as of and for the years ended December 31, 2021 and 2020, and the related notes thereto are attached as Exhibit 99.2 and are incorporated herein by reference. Also included as Exhibit 99.3 and incorporated herein by reference is the Management's Discussion and Analysis of Financial Condition and Results of Operations of Legacy Cepton for the years ended December 31, 2021 and 2020.

(b) Pro forma financial information.

The unaudited pro forma condensed combined financial information of Legacy Cepton and Growth Capital Acquisition Corp. as of and for the year ended December 31, 2021 is filed as Exhibit 99.4 hereto and incorporated herein by reference.

(d) Exhibits.

Exhibit No.	Description
99.1	Additional risk factor
99.2	Audited consolidated financial statements of Legacy Cepton as of and for the years ended December 31, 2021 and 2020
99.3	Management's Discussion and Analysis of Financial Condition and Results of Operations of Legacy Cepton for the years ended December 31, 2021 and 2020
99.4	Unaudited pro forma condensed combined financial information of Legacy Cepton and Growth Capital Acquisition Corp. as of and for the year ended December 31, 2021
104.1	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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 hereunto duly authorized.

CEPTON, INC.

Date: March 31, 2022

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

Exhibit 99.1

We have identified a material weakness in our internal control over financial reporting. If our remediation of this material weakness is not effective, or if we experience additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls in the future, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect investor confidence in us and, as a result, the value of our common stock.

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. In connection with the audits of our consolidated financial statements as of December 31, 2021, and for the years ended December 31, 2020 and 2021, we identified a material weakness in our internal control over financial reporting:

- 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 or interim 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, unable to borrow additional funds under our Loan Agreement with Trinity Capital Inc. and we may face restricted access to various sources of financing in the future.

As part of our transition to a public company, we planned to hire additional personnel with accounting knowledge and experience. We recently hired a new Director of Finance and Accounting and we will continue to evaluate our accounting and financial needs in light of the material weakness described above. We expect the hiring of additional personnel with accounting knowledge and experience will allow us to remediate the material weakness described above well in advance of December 31, 2022; however, there is no guarantee that we will be successful in hiring personnel with the necessary knowledge and experience or that our remediation efforts will be completed prior to the audit of our 2022 financial statements.

Exhibit 99.2

CEPTON TECHNOLOGIES, INC. AND SUBSIDIARIES

Index to Consolidated Financial Statements

December 31, 2021 and 2020

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Cepton Technologies, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Cepton Technologies, Inc. and subsidiaries (the Company) as of December 31, 2021 and 2020, the related consolidated statements of operations and comprehensive loss, convertible preferred stock and stockholders' deficit, and cash flows for the years then ended, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years then ended, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2020.

Santa Clara, California
March 31, 2022

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

	December 31, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,654	$ 11,312
Short-term investments	2,836	32,058
Accounts receivable, net of allowance for doubtful accounts of $0 and $0, respectively	500	285
Inventories	2,523	3,394
Prepaid expenses and other current assets	6,998	1,134
Total current assets	16,511	48,183
Property and equipment, net	480	457
Other Assets	293	94
Total assets	$ 17,284	$ 48,734
LIABILITIES CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 2,547	$ 1,214
Accrued expenses and other current liabilities	2,777	1,565
Total current liabilities	5,324	2,779
Long-term debt	—	1,121
Other long-term liabilities	23	1,293
Total liabilities	5,347	5,193
Commitments and contingencies (Note 14)		
Convertible preferred stock:		
Convertible preferred stock – Par value $0.00001 per share – 22,806,009 and 22,806,009 shares authorized at December 31, 2021 and 2020; 21,671,491 and 21,671,491 shares issued and outstanding at December 31, 2021 and 2020; (aggregate liquidation preference of $96.7 and $96.7 million at December 31, 2021 and 2020)	99,470	99,470
Stockholders' deficit:		
Common stock – Par value $0.00001 per share – 75,000,000 and 75,000,000 shares authorized at December 31, 2021 and 2020; 27,618,907 and 27,184,882 shares issued and outstanding at December 31, 2021 and 2020	—	—
Class F stock – Par value $0.0001 per share – 8,402,000 and 8,402,000 shares authorized at December 31, 2021 and 2020; 8,372,143 and 8,372,143 shares issued and outstanding at December 31, 2021 and 2020	—	—
Additional paid-in capital	7,949	2,286
Accumulated other comprehensive income	(43)	(18)
Accumulated deficit	(95,439)	(58,197)
Total stockholders' deficit	(87,533)	(55,929)
TOTAL LIABILITIES CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT	$ 17,284	$ 48,734

See accompanying notes to the consolidated financial statements

CEPTON TECHNOLOGIES, INC. AND SUBSIDIARIES
Consolidated Statements of Operations and Comprehensive Loss
(in thousands, except share and per share data)

	Year Ended December 31,	
	2021	**2020**
Lidar Sensor and Prototype Revenue	$ 2,919	$ 2,006
Development Revenue	1,583	—
Total Revenue	4,502	2,006
Lidar Sensor and Prototype Cost of Revenue	3,952	3,746
Development Cost of Revenue	442	—
Total Cost of Revenue	4,394	3,746
Gross Margin (Loss)	108	(1,740)
Operating expenses:		
Research and development	24,158	11,666
Selling, general and administrative	14,286	6,170
Total operating expenses	38,444	17,836
Operating loss	(38,336)	(19,576)
Other income (expense), net	1,099	(181)
Interest income, net	15	149
Loss before income taxes	(37,222)	(19,608)
Provision for income taxes	(20)	(26)
Net loss	$ (37,242)	$ (19,634)
Net loss per share, basic and diluted	$ (1.36)	$ (0.73)
Weighted-average shares used in computing net loss per share, basic and diluted	27,412,353	27,068,162
Net loss	$ (37,242)	$ (19,634)
Other comprehensive loss, net of tax:		
Changes in unrealized gain (loss) on available-for-sale securities	(4)	3
Foreign currency translation adjustments	(21)	(11)
Total other comprehensive loss, net of tax	(25)	(8)
Comprehensive loss	$ (37,267)	$ (19,642)

See accompanying notes to the consolidated financial statements.

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

	Convertible Preferred Stock		Common Stock		Class F Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Gain (Loss)	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance — December 31, 2019	15,342,075	$ 46,847	27,004,791	$ —	8,402,000	$ —	$ 1,336	$ (10)	$ (38,563)	$ (37,237)
Issuance of Series C convertible preferred stock in exchange for cash, net of issuance costs	6,299,559	52,623	—	—	—	—	—	—	—	—
Stock transfer	29,857	—	—	—	(29,857)	—	—	—	—	—
Issuance of common stock upon exercise of stock options	—	—	180,091	—	—	—	225	—	—	225
Stock-based compensation	—	—	—	—	—	—	725	—	—	725
Unrealized gain on available-for-sale, net of tax	—	—	—	—	—	—	—	3	—	3
Foreign currency translation adjustment	—	—	—	—	—	—	—	(11)	—	(11)
Net loss	—	—	—	—	—	—	—		(19,634)	(19,634)
Balance— December 31, 2020	21,671,491	$ 99,470	27,184,882	$ —	8,372,143	$ —	$ 2,286	$ (18)	$ (58,197)	$ (55,929)
Issuance of common stock upon exercise of stock options	—	—	434,025	—	—	—	620	—	—	620
Stock-based compensation	—	—	—	—	—	—	5,043	—	—	5,043
Unrealized gain on available-for-sale, net of tax	—	—	—	—	—	—	—	(4)	—	(4)
Foreign currency translation adjustment	—	—	—	—	—	—	—	(21)	—	(21)
Net loss	—	—	—	—	—	—	—	—	(37,242)	(37,242)
Balance— December 31, 2021	21,671,491	$ 99,470	27,618,907	$ —	8,372,143	$ —	$ 7,949	$ (43)	$ (95,439)	$ (87,533)

See accompanying notes to the consolidated financial statements

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

	Year Ended December 31, 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	$ (37,242)	$ (19,634)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	210	184
Stock-based compensation	4,995	710
Loss on disposal of PPE	42	—
Gain from debt forgiveness	(1,121)	—
Loss on debt extinguishment	—	180
Amortization and accretion of short-term investments	257	120
Other	—	(90)
Changes in operating assets and liabilities:		
Accounts receivable, net	(215)	363
Inventories	919	(971)
Prepaid expenses and other current assets	(5,834)	162
Other long-term assets	(199)	—
Accounts payable	1,333	690
Accrued expenses	1,214	129
Other long-term liabilities	(1,118)	1,177
Net cash used in operating activities	(36,759)	(16,980)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(276)	(80)
Purchases of short-term investments	(8,455)	(33,676)
Proceeds from sales of short-term investments	8,514	—
Proceeds from maturities of short-term investments	28,900	1,500
Net cash provided by (used in) investing activities	28,683	(32,256)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from PPP loan	—	1,121
Repayment of long-term debt	—	(5,000)
Cash received from early exercises of options	—	253
Payment of debt issuance costs	(30)	—
Proceeds from issuance of common stock options, net of repurchase	469	225
Proceeds from convertible preferred stock, net of issuance costs	—	52,623
Net cash provided by financing activities	439	49,222
Effect of exchange rate changes on cash	(21)	(12)
Net increase (decrease) in cash and cash equivalents	(7,658)	(26)
Cash and cash equivalents, beginning of year	11,312	11,338
Cash and cash equivalents, end of year	$ 3,654	$ 11,312
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ —	$ 44
Cash paid for income taxes	$ 2	$ 25
NON-CASH INVESTING ACTIVITIES		
Changes in accrued purchases of property and equipment	$ —	$ (3)
Vesting of early exercised stock options	$ 151	$ 51

See accompanying notes to the consolidated financial statements

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

Description of Business

Cepton provides state-of-the-art, intelligent, lidar-based solutions for a range of markets such as automotive (ADAS/AV), smart cities, smart spaces, and smart industrial applications. Cepton's patented MMT®-based lidar technology enables reliable, scalable, and cost-effective solutions that deliver long range, high resolution 3D perception for smart applications.

Founded in April 2016 and led by industry veterans with over two decades of collective experience across a wide range of advanced lidar and imaging technologies, Cepton is focused on the mass market commercialization of high performance, high quality lidar solutions. Cepton is headquartered in San Jose, California, USA, with a presence in Germany, Canada, Japan, China and India, to serve a fast-growing global customer base.

Basis of Presentation and Principles of Consolidation

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The consolidated financial statements include the accounts of our wholly owned subsidiaries in Canada, Germany, and the United Kingdom. All intercompany balances and transactions have been eliminated in consolidation.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As of December 31, 2021, the Company had cash and cash equivalents of $3.7 million, short-term investment of $2.8 million, and an accumulated deficit of $95.4 million. During the year ended December 31, 2021, the Company incurred a net loss of $37.2 million and had negative cash flows from operating activities of $36.8 million. Although much of the negative cash flow resulted from an increase in expenses for research and development projects and expenses for preparing to become a publicly traded company, the Company expects to continue to invest in research and development and generate operating losses in the future.

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 other borrowings. 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 February 10, 2022, GCAC Merger Sub Inc., a Delaware corporation and newly formed wholly-owned subsidiary of Growth Capital Acquisition Corp. (NASDAQ: GCAC), merged with and into Cepton pursuant to a Business Combination Agreement, dated as of August 4, 2021 (the "Merger"). Following the Merger, the Company received cash proceeds of $47,700,000, net of certain transaction costs. In addition, on January 4, 2022, the Company borrowed $10,000,000 under a loan and security agreement (the "Loan Agreement") with Trinity Capital Inc. ("Trinity") with an interest rate of 10.75%. Refer to Footnote 18 for more information regarding the Merger and the Trinity loan. The Company believes that along with its existing cash and cash equivalents as of December 31, 2021, the Merger proceeds and Trinity loan proceeds received subsequent to December 31, 2021 and prior to the filing of these financial statements will be adequate to satisfy its capital and operating needs for at least the next 12 months from the date of the issuance of these financial statements.

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 asset backed 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 December 31, 2021 and 2020, three and four customers, respectively, 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:

	Year Ended December 31,	
	2021	2020
Customer A	68%	23%
Customer B	—%	16%
Customer C	—%	11%

Supplier Concentrations

The Company relies on third parties for the supply and manufacture of its products, as well as third-party logistics providers. In instances where these parties fail to perform their obligations, the Company may be unable to find alternative suppliers or satisfactorily deliver its products to its customers on time, if at all.

For the fiscal year ended December 31, 2021, there were no supplier vendors that accounted for a significant portion of Accounts Payable. For the fiscal year ended December 31, 2020, two vendors accounted for approximately 27% of total Accounts Payable.

Use of Estimates

The preparation of 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 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, estimating the stand-alone selling prices of performance obligations for revenue recognition, allowances for doubtful accounts, inventory valuation and reserves, warranty reserves, valuation allowance for deferred tax assets, share-based compensation including the fair value of the Company's common stock, useful lives of property, plant 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 consolidated financial condition and results of operations.

Cash Equivalents and Short-Term Investments

The Company considers all highly liquid investments with original maturity of three months or less at the date of purchase to be cash equivalents.

The Company's short-term investments consist of investments and marketable securities that are classified as available-for-sale securities and are carried at fair value, with net unrealized gains or losses, net of tax, reported as a separate component of accumulated other comprehensive loss within stockholders' deficit.

Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount, net of any allowance for doubtful accounts, and do not bear interest. Allowances on accounts receivable are recorded when circumstances indicate collection is doubtful for a particular accounts receivable balance. Receivables are written off if reasonable collection efforts prove unsuccessful. The Company provides for allowances on a specific account basis. As of December 31, 2021, and 2020, the allowance for doubtful accounts was immaterial.

Inventories

Inventories are stated at the lower of cost or estimated net realizable value. Costs are computed under the standard cost method, which approximates actual costs determined on the first-in, first-out basis. The Company records write-downs of inventories which are obsolete based on product life cycle stage, product development plans, and assumptions about future demand and market conditions.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. The Company depreciates property and equipment using the straight-line method over the estimated useful lives of the assets, generally three to seven years. Leasehold improvements are amortized over the shorter of the asset’s useful life or the remaining lease term. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the balance sheet and the resulting gain or loss is reflected in operations in the period realized. Improvements are capitalized and amortized over the remaining term of the estimated useful life of the asset. Maintenance and repairs are charged to operations as incurred.

Foreign Currency

The functional currency of the Company’s foreign subsidiaries in Canada and Germany is the respective local currency whereas the functional currency of the foreign subsidiary in the United Kingdom is the U.S. dollar. For the Canadian and German entities, assets and liabilities are translated into U.S. dollars at the local current exchange rates in effect at the balance sheet date, and income and expense accounts are translated at the average exchange rates during the period. The resulting translation adjustments are included in accumulated other comprehensive income. Foreign currency translation adjustments were immaterial for the years ended December 31, 2021 and 2020.

Convertible Preferred Stock

The Company records all shares of convertible preferred stock at their respective fair values on the dates of issuance, net of issuance costs, if applicable. The convertible preferred stock is recorded outside of permanent stockholders’ deficit because while it is not mandatorily redeemable, it is contingently redeemable into cash upon the occurrence of an event not solely within the Company’s control. When it is probable that a convertible preferred share will become redeemable, adjustments are recorded to adjust the carrying values. No adjustments have been recorded in 2021 or 2020. Refer to Footnote 9 for more information on the rights, preferences, privileges, and restrictions associated with the convertible preferred stock.

Revenue Recognition

The Company recognizes revenue from contracts with its customers. A contract with a customer exists when both parties have approved the contract and are committed to perform their respective obligations, each party's rights can be identified, payment terms can be identified, the contract has commercial substance, and it is probable that the Company will collect substantially all of the consideration it is entitled to. Revenue is recognized when, or as, performance obligations are satisfied by transferring control of a promised product or service to a customer.

The Company's revenue is primarily derived from product sales of LiDAR sensors to direct customers. Revenue is recognized at a point in time when control of the products is transferred to the customer, generally occurring upon shipment in accordance with the terms of the related contract. Amounts billed to customers for shipping and handling are included in the transaction price and are not treated as separate performance obligations as these costs fulfill a promise to transfer the product to the customer. Shipping and handling costs paid by the Company are included in cost of revenue. Taxes collected from customers and remitted to governmental authorities are excluded from revenue on the net basis of accounting.

When a contract involves multiple promises, the Company accounts for individual performance obligations if the customer can benefit from each promise on its own or with other resources that are readily available to the customer and each promise is separately identifiable from other promises in the arrangement. In these situations, the arrangement consideration is allocated between the separate performance obligations in proportion to their estimated standalone selling price. The standalone selling price reflects the price the Company would charge for a specific product if it were sold separately in similar circumstances and to similar customers. If the selling price is not directly observable, the Company may estimate the stand-alone selling price through maximizing the use of observable inputs such as historical discounting, project cost estimates, and targeted margins.

Costs to obtain a contract

The Company generally expenses the incremental costs of obtaining a contract when incurred because the amortization period for these costs would be less than one year. These costs primarily relate to sales commissions and are recognized upon receiving customer payment, at the time of the customer order, or at the time of product shipment. Commission expense was $24,000 and $31,000 in 2021 and 2020, respectively and was recorded in selling, general and administrative expense in the Company's consolidated statements of operations.

Contract balances

The timing of revenue recognition, billings, and cash collections generally results in accounts receivable recognized on the balance sheet. However, the Company may recognize contract liabilities when consideration is received from a customer prior to transferring goods or services to the customer. Contract liabilities are recognized as revenue after control of the products or services is transferred to the customer and all revenue recognition criteria have been met.

Customer deposits

The Company may recognize customer deposit liabilities when consideration is received from a customer prior to entering into a contract. Customer deposit liabilities are recognized as revenue when a contract with enforceable rights and obligations exists and all revenue recognition criteria have been met.

Right of return

The Company's general terms and conditions for its contracts do not contain a right of return that allows the customer to return products and receive a credit. Therefore, the Company does not estimate returns and generally recognizes revenue upon shipment.

Significant financing components

The Company may receive payment from a customer either before or after the performance obligation has been satisfied. The expected timing difference between the payment and satisfaction of performance obligations for the vast majority of the Company's contracts is one year or less; therefore, the Company applies a practical expedient and does not consider the effects of the time value of money. The Company's contracts with customer prepayment terms do not include a significant financing component because the primary purpose is not to receive financing from the customers.

Cost of Revenue

Cost of revenue is comprised of Lidar Sensor and Prototype Revenue and Development Cost of Revenue. Lidar Sensor and Prototype cost of revenue includes the manufacturing cost of LiDAR sensors, 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 depreciation and amortization, cost of component inventory, product testing costs, costs of providing services, an allocated portion of overhead, facility and IT costs, warranty costs, excess and obsolete inventory and shipping costs. Development Cost of Revenue includes similar costs discussed above specifically relate to development contracts and arrangements focused on specific development and customization of LiDAR capabilities.

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 December 31, 2021, there were immaterial changes to the accrued warranty liability which was recorded in accrued expenses and other current liabilities on the consolidated balance sheet.

Research and Development

Research and development expenses consist primarily of personnel-related costs directly associated with our research and development organization, with the remainder being prototype expenses, third-party engineering and contractor costs, an allocated portion of facility and IT costs and depreciation. 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 and embedded software. Research and development costs are expensed as incurred.

Advertising

Advertising costs are expensed as incurred and were $196,000 and $197,000 for the years ended December 31, 2021 and 2020.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, deferred income tax assets and liabilities are recorded based on the estimated future tax effects of differences between the financial statement and income tax basis of existing assets and liabilities. Deferred income tax assets and liabilities are recorded net and classified as non-current on the consolidated balance sheet. A valuation allowance is provided against the Company's deferred income tax assets when their realization is not reasonably assured. The Company accrues for uncertain tax positions identified, which are not deemed more likely than not to be sustained if challenged, and recognizes interest and penalties accrued on unrecognized tax benefits as a component of income tax expense.

Stock-Based Compensation Expense

The Company grants stock options to employees and non-employees with an exercise price equal to the fair value of the shares at the date of grant. Stock option grants are accounted for using the fair value method and compensation is recognized as the underlying options vest. The Company uses the Black-Scholes option pricing model to determine the fair value of its stock option awards. The determination of the fair value for stock options in connection with determining stock compensation requires judgment, including estimating the fair market value of common stock, stock-price volatility, expected term, expected dividends, and risk-free interest rates. Given the absence of a public trading market, the Company considered numerous objective and subjective factors to determine the fair market value of common stock. These factors included but were not limited to (i) contemporaneous third-party valuations of common stock; (ii) the rights and preferences of preferred stock relative to common stock; (iii) the lack of marketability of common stock; (iv) developments in the business; and (v) the likelihood of achieving a liquidity event, such as an initial public offering or sale of the Company, given prevailing market conditions. For more information on inputs to the fair value of stock options, refer to Footnote 11.

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require the testing of a long-lived asset or asset group for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined using various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. No impairment loss was recognized in the years ended December 31, 2021 and 2020.

Fair Value Measurements

The Company determines the fair value of an asset or liability based on the assumptions that market participants would use in pricing the asset or liability in an orderly transaction between market participants at the measurement date. The identification of market participant assumptions provides a basis for determining what inputs are to be used for pricing each asset or liability.

A fair value hierarchy has been established which gives precedence to fair value measurements calculated using observable inputs over those using unobservable inputs. This hierarchy prioritized the inputs into three broad levels as follows:

Level 1: Quoted prices in active markets for identical instruments

Level 2: Other significant observable inputs (including quoted prices in active markets for similar instruments)

Level 3: Significant unobservable inputs (including assumptions in determining the fair value of certain investments)

Money market funds are highly liquid investments and are actively traded. The pricing information for the Company’s money market funds are readily available and can be independently validated as of the measurement date. This approach results in the classification of these securities as Level 1 of the fair value hierarchy. The Company’s short-term investments consisting of commercial paper, corporate debt securities, and asset-backed securities are classified as Level 2 within the fair value hierarchy given their fair values are based on other significant observable inputs. As of December 31, 2021, the Company held $932,000 in money market funds and $2,836,000 in short-term investments, with an immaterial unrealized gain. As of December 31, 2020, the Company held $7,190,000 in money market funds and $32,058,000 in short-term investments, with an immaterial unrealized gain.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount within a range of loss can be reasonably estimated. When no amount within the range is a better estimate than any other amount, the Company accrues for the minimum amount within the range. Legal costs incurred in connection with loss contingencies are expensed as incurred. No liabilities for loss contingencies were accrued as of December 31, 2021 and 2020.

Recently Adopted Accounting Pronouncements

In July 2017, the FASB issued ASU 2017-11, *Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480), Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, and (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception*. Part I of the standard applies to entities that issue financial instruments such as warrants, convertible debt or convertible preferred stock that contain down-round features. Part II of the standard replaces the indefinite deferral for certain mandatorily redeemable noncontrolling interests and mandatorily redeemable financial instruments of nonpublic entities contained within ASC 480 with a scope exception and does not impact the accounting for these mandatorily redeemable instruments. The new standard became effective for the Company on January 1, 2020 under the extended transition period. The Company adopted this standard beginning January 1, 2020, and the adoption did not have a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, to improve the effectiveness of fair value measurement disclosures. Among other provisions, the update removes requirements to disclose amounts of and reasons for transfers between Level 1 and Level 2 in the fair value hierarchy, and it modifies the disclosures regarding transfers in and out of Level 3 of the fair value hierarchy. The update requires a discussion regarding the change in unrealized gains and losses included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period, and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. This update is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2019. The Company adopted this standard beginning January 1, 2020, and the adoption did not have a material impact on its consolidated financial statements.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, (“ASC 842”), which clarifies the definition of a lease and requires lessees to recognize right-of-use assets and lease liabilities for all leases, including those classified as operating leases under previous lease accounting guidance. The guidance is effective for private business entities for fiscal years beginning after December 15, 2019, with early adoption permitted. In October 2019, the FASB issued ASU 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, which extended the effective date to fiscal years beginning after December 15, 2020. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which provides an additional optional one-year deferral for all companies that have not yet issued their financial statements reflecting the adoption of ASC 842. As the Company expects to be an emerging growth company, ASU 2016-02 will be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Company expects to adopt the new standard in the first quarter of 2022 using the modified retrospective method, under which the Company will apply ASC 842 to existing and new leases as of January 1, 2022, but prior periods will not be restated and will continue to be reported under ASC 840 guidance in effect during those periods. The Company continues to evaluate the impact of ASC 842 on its consolidated financial statements. Based on these evaluations, the Company currently expects the adoption will materially increase total assets and total liabilities relative to such amounts.

In June 2016, the FASB issued ASU 2016-13, *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. As the Company expects to be an emerging growth company, the standard will be effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted. The Company does not expect there to be a material impact on its consolidated financial statements and related disclosures from the adoption of this update.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes: Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects related to accounting for income taxes. The pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. ASU 2019-12 is effective for the Company beginning January 1, 2022, with early adoption permitted. The standard eliminates certain exceptions to the general principles in ASC 740 and makes amendments to other areas with a focus on simplification and consistent application of US GAAP. The Company does not expect there to be a material impact on its consolidated financial statements and related disclosures from the adoption of this update.

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 certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. The ASU is part of the FASB's simplification initiative, which aims to reduce unnecessary complexity in U.S. GAAP. As the Company expects to be an emerging growth company, ASU 2020-06 will be effective for interim and annual periods in fiscal years beginning after December 15, 2023, with earlier adoption permitted for fiscal years beginning after December 15, 2020. The Company does not expect there to be a material impact on its consolidated financial statements and related disclosures from the adoption of this update.

In May 2021, the FASB issued ASU 2021-04, *Earnings Per Share (Topic 260), Debt - Modifications and Extinguishments (Topic 470-50), Compensation - Stock Compensation (Topic 718), and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40)*, which clarifies existing guidance for freestanding written call options which are equity classified and remain so after they are modified or exchanged in order to reduce diversity in practice. The Company is required to apply the amendments within this ASU prospectively to modifications or exchanges occurring on or after the effective date of the amendment. The standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating and assessing the impact this standard will have on its consolidated financial statements.

Note 2. 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):

	Year Ended December 31,			
	2021		2020	
	Revenue	% of Revenue	Revenue	% of Revenue
Revenue by country of domicile:				
United States	$ 699	16%	$ 712	35%
Japan	3,404	75%	547	27%
Other	399	9%	747	38%
Total	$ 4,502	100%	$ 2,006	100%

As of December 31, 2021 and 2020, the Company had $308,000 and $44,000, respectively, of contract liabilities included in accrued expenses and other current liabilities and no contract assets.

Note 3. Fair Value Measurement

The following table summarize our assets measured at fair value on a recurring basis, by level, within the fair value hierarchy (in thousands):

	December 31 2021			
	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market fund	$ 932	$ —	$ —	$ 932
Total cash equivalents	$ 932	—	—	$ 932
Short-term investments:				
Corporate debt securities	—	2,836	—	2,836
Total short-term investments	—	2,836	—	2,836
Total assets measured at fair value	$ 932	$ 2,836	$ —	$ 3,768

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market fund	$ 7,192	$ —	$ —	$ 7,192
Total cash equivalents	$ 7,192	—	—	$ 7,192
Short-term investments:				
Commercial Paper	—	14,587	—	14,587
Corporate debt securities	—	13,810	—	13,810
Asset-backed Securities	—	3,661	—	3,661
Total short-term investments	—	32,058	—	32,058
Total assets measured at fair value	$ 7,192	$ 32,058	$ —	$ 39,250

Cash equivalents consist primarily of money market fund 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 consolidated balance sheets. For corporate debt securities, the fair value as of December 31, 2021 and 2020 approximate the amortized cost basis.

Note 4. Inventories

Inventories consist of the following as of December 31, 2021 and 2020 (in thousands):

	December 31,	
	2021	2020
Raw materials	$ 891	$ 1,015
Work-in-process	518	867
Finished goods	1,114	1,512
Total inventories	$ 2,523	$ 3,394

Inventories are carried and depicted above at the lower of cost or net realizable value. For the years ended December 31, 2021 and 2020, the Company had write-downs of $937,000 and $1,079,000, respectively.

Note 5. Prepaid expense and other current assets

Prepaid expense and other current assets consisted of the following as of December 31, 2021 and 2020 (in thousands):

	December 31, 2021	December 31, 2020
Deferred transaction costs	$ 4,688	$ —
Other prepaid expenses	1,153	83
Payroll tax receivable	980	980
Prepaid insurance	162	68
Prepaid rent	11	2
Other current assets	4	1
Total prepaid expense and other current assets	$ 6,998	$ 1,134

Note 6. Property and Equipment, Net

Property and equipment, at cost, consists of the following as of December 31, 2021 and 2020 (in thousands):

	December 31, 2021	December 31, 2020
Machinery and equipment	$ 698	$ 649
Automobiles	101	50
Leasehold improvements	120	146
Computer and equipment	87	36
Furniture and fixtures	—	68
Total property, and equipment	1,006	949
Less: accumulated depreciation and amortization	(526)	(492)
Total property, and equipment, net	$ 480	$ 457

The aggregate depreciation and amortization related to property and equipment was $210,000 and $184,000 for the years ended December 31, 2021 and 2020, respectively.

During the year ended December 31, 2021, the Company disposed of office furniture and leasehold improvements pursuant to its relocation to a new office space. Most of the assets were fully depreciated and as a result, the disposal resulted in a net loss of $42,400. The loss is included in other income (expense), net within the consolidated statement of operations.

Note 7. Accrued Expenses and Other Current Liabilities

Accrued expenses consisted of the following as of December 31, 2021 and 2020 (in thousands):

	December 31, 2021	December 31, 2020
Accrued expenses and taxes	$ 1,977	$ 1,292
Accrued unvested option liability	101	151
Deferred revenue	308	44
Deferred rent	373	38
Warranty reserve	18	40
Total accrued expenses	$ 2,777	$ 1,565

Note 8. Debt

In August 2019, the Company entered into a loan and security agreement (“Loan Agreement”) with Silicon Valley Bank (“SVB”) that allowed for borrowings of up to $5,000,000 under a term loan through July 31, 2020. On December 5, 2019, the Company borrowed the full amount of $5,000,000 with a stated interest rate of 5.0% and a maturity date of July 1, 2023. In February 2020, the Company repaid the term loan in full and recognized a loss on extinguishment of $180,000.

In connection with the Loan Agreement, the Company issued detachable warrants to purchase an aggregate of 60,000 shares of common stock (see Note 12).

On April 24, 2020, the Company entered into a promissory note (the "Promissory Note") with JPMorgan Chase Bank, N.A. that provided for a loan in the amount of $1,120,000 pursuant to the US Small Business Administration's Paycheck Protection Program ("PPP Loan") created as part of the recently enacted Coronavirus Aid, Relief, and Economic Security ("CARES") Act. The PPP Loan had a maturity date of April 24, 2022 and had a fixed interest rate of 0.98% per annum. Monthly amortized principal and interest payments were to be deferred to either (1) the date that US Small Business Administration remits the borrower's loan forgiveness amount to the lender or (2) if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period. The entirety of the loan was eligible for forgiveness to the extent it was used towards qualifying expenses as described in the CARES Act. On August 25, 2021, the Company received notice from the US Small Business Association that the entire PPP Loan balance and accrued interest were forgiven in full on such date. The Company recorded the loan forgiveness as other income, net in the Company's consolidated statement of operations and comprehensive loss during the year ended December 31, 2021.

Note 9. Convertible Preferred Stock

The authorized, issued, and outstanding shares of Convertible Preferred Stock, and liquidation preferences as of December 31, 2021 and 2020 were as follows:

	Issuance Date	Shares Authorized	Shares Issued and Outstanding	Original Issue Price per Share	Aggregate Liquidation Preference
Series A	July 6, 2016	8,000,000	8,000,000	$ 1.0000	$ 8,000,000
Series B	July 13, 2018	4,069,600	4,069,600	6.2500	25,435,000
Series B-1	July 13, 2018	3,272,475	3,272,475	3.1250	10,226,484
Series C	February 4, 2020	7,463,934	6,329,416	8.3736	52,999,998
		22,806,009	21,671,491		$ 96,661,482

The rights, preferences, privileges, and restrictions for the holders of preferred stock are as follows:

Dividends— The holders of preferred stock are entitled to receive non-cumulative dividends, prior and in preference to any declaration or payment of any dividends to the holders of common stock, in an amount equal to a dividend of 8% of the applicable original issue price per annum on each share of preferred stock, as adjusted for stock dividends, splits, combinations, recapitalizations or the like, when and if declared by the Board of Directors. After payment of such dividends, any additional dividends will be distributed to holders of preferred stock, participating on an as-if converted basis, Class F stock, and common stock. No dividends on preferred stock or common stock have been declared by the Board of Directors since inception.

Liquidation— In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, the holders of preferred stock are entitled to receive an amount equal to the greater of the original issue price per share as adjusted for stock splits, dividends, combinations, recapitalizations or the like, plus any dividends declared but unpaid on such shares, and such amount per share as would have been payable had such shares of preferred stock been converted into common stock immediately prior to such event, prior and in preference to any distributions to the holders of Class F and common stock. If the proceeds of such an event are insufficient to permit the full liquidation payment, the entire proceeds legally available for distribution will be distributed ratably among the holders of preferred stock in proportion to the full amounts that each such holder is otherwise entitled to receive.

Thereafter, the remaining assets and surplus will be distributed ratably to the holders of Class F and common stock in proportion to the number of shares of common stock held, on an as-if converted basis.

Redemption— Preferred stock is not redeemable at the option of the holder. Upon the occurrence of a liquidation transaction, preferred stock will be redeemed by the Company for the applicable original issue price. Moreover, if the holders of preferred stock would receive a greater amount of consideration had the preferred stock been converted immediately prior to such transaction, the preferred stock will be deemed to be converted for purposes of the redemption. Each preferred stock share is conditionally puttable by the holders upon "deemed liquidation events," which include a merger, consolidation, change of control, or a sale of substantially all of the Company's assets. The Company determined that triggering events that could result in a deemed liquidation are not solely within the control of the Company. Therefore, the preferred stock is classified outside of permanent equity (i.e., temporary equity). The preferred stock is not being accreted to its liquidation preference, as it is not probable that the preferred stock will become redeemable as of December 31, 2021. The Company continues to monitor circumstances that may cause the preferred stock to become probable of becoming redeemable.

Conversion—Each share of preferred stock is convertible into common stock, at the option of the holder, at any time after the date of issuance. Each share of preferred stock automatically converts into the number of shares of common stock determined in accordance with the conversion ratio upon the earlier of (i): the date, or the occurrence of an event, as specified by affirmative election by the majority of the holders of preferred stock, or (ii): upon the closing of an initial public offering, which results in aggregate proceeds of at least $100,000,000. As of December 31, 2021, and December 31, 2020, the conversion ratio for all outstanding series of preferred stock to common stock was one-to-one.

Voting—Each share of preferred stock has the same voting rights as the equivalent number of common stock on an as-converted basis. The holders of (i) Series A Preferred Stock, (ii) Series B and Series B-1 Preferred Stock, voting as a single class, and (iii) Series C Preferred Stock are each entitled to elect one member of the Board of Directors.

Protective Provisions—The holders of preferred stock also have certain protective provisions. So long as there are at least 20% of the originally issued shares of preferred stock issued and outstanding, the Company cannot without the approval of the majority of the preferred stock then outstanding, voting as a single class on an as-converted basis, take certain actions. Such actions include: (i) consummating a liquidation, dissolution or winding up of the Company; (ii) adversely altering, waiving or affecting the rights, preferences, privileges, or powers of, or restrictions of preferred stock; (iii) increasing or decreasing the authorized number of shares of any common stock or preferred stock; or (iv) redeeming or paying dividends except for permitted purposes.

Note 10. Stockholders' Deficit

Common Stock

Holders of common stock are 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, are entitled to receive all assets available for distribution to stockholders. The holders have no preemptive or other subscription rights and there are no redemption or sinking fund provisions with respect to such shares.

On July 5, 2016, the Board of Directors approved the number of shares of common stock authorized to be issued as 50,000,000 shares with par value $0.00001 per share, the number of shares of Class F stock authorized to be issued as 8,500,000 shares with par value $0.00001 per share, and the number of shares of Series A Preferred Stock to be issued as 8,000,000 shares with par value $0.00001 per share.

On July 11, 2018, the Board of Directors approved to adjust the number of shares of common stock authorized to be issued to 60,000,000 shares with par value of $0.00001 per share, and authorized to issue 5,600,000 shares of Series B Preferred Stock with par value of $0.00001 per share and 3,272,475 shares of Series B-1 Preferred Stock with par value of $0.00001. In addition, the Board of Directors approved an adjustment to the number of shares of Class F stock authorized to be issued to 8,450,000 shares with par value of $0.00001 per share.

On January 31, 2020, under the Amended and Restated Certificate of Incorporation, the Board of Directors approved to increase the number of shares of common stock authorized to be issued to 75,000,000 shares with par value of $0.00001 per share, the number of shares of Class F stock authorized to be issued to 8,402,000 with par value of $0.00001 per share, and the total number of shares of Preferred Stock authorized to be issued to 22,806,009 with par value of $0.00001 per share. The approved number of shares of Preferred Stock authorized to be issued consist of 8,000,000 shares of Series A Preferred Stock, 4,069,000 shares of Series B Preferred Stock, 3,272,475 of Series B-1 Preferred Stock, and 7,463,934 of Series C Preferred Stock.

As of December 31, 2021 and 2020, there were 27,618,907 and 27,184,882 shares, respectively, of the Company's common stock issued and outstanding.

Lincoln Park Transaction

On November 24, 2021, the Company entered into a Purchase Agreement with Lincoln Park Capital Fund, LLC ("Lincoln Park"), pursuant to which Lincoln Park has agreed to purchase up to $100,000,000 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 Merger 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 Cepton common stock in accordance with daily dollar thresholds as determined within the Purchase Agreement. The purchase price per share for Cepton common stock will be the lower of: (i) the lowest trading price for shares of Cepton 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 Cepton 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 will issue to Lincoln Park 50,000 shares of Cepton common stock as a commitment fee on the date of the closing of the Merger. The Company is obligated to issue up to an additional 150,000 shares of Cepton common stock as a commitment fee 180 days after the date of the closing of the Merger (collectively, the "Commitment Shares").

As of December 31, 2021, the Company incurred approximately $162,000 of transaction costs associated with the Purchase Agreement that were expensed when incurred.

Class F Stock

Holders of Class F stock have the option to convert their shares into common stock at any time, and without payment of additional consideration. Additionally, Class F stock will automatically convert into shares of common stock upon either the date and time, or occurrence of an event, specified by vote or written consent of the holders of a majority of the then outstanding shares of Class F stock, at the then effective conversion rate. Finally, Class F stock will automatically convert into shares of preferred stock in the event an investor in a preferred stock financing purchases Class F stock shares from a holder of Class F stock. The conversion ratio for Class F stock to common or preferred stock was one-to-one as of December 31, 2021 and 2020.

Each share of Class F stock has the same voting rights as the equivalent number of common stock on an as-converted basis. Class F stockholders are entitled to elect two members of the Board of Directors. The holders of common stock are not entitled to elect any members of the Board of Directors so long as there is any Class F stock outstanding.

Holders of Class F stock are entitled to receive dividends when and if declared by the Board of Directors, and, upon liquidation or dissolution, are entitled to receive all assets available for distribution to stockholders after distributions to holders of preferred stock.

The Class F stock is subject to vesting terms wherein each holder acquires a vested interest in the stock over a service period of four years. As of December 31, 2021 and 2020, there were no unvested shares.

On July 8, 2020, the Company facilitated the sale of 29,857 shares of previously issued Class F stock by a shareholder to an investor for $8.3736 per share or an aggregate purchase price of $250,011 paid to the shareholder. The investor who purchased the Class F stock had previously invested in the Company's Series C preferred stock financing on February 4, 2020 and as a result, their purchased Class F stock automatically converted into shares of Series C preferred stock. The Company determined the Class F stock was sold at fair value.

As of December 31, 2021 and 2020, the Company had authorized 8,402,000 shares of Class F stock, each with a par value of $0.00001. As of December 31, 2021 and 2020, there were 8,372,143 shares of the Company's Class F stock issued and outstanding.

Note 11. Stock-Based Compensation

Equity Incentive Plans

On July 5, 2016, the Company adopted the 2016 Stock Plan (the "Plan") under which 4,800,000 shares of the Company's common stock were reserved for issuance to employees, nonemployee directors, consultants, and advisors. As of December 31, 2021 and 2020, there were 9,187,533 shares of common stock reserved for issuance. As of December 31, 2021 and 2020, there were 1,472,512 and 3,406,368 option shares available for future issuance, respectively.

Under the Plan, the Board of Directors may grant incentive stock options ("ISO"), nonqualified stock options ("NQSO"), and stock appreciation rights ("SAR"). The Board of Directors may, in its discretion, designate any option or SAR as an "early exercise option" or "early exercise SAR". If a shareholder elects to exercise all or a portion of any early exercise option or SAR before it is vested, the shares of common stock attributable to the unvested portion of the Option or SAR are considered restricted shares and recognized as a liability.

Awards granted under the Plan may be outstanding for periods of up to 10 years following the grant date. Awards issued under the Plan must be priced at no less than 100% of the fair value of the shares on the date of the grant provided, however, that (i) the exercise price of an ISO will not be less than 100% of the fair value of the shares on the date of grant, and (ii) the exercise price of an ISO and NQSO granted or the purchase price under the stock issuance program to a 10% stockholder will not be less than 110% of the fair value of the shares on the date of grant. Fair value is determined by a third party 409A valuation which is approved by the Board of Directors.

Outstanding awards generally vest over four years. Certain nonemployee awards vest over two years. Award shares are subject to a right of first refusal with respect to any proposed transactions up through the time the Company's common stock is registered under Section 12 of the 1934 Exchange Act.

Restricted Common Stock Awards

Unvested early exercise options or SARs are considered restricted shares and are subject to repurchase by the Company in the event the shareholders' employment is terminated. The Company may, at its option, repurchase said shares at the lesser of (i) the price paid by the shareholder to exercise the award or (ii) the fair market value of the Company's common stock determined on the date of the repurchase. During the vesting term, holders of restricted stock awards are deemed to be a common stock shareholder and have dividend and voting rights.

On August 20, 2020, the Company granted 150,000 early exercise option awards under the 2016 Plan to one independent contractor. The options vest over 24 equal monthly installments beginning on August 10, 2020. On December 29, 2020, the option holder elected to early exercise all granted awards, purchasing the related shares for $2.02 per share or aggregate consideration of $303,000. At the time of exercise, 25,000 shares were fully vested with the remainder being unvested. On the date of purchase, the Company recognized the vested portion purchased as common stock issued with additional paid in capital. The Company recognized a liability associated with the unvested restricted shares, recording a liability included in accrued expenses and other long-term liabilities of $151,500 and $101,000, respectively. As shares of restricted stock vest, the Company will reclassify the liability to common stock and additional paid in capital. The Company did not grant any early exercise options in 2021.

As of December 31, 2021, the Company had not repurchased any of the unvested restricted shares. The fair value of the Company's common stock on the date the early exercise options were granted was $2.02 per share. The fair value of the Company's common stock on the date the restricted shares were issued was $3.07 per share. The total intrinsic value of outstanding unvested restricted stock awards was $1,064,000 as of December 31, 2021.

Incentive Stock Options and Nonqualified Stock Options

A summary of the Company's employee and nonemployee stock option activity for the years ended December 31, 2021 and 2020 is presented below:

		Options Outstanding		
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (in years)	Aggregate Intrinsic Value (in thousands)
Options outstanding as of December 31, 2019	5,024,915	$ 1.14	8.2	$ 6,732
Granted	1,705,000	2.39		
Exercised	(305,091)	1.57		
Expired/Forfeited	(1,203,541)	1.53		
Options outstanding as of December 31, 2020	5,221,283	$ 1.43	7.6	$ 8,550
Granted	2,419,670	11.80		
Exercised	(359,025)	1.31		
Expired/Forfeited	(485,814)	6.63		
Options outstanding as of December 31, 2021	6,796,114	$ 4.66	7.5	$ 126,591
Exercisable, December 31, 2021	3,650,002	1.54	6.4	$ 79,389
Vested and expected to vest as of December 31, 2021	6,796,114	$ 4.66	7.5	$ 126,591

During the years ended December 31, 2021 and 2020, the estimated weighted-average grant-date fair value of options granted was $7.40 and $1.24 per share, respectively. As of December 31, 2021, there was $14,500,000 of unrecognized stock-based compensation related to unvested stock options expected to be recognized over a weighted-average period of 2.72 years. The total intrinsic value of options exercised during the years ended December 31, 2021 and 2020 was $3,942,000 and $458,000. The Company recognizes forfeitures as they occur.

Stock-Based Compensation

The fair value of employee stock option grants is estimated by the Company on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Year Ended December 31,	
	2021	2020
Expected life (years)	6.25	6 – 6.25
Risk-free interest rate	0.72 – 1.34%	0.36 – 1.21%
Expected volatility	60 – 70%	50 – 70%
Dividend yield	—%	—%

Expected volatility is estimated based on historical volatilities of comparable public companies operating in the Company's industry. The expected life of the options represents the period the options are expected to be outstanding and is estimated using the simplified method. The Company believes it is appropriate to use the simplified method in determining the expected life of options because the Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term for options. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. The Company uses the same inputs to estimate the fair value of awards granted to nonemployees.

For the years ended December 31, 2021 and 2020, the Company recorded stock-based compensation expense related to options granted to employees and nonemployees as follows (in thousands):

	Year Ended December 31,	
	2021	2020
Cost of revenue	$ 83	$ 27
Research and development expense	3,010	564
Selling, general and administrative expense	1,902	119
Total stock-based compensation expense	$ 4,995	$ 710

For the years ended December 31, 2021 and 2020, the Company capitalized $131,000 and $42,000, respectively, of stock-based compensation expense into inventory.

Note 12. Warrants

Common Stock Warrants Issued with Borrowings

In 2019, in connection with the Loan Agreement, the Company issued a warrant to purchase 30,000 shares of common stock with an exercise price of $1.66 per share. The warrant was immediately exercisable and expires in August 2029. The warrant remains outstanding as of December 31, 2021.

In connection with the Loan Agreement, the Company also agreed to issue a warrant to purchase an additional 30,000 shares of common stock with an exercise price of $1.66 per share if the Company drew on the $5,000,000 term loan. The Company recorded the additional warrants on December 5, 2019, when the Company borrowed the full amount of the term loan. The warrant was immediately exercisable and expires in August 2029. The warrant remains outstanding as of December 31, 2021.

The Company's common stock warrants were recorded to additional paid-in capital at fair value as of the date of issuance using the Black-Scholes valuation model. The fair values of the warrants issued in August 2019 and December 2019 were estimated at $39,000 and $49,000, respectively. The initial amount allocated to the warrants is accounted for as a discount to the related debt and amortized to interest expense over the loan term using the effective interest method.

Note 13. Income Taxes

Income (loss) before income taxes consisted of the following (in thousands):

	Year Ended December 31,	
	2021	2020
Domestic	$ (37,291)	$ (19,694)
Foreign	69	86
Income (loss) before income taxes	$ (37,222)	$ (19,608)

Provision for income taxes consisted of the following (in thousands):

	Year Ended December 31,	
	2021	2020
Current:		
Federal	$ —	$ —
State	4	1
Foreign	16	16
Total Current	20	17
Deferred:		
Federal	—	—
State	—	—
Foreign	—	9
Total Deferred	—	9
Provision for income taxes	$ 20	$ 26

The provision for (benefit from) income taxes differ from the amounts computed by applying the U.S. federal income tax rate to income (loss) before income taxes for the following reasons:

	Year Ended December 31,	
	2021	2020
U.S. federal provision (benefit) at statutory rate	21.0%	21.0%
State income taxes, net of federal benefit	(0.02)	(0.01)
Foreign income taxes at rates other than the U.S. rate	(0.02)	(0.03)
Other permanent items	(0.15)	(0.09)
Stock-based compensation	(1.98)	(0.32)
Research and development credits	3.39	1.93
Unrecognized tax benefits	(1.36)	(0.77)
Global intangible low-taxed income	(0.00)	(0.03)
Change in valuation allowance	(21.65)	(21.97)
Payroll tax credit adjustments	0.09	0.16
PPP Loan Adjustment	0.64	—
Effective tax rate	(0.05)%	(0.13)%

The difference between the provision for income taxes and the income tax determined by applying the statutory federal income tax rate of 21 percent was due primarily to research and development credits and changes in valuation allowance. The Company’s valuation allowance balance increased by $8,100,000 and $5,800,000 for the year ended December 31, 2021 and 2020, respectively.

The Company’s deferred income tax assets and liabilities as of December 31, 2021 and 2020 were as follows (in thousands):

	December 31,	
	2021	2020
Deferred tax assets:		
Accruals and reserves	$ 309	$ 30
Stock-based compensation	191	55
Net operating loss carryforward	20,082	13,945
Research and development credits	3,323	1,833
Valuation allowance	(23,875)	(15,818)
Total deferred tax assets	30	45
Deferred tax liabilities:		
Depreciation and amortization	(30)	(45)
Total deferred tax liabilities	(30)	(45)
Net deferred tax assets (liabilities)	$ —	$ —

Annually, the Company determines whether it is “more likely than not” that a tax position will be sustained upon examination by the appropriate taxing authorities in considering whether any tax benefit can be recorded in the consolidated financial statements. The Company recorded full valuation allowance against its net deferred tax assets as it believes these deferred tax assets were not realizable on a more likely than not basis as of December 31, 2021 and 2020.

As of December 31, 2021 and 2020, the Company had total net operating loss carryforwards for federal income tax purposes of approximately $83,400,000 and $51,300,000, respectively. If not utilized, these net federal operating loss carryforwards will begin to expire in 2037. For tax years beginning January 1, 2018 onward, any federal net operating losses generated will be allowable for carry forward indefinitely, as opposed to the original expiration of 20 years. As of December 31, 2021 and 2020, the Company had $81,300,000 and $49,200,000 of federal net operating losses, respectively, that can be carried forward indefinitely. The Company also had a state net operating loss carryforward of approximately $33,300,000 and $44,100,000 as of December 31, 2021 and 2020, which will expire beginning in the year 2037.

As of December 31, 2021 and 2020, the Company had federal research and development credit carryforwards of approximately $2,200,000 and $700,000, respectively, which begin to expire in 2038, and California research and development credit carryforward of approximately $4,200,000 and $3,000,000, respectively, which do not expire.

Utilization of the research and development credit carryforward may be subject to an annual limitation due to the ownership percentage change limitations provided by the Internal Revenue Code of 1986 and similar state provisions. The annual limitation may result in the expiration of the research and development credits before utilization. The amount of such elimination, if any, has not been determined.

As of December 31, 2021 and 2020, the total amount of unrecognized tax benefits was $2,600,000 and $1,500,000, respectively, none of which would affect income tax expense, if recognized, after consideration of any valuation allowance. The Company does not expect the unrecognized tax benefits to change significantly over the next 12 months. The following table summarizes the aggregate changes in the total gross amount of unrecognized tax benefits (in thousands):

	Year Ended December 31,	
	2021	**2020**
Unrecognized tax benefits as of the beginning of the year	$ 1,471	$ 1,090
Increases related to prior year tax provisions	159	—
Increase related to current year tax provisions	939	381
Unrecognized tax benefits as of the end of the year	$ 2,569	$ 1,471

The Company is subject to income taxes in the U.S. federal, state, and various foreign jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. All of the Company's tax years will remain open for examination by the federal and state tax authorities for three and four years, respectively, from the date of utilization of the net operating loss or research and development credits. The Company does not have any tax audits or other issues pending.

As a qualified small business, the Company applies a portion of its post-2015 federal research and development credit against payroll tax liabilities, instead of income tax liabilities. As of December 31, 2021 and 2020, the related payroll tax receivable balance is $980,000.

Note 14. Commitments and Contingencies

Operating Lease Commitments

The Company leases office and manufacturing facilities under noncancelable operating leases expiring at various dates through January 2023. On April 15, 2021, the Company entered into a new lease agreement for 92,842 square feet of office space in San Jose, California. The lease began on June 1, 2021 and is set to expire on January 31, 2023.

Rent expense is recognized on a straight-line basis over the term of the leases and accordingly, the Company records any differences between cash rent payments and the recognition of rent expense as a deferred rent liability.

As of December 31, 2021, future minimum lease payments under all noncancelable operating leases with an initial lease term in excess of one year were as follows (in thousands):

	December 31, 2021
2022	$ 1,853
2023	152
Total	$ 2,005

Rent expense under these leases was approximately $1,975,000 and $654,000 for the years ended December 31, 2021 and 2020, respectively.

Legal Proceedings

From time to time, the Company may be involved in various legal claims and litigation that arise in the normal course of its operations. The Company is defending all current litigation matters. 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 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. The Company has not recorded any accrual for loss contingencies associated with such legal claims or litigation discussed above.

Note 15. Related Party Transactions

On February 4, 2020, a customer participated in the Company's Series C convertible preferred stock financing. LiDAR sensor and prototype revenue from this customer and investor was $1,479,000 and $320,000 for the years ended December 31, 2021 and 2020, respectively. Development revenue from this customer and investor was $1,583,000 and $0 for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, accounts receivable from this customer and investor was $75,000 and $1,300, respectively.

Note 16. Net Loss Per Share

The Company follows the two-class method when computing net loss per common share when shares are issued that meet the definition of participating securities. The Company considers its convertible preferred stock 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 was not allocated to the convertible preferred stock under the two-class method as these securities do not have a contractual obligation to share in losses. Basic net loss per share is computed by dividing net loss attributable to common stockholders by the weighted-average number of shares of the Company's common stock outstanding. During the periods 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 common stock equivalents were excluded from the computation of diluted net loss per share for the periods presented because including them would have been antidilutive:

	Year Ended December 31,	
	2021	**2020**
Stock options to purchase common stock	6,796,114	5,221,283
Unvested restricted stock	50,000	125,000
Preferred shares on an as-converted basis	21,671,491	21,671,491
Class F shares an as-converted basis	8,372,143	8,372,143
Shares issuable upon exercise of warrants	60,000	60,000
Total	36,949,748	35,449,917

Note 17. 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 97%.

Note 18. Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through March 31, 2022, the issuance date of the consolidated financial statements.

Trinity Loan Agreement

On January 4, 2022, the Company entered into the Loan Agreement with Trinity to borrow up to $25,000,000 at a rate of 10.75%. In connection with the Loan Agreement, the Company issued a warrant to purchase 96,998 shares of common stock with an exercise price of $16.89 per share. On January 4, 2022, the Company borrowed $10,000,000 under the terms of the Loan Agreement. As of December 31, 2021, the Company incurred approximately $276,000 of issuance costs related to the Loan Agreement. Given the Company had not yet issued a term loan under the Loan Agreement as of December 31, 2021, the Company recorded the issuance costs as a deferred asset within prepaid expenses and other current assets on the consolidated balance sheet.

Merger with Growth Capital Acquisition Corp.

In August 2021, the Company entered into a definitive business combination agreement (the "Business Combination Agreement") with Growth Capital Acquisition Corp. (NASDAQ: GCAC), a special purpose acquisition company. In accordance with the terms and conditions set forth in the Business Combination Agreement:

(i) Each share of Company common stock will be converted into the right to receive a number of shares of GCAC Class A common stock equal to (a) (1) the equity value assigned to the Company of $1,500,000,000, divided by (2) the total number of Company outstanding shares, divided by (b) 10;

(ii) Each outstanding Company stock option, whether or not exercisable and whether or not vested, will be assumed by GCAC and converted into an option to purchase shares of GCAC Class A common stock.

Concurrently with the execution of the Business Combination Agreement, GCAC entered into subscription agreements (the "Subscription Agreements") with certain investors (the "PIPE Investors"), pursuant to which the PIPE Investors agreed to purchase an aggregate of 5,950,000 shares of GCAC Class A common stock at a purchase price of $10.00 per share (the "PIPE Investment"). The PIPE Investment is conditioned on the concurrent closing of the Business Combination Agreement and other customary closing conditions.

On February 10, 2022, the Company consummated the Business Combination with GCAC pursuant to the Business Combination Agreement. In accordance with ASC 805, for financial accounting and reporting purposes, the pre-combination Cepton ("Legacy Cepton") was deemed the accounting acquirer, GCAC was treated as the accounting acquiree, and the Business Combination was accounted for as a reverse recapitalization. Accordingly, the Business Combination was treated as the equivalent of Legacy Cepton issuing stock for the net assets of GCAC, accompanied by a recapitalization. Under this method of accounting, the consolidated financial statements of the Company are the historical financial statements of Legacy Cepton. The net assets of GCAC were stated at historical costs and consolidated with Legacy Cepton's financial statements on the closing date, with no goodwill or other intangible assets recorded in accordance with U.S. GAAP. The shares and net loss per share available to holders of Legacy Cepton common stock have been retroactively restated using the exchange ratio established in the Business Combination Agreement.

Closing simultaneously with the Business Combination, the PIPE investors purchased 5,950,000 shares of common stock at $10.00 per share (the "Private Placement Shares") for an aggregate purchase price of $59.5 million (the "Private Placement"). Upon the closing of the Business Combination, the Private Placement Shares were automatically converted into shares of the Company's common stock on a one-for-one basis.

Pursuant to the Business Combination Agreement, the aggregate stock consideration issued by Cepton in the Business Combination was $1.5 billion, consisting of 154,048,001 newly issued shares of Cepton common stock valued at $10.00 per share. Legacy Cepton shareholders received $1.4 billion in the form of 142,075,041 newly issued shares of Cepton common stock. GCAC public shareholders received $16.6 million in the form of 1,660,460 newly issued shares of Cepton common stock, the PIPE Investors received $59.5 million in the form of 5,950,000 newly issued shares of Cepton common stock, and the Sponsor received $43.1 million in the form of 4,312,500 newly issued shares of Cepton common stock in exchange for GCAC's existing Class B common stock.

In connection with the Business Combination, the Company incurred direct and incremental costs of approximately $27.0 million related to the 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. In addition, the Company incurred $2.7 million related to the equity issuance that were not deemed direct and incremental and were expensed as incurred. As of December 31, 2021, the Company has $4.4 million of accrued transaction costs, consisting primarily of investment banking fees, in accrued expenses on the consolidated balance sheet.

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

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 New Cepton 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 sections entitled "Audited Consolidated Financial Statements of Legacy Cepton," and "Unaudited Pro Forma Condensed Combined Financial Information" included as Exhibits 99.1 and 99.3, respectively, to this Amendment No. 1 on Form 8-K/A amending the Original Report (the "Amendment No. 1") to which this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is attached. 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".

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 consolidated financial statements included elsewhere in this Amendment No. 1. Certain other amounts that appear in this MD&A may not sum due to rounding. Terms used but not defined in this MD&A shall have the meanings ascribed to such terms in this Amendment No. 1.

Introduction

This MD&A is a supplement to the accompanying consolidated financial statements and provides additional information on our business, recent developments, financial condition, liquidity and capital resources, cash flows and results of operations. MD&A is organized as follows:

- ***Business Overview:*** This section provides a general description of our business, and a discussion of management's general outlook regarding market demand, our competitive position and product innovation, as well as recent developments we believe are important to understanding our results of operations and financial condition or in understanding anticipated future trends.

- ***Results of Operations:*** This section provides an analysis of our results of operations for the years ended December 31, 2021 and December 31, 2020.

- ***Liquidity and Capital Resources:*** This section provides a discussion of our financial condition and an analysis of our cash flows for the years ended December 31, 2021 and December 31, 2020. This section also provides a discussion of our contractual obligations, other purchase commitments and customer credit risk that existed at December 31, 2021, as well as a discussion of our ability to fund our future commitments and ongoing operating activities through internal and external sources of capital.

- ***Critical Accounting Policies and Estimates:*** This section identifies and summarizes those accounting policies that significantly impact our reported results of operations and financial condition and require significant judgment or estimates on the part of management in their application.

Business Overview

Cepton is focused on the deployment of high performance, mass-market lidars 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, 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 Manufacturing, Ltd. (“**Koito**”), we were awarded the largest known ADAS lidar series production award in the industry to date by OEM-B. This award includes multiple platforms and vehicle models, with an estimated production start in 2023.

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 MMT® imaging technology and our SoC ASIC lidar engine, 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.

Business Combination

Growth Capital Acquisition Corp. (“**GCAC**”), our legal predecessor, was originally incorporated in Delaware as a special purpose acquisition company. On February 9, 2022, GCAC stockholders approved the Business Combination and other transactions and proposal presented within the proxy statement/consent solicitation statement/prospectus.

On February 10, 2022, the parties to the Business Combination Agreement consummated the Business Combination. Immediately upon the consummation of the Business Combination, Legacy Cepton became a wholly owned subsidiary of GCAC, GCAC changed its name to Cepton, Inc., and the Company is now listed on Nasdaq under the symbol “CPTN”. Cepton is deemed the accounting predecessor and Cepton is the successor SEC registrant, which means that Legacy Cepton’s financial statements for previous periods will be disclosed in Cepton, Inc.’s future periodic reports filed with the SEC.

The Business Combination was accounted for as a reverse recapitalization. Under this method of accounting, GCAC is treated as the acquired company for financial statement reporting purposes. See “*Unaudited Pro Forma Condensed Combined Financial Information*.”

The aggregate consideration for the Business Combination and related transactions was approximately $1.5 billion, consisting of (i) $5.7 million in cash at the closing of the Business Combination, net of transaction expenses, (ii) $42.0 million in proceeds from the PIPE, net of transaction expenses, and (iii) 142,075,041 shares of common stock valued at $10.00 per share, totaling $1.4 billion.

As a result of becoming a publicly traded company, we will need to hire additional personnel and implement procedures and processes to address public company regulatory requirements and customary practices. We expect to incur additional annual expenses as a public company for, among other things, directors’ and officers’ liability insurance, director fees and additional internal and external accounting and legal and administrative resources, including increased audit and legal fees.

Impact of COVID-19

Throughout 2020 the worldwide spread of the pandemic caused by COVID-19 and the measures intended to contain the spread of COVID-19 have resulted in a global slowdown of economic activity and caused disruptions to our business. In particular, our headquarters are based in the Silicon Valley, which has been subject to ongoing government measures and orders such as quarantines and social distancing. During the second and third quarters of 2020, we slowed our operating and capital spending with the expectation that our revenue would be impacted by the global pandemic. We believe that the pandemic will act as a long-term catalyst for vehicle sales and wider adoption of ADAS programs, and our overall growth rate during 2020 and 2021 has been impacted by the pandemic.

As a Silicon Valley based company, we were affected by the “shelter in place” order starting from the first quarter of 2020 until the second quarter of 2021. While the majority of our employees were able to work from home, some employees, especially manufacturing technicians, were not able to work from home. The “shelter in place” order delayed order fulfillment and revenue recognition during 2020 and the first half of 2021. Additionally, we continued to pay employees during the “shelter in place” order if they did not choose to take unpaid leave. Manufacturing and order fulfillment employees were able to return to work in the second quarter of 2020; however, the number of employees allowed on premises at one time was greatly reduced which also affected our ability to fulfill orders and recognize revenue. We had to separate our manufacturing technicians into two shifts to keep social distancing requirements. We increased the hourly rate for technicians who worked during the second shift, and the increased pay combined with underutilized employee pay increased our employee overhead and decreased gross margins in 2020 and the first half of 2021.

Our suppliers are located worldwide, and the suppliers in the Asia Pacific geographical region were especially affected by the pandemic in 2020, especially in the first half of 2020. Some of our key suppliers were affected by the pandemic resulting in supply chain disruptions. These issues further delayed order fulfillment and revenue recognition but were largely resolved in the third quarter of 2020. Some customers have delayed orders and production schedules due to COVID-19. The pandemic continues to evolve, and the full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations and financial condition, including sales, expenses, reserves and allowances, manufacturing, research and development costs and personnel-related costs, will depend on future developments that are highly uncertain, including as a result of new information that may emerge concerning COVID-19 and the actions taken to contain or treat COVID-19, any resurgence of the pandemic in areas where we or our suppliers operate, and the economic impact on local, regional, national and international customers and markets.

For more information on our operations and risks related to health epidemics, including the COVID-19 pandemic, please see the section entitled “*Risk Factors*.”

Key Factors Affecting Cepton’s 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 the section entitled “*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 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 in order to maximize the OEM’s return on investment.

For example, our series production award from OEM-B 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, with an anticipated start of production in 2023 and significant volume increase anticipated in the following years. However, if the targets of this series production award are not realized, or if OEM-B were to terminate or significantly alter or delay its OEM-B series production award and/or alter its relationship with Cepton or with Koito in a manner that is adverse to Cepton or OEM-B would delay the introduction of the vehicle models that are part of the series production award, Cepton’s business would be materially adversely affected. Similarly, if Cepton is unable to maintain its relationship with Koito, or the terms of Cepton’s arrangement with Koito with respect to the OEM-B program differs from Cepton’s expectations, including with respect to volume, pricing and timing, then Cepton’s 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 (by ADAS and AV program volumes). We believe that our current series production award from OEM-B 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 adoption increases in the automotive and smart infrastructure markets, however, the rate of deployment may vary and our revenue will fluctuate as a result.

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 high margin unit economics in the future.

In the case of our series production award from OEM-B, we are working with our Tier 1 partner, Koito, on manufacturing 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. 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, average selling price (“**ASP**”) 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 levels of economies of scale and higher levels of system integration requirements.

If we cannot generate our expected margins, 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. Our lidar sensors are used in applications such as advanced driver assistance systems, autonomous vehicles, and intelligent transportation systems. Our customers include leading original equipment manufacturers and suppliers within the automotive and smart infrastructure industries. 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.

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 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.

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. We expect cost of revenue to increase in absolute dollars in future periods.

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.

Operating Expenses

Research and Development Expenses

Research and development expenses consist primarily of personnel-related costs, material expenses, permits, licenses, and professional services 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 increase in absolute dollars 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, 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 will increase in absolute dollars over time as we hire additional sales personnel, increase our marketing activities, grow our domestic and international operations, and build brand awareness. We expect to incur additional general and administrative expenses as a result of operating as a public company, including expenses related to compliance with rules and regulations of the SEC and stock exchange listing standards, additional insurance expenses (including directors' and officers' insurance), investor relations activities, and other administrative and professional services. We also expect to increase the size of our general and administrative function to support the growth of our business.

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 gains or losses related to the extinguishment of debt. As of December 31, 2021, other income (expense), net is comprised primarily of the gain from the Paycheck Protection Program ("**PPP**") loan forgiveness.

Interest Income, Net

Interest income, net consists primarily of interest earned on our cash equivalents and short-term investments in commercial paper, corporate debt securities, and available-for-sale securities. These amounts will vary based on our cash, cash equivalents and short-term investment balances, and also with market rates. Our interest income is partially offset by accretion expense from our short-term investments and debt financings.

Provision for Income Taxes

Our provision for income taxes consists of federal, state, and foreign current and deferred income taxes. As we expand the scale and scope of our international business activities, any changes in the United States and foreign taxation of such activities 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 will be realized 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 years ended December 31, 2021 and 2020

The results of operations presented below should be reviewed in conjunction with the consolidated financial statements and notes included elsewhere in this Amendment No. 1. The following table sets forth our consolidated results of operations data for the periods presented:

	Year Ended December 31,		Change	Change
	2021	2020	$	%
	(dollars in thousands)			
Lidar Sensor and Prototype Revenue	$ 2,919	$ 2,006	$ 913	46%
Development Revenue	1,583	—	1,583	100%
Total Revenue	4,502	2,006	2,496	124%
Lidar Sensor and Prototype Cost of Revenue	3,952	3,746	206	5%
Development Cost of Revenue	442	—	442	100%
Total Cost of Revenue	4,394	3,746	648	17%
Gross Margin (Loss)	108	(1,740)	1,848	(106)%
Operating expenses				
Research and development	24,158	11,666	12,492	107%
Sales, general, and administrative	14,286	6,170	8,116	132%
Total operating expenses	38,444	17,836	20,608	116%
Operating loss	(38,336)	(19,576)	(18,760)	96%
Other income (expense), net	1,099	(181)	1,280	(707)%
Interest income, net	15	149	(134)	(90)%
Loss before income taxes	(37,222)	(19,608)	(17,614)	90%
Provision for income taxes	20	26	(6)	(23)%
Net Loss	$ (37,242)	$ (19,634)	$ 17,608	90%

Comparison of the years ended December 31, 2021 and 2020

Revenue

Lidar sensor and prototype revenue increased by approximately $0.9 million, or 46%, to $2.9 million for the year ended December 31, 2021, from $2.0 million for the year ended December 31, 2020. Approximately $0.2 million of the increase related to an increase in lidar sensor average sales price and approximately $1.0 million related to new products sold during the period. The increase was partially offset by a $0.3 million decrease driven by decreased lidar sensor sales volume.

Development revenue increased by approximately $1.6 million to 1.6 million for the year ended December 31, 2021, from $0 for the year ended December 31, 2020. The increase relates to the Work Order issued by Koito to Cepton during 2021. As of December 31, 2021, the first four development milestones of the agreement were satisfied and as such, the Company recognized development revenue of $1.6 million.

Cost of Revenue

Lidar Sensor and Prototype Cost of Revenue increased by $0.2 million, or 5%, to $4.0 million for the year ended December 31, 2021, from $3.7 million for the year ended December 31, 2020. The increase in Lidar Sensor and Prototype Cost of Revenue resulted primarily from a net increase in excess and obsolete inventory expense of $0.3 million and standard costing adjustments of $0.6 million. The increase was partially offset by a decrease in scrap expense and lower-of-cost-or-net-realizable-value adjustments of $0.7 million.

Development Cost of Revenue increased by $0.4 million for the year ended December 31, 2021, from $0 for the year ended December 31, 2020. The increase in Development Cost of Revenue resulted from the Work Order described above.

Operating expense

Research and development expense increased by $12.5 million, or 107%, to $24.2 million for the year ended December 31, 2021, from $11.7 million for the year ended December 31, 2020, resulting primarily from a $5.5 million increase in expensed materials for research and development projects and a $7.0 million increase in personnel expenses mainly due to increased headcount in research and development departments.

Sales, general, and administrative expense increased by $8.1 million, or 132%, to $14.3 million for the year ended December 31, 2021, from $6.2 million for the year ended December 31, 2020, resulting primarily from an increase in professional services of $2.8 million driven by the anticipation of a business combination, a $3.6 million increase in personnel related costs, a $1.0 million increase in rent due to the new office space lease beginning in June 2021, and a $0.7 million increase in other general administrative costs.

Other Income (expense)

Other income (expense), decreased by $1.3 million, or (707)%, resulting primarily from the forgiveness of the PPP loan of $1.1 million and a loss on extinguishment of debt of $0.2 million that occurred during the year ended December 31, 2020.

Interest income decreased by $0.1 million, or 90%, resulting primarily from a significant decrease in the short-term investments balance as of December 30, 2021 compared to December 30, 2020, partially offset by an increase in accretion expense on our short-term investments.

Income Taxes

We provided a full valuation allowance on our net U.S. federal and state deferred tax assets for the year ended December 31, 2021 and 2020. As for the year ended December 31, 2021, we had U.S. federal and state tax-effected net operating loss carryforwards available to reduce future taxable income, which will be carried forward indefinitely for U.S. federal tax purposes and will expire on varying dates for state tax purposes.

Liquidity and Capital Resources

Sources of Liquidity

As of December 31, 2021, we had cash, cash equivalents, and short-term investments totaling $6.5 million, which were held for working capital purposes. Our cash, cash equivalents, and short-term investments of $6.5 million are comprised of money market funds, commercial paper, corporate debt securities, and available-for-sale securities.

In August 2019, we entered into a loan and security agreement with a financial institution which provided for borrowings of up to $5.0 million under a term loan through July 3, 2020 (the "**Term Loan**"). On December 5, 2019, we borrowed the full amount of $5.0 million with a stated interest rate of 5%. In February 2020, we repaid the Term Loan in full using proceeds received from the Series C Financing.

On February 4, 2020, we received $53.0 million of gross proceeds as consideration for the issuance of Series C convertible preferred stock to three investors.

On April 24, 2020, we received loan proceeds of $1.1 million from JPMorgan Chase Bank, N.A. ("**JPM**") under the CARES Act's Paycheck Protection Program ("**PPP**"). The PPP Loan had a maturity date of April 24, 2022, and had a fixed interest rate of 0.98% per annum. The entirety of the loan was eligible for forgiveness to the extent it was used towards qualifying expenses as described in the CARES Act. On August 25, 2021, the Company received notice from the U.S. Small Business Association that the entire PPP Loan balance and accrued interest were forgiven in full on such date. The Company recorded the loan forgiveness as other income, net in the Company's condensed consolidated statement of operations and comprehensive loss during year ended December 31, 2021.

On November 24, 2021, the Company entered into a Purchase Agreement with Lincoln Park Capital Fund, LLC ("**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 (the "**Purchase Agreement**") after the consummation of the Merger and certain other conditions set forth in the Purchase Agreement. On February 11, 2022, Cepton filed an S-1 registration statement related to the Lincoln Park Purchase Agreement and upon its effectiveness and the satisfaction of the other terms and conditions of the Purchase Agreement, Cepton will be able to sell up to $100.0 million of common stock to Lincoln Park as a source of funds.

On January 4, 2022, the Company entered into the Loan Agreement with Trinity Capital Inc. to borrow up to $25.0 million at a rate of 10.75%. In connection with the Loan Agreement, the Company issued a warrant to purchase 96,998 shares of common stock with an exercise price of $16.89 per share. On January 4, 2022, the Company borrowed $10.0 million (the "**Initial Advance**") under the terms of the Loan Agreement. In 2021, the Company incurred approximately $0.2 million of issuance costs related to the Loan Agreement. Given the Company had not yet executed the term loan under the Loan Agreement as of December 31, 2021, the Company recorded the issuance costs as a deferred asset.

Following the approval of the Merger, on February 10, 2022, the Company received net cash proceeds of $47.7 million from the Business Combination and PIPE, net of certain transaction costs.

We have incurred negative cash flows from operating activities and significant losses from operations in the past as reflected in our accumulated deficit of $95.4 million as of December 31, 2021. During the year ended December 31, 2021, we incurred a net loss of $37.2 million and had negative cash flows from operating activities of $36.8 million. Although much of the negative cash flow resulted from an increase in engineering services and expensed materials for research and development, and administrative expenses related to our plan to become 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, the timing and extent of spending to support our research and development efforts in smart vision technology, the expansion of sales and marketing activities, and market adoption of new and enhanced products and features. 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. If we raise funds by issuing debt securities, these debt securities would have rights, preferences, and privileges senior to those of common stockholders.

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 offering and private placements of the pre-combination 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.

Intended Use of Proceeds

As indicated above, we intend to use the net proceeds of the transactions contemplated by the Business Combination Agreement for general corporate purposes which may include, among other things, continuing investments in our various long-term goals. This includes continuing to execute on the series production award from OEM-B, accelerating engagement with other automotive OEMs to secure series production awards, driving adoption of Cepton's lidar solutions in the Automotive and Smart Infrastructure markets, investing in research and development to strengthen our product offerings, and securing supplier commitments in anticipation of future production needs. We intend to prioritize executing on the series production award from OEM-B and accelerating engagement with other automotive OEMs to secure series production awards. Pending any specific application, we may temporarily invest funds in short-term investments, including marketable securities.

Cash Flow Summary — Years Ended December 31, 2021 and 2020

	Year Ended December 31,	
	2021	**2020**
	(dollars in thousands)	
Net cash provided by (used in):		
Operating activities	$ (36,759)	$ (16,980)
Investing activities	28,683	(32,256)
Financing activities	439	49,222

Operating Activities

During 2021, our operating activities used $36.8 million in cash resulting primarily from our net loss of $37.2 million, which was partially offset by $4.4 million of non-cash expenses consisting primarily of $5.0 million of stock-based compensation expense, $0.3 million of amortization and accretion of short-term investments, and $0.2 million of depreciation related to fixed assets. These amounts were partially offset by a gain of $1.1 million related to the PPP loan forgiveness. During the year ended December 31, 2021, we used net cash of $3.9 million from changes in our operating assets and liabilities resulting primarily from a $5.8 million increase in prepaid expenses and other current assets, a $1.1 million decrease in other long-term liabilities, a $0.2 million increase in other long-term assets, and a $0.2 million increase in accounts receivable. This was partially offset by a $1.2 million increase in accrued expenses due to timing of payments, a $0.9 million decrease in inventories due to increased sales volume of lidar sensors, and a $1.3 million increase in accounts payable due to timing of payments.

During 2020, our operating activities used $17.0 million in cash resulting primarily from our net loss of $19.6 million, which was partially offset by $1.1 million of non-cash expenses consisting primarily of $0.7 million of stock-based compensation expense, $0.2 million of depreciation and amortization, and a $0.2 million loss on debt extinguishment. During 2020, we received $1.5 million net cash from changes in our operating assets and liabilities resulting primarily from an increase of $1.2 million in other long-term liabilities due to deposit payments received from a customer.

Investing Activities

During 2021, our investing activities provided $28.7 million of cash, resulting primarily from the sales and maturities of short-term investments of $37.4 million, which was partially offset by purchases of short-term investments of $8.5 million and purchases of property and equipment of $0.3 million.

During 2020, we used $32.3 million of cash for investing activities, resulting primarily from the purchase of short-term investments of $33.7 million, which was partially offset by proceeds from the sale of short-term investments of $1.5 million.

Financing Activities

During 2021, our financing activities provided $0.4 million of cash consisting primarily of proceeds from exercises of common stock options.

During 2020, our financing activities provided $49.2 million of cash consisting primarily of net proceeds from the issuance of Series C Preferred Stock in the amount of $52.6 million and proceeds from the PPP loan of $1.1 million. The proceeds were partially offset by payments on the Term Loan of $5.0 million.

	Years Ended December 31,	
	2020	**2019**
	(dollars in thousands)	
Net cash provided by (used in):		
Operating activities	$ (16,980)	$ (17,570)
Investing activities	(32,256)	(147)
Financing activities	49,222	5,012

Operating Activities

During 2020, our operating activities used $17.0 million in cash resulting primarily from our net loss of $19.6 million, which was partially offset by $1.1 million of non-cash expenses consisting primarily of $0.7 million of stock-based compensation expense, $0.2 million of depreciation and amortization, and a $0.2 million loss on debt extinguishment. During 2020, we received $1.5 million net cash from changes in our operating assets and liabilities resulting primarily from an increase of $1.2 million in other long-term liabilities due to deposit payments received from a customer.

During 2019, our operating activities used $17.6 million in cash resulting primarily from our net loss of $16.8 million, which was partially offset by $0.9 million non-cash expenses consisting primarily of $0.7 million of stock-based compensation expense. During 2019 we used net cash of $1.7 million from changes in our operating assets and liabilities resulting primarily from a $1.7 million increase in inventories due to increased sales volume of lidar sensors.

Investing Activities

During 2020, we used $32.3 million of cash for investing activities, resulting primarily from the purchase of short-term investments of $33.7 million, which was partially offset by proceeds from the sale of short-term investments of $1.5 million.

During 2019, we used $0.1 million of cash for investing activities, primarily for the purchase of property and equipment.

Financing Activities

During 2020, our financing activities provided $49.2 million of cash consisting primarily of net proceeds from the issuance of Series C Preferred Stock in the amount of $52.6 million and proceeds from the PPP loan of $1.1 million. The proceeds were partially offset by payments on the Term Loan of $5.0 million.

During 2019, our financing activities provided $5.0 million of cash consisting primarily of net proceeds from the Term Loan.

Contractual Obligations

The following table summarizes our non-cancellable contractual obligations as of December 31, 2021:

	Payment Due by Period[1]		
	1 year	**2 Years**	**Total**
Operating leases[2]	$ 1,853	$ 152	$ 2,005

(1) Does not include the Initial Advance under the Loan Agreement entered into with Trinity Capital Inc., which was borrowed subsequent to December 31, 2021.

(2) Consists of future non-cancelable minimum rental payments under operating leases for our offices.

On April 15, 2021, we entered into an office lease agreement for our new headquarters located in San Jose, California. The lease began on June 1, 2021 and is set to expire on January 31, 2023. See Note 14, Commitments and Contingencies, of the notes to our consolidated financial statements for the year ended December 31, 2021, included elsewhere in this Amendment No. 1 for further discussion of our contractual obligations.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market rates and prices. Our market risk exposure is primarily the result of fluctuations in foreign currency exchange rates and interest rates.

We do not believe that inflation has had a material effect on our business, results of operations or financial condition. Nonetheless, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs. Our inability or failure to do so could harm our business, results of operations or financial condition.

Interest Rate Risk

As of December 31, 2021, we had short-term investments of $2.8 million, which consisted of commercial paper and corporate debt securities which carry a degree of interest rate risk. A hypothetical 10% change in interest rates would not have a material impact on our financial condition or results of operations due to the short-term nature of our investment portfolio.

Foreign Currency Exchange Risk

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. Substantially all of our revenue is generated in U.S. dollars. Our expenses are generally denominated in the currencies of the jurisdictions in which we conduct our operations, which are primarily in the U.S. and to a lesser extent in Canada and Germany. Our results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign exchange rates. The effect of a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have a material impact on our historical consolidated financial statements. To date, we have not engaged in any hedging strategies. As our international operations grow, we will continue to reassess our approach to manage our risk relating to fluctuations in currency rates.

Off-Balance Sheet Arrangement

We did not have any off-balance sheet arrangements as of December 31, 2021.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with U.S. GAAP. The preparation of these 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. We believe that the accounting policies discussed below are critical to understanding our historical and future performance as these policies involve a greater degree of judgment and complexity.

Revenue Recognition

Our revenue is derived from product sales of lidar sensors to direct customers as well as revenue associated with the development of customized lidar sensor prototypes. Revenue is recognized at a point in time when control of the products is transferred to the customer, generally occurring upon shipment in an amount that reflects the consideration we expect to receive in exchange for those products.

The application of revenue accounting requirements related to the measurement and recognition of revenue requires us to make judgments and estimates. Specifically, arrangements with nonstandard terms and conditions may require significant judgment to determine the appropriate accounting treatment, including whether the promised goods and services specified in a multiple element arrangement should be treated as separate performance obligations. When a contract includes multiple performance obligations, the Company accounts for individual products and services separately if the customer can benefit from the product or service on its own or with other resources that are readily available to the customer and the product or service is separately identifiable from other promises in the arrangement.

Transaction price is allocated to each performance obligation on a relative standalone selling price ("**SSP**") basis. Judgment is required to determine SSP for each distinct performance obligation. We use a range of amounts to estimate SSP when products and services are sold separately. In instances where SSP is not directly observable, we determine SSP using information that may include other observable inputs available to us.

Changes in judgments with respect to these assumptions and estimates could impact the timing or amount of revenue recognition.

Inventory Valuation

Inventories are stated at the lower of cost or estimated net realizable value. Costs are computed under the standard cost method, which approximates actual costs determined on the first in, first out basis. We record write-downs of inventories which are obsolete or in excess of anticipated demand. Significant judgment is used in establishing our forecasts of future demand and obsolete material exposures. We consider marketability and product life cycle stage, product development plans, component cost trends, demand forecasts, historical revenue, and assumptions about future demand and market conditions in establishing our estimates. If the actual component usage and product demand are significantly lower than forecast, which may be caused by factors within and outside of our control, or if there were a higher incidence of inventory obsolescence because of rapidly changing technology and our customer requirements, we may be required to increase our inventory write-downs. A change in our estimates could have a significant impact on the value of our inventory and our results of operations.

Stock-Based Compensation

We grant stock options to employees and non-employees with an exercise price equal to the fair value of the shares at the date of grant. All stock option grants are accounted for using the fair value method and compensation is recognized as the underlying options vest. We use the Black-Scholes option pricing model to determine the fair value of stock option awards. The Black-Scholes model considers several variables and assumptions in estimating the fair value of the stock-based awards. These variables include the fair market value of common stock, stock-price volatility, expected term, expected dividends, risk-free interest rates, and forfeitures.

Fair Value of Common Stock — Given the absence of a public trading market, we considered numerous objective and subjective factors to determine the fair market value of common stock. These factors included but were not limited to (i) contemporaneous third-party valuations of common stock; (ii) the rights and preferences of preferred stock relative to common stock; (iii) the lack of marketability of common stock; (iv) developments in the business; and (v) the likelihood of achieving a liquidity event, such as an initial public offering or sale of the Company, given prevailing market conditions.

In valuing our common stock at various dates, the third-party valuation specialists determined the equity value of our business using a mix of the income and market approaches. The income approach focuses on the income-producing capability of the business, while the market approach measures the value of the business through an analysis of recent sales or offerings of comparable investments.

Application of these approaches involves the use of estimates, judgment, and assumptions that are highly complex and subjective, such as those regarding our expected future revenue, expenses, and future cash flows, discount rates, market multiples, the selection of comparable companies, and the probability of possible future events. Changes in any or all of these estimates and assumptions or the relationships between those assumptions impact our valuations as of each valuation date and may have a material impact on the valuation of our common stock.

The estimates will not be necessary to determine the fair value of new awards once the underlying shares begin trading.

Expected Volatility — Expected volatility is estimated based on historical volatilities of comparable public companies operating in our industry.

Expected Term — The expected term of the options represents the period the options are expected to be outstanding and is estimated using the simplified method. We believe it is appropriate to use the simplified method in determining the expected life of options because we do not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term for options.

Dividend Yield — We have historically not issued dividends and do not expect to in the future.

Risk-free Interest Rate — The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant.

Forfeitures — Forfeitures are recognized as they occur.

We use the same inputs to estimate the fair value of awards granted to nonemployees.

Changes in the Estimated Fair Value of Cepton Common Stock During the Periods Presented

Below we present a discussion regarding material differences between the valuations used to determine the fair value of Cepton common stock relative to the fair value implied by the Business Combination.

Valuation History — The December 2019 and April 2020 common stock valuations were determined to be $2.48 per share and $2.02 per share, respectively. The primary driver behind the decline in common stock fair value between those dates was the significant uncertainty associated with the COVID-19 pandemic during the first half of 2020.

During the second half of 2020, Cepton's management team and Board of Directors reviewed and evaluated potential strategic opportunities and alternatives with a view of enhancing stockholder value and accelerating growth. Such opportunities and alternatives included, among other things, private financing transactions, capital market transactions, and possible acquisitions. Specifically, in September 2020, Cepton's management had internal discussions regarding a SPAC transaction and as a result, Cepton's management believed that an update to its common stock valuation assumptions was necessary. The September 2020 409A valuation reflects the possibility of a SPAC transaction occurring as of September 30, 2021. This assumption led to an increase in Cepton's common stock valuation, resulting in a value per share of $3.07.

In April 2021, we began negotiations with a SPAC regarding a business combination and in May 2021, Cepton received a non-binding letter of intent ("**LOI**") from the SPAC. The LOI indicated a pre-transaction enterprise value of $1.5 billion and a price per common share upon de-SPAC of approximately $24.69. The May 2021 409A valuation incorporated the preliminary terms of this LOI as well as assigning a higher probability to a SPAC transaction occurring in the near-term future. These changes in valuation assumptions resulted in a common stock fair value per share of $13.06.

On August 4, 2021, Cepton entered into the Business Combination Agreement with the SPAC. As a result, on August 6, 2021, we updated our valuation assumptions, assigning a higher probability to a SPAC transaction occurring in the near-term future. This change resulted in a common stock fair value per share of $16.89.

Beginning in September 2021, GCAC filed a proxy statement/consent solicitation statement/prospectus relating to the Business Combination in a registration statement on Form S-4 (the "**Form S-4**") and subsequent amendments thereto. Given the existence of the Form S-4 filing, which became effective on January 24, 2022, as well as the progression and status of the overall Business Combination, we felt it was appropriate to assign a higher probability to a SPAC transaction occurring in the near term future relative to the previous valuation. The December 2021 409A valuation reflected the increased probability which led to another increase in Cepton's common stock valuation, resulting in a value per share of $23.29.

Below is the summary of 409A valuations performed during 2021 and 2020.

409A Valuation Date	**Common Stock Fair Value**
12/31/2019	$ 2.48
4/30/2020	$ 2.02
9/30/2020	$ 3.07
5/13/2021	$ 13.06
8/06/2021	$ 16.89
12/31/2021	$ 23.29

For the December 2019 and April 2020 409A valuations, we applied a combination of both the income approach and the public company market multiple method ("**PCMMM**") market approach to determine the enterprise value of Cepton. Each approach was assigned an equal weighting of 50 percent. To arrive at the fair value of common stock, we utilized the option pricing method ("**OPM**") to allocate the equity value.

For the September 2020 409A valuation, we adjusted our valuation approach as we had begun internal discussions surrounding the possibility of a SPAC or IPO transaction which had not occurred previously. As of this date, no specific SPAC had been identified and no formal negotiations had been undertaken. Due to these facts, we selected the probability weighted expected return method ("**PWERM**") to allocate the enterprise value. The PWERM approach involves the estimation of future potential outcomes as well as values and probabilities associated with each potential outcome or scenario. Under the PWERM approach, we utilized a combination of (1) an "IPO/SPAC" and (2) a "Remain Private" scenarios to value our common stock.

The May 13, 2021 409A valuation incorporated our receipt of a non-binding LOI related to a potential SPAC transaction. The preliminary terms of the LOI indicated a pre-transaction enterprise value of $1.5 billion and an expected price per common share upon de-SPAC of approximately $24.69 based on our then-current fully diluted capitalization. Given this information, we again utilized the PWERM approach to allocate the enterprise value for purposes of the May 13, 2021 409A valuation. Under the PWERM approach, we utilized a combination of (1) the SPAC and (2) the "Remain Private" scenarios to value our common stock. The weighting applied to the SPAC scenario as compared to the "Remain Private" scenario was adjusted upwards given the signed LOI and the Company's consideration of the likelihood of completion of a SPAC transaction.

The August 6, 2021 409A valuation incorporated our public announcement of our entering into a Business Combination Agreement with a SPAC. Based on the terms of the Business Combination Agreement, our shares will be exchanged for shares of the SPAC at a rate of 2.465x. Given the SPAC's common shares were valued at $9.86 as of our 409A valuation date, the implied value per common share upon de-SPAC was equal to $25.89. Given this information, we again utilized the PWERM approach to allocate the enterprise value for purposes of the August 6, 2021 409A valuation. Under the PWERM approach, we utilized a combination of (1) the SPAC and (2) the "Remain Private" scenarios to value our common stock. The weighting applied to the SPAC scenario as compared to previous valuations was adjusted upwards given the signed Business Combination Agreement and the increased likelihood of the SPAC transaction completing.

The December 31, 2021 409A valuation incorporated our filing on Form S-4, signalling an increased probability of completing the proposed SPAC transaction. Given the SPAC's common shares were valued at $9.93 as of our 409A valuation date, the implied value per common share upon de-SPAC was equal to $26.10. Given this information, we again utilized the PWERM approach to allocate the enterprise value for purposes of the December 31, 2021 409A valuation. Under the PWERM approach, we utilized a combination of (1) the SPAC and (2) the "Remain Private" scenarios to value our common stock. The weighting applied to the SPAC scenario as compared to previous valuations was adjusted upwards given the filed Form S-4 and overall progression of the Business Combination.

A summary of the equity awards granted during 2020 and 2021 is as follows:

Date of Option Grant	Options Granted	Common Stock Fair Value
2/26/2020	503,000	$ 2.48
7/15/2020	385,000	$ 2.02
8/20/2020	437,000	$ 2.02
12/24/2020	380,000	$ 3.07
2/12/2021	350,000	$ 3.07
6/10/2021	239,000	$ 13.06
6/23/2021	90,000	$ 13.06
6/30/2021	1,535,670	$ 13.06
10/28/2021	140,000	$ 20.50

Income Taxes

We record valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. In making this assessment, we analyze future taxable income, reversing temporary differences and ongoing tax planning strategies. Should a change in circumstances lead to a change in judgment about the realizability of deferred tax assets in future years, we would adjust related valuation allowances in the period that the change in circumstances occurs, along with a corresponding increase or charge to income.

Recent Accounting Pronouncements

See Note 1 to our consolidated financial statements included elsewhere in this Amendment No. 1 for recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted as of the date of this Amendment No. 1.

Internal Control Over Financial Reporting

In connection with the audit of our consolidated financial statements for the years ended December 31, 2021, a material weakness in our internal control over financial reporting was identified. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. For more information concerning the material weakness identified, see the risk factor titled "We have identified a material weakness in our internal control over financial reporting. If our remediation of this material weakness is not effective, or if we experience additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls in the future, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect investor confidence in us and, as a result, the value of our common stock" included in Exhibit 99.1 to this Amendment No. 1.

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.

Cepton is an "emerging growth company" as defined in Section 2(a) of the Securities Act and has elected to take advantage of the benefits of the extended transition period for new or revised financial accounting standards. Following the consummation of the Business Combination, Cepton expects to remain an emerging growth company at least through the end of the 2022 fiscal year and to continue to take advantage of the benefits of the extended transition period, although it 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 Cepton's 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 $1.07 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.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

References in this section to "we," "our," "us," "the Company" and "Cepton" generally refer to Cepton, Inc. and its consolidated subsidiaries after giving effect to the Business Combination and "Legacy Cepton" generally refers to Cepton Technologies, Inc. and its consolidated subsidiaries prior to the Business Combination.

Capitalized terms used but not defined in this exhibit shall have the meanings ascribed to them in the Amendment No. 1 on Form 8-K/A amending the Original Report (the "Amendment No. 1") to which this Unaudited Pro Forma Condensed Combined Financial Information is attached.

Introduction

The following unaudited pro forma condensed combined financial information has been prepared in accordance with Article 11 of Regulation S-X as amended by the final rule, Release No. 33-10786 "Amendments to Financial Disclosures about Acquired and Disposed Businesses."

GCAC was formed as a blank check company under the laws of the State of Delaware on January 4, 2010 under the name PinstripesNYS, Inc., and subsequently submitted a registration statement under the name Growth Capital Acquisition Corp. on February 27, 2020 for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses.

Cepton provides state-of-the-art, intelligent, lidar-based solutions for a range of markets such as automotive (ADAS/AV), smart cities, smart spaces, and smart industrial applications. Cepton's patented MMT®-based lidar technology enables reliable, scalable, and cost-effective solutions that deliver long range, high resolution 3D perception for smart applications.

The unaudited pro forma condensed combined balance sheet as of December 31, 2021 combines the historical balance sheet of GCAC as of December 31, 2021 with the historical balance sheet of Legacy Cepton as of December 31, 2021 on a pro forma basis as if the Business Combination and related transactions, summarized below, had been consummated on December 31, 2021.

GCAC and Legacy Cepton have different fiscal years. GCAC's fiscal year ends on March 31, whereas Legacy Cepton's fiscal year ends on December 31. The unaudited pro forma condensed combined statement of operations for the twelve months ended December 31, 2021 combines the historical statement of operations of GCAC and Legacy Cepton for the twelve months ended December 31, 2021. The historical statement of operations of GCAC for the twelve months ended December 31, 2021, was derived from GCAC's unaudited condensed statement of operations for the nine months ended December 31, 2020 (as restated), audited condensed statement of operations for the year ended March 31, 2021 (as restated), and unaudited condensed statement of operations for the nine months ended December 31, 2021. The unaudited pro forma condensed combined statement of operations for the twelve months ended December 31, 2021 combines the historical statements of operations of GCAC and Legacy Cepton for such period on a pro forma basis as if the Business Combination and related transactions, summarized below, had been consummated on January 1, 2021.

The unaudited pro forma condensed combined balance sheet as of December 31, 2021 and the unaudited pro forma condensed combined statement of operations for the twelve months ended December 31, 2021 are presented after giving effect to the Business Combination. In connection with the consummation of the Business Combination, the following occurred:

- Merger Sub, the wholly owned subsidiary of GCAC, merged with and into Legacy Cepton, with Legacy Cepton surviving as a wholly owned subsidiary of Cepton;

- the issuance of 141,614,344 shares of common stock as Consideration Shares based on the Per Share Stock Consideration Rate of 2.451 shares and 57,768,478 Legacy Cepton Outstanding Shares (reflecting Legacy Cepton outstanding common stock inclusive of converted and exercised preferred stock, Cepton Class F stock, and warrants).

- the conversion of all 21,671,491 outstanding shares of Legacy Cepton preferred stock and 8,372,143 shares of Legacy Cepton Class F stock into 30,043,634 shares of Legacy Cepton common stock that rolled over into 73,649,326 shares of Cepton common stock based on the Per Share Stock Consideration Rate;

- the redesignation of GCAC's outstanding 1,660,460 Public Shares (net of redemptions of 15,589,540 Public Shares) and 4,312,500 Sponsor Shares as Cepton common stock;

- the exercise of warrants to purchase an aggregate of 60,000 shares of Legacy Cepton common stock for shares of Cepton common stock that rolled over into 137,125 shares of Cepton common stock based on the Per Share Stock Consideration Rate, calculated in accordance with the treasury method of accounting;

- the conversion of all 3,420,746 outstanding vested Legacy Cepton options and all 2,082,611 outstanding unvested Legacy Cepton options into 8,385,658 vested options and 5,105,337 unvested options in Cepton, respectively, based on the Per Share Stock Consideration Rate (the "**Converted Options")**. In accordance with the Business Combination Agreement, the exercise price per share of all outstanding vested and unvested Legacy Cepton options will be adjusted by dividing the applicable exercise price per share immediately prior to the Business Combination by the Per Share Stock Consideration Rate. The Converted Options are presented on a diluted basis, calculated in accordance with the treasury stock method of accounting;

- the issuance of 5,950,000 shares of Cepton common stock to the PIPE Investors in exchange for $59.5 million, or $10.00 per share, in consideration;

- the recognition of a liability related to the issuance of up to 13,000,000 Earnout Shares contingently issuable to holders of Cepton common stock based upon achievement of the Share Price Milestones. Share Price Milestones are met if the share price of Cepton common stock equals or exceeds $15.00 per share (first Share Price Milestone) and/or $17.50 per share (second Share Price Milestone) for any 20 trading days within any consecutive 30-trading day period that occurs after the Closing, and on or prior to the three-year anniversary of the Closing. Upon achievement of the first Share Price Milestone, 7,000,000 Earnout Shares shall be deemed earned and issued and 6,000,000 Earnout Shares shall be deemed earned and issued upon achievement of the second Share Price Milestone. The Earnout Shares will not be issued if none of the Share Price Milestones are met as of the three-year anniversary of the Closing; and

- the issuance of 50,000 shares of Cepton common stock to Lincoln Park Capital Fund, LLC ("**LPC**") as consideration for entering into the Purchase Agreement.

The historical financial information of GCAC was derived from the unaudited financial statements of GCAC as of and for the nine months ended December 31, 2021 and from the audited financial statements for the year ended March 31, 2021 (as restated), included or incorporated by reference in this Amendment No. 1. The historical financial information of Legacy Cepton was derived from the audited consolidated financial statements of Legacy Cepton as of and for the year ended December 31, 2021 included or incorporated by reference in this Amendment No. 1. This information should be read together with GCAC's and Legacy Cepton's audited and unaudited financial statements and related notes, the sections titled "*Other Information Related to GCAC — GCAC's Management's Discussion and Analysis of Financial Condition and Results of Operations*," and "*Cepton's Management's Discussion and Analysis of Financial Condition and Results of Operations*" and other financial information included or incorporated by reference in this Amendment No. 1.

The pro forma combined financial statements have been presented for informational purposes only and are not necessarily indicative of what Cepton's financial position or results of operations actually would have been had the transactions been completed as of the dates indicated. In addition, the pro forma data do not purport to project the future financial position or operating results of Cepton. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors.

Accounting for the Business Combination

The Business Combination was accounted for as a reverse recapitalization in accordance with GAAP. Under this method of accounting, GCAC, who is the legal acquirer, will be treated as the "acquired" company for financial reporting purposes and Legacy Cepton will be treated as the accounting acquirer. Legacy Cepton has been determined to be the accounting acquirer based on evaluation of the following facts and circumstances:

- Legacy Cepton's existing stockholders have more than 90% of the voting interest of Cepton;

- Legacy Cepton's senior management comprise the senior management of Cepton;
- the directors nominated by Legacy Cepton represent the majority of the board of directors of Cepton;
- Legacy Cepton is the larger entity based on historical revenues and business operations;
- Legacy Cepton's operations comprise the ongoing operations of Cepton; and
- GCAC assumed the name Cepton, Inc.

Accordingly, for accounting purposes, the Business Combination was treated as the equivalent of a capital transaction in which Legacy Cepton is issuing stock for the net assets of GCAC. The net assets of GCAC will be stated at historical cost, with no goodwill or other intangible assets recorded. Operations prior to the Business Combination will be those of Legacy Cepton.

Description of the Business Combination

Pursuant to the Business Combination Agreement, the aggregate stock consideration issued by Cepton in the Business Combination was $1.535 billion, consisting of 153,537,304 newly issued shares of Cepton common stock valued at $10.00 per share. Legacy Cepton shareholders received $1.416 billion in the form of 141,614,344 newly issued shares of Cepton common stock. GCAC public shareholders received $16.6 million in the form of 1,660,460 newly issued shares of Cepton common stock, the PIPE Investors received $59.5 million in the form of 5,950,000 newly issued shares of Cepton common stock, and the Sponsor received $43.1 million in the form of 4,312,500 newly issued shares of Cepton common stock in exchange for GCAC's existing Class B common stock. The issuance of 50,000 shares of Cepton common stock to Lincoln Park Capital Fund, LLC as consideration for entering into the Purchase Agreement is not considered as part of the aggregate stock consideration as the Purchase Agreement was entered into separately from the Business Combination Agreement. The following represents the consideration at closing of the Business Combination:

(in millions)		
Share issuance to GCAC shareholders, net of redemptions	$	16.6
Share issuance to Sponsor		43.1
Share issuance to Legacy Cepton shareholders		1,416.2
Share issuance to PIPE Investors		59.5
Share Consideration at Closing	$	1,535.4

The value of share consideration issuable at the Closing was determined by application of the Exchange Ratio of 2.451, which is based on the implied value of $10.00 per share prior to the Business Combination.

The following tables summarize the pro forma Cepton shares of common stock issued and outstanding immediately after the Business Combination both on an issued and outstanding share and diluted basis:

	Issued and Outstanding Share Basis		***Diluted Basis***[(1)]	
	Shares	**% Owned**	**Shares**	**% Owned**
Public Shares, net of redemptions	1,660,460	1.1%	1,660,460	1.0%
Sponsor Shares	4,312,500	2.8%	4,312,500	2.7%
Consideration Shares issued in the merger	141,614,344	92.2%	150,000,000	92.6%
Shares issued to PIPE Investors	5,950,000	3.9%	5,950,000	3.7%
Shares issued to LPC	50,000	—%	50,000	—%
Pro Forma common stock at December 31, 2021	153,587,304	100.0%	161,972,960	100.0%

The following unaudited pro forma condensed combined balance sheet as of December 31, 2021 and the unaudited pro forma condensed combined statement of operations for the twelve months ended December 31, 2021 are based on the historical financial statements of GCAC and Legacy Cepton. The unaudited pro forma adjustments represent management's estimates based on information available as of the date of these unaudited pro forma combined financial statements. The assumptions and estimates underlying the unaudited pro forma adjustments are described in the accompanying notes. Actual results may differ materially from the assumptions used to present the accompanying unaudited pro forma condensed combined financial information as additional information becomes available and analyses are performed. Certain amounts that appear in this section may not sum due to rounding.

(1) Diluted Basis is equal to the issued and outstanding share basis plus the 7,979,544 vested Converted Options.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF DECEMBER 31, 2021
(In thousands)

	(A) Legacy Cepton	(B) GCAC	Transaction Accounting Adjustments		Pro Forma Balance Sheet
Assets					
Current assets:					
Cash and cash equivalents	$ 3,654	108	172,520	**(1)**	$ —
	—	—	59,500	**(2)**	—
	—	—	(37,656)	**(3)**	—
			(155,896)	**(9)**	42,230
Short-term investments	2,836	—	—		2,836
Accounts receivable	500	—	—		500
Inventories	2,523	—	—		2,523
Prepaid expenses and other current assets	6,998	11	(358)	**(3)**	6,651
Total current assets	**16,511**	**119**	**38,110**		**54,740**
Cash held in trust account	—	172,520	(172,520)	**(1)**	—
Property and equipment, net	480	—			480
Other assets	293	—	2,272	**(3)**	2,565
Total assets	**$ 17,284**	**172,639**	**(132,138)**		**$ 57,785**
Liabilities, convertible preferred stock, and stockholders' equity					
Current liabilities:					
Accounts payable	2,547	—	—		2,547
Accrued expenses and other current liabilities	2,777	1,572	(3,001)	**(3)**	1,348
Total current liabilities	**5,324**	**1,572**	**(3,001)**		**3,895**
Other long-term liabilities	23	—			23
Warrant Liability	—	12,472	(9,885)	**(10)**	2,587
Earnout Liability	—	—	74,998	**(8)**	74,998
Total liabilities	**$ 5,347**	**14,044**	**62,112**		**$ 81,503**
Commitments and contingencies					
Legacy Cepton convertible preferred stock[(C)]	99,470	—	(99,470)	**(7)**	—
GCAC Class A common stock subject to possible redemption[(C)]	—	172,500	(172,500)	**(4)**	—
Stockholders' (deficit) equity					
GCAC preferred stock[(C)]	—	—	—		—
Legacy Cepton common stock[(C)]	—	—	—	**(5)**	—
GCAC Class A common stock[(C)]	—	—	1	**(2)**	—
	—	—	2	**(4)**	—
	—	—	1	**(5)**	—
	—	—	2	**(7)**	—
	—	—	(2)	**(9)**	4
GCAC Class B common stock[(C)]	—	—	—		—
Legacy Cepton Class F stock[(C)]	—	—	—		—
Additional paid-in capital	7,949	—	59,499	**(2)**	—
	—	—	(27,000)	**(3)**	—
	—	—	(4,413)	**(3)**	—
	—	—	172,498	**(4)**	—
	—	—	(1)	**(5)**	—
	—	—	(13,905)	**(6)**	—
	—	—	99,468	**(7)**	—
	—	—	(74,998)	**(8)**	—
	—	—	(155,894)	**(9)**	—
	—	—	4,313	**(10)**	67,516
Accumulated other comprehensive income (loss)	(43)	—			(43)
Retained earnings (accumulated deficit)	(95,439)	(13,905)	13,905	**(6)**	—
	—	—	(1,328)	**(3)**	—
	—	—	5,572	**(10)**	(91,195)
Total stockholders' (deficit) equity	**(87,533)**	**(13,905)**	**77,720**		**(23,718)**
Total liabilities, convertible preferred stock, and stockholders' (deficit) equity	**$ 17,284**	**172,639**	**(132,138)**		**$ 57,785**

(A) Obtained from the audited consolidated balance sheet of Legacy Cepton as of December 31, 2021.

(B) Obtained from the unaudited balance sheet of GCAC as of December 31, 2021.

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

(C) Authorized, issued and outstanding shares for each class of common stock and preferred stock as of December 31, 2021 and on a pro forma basis is as follows:

	December 31, 2021			Pro Forma Basis		
	Authorized	Issued	Outstanding	Authorized	Issued	Outstanding
Legacy Cepton convertible preferred stock	22,806,009	21,671,491	21,671,491	—	—	—
Legacy Cepton common stock	75,000,000	27,618,907	27,618,907	—	—	—
Legacy Cepton Class F stock	8,402,000	8,372,143	8,372,143	—	—	—
GCAC preferred stock	1,000,000	—	—	5,000,000	—	—
GCAC Class A common stock subject to possible redemption	17,250,000	17,250,000	17,250,000	—	—	—
GCAC Class A common stock	100,000,000	—	—	350,000,000	153,587,304	153,587,304
GCAC Class B common stock	10,000,000	4,312,500	4,312,500	—	—	—

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

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021
(In thousands, except per share amounts)

	(A) Legacy Cepton	(B) GCAC	(C) Transaction Adjustments	Pro Forma Income Statement
Lidar Sensor and Prototype Revenue	$ 2,919	$ —	$ —	$ 2,919
Development Revenue	1,583	—	—	1,583
Total Revenue	**4,502**	**—**	**—**	**4,502**
Lidar Sensor and Prototype Cost of Revenue	3,952	—	—	3,952
Development Cost of Revenue	442	—	—	442
Total Cost of Revenue	4,394	—	—	4,394
Gross Margin	**$ 108**	**$ —**	**$ —**	**$ 108**
Operating expenses				
Research and development	24,158	—	—	24,158
Selling, general and administrative	14,286	2,338	—	16,624
Total operating expenses	**$ 38,444**	**$ 2,338**	**$ —**	**$ 40,782**
Loss from operations	**$ (38,336)**	**$ (2,338)**	$ —	**$ (40,674)**
Income from investments held in Trust Account	—	22	(22)	—
Other expense:				
Warrant Transaction costs	—	(293)	180	(113)
Excess value of UW warrants	—	(1,294)	—	(1,294)
Unrealized gain/(loss) on FV changes of warrants	—	4,606	(2,756)	1,850
Other income (expense), net	1,099	—	—	1,099
Interest income (expense), net	15	—	—	15
Loss before income taxes	**(37,222)**	**703**	**(2,598)**	**(39,117)**
Provision for income taxes	20	—	—	20
Net (loss) income	**$ (37,242)**	**$ 703**	**$ (2,598)**	**$ (39,137)**
Other comprehensive loss				
Changes in unrealized gain on available-for-sale-securities	(4)	—	—	(4)
Foreign currency translation adjustment	(21)	—	—	(21)
Comprehensive loss	**$ (37,267)**	**$ 703**	**$ (2,598)**	**$ (39,162)**
Net loss per common share				
Weighted average shares of redeemable common stock outstanding, basic and diluted		17,250,000	136,337,304	153,587,304
Basic and diluted net income (loss) per share		$ 0.03		$ (0.25)
Weighted average shares of non-redeemable common stock outstanding, basic and diluted	27,412,353	4,312,500		
Basic and diluted net income (loss) per share	$ (1.36)	$ 0.03		

(A) Obtained from the audited consolidated statement of operations of Legacy Cepton for the year ended December 31, 2021.

(B) Derived from GCAC's unaudited condensed statement of operations for the nine months ended December 31, 2020 (as restated), audited condensed statement of operations for the year ended March 31, 2021 (as restated), and unaudited condensed statement of operations for the nine months ended December 31, 2021.

(C) Reflects (i) the elimination of investment income from the Trust Account, (ii) the elimination of warrant transaction costs related to Public Warrants, (iii) the reversal of the unrealized gain on change in fair value related to Public Warrants recognized in GCAC's statement of operations for the twelve-month period ended December 31, 2021 on the basis of Cepton's conclusion that the Public Warrants will be equity instruments after the Business Combination, and (iv) the additional shares of Cepton common stock to be issued upon completion of the Business Combination, taking into account actual redemptions.

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

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

1. Basis of Presentation

The Business Combination will be accounted for as a reverse recapitalization in accordance with GAAP. Under this method of accounting, GCAC, who is the legal acquirer, will be treated as the “acquired” company for financial reporting purposes and Legacy Cepton will be treated as the accounting acquirer. This determination was primarily based on the following facts and circumstances: (i) Legacy Cepton’s existing stockholders will have more than 90% of the voting interest of Cepton; (ii) Legacy Cepton’s senior management will comprise the senior management of Cepton; (iii) the directors nominated by Legacy Cepton will represent the majority of the board of directors of Cepton; (iv) Legacy Cepton is the larger entity based on historical revenues and business operations; (v) Legacy Cepton’s operations will comprise the ongoing operations of Cepton; and (vi) GCAC will assume the name Cepton, Inc.. Accordingly, for accounting purposes, the Business Combination will be treated as the equivalent of a capital transaction in which Legacy Cepton is issuing stock for the net assets of GCAC. The net assets of GCAC will be stated at historical cost, with no goodwill or other intangible assets recorded. Operations prior to the Business Combination will be those of Legacy Cepton. The unaudited pro forma condensed combined balance sheet as of December 31, 2021 assumes the Business Combination occurred on December 31, 2021. The unaudited pro forma condensed combined statement of operations for the twelve months ended December 31, 2021 presents the pro forma effect of the Business Combination as if it had been completed on January 1, 2021. This period is presented on the basis of Legacy Cepton as the accounting acquirer.

The unaudited pro forma condensed combined balance sheet as of December 31, 2021 has been prepared using, and should be read in conjunction with, the following:

- GCAC’s unaudited balance sheet as of December 31, 2021 and the related notes for the period ended December 31, 2021, included or incorporated by reference in this Amendment No. 1; and

- Legacy Cepton’s audited consolidated balance sheet as of December 31, 2021 and the related notes for the year ended December 31, 2021 included or incorporated by reference in this Amendment No. 1.

The unaudited pro forma condensed combined statement of operations for the twelve months ended December 31, 2021 has been prepared using, and should be read in conjunction, with the following:

- GCAC’s historical statement of operations for the twelve months ended December 31, 2021, as derived from GCAC’s unaudited condensed statement of operations for the nine months ended December 31, 2020
(as restated), audited condensed statement of operations for the year ended March 31, 2021 (as restated), and unaudited condensed statement of operations for the nine months ended December 31, 2021, and the related notes included or incorporated by reference in this Amendment No. 1; and

- Legacy Cepton’s audited consolidated statement of operations and comprehensive income (loss) for the year ended December 31, 2021, and the related notes included or incorporated by reference in this Amendment No. 1.

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

The unaudited pro forma condensed combined financial information does not give effect to any anticipated synergies, operating efficiencies, tax savings or cost savings that may be associated with the Business Combination. The pro forma adjustments reflecting the consummation of the Business Combination are based on certain available information as of the date of these unaudited pro forma combined financial statements and certain assumptions and methodologies that Cepton believes are reasonable under the circumstances. The unaudited condensed pro forma adjustments, which are described in the accompanying notes, may be revised as additional information becomes available and is evaluated. Therefore, it is likely that the actual adjustments will differ from the pro forma adjustments and it is possible the difference may be material. Cepton believes that its assumptions and methodologies provide a reasonable basis for presenting all of the significant effects of the Business Combination based on information available to management at the time and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined financial information is not necessarily indicative of what the actual results of operations and financial position would have been had the Business Combination taken place on the dates indicated, nor are they indicative of the future consolidated results of operations or financial position of Cepton. They should be read in conjunction with the historical financial statements and notes thereto of GCAC and Legacy Cepton.

2. Adjustments to Unaudited Pro Forma Condensed Combined Financial Information

The unaudited pro forma condensed combined financial information has been prepared to illustrate the effect of the Business Combination and has been prepared for informational purposes only.

The historical financial statements have been adjusted in the unaudited pro forma condensed combined financial information to give pro forma effect to events that are directly attributable to the Business Combination. Legacy Cepton and GCAC have not had any historical relationship prior to the Business Combination. Accordingly, no pro forma adjustments were required to eliminate activities between the companies.

The pro forma combined provision for income taxes does not necessarily reflect the amounts that would have resulted had Cepton filed consolidated income tax returns during the periods presented.

The pro forma basic and diluted earnings per share amounts presented in the unaudited pro forma condensed combined statement of operations are based upon the number of Cepton's shares outstanding, assuming the Business Combination had been completed on January 1, 2021.

Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet

The adjustments included in the unaudited pro forma condensed combined balance sheet as of December 31, 2021 are as follows:

(1) Reflects the release of cash currently invested in U.S. treasuries or money market funds held in the Trust Account.

(2) Reflects the proceeds received from the PIPE Investment with the corresponding issuance of 5,950,000 shares of Cepton common stock at $10.00 per share.

(3) Represents preliminary estimated direct and incremental transaction costs incurred by GCAC and Legacy Cepton related to the Business Combination. Total transaction costs are estimated to be $40.4 million related to underwriting/banking, legal, accounting and other miscellaneous fees, including $4.4 million in deferred transaction costs incurred by Legacy Cepton. Of the $4.4 million in deferred transaction costs incurred by Legacy Cepton, approximately $1.6 million is reflected in accrued expenses and will be paid in cash upon the closing of the Business Combination. The remaining $2.8 million of deferred transaction costs were previously paid for in cash by Legacy Cepton. Of the remaining $36.0 million in total transaction costs, $27.0 million is reflected in the unaudited pro forma condensed combined balance sheet as a reduction to Cepton's additional paid-in capital as they are incremental costs directly attributable to a proposed offering of securities and thus charged against the gross proceeds of the proposed offering, which includes the Business Combination and PIPE Investment. Additionally, this adjustment reflects the recognition of prepaid assets of $6.3 million associated with directors' and officers' liability insurance for the Post-Combination Company. Approximately $4.0 million of the directors' and officers' liability insurance relates to the first year of the policy and was recorded to prepaid expenses and other current assets. The remining $2.3 million relates to the second year of the insurance policy and was recorded to other assets. This adjustment also reflects the payment of $1.4 million in accrued expenses recognized by GCAC related to the contemplated business combination. The remaining $1.3 million are reflected in the unaudited pro forma condensed combined balance sheet as an increase to Cepton's accumulated deficit. These relate to the transaction costs incurred by GCAC during the twelve-month period ending December 31, 2021 including, but not limited to, advisory fees, legal fees and registration fees.

(4) Reflects the reclassification of GCAC class A common stock previously subject to possible redemption to permanent equity immediately prior to the consummation of the Business Combination.

(5) Reflects the recapitalization of Legacy Cepton through (a) the contribution of all the share capital in Legacy Cepton to GCAC in the amount of $7.5 million and (b) the issuance of 141,614,344 shares of Cepton common stock at par value of $0.00001.

(6) Reflects the elimination of the historical retained earnings of GCAC, the legal acquirer, in the amount of $13.9 million.

(7) Reflects the reclassification of approximately $99.5 million of Legacy Cepton's convertible preferred stock (21,671,491 shares at redemption value) to permanent equity. Legacy Cepton's convertible preferred stock converted into Legacy Cepton common stock at a 1:1 ratio.

(8) Reflects the estimated fair value of the Earnout Shares contingently issuable to holders of Legacy Cepton common stock. The fair value was determined using the information available as of the Closing. Refer to Note 4 for more information. Subsequent to the Business Combination, this liability will be remeasured to its fair value at the end of each reporting period and subsequent changes in the fair value will be recognized in Cepton's statement of operations within other income/expense.

(9) Reflects the actual redemptions of 15,589,540 public shares for aggregate redemption payments of $155,895,400 allocated to GCAC Class A Common Stock and additional paid-in capital using par value $0.0001 per share and at a redemption price of $10 per share.

(10) Cepton has evaluated the accounting for GCAC's Public Warrants and Private Placement Warrants under ASC 480 and ASC 815. Cepton has concluded that the Public Warrants qualify as equity instruments under ASC 815 after considering among other factors that after the Business Combination, Cepton will have a single class equity structure; thus, a tender offer subject to the terms of the warrant agreement will always result in a change of control, and holders of Public Warrants receive the same form of consideration as holders of Legacy Cepton common stock which treatment does not preclude equity classification. Separately, Cepton has concluded that the Private Placement Warrants will continue to be accounted for as a liability under ASC 815-40. The adjustment reflects the reclassification of GCAC's Public Warrants from liabilities to equity in connection with the consummation of the Business Combination.

3. Net loss per Share

Represents the net loss per share calculated using the historical weighted average shares outstanding, and the issuance of additional shares in connection with the Business Combination, assuming the shares were outstanding since January 1, 2021. As the Business Combination is being reflected as if it had occurred at the beginning of the period presented, the calculation of weighted average shares outstanding for basic and diluted net loss per share assumes that the shares issuable relating to the Business Combination have been outstanding for the entire period presented.

The unaudited pro forma condensed combined financial information has been prepared using actual redemption amounts:

	Twelve Months Ended December 31, 2021
Pro forma net loss	$ (39,137)
Basic weighted average shares outstanding	153,587,304
Net loss per share – Basic and Diluted[3]	$ (0.25)
Public Shares, net of redemptions	1,660,460
Sponsor Shares	4,312,500
Cepton shares issued to existing Legacy Cepton stockholders[1],[2]	141,614,344
Cepton shares issued to PIPE Investors	5,950,000
Cepton shares issued to LPC	50,000
	153,587,304

(1) This total is based on the Legacy Cepton cap table as of December 31, 2021.

This total represents Cepton shares of common stock issued to the following stockholders:

— 67,827,892 shares to Legacy Cepton common stockholders (27,668,907 shares prior to conversion);

— 20,523,572 shares to Legacy Cepton Class F stockholders (8,372,143 shares prior to conversion);

— 53,125,754 shares to Legacy Cepton preferred stockholders (21,671,491 shares prior to conversion); and

— 137,125 shares to Legacy Cepton warrant holders (55,937 shares prior to conversion).

(2) This amount excludes: (i) 8,385,656 shares reserved for vested Converted Options using the treasury stock method which will not be legally outstanding following the Business Combination and which are allocated from the 150,000,000 shares issuable to existing Legacy Cepton stockholders per the Business Combination Agreement.

(3) As a result of the pro forma net loss, the net loss per share amounts exclude the anti-dilutive impact from 16,660,074 Converted Options, 8,625,000 Public Warrants to purchase 8,625,000 shares of Cepton common stock, 5,175,000 Private Warrants to purchase 5,175,000 shares of Cepton common stock, and 122,570 unvested restricted shares of Cepton common stock outstanding as of December 31, 2021 on a pro forma basis.

4. Earnout Shares

The Earnout Shares are expected to be accounted for as liability classified equity instruments that are earned upon achievement of the Share Price Milestones, which provide for settlement provisions that are not indexed to Cepton common stock. The estimated fair value of the Earnout Shares is $75.0 million.

The estimated fair value of the Earnout Shares was determined by a Monte Carlo simulation valuation model using a distribution of potential outcomes on a monthly basis over the three-year earnout period. The estimated fair value of the Earnout Shares was determined using information available at the Closing. Assumptions used in the valuation were as follows:

Current stock price: the current stock price was set at the current value of $7.99 per share for GCAC Class A common stock.

Expected volatility: the volatility rate of 77.5% was determined using an average of historical volatilities of selected industry peers deemed to be comparable to Legacy Cepton's business, corresponding to the expected term of the awards.

Risk-free interest rate: the risk-free interest rate of 1.8036% 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 three-year term of the earnout period.

Expected dividend yield: the expected dividend yield is zero as Legacy Cepton has never declared or paid cash dividends and Cepton has no current plans to do so during the expected term.