

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

FORM 10-Q

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

For the quarterly period ended September 30, 2021

OR

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

For the transition period from _____ to _____

Commission File No. 001-38823

HYLIION HOLDINGS CORP.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

83-2538002

(State or Other Jurisdiction
of Incorporation)

(IRS Employer
Identification No.)

1202 BMC Drive, Suite 100,
Cedar Park, TX

78613

(Address of Principal Executive Offices)

(Zip Code)

(833) 495-4466

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

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

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

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 \$0.0001 per share	HYLN	The New York Stock Exchange

As of November 4, 2021, 173,313,427 shares of common stock, par value \$0.0001 per share, were issued and outstanding.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

HYLHON HOLDINGS CORP. CONDENSED CONSOLIDATED BALANCE SHEETS (Dollar amounts in thousands, except share and per share data)		
	September 30, 2021 (Unaudited)	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 289,486	\$ 389,705
Accounts receivable	359	92
Prepaid expenses and other current assets	5,516	20,690
Short-term investments	144,465	201,881
Total current assets	439,826	612,368
Property and equipment, net	2,820	1,171
Operating lease right-of-use assets	8,474	5,055
Intangible assets, net	259	332
Other assets	920	193
Long-term investments	154,981	35,970
Total assets	\$ 607,280	\$ 655,089
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 7,527	\$ 1,890
Current portion of operating lease liabilities	827	734
Accrued expenses and other current liabilities	7,623	6,313
Total current liabilities	15,977	8,937
Operating lease liabilities, net of current portion	8,749	5,076
Debt, net of current portion	—	908
Total liabilities	24,726	14,921
Stockholders' Equity:		
Common stock, \$0.0001 par value; 250,000,000 shares authorized; 173,120,988 and 169,316,421 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively	20	19
Additional paid-in capital	373,804	364,998
Retained earnings	208,730	275,151
Total stockholders' equity	582,554	640,168
Total liabilities and stockholders' equity	\$ 607,280	\$ 655,089

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

HYLIION HOLDINGS CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollar amounts in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Operating expenses:				
Research and development	\$ (18,150)	\$ (2,909)	\$ (40,871)	\$ (8,134)
Selling, general and administrative	(8,660)	(2,140)	(26,111)	(3,705)
Loss from operations	(26,810)	(5,049)	(66,982)	(11,839)
Other income (expense):				
Interest expense	—	(2,230)	—	(5,458)
Interest income	195	—	561	—
Change in fair value of convertible notes payable derivative liabilities	—	(1,813)	—	(1,358)
Other expense	—	(12)	—	(12)
Total other income (expense)	195	(4,055)	561	(6,828)
Net loss	<u>\$ (26,615)</u>	<u>\$ (9,104)</u>	<u>\$ (66,421)</u>	<u>\$ (18,667)</u>
Weighted-average shares outstanding, basic and diluted	<u>172,987,672</u>	<u>87,398,704</u>	<u>171,842,664</u>	<u>86,981,200</u>
Net loss per share, basic and diluted	<u>\$ (0.15)</u>	<u>\$ (0.10)</u>	<u>\$ (0.39)</u>	<u>\$ (0.21)</u>

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

HYLIION HOLDINGS CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
(Dollar amounts in thousands, except share data)

	For the Nine Months Ended September 30, 2021				
	Common Stock		Additional Paid-In Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance - December 31, 2020	169,316,421	\$ 19	\$ 364,998	\$ 275,151	\$ 640,168
Common stock issued for warrants exercised, net of issuance costs	371,535	—	4,282	—	4,282
Exercise of common stock options	1,831,855	—	287	—	287
Share-based compensation	—	—	1,510	—	1,510
Net loss	—	—	—	(16,562)	(16,562)
Balance - March 31, 2021	171,519,811	19	371,077	258,589	629,685
Exercise of common stock options and vesting of restricted stock units	1,278,527	1	215	—	216
Share-based compensation	—	—	1,917	—	1,917
Net loss	—	—	—	(23,244)	(23,244)
Balance - June 30, 2021	172,798,338	20	373,209	235,345	608,574
Exercise of common stock options and vesting of restricted stock units	322,650	—	50	—	50
Share-based compensation	—	—	545	—	545
Net loss	—	—	—	(26,615)	(26,615)
Balance - September 30, 2021	173,120,988	\$ 20	\$ 373,804	\$ 208,730	\$ 582,554

	For the Nine Months Ended September 30, 2020				
	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount			
Balance - December 31, 2019	86,762,463	\$ 9	\$ 30,888	\$ (48,966)	\$ (18,069)
Share-based compensation	—	—	57	—	57
Net loss	—	—	—	(5,562)	(5,562)
Balance - March 31, 2020	86,762,463	9	30,945	(54,528)	(23,574)
Exercise of common stock options	234,057	—	25	—	25
Share-based compensation	—	—	34	—	34
Net loss	—	—	—	(4,001)	(4,001)
Balance - June 30, 2020	86,996,520	9	31,004	(58,529)	(27,516)
Exercise of common stock options	878,103	—	94	—	94
Share-based compensation	—	—	74	—	74
Net loss	—	—	—	(9,104)	(9,104)
Balance - September 30, 2020	87,874,623	\$ 9	\$ 31,172	\$ (67,633)	\$ (36,452)

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

HYLIION HOLDINGS CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollar amounts in thousands)

	For the Nine Months Ended September 30,	
	2021	2020
Cash Flows from Operating Activities:		
Net loss	\$ (66,421)	\$ (18,667)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	657	665
Amortization of investment premiums and discounts	1,318	—
Noncash lease expense	720	722
Paid-in-kind interest on convertible notes payable	—	1,081
Amortization of debt discount	—	4,237
Share-based compensation	3,972	165
Change in fair value of convertible notes payable derivative liabilities	—	1,358
Changes in operating assets and liabilities:		
Accounts receivable	(267)	130
Prepaid expenses and other assets	3,646	(668)
Accounts payable	5,617	353
Accrued expenses and other current liabilities	1,309	391
Operating lease liabilities	(373)	(752)
Net cash used in operating activities	(49,822)	(10,985)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(2,213)	(105)
Proceeds from sale of property and equipment	—	22
Payments for security deposit, net	(29)	—
Purchase of investments	(268,714)	—
Proceeds from sale and maturity of investments	205,355	—
Net cash used in investing activities	(65,601)	(83)
Cash Flows from Financing Activities:		
Proceeds from exercise of stock warrants, net of issuance costs	16,257	—
Proceeds from term loan	—	10,100
(Payments for)/proceeds from Paycheck Protection Program loan	(908)	908
Proceeds from exercise of common stock options	553	119
Proceeds from convertible notes payable issuance and derivative liabilities	—	3,200
Payments for deferred transaction costs	—	(1,316)
Payments for deferred financing costs	—	(468)
Repayments on finance lease obligations	—	(195)
Net cash provided by financing activities	15,902	12,348
Net (decrease) increase in cash and cash equivalents and restricted cash	(99,521)	1,280
Cash and cash equivalents - beginning of the period	389,705	6,285
Cash and cash equivalents and restricted cash - end of the period	<u>\$ 290,184</u>	<u>\$ 7,565</u>

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

Supplemental disclosures of noncash financing information:		
Acquisitions of property and equipment included in accounts payable	\$ 20	\$ —
Deferred transaction costs included in accounts payable	\$ —	\$ (2,990)

HYLIION HOLDINGS CORP.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except as separately indicated)

1. Description of Organization and Business Operations

On October 1, 2020, our predecessor company, Tortoise Acquisition Corp. (“Tortoise”), consummated a business combination (the “Business Combination”) with Hyliion Inc., a Delaware corporation (“Legacy Hyliion”) pursuant to which Legacy Hyliion merged with and into SHLL Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of Tortoise, with Legacy Hyliion surviving the merger (together with the related transactions, the “Business Combination”). Upon consummation of the Business Combination, Legacy Hyliion became a direct wholly-owned subsidiary of Tortoise, and Tortoise was renamed Hyliion Holdings Corp. References to the “Company” in this report refer to Tortoise before the consummation of the Business Combination or Hyliion Holdings Corp. and its wholly-owned subsidiary (“Hyliion”, “we” or “us”) after the Business Combination, unless expressly indicated or the context otherwise requires.

Hyliion designs and develops hybrid and electrified powertrain systems for long haul “Class 8” semi-trucks which modify semi-tractors into hybrid and fully electric range extender vehicles, respectively. The Company’s hybrid powertrain system “Hybrid eX” utilizes intelligent electric drive axles with advanced algorithms and battery technology to optimize fuel savings and vehicle performance with reduced emissions, enabling fleets to access an easy, efficient way to decrease fuel expenses, lower emissions and/or improve vehicle performance. The Company’s fully electric range extender systems utilize an intelligent electric powertrain with advanced algorithms to optimize emissions performance and efficiency with no new infrastructure required. The Hypertruck ERX system enables fleets to reduce the cost of ownership while providing the ability to deliver net-negative carbon emissions and operate fully electric when needed. The Company recently launched its commercial Hybrid eX and the Hypertruck ERX system is in the prototype phase.

On October 1, 2020, the Company consummated a business combination which was accounted for as a reverse recapitalization. For more details on the reverse recapitalization, see Note 3 to the Company’s Consolidated Financial Statements as presented in its Annual Report, as amended on Form 10-K/A for the year ended December 31, 2020. As a result of the reverse recapitalization, all references to numbers of common shares and per common share data for 2020 in these condensed consolidated financial statements and related notes have been retroactively adjusted to account for the effect of the reverse recapitalization.

These condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business. The Company is an early-stage growth company in the pre-commercialization stage of development and has generated negative cash flows from operating activities since inception. As of September 30, 2021, the Company had a cash and cash equivalents balance of \$289.5 million and total investments of \$299.4 million. Based on this, the Company has sufficient funds to continue to execute its business strategy for the next twelve months.

2. Significant Accounting Policies

Basis of Presentation: On October 1, 2020, the Company consummated the Business Combination which was accounted for as a reverse recapitalization with Legacy Hyliion being deemed the accounting acquirer in the Business Combination based on an analysis of the criteria outlined in Accounting Standards Codification (“ASC”) 805. Accordingly, for accounting purposes, the Business Combination was treated as the equivalent of Legacy Hyliion issuing stock for the net assets of Tortoise, accompanied by a recapitalization. The net assets of Tortoise are stated at historical cost, with no goodwill or other intangible assets recorded. While Tortoise was the legal acquirer in the Business Combination, because Legacy Hyliion was deemed the accounting acquirer, the historical financial statements of Legacy Hyliion became the historical financial statements of the combined company, upon the consummation of the Business Combination. As a result, the financial statements included in this report reflect (i) the historical operating results of Legacy Hyliion prior to the Business Combination; (ii) the combined results of Tortoise and Legacy Hyliion following the closing of the Business Combination; (iii) the assets and liabilities of Legacy Hyliion at their historical cost; and (iv) the Company’s equity structure for all periods presented. For more details on the reverse recapitalization, see Note 3 to the Company’s Consolidated Financial Statements as presented in its Annual Report, as amended on Form 10-K/A for the year ended December 31, 2020 which was filed with the Securities and Exchange Commission (“SEC”) on May 17, 2021 (the “2020 Amended Annual Report”). As a result of the reverse recapitalization, all references to numbers of common shares and per common share data for 2020 in these condensed consolidated financial statements and related notes have been retroactively adjusted to account for the effect of the reverse recapitalization.

These condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. Intercompany accounts and transactions have been eliminated in consolidation. These interim condensed consolidated statements have been prepared pursuant to the rules and regulations of the SEC, which permit reduced disclosure for interim periods. The Consolidated Balance Sheet as of December 31, 2020 was derived from audited financial statements for the fiscal

HYLIION HOLDINGS CORP.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except as separately indicated)

year then ended, but does not include all necessary disclosures required by accounting principles generally accepted in the United States of America (“GAAP”) with respect to annual financial statements. In the opinion of management, these unaudited condensed consolidated financial statements include all recurring adjustments and normal accruals necessary for a fair presentation of the Company’s financial position, results of operations and cash flows for the dates and periods presented. These condensed consolidated financial statements and accompanying notes should be read in conjunction with the Company’s 2020 Amended Annual Report. Results for interim periods are not necessarily indicative of the results to be expected for a full fiscal year or for any future period.

Emerging Growth Company: Section 102(b)(1) of the Jumpstart Our Business Startups Act (“JOBS Act”) exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a registration statement under the Securities Act of 1933, as amended (the “Securities Act”) declared effective or do not have a class of securities registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard, until such time the Company is no longer considered to be an emerging growth company. As of June 30, 2021, the last business day of our most recently completed second fiscal quarter, the market value of our common stock that was held by non-affiliates was greater than \$700 million. As a result, we will become a large accelerated filer and will no longer qualify as an emerging growth company on December 31, 2021, the end of our current fiscal year. Accordingly, at that time we will no longer qualify for the provisions of the JOBS Act that allow companies to adopt new or revised accounting standards when required by private company accounting standards. We have not elected to defer adoption of any new or revised accounting standards under the provisions of the JOBS Act.

Use of Estimates and Uncertainty of the Coronavirus Pandemic: The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the balance sheet date, as well as reported amounts of expenses during the reporting period. The Company’s most significant estimates and judgments involve valuation of share-based compensation, including the fair value of common stock prior to the Business Combination, and the valuation of the convertible notes payable derivative liability. Management bases its estimates on historical experience and on various other assumptions believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from those estimates, and such differences could be material to the Company’s condensed consolidated financial statements.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared the coronavirus outbreak a pandemic. In mid-March 2020, U.S. state governors, local officials and leaders outside of the U.S. began ordering various “shelter-in-place” orders, which have had various impacts on the U.S. and global economies. This may require greater use of estimates and assumptions in the preparation of the unaudited condensed consolidated financial statements.

As the coronavirus pandemic continues to evolve, the Company believes the extent of the impact to its businesses, operating results, cash flows, liquidity and financial condition will be primarily driven by the severity and duration of the coronavirus pandemic, the pandemic’s impact on the U.S. and global economies and the timing, scope, and effectiveness of federal, state and local governmental responses to the pandemic. Those primary drivers are beyond the Company’s knowledge and control, and as a result, at this time the Company is unable to predict the cumulative impact, both in terms of severity and duration, that the coronavirus pandemic will have on its business, operating results, cash flows, liquidity, and financial condition, but it could be material if the current circumstances continue to exist for a prolonged period. Although the Company has made its best estimates based upon current information, actual results could materially differ from the estimates and assumptions developed by management. If so, the Company may be subject to future impairment charges as well as changes to recorded reserves and valuations.

HYLIION HOLDINGS CORP.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except as separately indicated)

Restricted Cash: On July 2, 2021, the Company provided its corporate headquarters lessor with a letter of credit for \$0.7 million to secure the performance of lease obligations. The Company made a restricted cash deposit for its obligation to pay any draws on the letter of credit by the lessor. Total cash and cash equivalents and restricted cash as presented in the condensed consolidated statements of cash flows are summarized as follows:

	September 30, 2021	December 31, 2020	September 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 289,486	\$ 389,705	\$ 7,565	\$ 6,285
Restricted cash included in other non-current assets	698	—	—	—
Total presented in the condensed consolidated statements of cash flows	<u>\$ 290,184</u>	<u>\$ 389,705</u>	<u>\$ 7,565</u>	<u>\$ 6,285</u>

Recently Adopted Accounting Pronouncements: In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-12, Income Taxes (Topic 740): 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. The Company adopted ASU 2019-12 on January 1, 2021. However, there is no impact to the Company as a result of the adoption in the current quarter, nor is there an expected impact to the Company for the remainder of the year.

3. Debt

Convertible Notes Payable: During January 2020, the Company issued a convertible note payable in exchange for cash totaling \$3.2 million (the "January 2020 Note"). The January 2020 Note bore interest at 6% per annum and would have matured in January 2025 (five years after its issuance date). The January 2020 Note was only prepayable with the consent of the holder. The January 2020 Note was secured by a first priority, senior secured interest in substantially all the assets of the Company. The January 2020 Note included the following embedded features:

- (a) Optional conversion upon the next equity financing of at least \$15.0 million in proceeds. The conversion price was based on the per share price of the next equity financing, with a 50% discount.
- (b) Optional conversion upon a subsequent equity financing of at least \$15.0 million if the holder did not elect to convert upon the next equity financing, at the price that is set by the subsequent equity financing (no discount).
- (c) Optional conversion upon a change in control. In the event of a change in control, the holder could elect to convert the January 2020 Note into shares of common stock at a conversion price equal to (i) the product of the change in control purchase price multiplied by 50%, divided by (ii) the total number of outstanding shares of capital stock of the Company (on a fully diluted basis).
- (d) Optional redemption upon a change in control. In the event of a change in control, the holder could elect to request payment of all outstanding principal (with no penalty) and unpaid accrued interest.
- (e) Optional redemption upon the Company obtaining at least \$10.0 million in commercial debt which would result in the January 2020 Note having the same priority or being treated as subordinate to the commercial debt. In such scenario, the holder could elect to request payment of all outstanding principal (with no penalty) and unpaid accrued interest.
- (f) Automatic or optional redemption upon an event of default. Upon the occurrence of an event of default, the January 2020 Note would either automatically become due and payable or could become due and payable at the holder's option (based on the nature of the event of default). Upon such acceleration, all outstanding principal (with no penalty) and unpaid accrued interest would become payable.
- (g) Additional interest of 3% (or a total of 9%) upon an event of default.

In addition, in the event the holder did not convert upon an equity financing or change in control event, the noteholder could extend the maturity date of the January 2020 Note by five years beyond the original maturity date.

In addition, in the event the holder did not convert upon an equity financing, the interest rate on the January 2020 Note would automatically be adjusted to a rate of 4% per annum.

The Company assessed the embedded features within the January 2020 Note and determined that the automatic and optional conversion features upon the next equity financing (share-settled redemption features), the additional interest feature and the term extension feature met the definition of a derivative and were not clearly and closely related to the host contract and

HYLIION HOLDINGS CORP.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except as separately indicated)

required separate accounting. The Company also concluded that the conversion features did not represent beneficial conversion features.

At issuance, the Company estimated the fair value of the automatic and optional conversion features to be approximately \$2.7 million.

At issuance, the Company concluded the fair value of the additional interest and term extension features was de minimis.

The terms of the convertible notes payable include certain restrictive covenants related to the Company's ability to enter into certain transactions or agreements, pay dividends, or take other similar corporate actions.

In connection with the reverse recapitalization, immediately prior to the closing of the Business Combination, these convertible notes, plus accrued paid-in-kind interest, were converted into the Company's common stock on the closing date.

Payroll Protection Program Loan: During May 2020, the Company received loan proceeds in the amount of \$0.9 million under the Payroll Protection Program (the "PPP"). The PPP was established as part of Coronavirus Aid, Relief, and Economic Security Act and provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the business, subject to certain limitations. The loans and accrued interest are forgivable after eight weeks so long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and so long as the borrower maintains its pre-funding employment and wage levels. Although the Company used the PPP loan proceeds for purposes consistent with the provisions of the PPP and such usage met the criteria established for forgiveness of the loan, the Company repaid the balance of the PPP loan plus accrued interest during the three months ended March 31, 2021.

4. Investments

The amortized cost, unrealized gains and losses, and fair value, and maturities of our held-to-maturity investments at September 30, 2021 and December 31, 2020 are summarized as follows:

Fair Value Measurements as of September 30, 2021				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Commercial paper	\$ 93,452	\$ 8	\$ (7)	\$ 93,453
State and municipal bonds	17,798	5	(4)	17,799
Corporate bonds and notes	188,196	24	(278)	187,942
Total held-to-maturity investments	<u>\$ 299,446</u>	<u>\$ 37</u>	<u>\$ (289)</u>	<u>\$ 299,194</u>

As of September 30, 2021, the Company has determined that the unrealized losses totaling \$0.3 million are temporary and fully expects to recover the cost basis.

Fair Value Measurements as of December 31, 2020				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Treasury securities	\$ 149,996	\$ —	\$ (1)	\$ 149,995
Commercial paper	37,963	—	(15)	37,948
Corporate bonds and notes	49,892	—	(63)	49,829
Total held-to-maturity investments	<u>\$ 237,851</u>	<u>\$ —</u>	<u>\$ (79)</u>	<u>\$ 237,772</u>

	September 30, 2021		December 31, 2020	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 144,465	\$ 144,461	\$ 201,881	\$ 201,864
Due after one year through five years	154,981	154,733	35,970	35,908
Total held-to-maturity investments	<u>\$ 299,446</u>	<u>\$ 299,194</u>	<u>\$ 237,851</u>	<u>\$ 237,772</u>

HYLIION HOLDINGS CORP.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except as separately indicated)

5. Fair Value Measurements

ASC Topic 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value and the corresponding disclosure requirements around fair value measurements. This topic applies to all financial instruments that are being measured and reported on a fair value basis.

The fair value measurements of the Company's assets as of September 30, 2021 and December 31, 2020 are summarized as follows:

Fair Value Measurements as of September 30, 2021				
	Level I	Level II	Level III	Total
Cash and cash equivalents	\$ 289,486	\$ —	\$ —	\$ 289,486
Restricted cash	698	—	—	698
Held-to-maturity investments:				
Commercial paper	—	93,453	—	93,453
State and municipal bonds	—	17,799	—	17,799
Corporate bonds and notes	—	187,942	—	187,942
Total assets	<u>\$ 290,184</u>	<u>\$ 299,194</u>	<u>\$ —</u>	<u>\$ 589,378</u>

Fair Value Measurements as of December 31, 2020				
	Level I	Level II	Level III	Total
Cash and cash equivalents	\$ 389,705	\$ —	\$ —	\$ 389,705
Held-to-maturity investments:				
Treasury securities	—	149,995	—	149,995
Commercial paper	—	37,948	—	37,948
Corporate bonds and notes	—	49,829	—	49,829
Total assets	<u>\$ 389,705</u>	<u>\$ 237,772</u>	<u>\$ —</u>	<u>\$ 627,477</u>

6. Commitments and Contingencies

Legal Proceedings: The Company is periodically involved in legal proceedings, legal actions and claims arising in the normal course of business, including proceedings relating to product liability, intellectual property, safety and health, employment, and other matters. Management believes that the outcome of such legal proceedings, legal actions and claims will not have a significant adverse effect on the Company's financial position, results of operations or cash flows.

HYLIION HOLDINGS CORP.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except as separately indicated)

7. Warrants

On November 30, 2020, the Company issued a notice of redemption of all its outstanding Public Warrants and Forward Purchase Warrants which was completed in December 2020. However, the Private Warrants held by the initial holders thereof or permitted transferees of the initial holders were not subject to this redemption. As of December 31, 2020, all outstanding Public Warrants and Forward Purchase Warrants were either exercised or redeemed by the holder. As of December 31, 2020, the Company's transfer agent received gross proceeds of \$140.8 million corresponding to the exercise of 15,786,127 warrants. However, due to the timing of the receipt of the warrant exercise and the cash, the Company's transfer agent issued 15,414,592 shares of common stock as of December 31, 2020. The remaining 371,535 shares of common stock were issued in January 2021. Additionally, as of December 31, 2020, the Company's transfer agent had not yet remitted \$12.0 million of the gross proceeds associated with the shares of issued common stock to the Company and is included within prepaid expenses and other current assets on the accompanying consolidated balance sheets as of December 31, 2020. There were 281,065 warrants not exercised by the end of the redemption period that were redeemed for a price of \$0.01 per warrant, and subsequently cancelled by the Company. The Company made the redemption payment on these cancelled warrants in January 2021. Certain holders of the warrants elected a cashless exercise, resulting in the forfeiture of 3,118,445 shares. The accrued liability totaling \$4.3 million for warrants exercised but not settled represents all warrants that were exercised as of December 31, 2020 under broker protects resulting in cash collection and share issuance being delayed until January 4, 2021.

HYLIION HOLDINGS CORP.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except as separately indicated)

8. Share-Based Compensation

During the nine months ended September 30, 2021, the Company granted 3,754,228 restricted stock units and performance stock units to certain employees some of which will vest over a period of three or four years, and some of which will vest based on achievement of performance criteria. The criteria for the performance stock unit awards is based on the achievement of key milestones based on the Company's performance.

During the nine months ended September 30, 2020, the Company awarded 1,920,000 options to certain employees and non-employees, which will vest over a period of four years. The estimated grant date fair value of the options granted during the nine months ended September 30, 2020 totaled \$0.4 million.

Share-based compensation expense for the three and nine months ended September 30, 2021 was \$0.5 million and \$4.0 million, respectively. Share-based compensation expense for the three and nine months ended September 30, 2020 was \$0.1 million and \$0.2 million, respectively.

9. Leases

The Company has operating and finance leases for its corporate office, temporary office, vehicles, and equipment. In June 2021, the Company amended the lease for its corporate office. This amendment increased the amount of space under the original lease, adjusted the monthly lease payments, and extended the term of the lease through 2028. The Company accounted for this extension as a lease modification and recorded an increase to the operating lease right-of-use ("ROU") asset and lease liability of approximately \$4.1 million in the condensed consolidated balance sheets. The lease amendment includes the option to extend the term for up to two consecutive terms of five years each. When an implicit rate is not provided, the Company uses its incremental borrowing rate based on the information available at the lease commencement of modification date in determining the present value of the lease payments.

Supplemental cash flow information for the nine months ended September 30, 2021 and 2020 is summarized as follows:

	Nine Months Ended September 30,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ (977)	\$ (1,125)
Operating cash flows from finance leases	\$ (1)	\$ (27)
Right-of-use assets obtained in exchange for lease obligations	\$ 4,139	\$ —

10. Net Loss Per Share

The following table sets forth the computation of basic and diluted net loss per share of common stock for the three and nine months ended September 30, 2021 and 2020:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
(Dollar amounts in thousands, except share data)				
Numerator:				
Net loss attributable to common stockholders	\$ (26,615)	\$ (9,104)	\$ (66,421)	\$ (18,667)
Denominator:				
Weighted average shares outstanding, basic and diluted	172,987,672	87,398,704	171,842,664	86,981,200
Net loss per share, basic and diluted	\$ (0.15)	\$ (0.10)	\$ (0.39)	\$ (0.21)

The Company excluded 3,551,320 and 7,051,237 potential common shares from unexercised incentive and non-qualified stock options for the period ended September 30, 2021 and 2020, respectively, and 3,604,614 and no potential common shares from

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(Dollar amounts in thousands, except as separately indicated)

unvested restricted stock units for the period ended September 30, 2021 and 2020, respectively, from the computation of diluted net loss per share because including them would have had an anti-dilutive effect.

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

References to "we," "us," "our," the "Company," or "Hyllion" are to Hyllion Holdings Corp., together with its wholly-owned subsidiary, except where the context requires otherwise. The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and related notes thereto included elsewhere in this report and our audited consolidated financial statements and related notes thereto in our 2020 Amended Annual Report.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Exchange Act. Our forward-looking statements include, but are not limited to, statements regarding our or our management team's expectations, hopes, beliefs, intentions, or strategies regarding the future. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "possible," "potential," "predict," "project," "should," "would" and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking.

The forward-looking statements contained in this report are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control), or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. Factors that might cause or contribute to such a discrepancy include, but are not limited to, our ability to disrupt the powertrain market, our focus in 2021 and beyond; the effects of our dynamic and proprietary solutions on commercial truck customers; the ability to accelerate the commercialization of the Hypertruck ERX; our ability to meet 2021 and future product milestones; the impact of COVID-19 on long-term objectives; the ability of our solutions to reduce carbon intensity and greenhouse gas emissions, and the other risks and uncertainties described under the heading "Risk Factors" in our other SEC filings including in our 2020 Amended Annual Report (See Item 1A. Risk Factors). Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

Overview

Hyllion is a Delaware corporation headquartered in Cedar Park, Texas. On October 1, 2020, Tortoise Acquisition Corp. ("Tortoise") entered into a Business Combination with each of the shareholders of Hyllion Inc. ("Legacy Hyllion"), and consummated the merger contemplated by the Business Combination, with Legacy Hyllion surviving the merger as a wholly-owned subsidiary of Tortoise, which was renamed "Hyllion Holdings Corp." As a result of the Business Combination, we became an NYSE listed company.

Our mission is to be the leading provider of electrified powertrain solutions for the commercial vehicle industry. Our goal is to reduce the carbon intensity and the Greenhouse Gas ("GHG") emissions of the transportation sector by providing electrified powertrain solutions for Class 8 semi-trucks at the lowest total cost of ownership ("TCO"). Throughout our product offerings, we utilize proprietary battery systems, control software and data analytics, combined with fully integrated electric motors and power electronics, to produce electrified powertrain systems that either augment, in the case of our Hybrid eX system, or fully replace, in the case of the Hypertruck ERX system, traditional diesel or natural gas fueled powertrains and improve their performance. By reducing both GHG emissions and TCO, our environmentally conscious solutions support our customers' pursuit of their sustainability and financial objectives.

We are currently selling our Hybrid eX and developing our Hypertruck ERX electrified powertrain systems for long-haul Class 8 commercial vehicles. Our Hybrid eX system has been installed in low volumes on our initial customers' commercial vehicles. Across the customer installations and over the entire Hyllion fleet, we have accumulated millions of real world road miles on Class 8 commercial vehicles. Our Hybrid eX system can either be installed on a new vehicle prior to entering fleet service or retrofit to an existing in-service vehicle. Our Hypertruck ERX system's design and technology leverages the experience and operating data from our Hybrid eX system to replace the traditional diesel powertrain installed in new vehicles. Our Hypertruck ERX system will offer commercial vehicle owners and operators a net carbon negative electrified powertrain option for Class 8 commercial vehicles, when using certain Renewable Natural Gas ("RNG").

Our initial expected deliveries of our Hypertruck ERX systems to customers are designed to have their batteries recharged with Compressed Natural Gas ("CNG"). CNG fueled recharging is preferable due to both the current comparable cost of fuels and existing availability of CNG refueling infrastructure. Class 8 commercial vehicles can currently be refueled with CNG through existing, geographically diverse, and third-party accessible natural gas refueling stations established across North America.

Globally, RNG, CNG and liquefied natural gas (“LNG”) are used widely for land-based transport and trucking and Hyliion believes there are established, geographically diverse, and third-party accessible refueling stations available in certain areas in which Hyliion expects it may sell its electrified powertrain solutions in the future. We believe there is opportunity for adoption of our electrified powertrain solutions across Europe. This existing and accessible refueling infrastructure will significantly reduce the buildout time and cost required to utilize our Hypertruck ERX system as compared to other proposed potential electrified solutions. See “Risk Factors — Our future growth is dependent upon the commercial trucking industry’s willingness to adopt alternative fuel, hybrid and electric vehicles” discussed in our 2020 Amended Annual Report.

Our Hybrid eX and Hypertruck ERX systems are designed to be able to be installed on most major Class 8 commercial vehicles in the long term, which will give our customers the flexibility to continue using their preferred vehicle brands and maintain their existing fleet maintenance and operations strategies. Our early Hybrid eX system deployments include leaders in the transportation and logistics sector. We are focusing our initial marketing efforts on large fleet operators as well as companies committed to reducing the overall environmental impact and fuel costs of their owned and operated trucking fleets.

Recent Developments

None.

Comparability of Financial Information

Our historical operations and statements of assets and liabilities may not be comparable to our operations and statements of assets and liabilities as a result of the Business Combination and becoming a public company.

Business Combination and Public Company Costs

On October 1, 2020, we consummated the merger contemplated by the Business Combination, with Legacy Hyliion surviving the merger as a wholly-owned subsidiary of Tortoise, which was renamed Hyliion Holdings Corp.

Immediately prior to the closing of the Business Combination, all shares of issued and outstanding redeemable convertible preferred stock converted into shares of Legacy Hyliion common stock and all outstanding convertible notes payable plus accrued interest converted into shares of Legacy Hyliion common stock at the discount rates set forth in the original agreements. Upon the consummation of the Business Combination, each share of Legacy Hyliion common stock issued and outstanding was cancelled and converted into the right to receive the per share merger consideration. Additionally, Legacy Hyliion issued 1,000,000 shares of Legacy Hyliion common stock with a grant date fair value of \$10.00 per share to one of the convertible noteholders in connection with a business arrangement entered into in June 2020.

Upon the closing of the Business Combination, Tortoise’s certificate of incorporation was amended and restated to, among other things, increase the total number of authorized shares of capital stock to 260,000,000 shares, of which 250,000,000 shares were designated common stock, \$.0001 par value per share, and of which 10,000,000 shares were designated preferred stock, \$0.0001 par value per share.

In connection with the Business Combination, a number of investors purchased from the Company an aggregate of 30,750,000 shares of common stock, for a purchase price of \$10.00 per share and an aggregate purchase price of \$307.5 million pursuant to separate subscription agreements entered into effective June 18, 2020 (the “PIPE”). The PIPE investment closed simultaneously with the consummation of the Business Combination. Additionally, a purchaser purchased 1,750,000 Tortoise units (each unit consisting of one share of common stock and one half of one warrant, consisting of 1,750,000 shares of common stock and warrants to purchase 875,000 shares of common stock) for an aggregate purchase price of \$17.5 million pursuant to a forward purchase agreement entered into effective February 6, 2019, as amended by the First Amendment to Amended and Restated Forward Purchase Agreement, dated June 18, 2020. On November 30, 2020, the Company issued a notice of redemption of all of its outstanding Public Warrants and Forward Purchase Warrants which was completed in December 2020.

Legacy Hyliion was deemed the accounting acquirer in the Business Combination based on an analysis of the criteria outlined in ASC 805. The determination was primarily based on Legacy Hyliion’s stockholders prior to the Business Combination having a majority of the voting interests in the combined company, Legacy Hyliion’s board of directors comprising a majority of the board of directors of the combined company, Legacy Hyliion’s existing shareholders’ control over decisions regarding the election and removal of directors and officers of the combined company’s board of directors, and Legacy Hyliion’s senior management comprising the senior management of the combined company. Accordingly, for accounting purposes, the Business Combination was treated as the equivalent of Legacy Hyliion issuing stock for the net assets of Tortoise, accompanied by a recapitalization. The net assets of Tortoise are stated at historical cost, with no goodwill or intangible assets recorded.

As a result of the Business Combination, we became an NYSE listed company, which requires us to hire additional personnel and implement procedures and processes to address public company regulatory requirements and customary practices. We have incurred, and expect to continue 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, legal and administrative resources, including increased audit, compliance, and legal fees.

Key Factors Affecting Operating Results

We believe that our performance and future success depend on several factors that present significant opportunities for us but also pose risks and challenges, including, but not limited to those discussed below and in Item 1A “Risk Factors” in our 2020 Amended Annual Report.

Successful Commercialization of Our Drivetrain Solutions

Our Hybrid eX system officially launched, and our first Hypertruck ERX showcase unit was unveiled, on August 31, 2021 at the ACT Expo in Long Beach, CA. Compared to previous Hyliion Hybrid systems, the Hybrid eX offers fleets a lighter solution that is easier to install, service and operate. The Hybrid eX draws upon the real-world feedback Hyliion has received from customers and the millions of miles logged with the previous system. Due to shortages of various components caused by global supply chain disruptions, we are experiencing longer delivery times because of supply delays for a portion of the orders we have received on new Hybrid eX units. We expect to begin recognizing revenue on Hybrid eX units in the fourth quarter of 2021. In addition, we are assessing the potential demand impact for the Hybrid eX product offering in light of recent changes within the competitive landscape.

We began our Hypertruck ERX roadshow in November 2021 with a two-day showcase event focused on demonstrating the features and benefits of the powertrain firsthand. The roadshow consists of ride-alongs and in-depth product education to provide in-depth education on the Hypertruck ERX’s features and benefits, including how it enables fleets’ decarbonization goals while also reducing total cost of ownership. Our development timeline has been extended to allow for design verification and testing inclusive of critical summer and winter seasons, as well as the accumulation of up to one million miles prior to production. We expect to complete design verification and initial controlled fleet trials by the end of 2022.

While we have recently achieved critical product milestones, shortages in the supply chain and changes to the development program have led to an extension in the go-forward development timeline. Similar to others in the automotive industry, the semiconductor shortage, as well as several other key components, is extending our timelines longer than expected. These supply chain challenges have been especially prominent in the trucking industry, and one of the impacts has been significantly extended lead times for ordering new trucks. Fleets are experiencing lead times on new truck purchases that extend out for delivery into 2023. We have already placed orders with Peterbilt for all chassis needed in 2022 and are working to secure build slots for the 2023 calendar year in an effort to mitigate future supply chain impacts to our Hypertruck ERX development schedule. We continue to work closely with our current supply base to improve delivery of components for the quarters ahead and are diligently seeking alternative sources of supply for components that meet our technical specifications with shorter lead times.

We anticipate that a substantial portion of our capital resources and efforts in the near future will be focused on the continued development and commercialization of our drivetrain solutions. The amount and timing of our future funding requirements, if any, will depend on many factors, including the pace and results of our research and development efforts, as well as factors that are outside of our control.

Customer Demand

We have deployed our Demonstrator Hybrid system units to a number of companies, and our Hypertruck ERX system is generating interest from companies who have received our Demonstrator Hybrid system units as well as potential new customers. We recently announced a reservation for 300 Hypertruck ERX units from Detmar Logistics, a leading oilfield logistics company. An early adopter of electrification solutions in the industry, Detmar placed an initial order for 10 Hybrid systems earlier this spring. The successful program and deployment met with positive feedback from Detmar’s operations team, drivers, and customers, and generated further interest in the Hypertruck ERX solution and a longer-term commercial relationship with Hyliion. The purchase and sale of the 300 Hypertruck ERX units is subject to the execution of a final agreement between Hyliion and Detmar.

Key Components of Statements of Operations

Research and Development Expense

Research and development expense consists primarily of costs incurred for the discovery and development of our electrified powertrain solutions, which include:

- personnel-related expenses, including salaries, benefits, travel, and share-based compensation, for personnel performing research and development activities;
- fees paid to third parties such as consultants and contractors for outsourced engineering services;
- expenses related to materials, supplies and third-party services;
- depreciation for equipment used in research and development activities; and

- allocation of general overhead costs.

We expect research and development costs to increase for the foreseeable future as we continue to invest in research and development activities to achieve operational and commercial goals.

Selling, General and Administrative Expense

Selling, general and administrative expense consists of personnel-related expenses for our corporate, executive, finance, sales, marketing and other administrative functions, expenses for outside professional services, including legal, audit and accounting services, as well as expenses for facilities, depreciation, amortization, travel, sales, and marketing costs. Personnel-related expenses consist of salaries, benefits, and share-based compensation.

We expect our selling, general and administrative expenses, including legal, audit, and additional insurance expenses, investor relations activities and other administrative and professional services, to increase for the foreseeable future as we scale headcount with the growth of our business and operate as a public company in compliance with the rules and regulations of the SEC.

Other Income (Expense)

Other income and expense consists primarily of interest expense incurred on our debt obligations, interest income earned on our investments and a remeasurement gain or loss associated with the change in the fair value on our convertible notes payable derivative liabilities.

Results of Operations

Comparison of Three Months Ended September 30, 2021 to Three Months Ended September 30, 2020

The following table summarizes our results of operations on a consolidated basis for the three months ended September 30, 2021 and 2020 (in thousands, except share data):

	Three Months Ended September 30,			
	2021	2020	\$ Change	% Change
Operating expenses				
Research and development	\$ (18,150)	\$ (2,909)	\$ (15,241)	523.9 %
Selling, general and administrative	(8,660)	(2,140)	(6,520)	304.7 %
Loss from operations	(26,810)	(5,049)	(21,761)	431.0 %
Other income (expense):				
Interest expense	—	(2,230)	2,230	(100.0)%
Interest income	195	—	195	— %
Change in fair value of convertible notes payable derivative liabilities	—	(1,813)	1,813	(100.0)%
Other income (expense)	—	(12)	12	(100.0)%
Total other income (expense)	195	(4,055)	4,250	(104.8)%
Net loss	<u>\$ (26,615)</u>	<u>\$ (9,104)</u>	<u>\$ (17,511)</u>	<u>192.3 %</u>
Weighted-average shares outstanding, basic and diluted	<u>172,987,672</u>	<u>87,398,704</u>	<u>85,588,968</u>	<u>97.9 %</u>
Net loss per share, basic and diluted	<u>\$ (0.15)</u>	<u>\$ (0.10)</u>	<u>\$ (0.05)</u>	<u>50.0 %</u>

Research and Development

Research and development expenses increased by \$15.2 million from \$2.9 million for the three months ended September 30, 2020 to \$18.2 million for the three months ended September 30, 2021 primarily as a result of increased expenditures by \$11.9 million for components utilized in the development process to commercialize our Hybrid system and continue the design and testing of our Hypertruck ERX system, increased labor by \$2.6 million as we build out our engineering, operations, and supply chain teams and associated capabilities, and increased other expenditures by \$0.7 million.

Selling, General and Administrative

Selling, general, and administrative expenses increased by \$6.5 million from \$2.1 million for the three months ended September 30, 2020 to \$8.7 million for the three months ended September 30, 2021, primarily due to additional costs incurred to operate as

a public company which includes increased expenses for personnel and benefits by \$2.3 million, increased expenditures for legal and professional fees by \$0.9 million, increased expenditures for insurance primarily relating to directors' and officers' liability insurance policy by \$1.2 million, and increased other expenditures by \$2.1 million.

Other Income (Expense)

Total other income increased by \$4.3 million from \$4.1 million of other expense for the three months ended September 30, 2020 to \$0.2 million of other income for the three months ended September 30, 2021. The increase was primarily due to the following:

- Interest expense for the three months ended September 30, 2020 of \$2.2 million was primarily related to our convertible notes payable, which were converted to shares of common stock as part of the Business Combination in October 2020. As such, there was no interest expense during the three months ended September 30, 2021;
- A loss from the change in fair value of convertible notes payable derivative liabilities of \$1.8 million for the three months ended September 30, 2020. The convertible notes payable were converted to shares of common stock as part of the Business Combination in October 2020. As such, there was no change in fair value of convertible notes payable derivative liabilities during the three months ended September 30, 2021; and
- Interest income of \$0.2 million on investments owned during the three months ended September 30, 2021 that were not owned during the comparative period.

Comparison of Nine Months Ended September 30, 2021 to Nine Months Ended September 30, 2020

The following table summarizes our results of operations on a consolidated basis for the nine months ended September 30, 2021 and 2020 (in thousands, except share data):

	Nine Months Ended September 30,		\$ Change	% Change
	2021	2020		
Operating expenses				
Research and development	\$ (40,871)	\$ (8,134)	\$ (32,737)	402.5 %
Selling, general and administrative	(26,111)	(3,705)	(22,406)	604.8 %
Loss from operations	(66,982)	(11,839)	(55,143)	465.8 %
Other income (expense):				
Interest expense	—	(5,458)	5,458	(100.0)%
Interest income	561	—	561	— %
Change in fair value of convertible notes payable derivative liabilities	—	(1,358)	1,358	(100.0)%
Other expense	—	(12)	12	(100.0)%
Total other income (expense)	561	(6,828)	7,389	(108.2)%
Net loss	<u>\$ (66,421)</u>	<u>\$ (18,667)</u>	<u>\$ (47,754)</u>	<u>255.8 %</u>
Weighted-average shares outstanding, basic and diluted	171,842,664	86,981,200	84,861,464	97.6 %
Net loss per share, basic and diluted	<u>\$ (0.39)</u>	<u>\$ (0.21)</u>	<u>\$ (0.18)</u>	<u>85.7 %</u>

Research and Development

Research and development expenses increased by \$32.7 million from \$8.1 million for the nine months ended September 30, 2020 to \$40.9 million for the nine months ended September 30, 2021 primarily as a result of increased expenditures for components utilized in the development process by \$18.9 million in our efforts to commercialize our Hybrid system and continue the design and testing of our Hypertruck ERX system, increased expenditures for external consultancy by \$4.6 million to bring in industry expertise to assist in achieving our commercialization milestones, increased labor by \$6.5 million as we build out our engineering, operations, and supply chain teams and associated capabilities, increased costs by \$2.0 million associated with the purchase of vehicles and equipment to be used in testing of our products, and increased other expenditures by \$0.7 million.

Selling, General and Administrative

Selling, general, and administrative expenses increased by \$22.4 million from \$3.7 million for the nine months ended September 30, 2020 to \$26.1 million for the nine months ended September 30, 2021, primarily due to additional costs incurred to operate as a public company which includes increased expenses for personnel and benefits by \$9.0 million, increased

expenditures for legal and professional fees by \$5.7 million, increased expenditures for insurance primarily relating to our directors' and officers' liability insurance policy by \$3.5 million, increased marketing and promotional expenses by \$1.1 million, increased information technology expenses associated with additional resources and computer system upgrades of \$1.0 million, and increased other expenditures by \$2.1 million.

Other Income (Expense)

Total other income increased by \$7.4 million from \$6.8 million of other expense for the nine months ended September 30, 2020 to \$0.6 million of other income for the nine months ended September 30, 2021. The increase was primarily due to the following:

- Interest expense for the nine months ended September 30, 2020 of \$5.5 million was primarily related to our convertible notes payable, which were converted to shares of common stock as part of the Business Combination in October 2020. As such, there was no interest expense during the nine months ended September 30, 2021;
- A loss from the change in fair value of convertible notes payable derivative liabilities of \$1.4 million for the nine months ended September 30, 2020. The convertible notes payable were converted to shares of common stock as part of the Business Combination in October 2020. As such, there was no change in fair value of convertible notes payable derivative liabilities during the nine months ended September 30, 2021; and
- Interest income of \$0.6 million on investments owned during the nine months ended September 30, 2021 that were not owned during the comparative period.

Liquidity and Capital Resources

Prior to the Business Combination, the Company's operations were financed through private placements of redeemable convertible preferred stock and the issuance of convertible notes payable. As of September 30, 2021, our principal sources of liquidity were our cash and cash equivalents in the amount of \$289.5 million, which are primarily invested in money market funds.

On November 30, 2020, we issued a notice of redemption to the warrant holders for a redemption of all of the outstanding warrants, on a cash basis, or in the case of the private placement warrants issued in connection with Tortoise's initial public offering in March 2019 on a cashless basis. As a result, we raised gross proceeds of \$140.8 million, \$16.3 million of which was received during the first quarter of 2021.

As of the date of this Quarterly Report on Form 10-Q, we have yet to generate revenue from our core business operations. As of September 30, 2021, our current assets were \$439.8 million, consisting primarily of cash and cash equivalents of \$289.5 million, short-term investments of \$144.5 million, and prepaid expenses and other current assets of \$5.5 million. Our current liabilities were \$16.0 million primarily comprised of accounts payable, accrued expenses, and operating lease liabilities.

We believe the credit quality and liquidity of our investment portfolio as of September 30, 2021 is strong and will provide sufficient liquidity to satisfy operating requirements, working capital purposes and strategic initiatives. The unrealized gains and losses of the portfolio may remain volatile as changes in the general interest environment and supply/demand fluctuations of the securities within our portfolio impact daily market valuations. To mitigate the risk associated with this market volatility, we deploy a relatively conservative investment strategy focused on capital preservation and liquidity whereby no investment security may have a final maturity of more than 36 months from the date of acquisition or a weighted average maturity exceeding 18 months. Eligible investments under the Company's investment policy bearing a minimum credit rating of A1, A-1, F1 or higher for short-term investments and A2, A, or higher for longer-term investments include money market funds, commercial paper, certificates of deposit, and municipal securities. Additionally, all our debt securities are classified as held-to-maturity as we have the intent and ability to hold these investment securities to maturity, which minimizes the realized losses that we would recognize. However, even with this approach we may incur investment losses as a result of unusual or unpredictable market developments, and we may experience reduced investment earnings if the yields on investments deemed to be low risk remain low or decline further due to unpredictable market developments. In addition, these unusual and unpredictable market developments may also create liquidity challenges for certain of the assets in our investment portfolio.

Based on our past performance, we believe our current assets will be sufficient to continue to execute on our business strategy and meet our capital requirements for the next twelve months. Our primary short-term cash needs are paying operating expenses. We expect to continue to incur net losses in the short term, as we continue to execute on our strategic initiatives by (i) completing the development and commercialization of the hybrid and electrified drive systems for long haul "Class 8" semi-tractors, (ii) scaling the Company's operations to meet anticipated demand, and (iii) hiring personnel. However, actual results could vary materially and negatively as a result of a number of factors including, but not limited to, those discussed in the section "Risk Factors" in Item 1A in our 2020 Amended Annual Report.

Cash Flows Used in Operating Activities

For the nine months ended September 30, 2021, cash flows used in operating activities were \$49.8 million. The cash used related to Hyliion's net loss of \$66.4 million, adjusted for changes in Hyliion's working capital accounts of \$9.9 million and certain non-cash expense of \$6.7 million (including \$0.7 million related to non-cash lease expense, \$0.7 million related to depreciation and amortization, \$1.3 million related to amortization of investment premiums and discounts, and \$4.0 million related to share-based compensation).

For the nine months ended September 30, 2020, cash flows used in operating activities were \$11.0 million. The cash used related to Hyliion's net loss of \$18.7 million, adjusted for changes in Hyliion's working capital accounts of \$0.5 million and certain non-cash expense of \$8.2 million (including \$0.7 million related to non-cash lease expenses, \$0.7 million related to depreciation and amortization, \$1.4 million related to a loss from the change in fair value of the convertible notes payable derivative liabilities, \$4.2 million related to amortization of the debt discount and \$1.1 million related to paid-in-kind interest on convertible notes payable).

Cash Flows Used in Investing Activities

For the nine months ended September 30, 2021, cash used in investing activities primarily related to the purchase of investments of \$268.7 million and capital expenditures of \$2.2 million, offset by the proceeds from the sale and maturity of investments of \$205.4 million.

For the nine months ended September 30, 2020, cash used in investing activities primarily related to net capital expenditures and totaled \$0.1 million.

Net cash used in investing activities is expected to continue to increase substantially as we purchase additional property and equipment as we continue the development of our Hybrid and Hypertruck ERX systems and scale manufacturing operations to meet anticipated demand.

Cash Flows Provided by Financing Activities

For the nine months ended September 30, 2021, cash provided by financing activities was \$15.9 million, which was primarily generated from proceeds from the exercise of warrants of \$16.3 million and proceeds from the exercise of stock options of \$0.6 million, offset by repayment of the PPP loan of \$0.9 million.

For the nine months ended September 30, 2020, cash provided by financing activities was \$12.3 million which was primarily due to \$3.2 million of proceeds from the issuance of a convertible note payable and derivative liabilities and proceeds from a term loan of \$10.1 million and PPP loan of \$0.9 million, partially offset by the repayment on finance lease obligations and payment for deferred transaction and financing costs of \$2.0 million.

Critical Accounting Policies and Estimates

In preparing our condensed consolidated financial statements, we applied the same critical accounting policies as described in our 2020 Amended Annual Report that affect judgments and estimates of amounts recorded for certain assets, liabilities, revenues, and expenses.

Off-Balance Sheet Arrangements

During the periods presented, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities, which were established for the purpose of facilitating off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company as defined in Rule 12b-2 of the Exchange Act and are not required to provide the information otherwise required by this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Based on our management's evaluation (with the participation of our Principal Executive Officer and Principal Financial Officer) of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, our Principal Executive Officer and Principal Financial Officer have concluded that, as of September 30, 2021, in light of the material weaknesses described below, our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were not effective to ensure that the information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure as of September 30, 2021.

Material Weaknesses in Internal Control over Financial Reporting

A material weakness is a deficiency, or 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.

As previously identified and described under Item 9A in the Company's 2020 Amended Annual Report, the following material weaknesses were present at December 31, 2020: (a) segregation of duties (resulting from the small number of individuals performing the accounting functions), including the lack of a formal journal entry review and approval process; (b) the design and operation of our information technology general controls; and (c) our overall closing and financial reporting processes, including accounting for significant and unusual transactions.

The material weaknesses described above could result in a misstatement of the aforementioned account balances or disclosures that would result in a material misstatement of the annual or interim consolidated financial statements that would not be prevented or detected.

Remediation

To remediate the material weaknesses described above, we are implementing and/or plan to implement the following:

- To remediate the segregation of duties issue, the Company plans to leverage NetSuite configuration and workflow while expanding the accounting team and reviewing roles;
- To remediate the lack of a formal journal entry review and approval process, during the three months ended March 31, 2021, the Company implemented workflow steps within NetSuite to ensure all journal entries are approved before posting to the general ledger;
- To remediate the information technology controls issue, the Company implemented NetSuite, an Oracle cloud-based ERP and financial reporting solution. This solution allows personnel to implement workflow controls;
- To remediate the material weakness in the overall closing and financial reporting processes, including accounting for significant and unusual transactions, the Company has hired additional internal legal and accounting support, as well as engaged third-party professionals to assist with technical matters; and
- To remediate the financial reporting issue over complex financial instruments, the Company is enhancing its processes to identify and appropriately apply applicable accounting requirements for complex accounting standards, including providing enhanced access to accounting literature, research materials and increased communication among our personnel and third-party professionals with whom we consult regarding complex accounting applications.

While the remediation plan has been developed, and action has been taken on resolution of required activities within it, there are still a significant number of steps to be taken to enable management to complete the remediation. Accordingly, we concluded that the material weaknesses had not yet been remediated as of September 30, 2021. We expect to complete our remediation efforts by the end of 2021, subject to operation of controls for a sufficient period.

Changes in Internal Control over Financial Reporting

As discussed above, we are implementing certain measures to remediate the material weaknesses identified in the design and operation of our internal control over financial reporting. Other than those measures, there have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION**Item 1. Legal Proceedings**

From time to time in the ordinary course of business, the Company may be named as a defendant in legal proceedings related to various issues, including workers' compensation claims, tort claims, or contractual disputes. We are not currently involved in any material legal proceedings.

Item 1A. Risk Factors

A description of the risk factors associated with our business is contained in the "Risk Factors" section of our 2020 Amended Annual Report. There have been no material changes to our Risk Factors as therein previously reported.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On August 16, 2021, the Company filed a Current Report on Form 8-K (the "August 16th Form 8-K") reporting that, on August 10, 2021, the Company had entered into an employment agreement with Dennis M. Gallagher who will serve as the Company's Chief Operating Officer, effective August 16, 2021 (the "Employment Agreement"). The material terms of the Employment Agreement are described in the August 16th Form 8-K and a copy of the Employment Agreement is included as Exhibit 10.1 to this report on Form 10-Q.

Item 6. Exhibits

Exhibit Number	Description
3.1	Second Amended and Restated Certificate of Incorporation of Hyliion Holdings Corp. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on October 7, 2020).
3.2	Amended and Restated Bylaws of Hyliion Holdings Corp. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on October 7, 2020).
10.1	Employment Agreement, dated August 10, 2021, by and between Hyliion Holdings Corp. and Dennis M. Gallagher.
31.1*	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on this 9th day of November 2021.

HYLIION HOLDINGS CORP.

/s/ Thomas Healy

Name: Thomas Healy
Title: President and Chief Executive Officer
(Principal Executive Officer)

/s/ Sherri Baker

Name: Sherri Baker
Title: Chief Financial Officer
(Principal Financial Officer)

EMPLOYMENT AGREEMENT

This Employment Agreement ("**Agreement**") is made and entered into by and between Hyllion Holdings Corp., a Delaware corporation, (the "**Company**"), and Dennis M. Gallagher ("**Employee**"), and shall be effective as of the Effective Date, as defined below. This Agreement is intended to terminate and supersede any employment agreement, offer letter or other employment-related agreement by and between Employee and the Company, any Company subsidiary or predecessor entity.

RECITALS

WHEREAS, the Company and Employee desire to enter into this Agreement on the terms and subject to the conditions set forth herein, effective as of August 16, 2021 (the "**Effective Date**").

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

1. **Employment.** During the Employment Period (as defined in Section 4), the Company shall employ Employee, and Employee shall serve, as Chief Operating Officer of the Company and in such other position or positions as may be assigned from time to time by the Chief Executive Officer ("**CEO**") of the Company or as otherwise designated by the board of directors of the Company (the "**Board**").

2. **Duties and Responsibilities of Employee.**

(a) Employee shall, during the Employment Period, devote Employee's best efforts and full business time and attention to the businesses of the Company and its direct and indirect subsidiaries as may exist from time to time (collectively, the Company and its current and future wholly owned direct and indirect subsidiaries are referred to as the "**Company Group**") as may be requested by the CEO from time to time. Employee's duties and responsibilities shall include those normally incidental to the position(s) identified in Section 1, as well as such additional duties as may be assigned to Employee by the CEO from time to time, which duties and responsibilities may include providing services to other members of the Company Group in addition to the Company. Employee shall report to the CEO. Employee may, without violating this Section 2(a), (i) as a passive investment, own publicly-traded securities in such form or manner as will not require any services by Employee in the operation of the entities in which such securities are owned; or (ii) engage in outside activities provided (x) such ownership interests or activities (including but not limited to membership on boards of directors of for-profit organizations), so long as such ownership interests or activities do not interfere with Employee's ability to fulfill Employee's duties and responsibilities under this Agreement and are not inconsistent with Employee's obligations to any member of the Company Group or competitive with the business of any member of the Company Group; and (y) Employee gives written notice to the CEO of any significant outside business activity in which Employee plans to

become involved, if such activity is pursued for profit. Notwithstanding the foregoing, Employee will not serve as a member on any Board of Directors (or similar body) of any for-profit organization without first obtaining the express written approval of the CEO. Employee has listed, in Exhibit A attached hereto, a complete list of all such entities and/or organizations that may be implicated by this Section 2, which shall be deemed approved by the CEO.

(b) Employee hereby represents and warrants that Employee is not the subject of, or a party to, any non-competition, non-solicitation, restrictive covenant or non-disclosure agreement, or any other agreement, obligation, restriction or understanding that would prohibit Employee from executing this Agreement or fully performing each of Employee's duties and responsibilities hereunder, or would in any manner, directly or indirectly, limit or affect any of the duties and responsibilities assigned to Employee hereunder. Employee expressly acknowledges and agrees that Employee is strictly prohibited from using or disclosing any confidential information belonging to any prior employer or third party in the course of performing services for any member of the Company Group, and Employee promises that Employee shall not do so. Employee shall not introduce documents or other materials containing confidential information of any prior employer and/or other third party to the premises or property (including computers and computer systems) of any member of the Company Group.

(c) Employee owes each member of the Company Group fiduciary duties (including (i) duties of loyalty and disclosure and (ii) such fiduciary duties that an officer of the Company would have if the Company were a corporation organized under the laws of the State of Delaware), and the obligations described in this Agreement are in addition to, and not in lieu of, the obligations Employee owes each member of the Company Group under statutory and common law.

3. Compensation.

(a) Base Salary. During the Employment Period, the Company shall pay to Employee an annualized base salary of \$500,000 (the "**Base Salary**") in consideration for Employee's services under this Agreement, payable in substantially equal installments in conformity with the Company's customary payroll practices for similarly situated employees as may exist from time to time, but no less frequently than monthly. Employee's Base Salary will be reviewed annually by the CEO based on the performance of the Employee and the Company. The CEO may, but will not be required to, increase the Base Salary during the Initial and any Renewal Term.

(b) Target Bonus; Sign-On Bonus.

(i) In addition to the Base Salary, during the Employment Period, Employee will be entitled to participate in an annual incentive compensation plan of the Company. Employee's target annual bonus will be equal to 75% of Employee's Base Salary as in effect for such year (the "**Target Bonus**") based upon achievement of performance goals established by the Compensation Committee of the Board pursuant to such plan. The Target Bonus will be paid at the time and in the manner specified under the annual incentive compensation plan of the Company.

(ii) The Company will pay Employee a one-time cash bonus (the “**Sign-On Bonus**”) in the amount of \$100,000 to be paid on the first payroll following Employee’s start date. If, within one (1) year of hire date, Employee is terminated for Cause (as defined hereinbelow) or Employee chooses to leave the employment of the Company, Employee (or Employee’s representative) agrees to repay the full amount of the Sign-On Bonus received by Employee after taxes and withholdings (the “**Repayment Amount**”) on the date of Employee’s termination or departure. Employee agrees that, should Employee be required to repay the Sign-On Bonus, the Company may make deductions from Employee’s compensation up to the full Repayment Amount, consistent with applicable law. If such deductions do not fully repay the Repayment Amount, Employee agrees to remit the balance to the Company.

(c) Equity Awards.

(i) Subject to the approval of the Compensation Committee of the Board (the “Compensation Committee”), Employee will be granted as soon as administratively practicable following the Effective Date two one-time stock awards (each a “**Special Award**”).

(A) The first Special Award will cover such number of shares of the Company’s common stock valued at \$235,324 as of the grant date, disregarding any fractional share amounts. The first Special Award will be immediately 100% vested upon grant. If, within two (2) years of date when the first Special Award is granted, Employee is terminated for Cause (as defined hereinbelow) or Employee chooses to leave the employment of the Company, Employee (or Employee’s representative) agrees to return either the shares of common stock underlying this first Special Award (for no consideration from the Company or its affiliates) or the cash value of such shares as of the date of the Employee’s termination or departure. Employee agrees that, should Employee be required to repay the cash value for the shares, the Company may make deductions from Employee’s compensation to repay the full amount owed, consistent with applicable law. If such deductions do not fully repay the amount owed, Employee agrees to remit the balance to the Company. Employee acknowledges and agrees that Employee is bound by the Company’s insider trading policy.

(B) The second Special Award will cover such number of shares of the Company’s common stock valued at \$441,606 as of the grant date, disregarding any fractional share amounts. The second Special Award will vest over a three-year period, with 33.33% of this Special Award vesting on the one-year anniversary of the first Quarterly Vesting Date (as defined below) following the applicable grant date and approximately 8.33% of the second Special Award vesting on each Quarterly Vesting Date thereafter, subject to Employee remaining in Continuous Service (as defined in the Company’s 2020 Equity Incentive Plan (the “2020 Plan”)) through such Quarterly Vesting Date. If, within two (2) years

of date when the second Special Award is granted, Employee is terminated for Cause (as defined hereinbelow) or Employee chooses to leave the employment of the Company, Employee (or Employee's representative) agrees to return either the shares of common stock underlying this second Special Award (for no consideration from the Company or its affiliates) or the cash value of such shares as of the date of the Employee's termination or departure. Employee agrees that, should Employee be required to repay the cash value for the shares, the Company may make deductions from Employee's compensation to repay the full amount owed, consistent with applicable law. If such deductions do not fully repay the amount owed, Employee agrees to remit the balance to the Company. Employee acknowledges and agrees that Employee is bound by the Company's insider trading policy. For purposes of this agreement, "**Quarterly Vesting Dates**" with respect to any calendar year means February 15, May 15, August 15, or November 15, as applicable, provided, to the extent any of such dates occurs on a weekend day or U.S. federal holiday, the Quarterly Vesting Date will be deemed to occur instead on the immediately following day that is not a weekend day or federal holiday.

(ii) Subject to the approval of the Compensation Committee, Employee will be granted annual time-vested restricted stock unit awards (each, a "**Time-Vested Award**") and a one-time performance-based restricted stock unit award (a "**Performance Award**") as soon as administratively practicable following the Effective Date. Notwithstanding anything to the contrary in this Agreement, the Time-Vested Award and the Performance Award will not be deemed granted unless and until the vesting schedule and all other material terms of such equity awards have been approved by the Compensation Committee. Employee acknowledges and agrees that the actual grant dates for future Time-Vested Awards shall be determined by the Compensation Committee and may be coordinated with the annual grant dates for Time-Vested Awards granted to other employees.

(iii) Each annual Time-Vested Award will cover such number of shares of the Company's common stock valued at \$700,000 as of the applicable grant date, disregarding any fractional share amounts; provided, that for purposes of determining the number of shares to be issued in connection with each annual grant, the Company's common stock shall in no event be valued below \$10 per share, and the Board or Compensation Committee may reduce the amount of any annual Time-Vested Award in connection with a general reduction in Time-Vested Awards that affects all similarly situated executives of the Company in substantially the same proportions. Each Time-Vested Award will vest over a three-year period, with 33.33% of the Time-Vested Award vesting on the one-year anniversary of the first Quarterly Vesting Date following the applicable grant date and approximately 8.33% of the Time-Vested Award vesting on each Quarterly Vesting Date thereafter, subject to Employee remaining in Continuous Service (as defined in the 2020 Plan) through such Quarterly Vesting Date.

(iv) The Performance Award will have a target of 250,000 performance based restricted stock units (62,500 per each of the four performance periods specified therein, with the pro rata portion of 62,500 based on Employee's start date). The Performance Award will vest based upon the achievement of objective performance criteria, as determined by the Compensation Committee in its sole and absolute discretion prior to the date of grant of the Performance Award, during the period as provided in the Company's form of performance-based restricted stock unit award agreement filed with the Securities and Exchange Commission on April 1, 2021.

(v) In the event of a Change in Control (as defined in the 2020 Plan), unless determined otherwise by the Board or the Compensation Committee, with the consent of Employee, prior to such Change in Control, and provided Employee remains in Continuous Service through immediately prior to such Change in Control, the Performance Award will vest immediately prior to the Change in Control based upon the actual achievement of the applicable performance vesting criteria to which the Performance Award is subject (measured as of immediately prior to the Change in Control), taking into account performance through the latest date preceding the Change in Control as to which performance can, as a practical matter, be determined (but not later than the end of the applicable performance period). For clarity, any portion of the Performance Award that has not vested as of immediately prior to a Change in Control (after taking into account the vesting treatment contemplated in the immediately preceding sentence) will be forfeited without cost to the Company, unless otherwise determined by the Board or the Compensation Committee prior to such Change in Control. In addition, if the Time-Vested Award is not assumed, substituted for or otherwise continued by the successor corporation (or a parent or subsidiary thereof) in the event of a Change in Control, or if this Agreement is not assumed or replaced with a substantially similar (or more beneficial) employment agreement (excluding performance-based equity awards) by the successor corporation (or a parent or subsidiary thereof) in the event of a Change in Control, the Time-Vested Award will fully vest and will be settled immediately prior to the consummation of such Change in Control, subject to Employee remaining in Continuous Service through immediately prior to such Change in Control.

(vi) Each of the Time-Vested Award and the Performance Award will be granted under and subject to the terms and conditions of the 2020 Plan and an appropriate form of award agreement approved by the Board or the Compensation Committee for use thereunder. The terms of this Agreement shall be reflected in such award agreement, and in the event of any conflict between the terms of such award agreement and this Agreement, the terms of such award agreement shall govern and control.

4. **Term of Employment.** The initial term of Employee's employment under this Agreement shall be for the period beginning on the Effective Date and ending on the third (3rd) anniversary of the Effective Date (the "**Initial Term**"). On the third (3rd) anniversary of the Effective Date and on each subsequent anniversary thereafter, the term of Employee's

employment under this Agreement shall automatically renew and extend for a period of twelve (12) months (each such twelve (12)-month period being a “**Renewal Term**”) unless written notice of non-renewal is delivered by either party to the other not less than one hundred eighty (180) days prior to the expiration of the then-existing Initial Term or Renewal Term, as applicable. Notwithstanding any other provision of this Agreement, Employee’s employment pursuant to this Agreement may be terminated at any time in accordance with Section 7. The period from the Effective Date through the expiration of this Agreement or, if sooner, the termination of Employee’s employment pursuant to this Agreement, regardless of the time or reason for such termination, shall be referred to herein as the “**Employment Period**.”

5. **Business Expenses.** Subject to Section 22, the Company shall reimburse Employee for Employee’s reasonable out-of-pocket business-related expenses actually incurred in the performance of Employee’s duties under this Agreement so long as Employee timely submits all documentation for such expenses, as required by Company policy in effect from time to time. Any such reimbursement of expenses shall be made by the Company in accordance with the Company’s expense reimbursement policy as in effect from time to time following the receipt of such documentation. In no event shall any reimbursement be made to Employee for any expenses incurred after the date of Employee’s termination of employment with the Company.

6. **Benefits.** During the Employment Period, Employee shall be eligible to participate in the same benefit plans and programs in which other similarly situated Company employees are eligible to participate, subject to the terms and conditions of the applicable plans and programs in effect from time to time. The Company shall not, however, by reason of this Section 6, be obligated to institute, maintain, or refrain from changing, amending, or discontinuing, any such plan or policy, so long as such changes are similarly applicable to similarly situated Company employees generally.

7. **Termination of Employment.**

(a) **Company’s Right to Terminate Employee’s Employment for Cause.** The Company shall have the right to terminate Employee’s employment hereunder at any time for Cause. For purposes of this Agreement, “**Cause**” shall mean:

(i) Employee’s material breach of this Agreement (including, but not limited to his/her willful failure or refusal to follow any lawful directive of the Board) or any other written agreement between Employee and one or more members of the Company Group;

(ii) Employee is convicted of, or pleads guilty or *nolo contendere* to, any felony, or any misdemeanor involving moral turpitude, in either case other than related to a motor vehicle violation;

(iii) Employee’s intentional or grossly negligent act of fraud or dishonesty against the Company or a member of the Company Group, which causes or

can reasonably be expected to cause material loss, damage or injury to the property or reputation of the Company or a Company Group member; or

(iv) Employee's breach of any written policy or code of conduct established by a member of the Company Group and applicable to Employee, which causes or can reasonably be expected to cause material loss, damage or injury to the property or reputation of the Company or a Company Group member.

Notwithstanding the foregoing, it shall be a condition precedent to the Company's right to terminate Employee's employment for Cause under Section 7(a)(i), (iii), or (iv) that the Company: (x) first have given Employee written notice stating with specificity the reason for the termination ("**Breach**"), and (y) if such Breach is susceptible of cure or remedy, a period of thirty (30) days from and after the giving of such notice shall have elapsed without Employee's having effectively cured or remedied such Breach during such thirty (30)-day period, unless such Breach cannot be cured or remedied within thirty (30) days, in which case the period for remedy or cure shall be extended for a reasonable time (not to exceed an additional thirty (30) days) provided that the Employee has made and continues to make a diligent effort to effect such remedy or cure within the initial thirty (30) day period and any such extension. Termination for Cause pursuant to Section 7(a)(ii) shall be effective immediately upon the Company's written notice of termination to Employee.

(b) Company's Right to Terminate for Convenience. The Company shall have the right to terminate Employee's employment for convenience at any time and for any reason, or no reason at all, upon written notice to Employee.

(c) Employee's Right to Terminate for Good Reason. Employee shall have the right to terminate Employee's employment with the Company at any time for Good Reason. For purposes of this Agreement, "**Good Reason**" shall mean: a resignation by Employee as a result of:

(i) a material diminution in Employee's Base Salary, other than a general reduction in Base Salary that affects all similarly situated executives of the Company in substantially the same proportions;

(ii) an adverse change in title, authorities or responsibilities that materially diminishes Employee's position;

(iii) a material change in the Employee's reporting relationship such that Employee no longer reports directly to an "executive officer", as defined in 17 CFR § 240.3b-7, of any member of the Company Group; or

(iv) a breach by any member of the Company Group of any of its obligations under this Agreement or any other written agreement between such member of the Company Group and Employee, which causes or can reasonably be expected to cause material loss, damage or injury to the property or reputation of Employee.

A resignation for Good Reason will not be deemed to have occurred unless Employee gives the Company written notice of the condition within sixty (60) days after the condition comes into existence, the Company fails to remedy the condition within thirty (30) days after receiving Employee's written notice, and the date of Employee's termination of employment must occur no later than ninety (90) days after the initial occurrence of the condition(s) specified in such notice.

(d) Death. Upon the death of Employee, Employee's employment with the Company and/or all members of the Company Group shall automatically (and without any further action by any person or entity) terminate with no further obligation under this Agreement of either Party, except as expressly provided within this Section 7(d). Upon the Employee's separation from service (within the meaning of Section 409A (as defined below)) due to death, all unvested Company equity compensation awards (other than any Company equity compensation awards that are subject to performance-based or other similar vesting criteria) granted under any equity compensation plan of the Company that are held by Employee as of the date immediately prior to the applicable Termination Date (defined below) shall immediately vest in full and such awards, to the extent applicable, shall immediately become exercisable and be eligible for settlement in accordance with the terms and conditions provided in the applicable award agreements governing such awards.

(e) Employee's Right to Terminate for Convenience. In addition to Employee's right to terminate Employee's employment for Good Reason, Employee shall have the right to terminate Employee's employment with the Company for convenience at any time and for any other reason, or no reason at all, upon thirty (30) days' advance written notice to the Company; *provided, however*, that if Employee has provided notice to the Company of Employee's termination of employment, the Company may determine, in its sole discretion, that such termination shall be effective on any date prior to the effective date of termination provided in such notice (and, if such earlier date is so required, then it shall not change the basis for Employee's termination of employment nor be construed or interpreted as a termination of employment pursuant to Section 7(b)).

(f) Effect of Termination.

(i) Subject to Section 7(f)(iv), if Employee's employment hereunder is terminated by the Company via expiration and/or non-renewal of the Agreement pursuant to Section 4, at the Company's convenience pursuant to Section 7(b), or is terminated by Employee for Good Reason pursuant to Section 7(c), then so long as (and only if) Employee: (1) executes on or before the Release Expiration Date (as defined below), and does not revoke within any time provided by the Company to do so, a release of all claims in a form acceptable to the Company (the "Release"), which Release shall release each member of the Company Group and their respective affiliates, and the foregoing entities' respective shareholders, members, partners, officers, managers, directors, fiduciaries, employees, representatives, agents and benefit plans (and fiduciaries of such plans) from any and all claims, including any and all causes of action arising out of Employee's employment with the Company and any other member of the

Company Group or the termination of such employment, but excluding all claims to Termination Benefits (as defined below) Employee may have under this Section 7; and (2) abides by the terms of each of Sections 9, 10 and 11, then the Company shall (a) make a severance payment to Employee in an amount equal to the sum of twelve (12) months' worth of Employee's then current Base Salary ("**Severance Payment**"), (b) cause each of Employee's then-outstanding and unvested stock options, restricted stock awards, restricted stock unit awards and any other Company equity compensation awards that were granted to Employee more than one year prior to the date of Employee's termination of employment to vest in full and, to the extent applicable, become fully exercisable ("**Vesting Acceleration**") (other than any Company equity compensation awards that are subject to performance-based or other similar vesting criteria), and (c) cause each of Employee's then-outstanding and unexercised stock options (to the extent vested as of Employee's Termination Date) to remain exercisable until the earlier of (i) the date that is three years following Employee's Termination Date, (ii) the expiration date of the stock option, or (iii) in the event of a "Change in Control" (as defined in the 2020 Plan or the 2016 Plan), or any similar transaction, in which the successor corporation (or a parent or subsidiary thereof) does not assume or substitute for the stock option, immediately prior to the effective time of such transaction ("**Post-Termination Exercise Period Extension**").

(ii) If Employee's employment hereunder is terminated in circumstances in which Employee is eligible to receive a Severance Payment under Section 7(f)(i) and Employee satisfies each of the conditions to receive a Severance Payment under Section 7(f)(i), then, if Employee timely elects to continue coverage for Employee and Employee's spouse and eligible dependents, if any, under the Company's group health plans pursuant to Consolidated Omnibus Budget Reconciliation Act of 1985 ("**COBRA**"), the Company shall promptly reimburse Employee on a monthly basis for the difference between the amount Employee pays to effect and continue such coverage and the employee contribution amount that similarly situated employees of the Company pay for the same or similar coverage under such group health plans (the "**COBRA Subsidy**" and together with the Severance Payment, the Vesting Acceleration, and the Post-Termination Exercise Period Extension, the "**Termination Benefits**"). Each payment of the COBRA Subsidy shall be paid to Employee on the Company's first regularly scheduled pay date in the calendar month immediately following the calendar month in which Employee submits to the Company documentation of the applicable premium payment having been paid by Employee, which documentation shall be submitted by Employee to the Company within thirty (30) days following the date on which the applicable premium payment is paid. Employee shall be eligible to receive such reimbursement payments until the earliest of: (1) the date that is twelve (12) months following the Termination Date; (2) the date Employee is no longer eligible to receive COBRA continuation coverage; and (3) the date on which Employee becomes eligible to receive coverage under a group health plan sponsored by another employer (and any such eligibility shall be promptly reported to the Company by Employee); *provided, however*, that the election of COBRA continuation coverage and the payment of any premiums due with respect to such COBRA continuation coverage shall remain Employee's sole

responsibility, and the Company shall not assume any obligation for payment of any such premiums relating to such COBRA continuation coverage. Notwithstanding the foregoing, if the provision of the benefits described in this Section 7(f)(ii) cannot be provided in the manner described above without penalty, tax or other adverse impact on the Company or any other member of the Company Group, then the Company and Employee shall negotiate in good faith to determine an alternative manner in which the Company may provide substantially equivalent benefits to Employee without such adverse impact on the Company or such other member of the Company Group.

(iii) Subject to Section 7(f)(v) below, the Severance Payment will be divided into substantially equal installments over the twelve (12)-month period following the date of Employee's applicable separation from service (the "**Termination Date**"). On the Company's first regularly scheduled pay date that is on or before the date that is sixty (60) days after the Termination Date (the "**First Payment Date**"), the Company shall pay to Employee, without interest, a number of such installments equal to the number of such installments that would have been paid during the period beginning on the Termination Date and ending on the First Payment Date had the installments been paid on the Company's regularly scheduled pay dates on or following the Termination Date, and each of the remaining installments shall be paid on the Company's regularly scheduled pay dates during the remainder of applicable payment period; *provided, however*, that (1) to the extent, if any, that the aggregate amount of the installments of the Severance Payment that would otherwise be paid pursuant to the preceding provisions of this Section 7(f)(i) after March 15 of the calendar year following the calendar year in which the Termination Date occurs (the "**Applicable March 15**") exceeds the maximum exemption amount under Treasury Regulation Section 1.409A-1(b)(9)(iii)(A), then such excess shall be paid to Employee in a lump sum on the Applicable March 15 (or the first Business Day preceding the Applicable March 15 if the Applicable March 15 is not a Business Day) and the installments of the Severance Payment payable after the Applicable March 15 shall be reduced by such excess (beginning with the installment first payable after the Applicable March 15 and continuing with the next succeeding installment until the aggregate reduction equals such excess), and (2) all remaining installments of the Severance Payment, if any, that would otherwise be paid pursuant to the preceding provisions of this Section 7(f)(i) after December 31 of the calendar year following the calendar year in which the Termination Date occurs shall be paid with the installment of the Severance Payment, if any, due in December of the calendar year following the calendar year in which the Termination Date occurs. "**Business Day**" shall mean any day except a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to be closed.

(iv) Notwithstanding anything herein to the contrary, the Severance Payment and COBRA Subsidy (and any portion thereof) shall not be payable if Employee's employment hereunder terminates upon the expiration of the then-existing Initial Term or Renewal Term, as applicable, as a result of a non-renewal of the term of Employee's employment under this Agreement by Employee pursuant to Section 4.

(v) If the Release is not executed and returned to the Company on or before the Release Expiration Date, and the required revocation period has not fully expired without revocation of the Release by Employee, then Employee shall not be entitled to any portion of the Termination Benefits. As used herein, the “**Release Expiration Date**” is that date that is twenty-one (21) days following the date upon which the Company delivers the Release to Employee (which shall occur no later than seven (7) days after the Termination Date) or, in the event that such termination of employment is “in connection with an exit incentive or other employment termination program” (as such phrase is defined in the Age Discrimination in Employment Act of 1967), the date that is forty-five (45) days following such delivery date.

(g) **After-Acquired Evidence.** Notwithstanding any provision of this Agreement to the contrary, in the event that the Company determines that Employee is eligible to receive the Termination Benefits pursuant to Section 7(f) but, after such determination, the Company subsequently acquires evidence or determines that: (i) Employee has failed to abide by the terms of Sections 9, 10 or 11; or (ii) a Cause condition existed prior to the Termination Date that, had the Company been fully aware of such condition, would have given the Company the right to terminate Employee’s employment pursuant to Section 7(a), then upon written notice to Employee of a good faith reasonable belief of Employee’s breach or Cause condition the Employee shall forfeit all unpaid Termination Benefits, and the Company shall have the right to cease the payment of any future installments of the Termination Benefits, *provided that* such breach or Cause condition must remain uncured thirty (30) days after the Board first provided Employee written notice of the obligation to cure such breach or Cause condition.

8. **Disclosures.**

(a) Employee hereby represents and warrants that as of the Effective Date, there exist no actual or potential Conflicts of Interest (as defined below).

(b) Promptly (and in any event, within three (3) Business Days) upon becoming aware of any actual or potential Conflict of Interest, Employee shall disclose such actual or potential Conflict of Interest to the Board.

(c) A “**Conflict of Interest**” shall exist when Employee engages in, or plans to engage in, any activities, associations, or interests that conflict with, or create an appearance of a conflict with, Employee’s duties, responsibilities, authorities, or obligations for and to any member of the Company Group.

9. **Confidentiality.** In the course of Employee’s employment with the Company and the performance of Employee’s duties on behalf of the Company Group hereunder, Employee will be provided with, and will have access to, Confidential Information (as defined below). In consideration of Employee’s receipt and access to such Confidential Information, and as a condition of Employee’s employment, Employee shall comply with this Section 9.

(a) Both during the Employment Period and thereafter, except as expressly permitted by this Agreement or by directive of the Board, Employee shall not directly or

indirectly disseminate, publicize, use, copy, transfer, or disclose any Confidential Information to any person or entity and shall not use any Confidential Information except for the benefit of the Company Group. Employee shall follow all Company Group policies and protocols regarding the security of all documents and other materials containing Confidential Information (regardless of the medium on which Confidential Information is stored). The covenants of this Section 9(a) shall apply to all Confidential Information, whether now known or later to become known to Employee during the period that Employee is employed by or affiliated with the Company or any other member of the Company Group.

(b) Notwithstanding any provision of Section 9(a) to the contrary, Employee may make the following disclosures and uses of Confidential Information:

(i) disclosures to other employees of a member of the Company Group who have a need to know the information in connection with the businesses of the Company Group;

(ii) disclosures to customers and suppliers when, in the reasonable and good faith belief of Employee, such disclosure is in connection with Employee's performance of Employee's duties under this Agreement and is in the best interests of the Company Group and, if applicable, following written agreements by such customers or suppliers to safeguard and not disclose the Confidential Information.

(iii) disclosures and uses that are approved in writing by the Board; or

(iv) disclosures to a person or entity that has (x) been retained by a member of the Company Group to provide services to one or more members of the Company Group and (y) agreed in writing to abide by the terms of a confidentiality agreement; or

(v) if compelled by law, subpoena, or other lawful process; *provided, however*, that Employee give prompt written notice of such fact to the Company so that the Company may, if it so desires, seek a protective order or other governmental or judicial relief, at the Company's expense, to prevent disclosure of the Confidential Information.

(c) Upon the expiration of the Employment Period, and at any other time upon request of the Company, Employee shall promptly surrender and deliver to the Company all documents (including electronically stored information) and all copies thereof and all other materials of any nature containing or pertaining to all Confidential Information and any other Company Group property (including any Company Group-issued computer, mobile device or other equipment) in Employee's possession, custody or control and Employee shall not retain any such documents or other materials or property of the Company Group. Within five (5) days of any such request, Employee shall certify to the Company in writing that all such documents, materials and property have been returned to the Company.

(d) All trade secrets, non-public information, designs, ideas, concepts, improvements, product developments, discoveries and inventions, whether patentable or not, that are conceived, made, developed or acquired by or disclosed to Employee, individually or in conjunction with others, during the period that Employee is employed by the Company or any other member of the Company Group (whether during business hours or otherwise and whether on the Company's premises or otherwise) that relate to any member of the Company Group's businesses or properties, products or services (including all such information relating to corporate opportunities, operations, future plans, methods of doing business, business plans, strategies for developing business and market share, research, financial and sales data, pricing terms, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or acquisition targets or their requirements, the identity of key contacts within customers' organizations or within the organization of acquisition prospects, or marketing and merchandising techniques, prospective names and marks) is defined as "**Confidential Information**." Moreover, all documents, videotapes, written presentations, brochures, drawings, memoranda, notes, records, files, correspondence, manuals, models, specifications, computer programs, e-mail, voice mail, electronic databases, maps, drawings, architectural renditions, models and all other writings or materials of any type including or embodying any of such information, ideas, concepts, improvements, discoveries, inventions and other similar forms of expression are and shall be the sole and exclusive property of the Company or the other applicable member of the Company Group and be subject to the same restrictions on disclosure applicable to all Confidential Information pursuant to this Agreement. For purposes of this Agreement, Confidential Information shall not include any information that (i) is or becomes generally available to the public other than as a result of a disclosure or wrongful act of Employee or any of Employee's agents; (ii) was available to Employee on a non-confidential basis before its disclosure by a member of the Company Group; or (iii) becomes available to Employee on a non-confidential basis from a source other than a member of the Company Group; *provided, however*, that such source is not bound by a confidentiality agreement with, or other obligation with respect to confidentiality to, a member of the Company Group.

(e) Notwithstanding the foregoing, nothing in this Agreement shall prohibit or restrict Employee from lawfully: (i) initiating communications directly with, cooperating with, providing information to, causing information to be provided to, or otherwise assisting in an investigation by, any governmental authority regarding a possible violation of any law; (ii) responding to any inquiry or legal process directed to Employee from any such governmental authority (including the U.S. Securities and Exchange Commission); (iii) testifying, participating or otherwise assisting in any action or proceeding by any such governmental authority relating to a possible violation of law; or (iv) making any other disclosures that are protected under the whistleblower provisions of any applicable law. Additionally, pursuant to the federal Defend Trade Secrets Act of 2016, an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (1) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney and (2) solely for the purpose of reporting or investigating a suspected violation of law; (B) is made to the individual's attorney in relation to a lawsuit for retaliation against the individual for reporting a suspected violation of law; or (C) is made in a complaint or other document filed in a lawsuit or proceeding, if such filing is made under seal. Nothing in this

Agreement requires Employee to obtain prior authorization before engaging in any conduct described in this Section 9(e), or to notify the Company that Employee has engaged in any such conduct.

10. **Non-Competition; Non-Solicitation.**

(a) The Company shall provide Employee access to Confidential Information for use only during the Employment Period, and Employee acknowledges and agrees that the Company Group will be entrusting Employee, in Employee's unique and special capacity, with developing the goodwill of the Company Group, and in consideration of the Company providing Employee with access to Confidential Information and as an express incentive for the Company to enter into this Agreement and employ Employee hereunder, Employee has voluntarily agreed to the covenants set forth in this Section 10. Employee agrees and acknowledges that the limitations and restrictions set forth herein, including geographical and temporal restrictions on certain competitive activities, are reasonable in all respects, do not interfere with public interests, will not cause Employee undue hardship, and are material and substantial parts of this Agreement intended and necessary to prevent unfair competition and to protect the Company Group's Confidential Information, goodwill and legitimate business interests.

(b) During the Prohibited Period (as defined below), Employee shall not, without the prior written approval of the Board, directly or indirectly, for Employee or on behalf of or in conjunction with any other person or entity of any nature:

(i) engage in or participate, directly or indirectly, in the following conduct: (A) owning, managing, operating, or being an officer or director of, any business that competes with any member of the Company Group in the Market Area (as defined below) related to the Business (as defined below) (except for the ownership of up to 3.0% of the shares of common stock or securities or any entity whose common shares or securities are listed on a national securities exchange), or (B) joining, becoming an employee or consultant of, or otherwise being affiliated with, any person or entity engaged in, or planning to engage in, the Business in the Market Area in competition, or anticipated competition, with any member of the Company Group in any capacity (with respect to this clause (B)) in which Employee's duties or responsibilities are the same as or similar to the duties or responsibilities that Employee had on behalf of any member of the Company Group;

(ii) solicit, canvass, approach, encourage, entice or induce any customer or supplier of any member of the Company Group with whom or which Employee had personal contact in the course of performing Employee's duties for any member of the Company Group to cease or lessen such customer's or supplier's business with any member of the Company Group; or

(iii) solicit, canvass, approach, encourage, entice or induce any employee or contractor of any member of the Company Group to terminate or reduce his, her or its employment or engagement with any member of the Company Group. This provision shall not prohibit Employee from employing or making an offer of employment

to an employee or contractor of any member of the Company Group if such employment and/or offer resulted from a general solicitation or advertisement for applications in a newspaper, trade publication, on the Internet or other public forum.

(c) Because of the difficulty of measuring economic losses to the Company Group as a result of a breach or threatened breach of the covenants set forth in Section 9 and in this Section 10, and because of the immediate and irreparable damage that would be caused to the members of the Company Group for which they would have no other adequate remedy, the Company and each other member of the Company Group shall be entitled to enforce the foregoing covenants, in the event of a breach or threatened breach, by injunctions and restraining orders from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall not be the Company's or any other member of the Company Group's exclusive remedy for a breach but instead shall be in addition to all other rights and remedies available to the Company and each other member of the Company Group at law and equity.

2 (i) If Employee violates his/her obligations during the Prohibited Period and the Company (or relevant member of the Company Group) brings legal action for injunctive or other relief under Sections 9 and/or 10, the applicable Restricted Period shall be tolled by such court of competent jurisdiction so that the Company Group shall not be deprived of the benefit of the full Prohibited Period.

3 (ii) During the Prohibited Period, Executive expressly agrees to notify any prospective employer or affiliate in the restricted Business and Market Area of his/her obligations during the Prohibited Period and authorizes the Company to make contact with, any person or affiliate reasonably believed by the Company Group to be engaged or about to be engaged in an act that would constitute a violation of Employee's obligations under this Agreement. Employee hereby waives, and releases the Company Group from, any claims whatsoever arising in connection with the Company Group's contact or discussions with such person or affiliate.

(d) The covenants in this Section 10, and each provision and portion hereof, are severable and separate, and the unenforceability of any specific covenant (or portion thereof) shall not affect the provisions of any other covenant (or portion thereof). Moreover, in the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent which such court deems reasonable, and this Agreement shall thereby be reformed and enforced as so reformed.

(e) The following terms shall have the following meanings:

(i) "**Business**" shall mean the business and operations that are the same or similar to those performed (or as to which are proposed to be performed based on plans developed within the twelve (12) month period immediately prior to the Termination Date) by the Company and any other member of the Company Group for

which Employee provides services or about which Employee obtains Confidential Information during the Employment Period.

(ii) “**Market Area**” shall mean: (A) the United States; and (B) and any other geographic area or market where or with respect to which the Company or any other member of the Company Group conducts or has specific plans to conduct the Business on or at any time during the twelve (12) month period prior to the Termination Date.

(iii) “**Prohibited Period**” shall mean the period during which Employee is employed by any member of the Company Group and continuing for a period of twenty-four (24) months following the date that Employee is no longer employed by any member of the Company Group.

11. **Ownership of Intellectual Property.** Employee agrees that the Company shall own, and Employee shall (and hereby does) assign, all right, title and interest (including patent rights, copyrights, trade secret rights, mask work rights, trademark rights, and all other intellectual and industrial property rights of any sort throughout the world) relating to any and all inventions (whether or not patentable), works of authorship, designs, know-how, ideas and information authored, created, contributed to, made or conceived or reduced to practice, in whole or in part, by Employee during the period in which Employee is or has been employed by or affiliated with the Company or any other member of the Company Group that relates to the Business (“**Company Intellectual Property**”), and Employee shall promptly disclose all Company Intellectual Property to the Company in writing. All of Employee’s works of authorship and associated copyrights created during the period in which Employee is employed by or affiliated with the Company or any other member of the Company Group and related to the Business shall be deemed to be “works made for hire” within the meaning of the Copyright Act. Employee shall perform, during and after the period in which Employee is or has been employed by or affiliated with the Company or any other member of the Company Group, all acts deemed necessary by the Company to assist each member of the Company Group, at the Company’s expense, in obtaining and enforcing its rights throughout the world in the Company Intellectual Property. Such acts may include execution of documents and assistance or cooperation (i) in the filing, prosecution, registration, and memorialization of assignment of any applicable patents, copyrights, mask work, or other applications, (ii) in the enforcement of any applicable patents, copyrights, mask work, moral rights, trade secrets, or other proprietary rights, and (iii) in other legal proceedings related to the Company Intellectual Property.

12. **Defense of Claims.** The Company shall obtain and maintain directors’ and officers’ liability insurance coverage in effect for Employee during the Employment Period and continuing thereafter so long as Employee shall be subject to any possible claim or threatened, pending or completed action, suit or proceeding, whether civil, criminal, arbitrational, administrative or investigative, by reason of the fact that Employee had served in the capacity or capacities referred to herein. During the Employment Period and thereafter, upon request from the Company, Employee shall cooperate with the Company Group in the defense of any claims

or actions that may be made by or against any member of the Company Group that relate to Employee's actual or prior areas of responsibility.

13. **Withholdings; Deductions.** The Company may withhold and deduct from any benefits and payments made or to be made pursuant to this Agreement (a) all federal, state, local and other taxes as may be required pursuant to any law or governmental regulation or ruling and (b) any deductions consented to in writing by Employee.

14. **Title and Headings; Construction.** Titles and headings to Sections hereof are for the purpose of reference only and shall in no way limit, define or otherwise affect the provisions hereof. Unless the context requires otherwise, all references to laws, regulations, contracts, documents, agreements and instruments refer to such laws, regulations, contracts, documents, agreements and instruments as they may be amended from time to time, and references to particular provisions of laws or regulations include a reference to the corresponding provisions of any succeeding law or regulation. All references to "dollars" or "\$" in this Agreement refer to United States dollars. The words "herein", "hereof", "hereunder" and other compounds of the word "here" shall refer to the entire Agreement, including all Exhibits attached hereto, and not to any particular provision hereof. Unless the context requires otherwise, the word "or" is not exclusive. Wherever the context so requires, the masculine gender includes the feminine or neuter, and the singular number includes the plural and conversely. All references to "including" shall be construed as meaning "including without limitation." Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against any party hereto, whether under any rule of construction or otherwise. To the contrary, this Agreement has been reviewed by each of the parties hereto and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of the parties hereto.

15. **Applicable Law; Submission to Jurisdiction.** This Agreement shall in all respects be construed according to the laws of the State of Texas without regard to its conflict of laws principles that would result in the application of the laws of another jurisdiction. With respect to any claim or dispute related to or arising under this Agreement, the parties hereby recognize and agree that should any resort to a court be necessary and permitted under this Agreement, then they consent to the exclusive jurisdiction, forum and venue of the state and federal courts (as applicable) located in Austin, Texas.

16. **Entire Agreement and Amendment.** This Agreement contain the entire agreement of the parties with respect to the matters covered herein and supersede all prior and contemporaneous agreements and understandings, oral or written, between the parties hereto concerning the subject matter hereof. This Agreement may be amended only by a written instrument executed by both parties hereto. For the avoidance of doubt, this Agreement does not supersede, in whole or in part, the 2020 Plan or the 2016 Plan except as specifically provided herein.

17. **Waiver of Breach.** Any waiver of this Agreement must be executed by the party to be bound by such waiver. No waiver by either party hereto of a breach of any provision of this Agreement by the other party, or of compliance with any condition or provision of this

Agreement to be performed by such other party, will operate or be construed as a waiver of any subsequent breach by such other party or any similar or dissimilar provision or condition at the same or any subsequent time. The failure of either party hereto to take any action by reason of any breach will not deprive such party of the right to take action at any time.

18. **Assignment.** This Agreement is personal to Employee, and neither this Agreement nor any rights or obligations hereunder shall be assignable or otherwise transferred by Employee. The Company may assign this Agreement without Employee’s consent, including to any member of the Company Group and to any successor to or acquirer of (whether by merger, purchase or otherwise) all or substantially all of the equity, assets or businesses of the Company.

19. **Notices.** Notices provided for in this Agreement shall be in writing and shall be deemed to have been duly received (a) when delivered in person, (b) when sent by email (with confirmation of receipt)email to the address set forth below, if applicable, (c) on the first Business Day after such notice is sent by express overnight courier service, or (d) on the second Business Day following deposit with an internationally-recognized second-day courier service with proof of receipt maintained, in each case, to the following address, as applicable:

If to the Company, addressed to:

Hyllion Holdings Corp
1202 BMC Drive, Suite 100
Cedar Park, TX 78613
Attention: Human Resources

If to Employee, addressed to:

Dennis M. Gallagher
XXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXXXXXXXXXX

20. **Counterparts.** This Agreement may be executed in any number of counterparts, including by electronic mail or facsimile, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a copy hereof containing multiple signature pages, each signed by one party, but together signed by both parties hereto.

21. **Deemed Resignations.** Except as otherwise determined by the Board or as otherwise agreed to in writing by Employee and any member of the Company Group prior to the termination of Employee’s employment with the Company or any member of the Company Group, any termination of Employee’s employment shall constitute, as applicable, an automatic resignation of Employee: (a) as an officer of the Company and each member of the Company Group; (b) from the Board; and (c) from the board of directors or board of managers (or similar governing body) of any member of the Company Group and from the board of directors or board of managers (or similar governing body) of any corporation, limited liability entity, unlimited

liability entity or other entity in which any member of the Company Group holds an equity interest and with respect to which board of directors or board of managers (or similar governing body) Employee serves as such Company Group member's designee or other representative.

22. **Section 409A.**

(a) Notwithstanding any provision of this Agreement to the contrary, all provisions of this Agreement are intended to comply with Section 409A of the Internal Revenue Code of 1986 (the "**Code**"), and the applicable Treasury regulations and administrative guidance issued thereunder (collectively, "**Section 409A**") or an exemption therefrom and shall be construed and administered in accordance with such intent. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. No payment or benefits to be paid to Employee, if any, under this Agreement or otherwise, when considered together with any other severance payments or separation benefits that are considered deferred compensation under Section 409A will be paid or otherwise provided until the Employee has a "separation from service" within the meaning of Section 409A.

(b) To the extent that any right to reimbursement of expenses or payment of any benefit in-kind under this Agreement constitutes nonqualified deferred compensation (within the meaning of Section 409A), (i) any such expense reimbursement shall be made by the Company no later than the last day of Employee's taxable year following the taxable year in which such expense was incurred by Employee, (ii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (iii) the amount of expenses eligible for reimbursement or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year; *provided*, that the foregoing clause shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period in which the arrangement is in effect.

(c) Notwithstanding any provision in this Agreement to the contrary, if any payment or benefit provided for herein would be subject to additional taxes and interest under Section 409A if Employee's receipt of such payment or benefit is not delayed until the earlier of the date of Employee's death or the date that is six (6) months after the Termination Date (such date, the "**Section 409A Payment Date**"), then such payment or benefit shall not be provided to Employee (or Employee's estate, if applicable) until the Section 409A Payment Date. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement are exempt from, or compliant with, Section 409A and in no event shall any member of the Company Group be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by Employee on account of non-compliance with Section 409A.

23. **Certain Excise Taxes.**

(a) Notwithstanding anything to the contrary in this Agreement, if any payment or benefit Employee would receive from the Company or any other party whether in connection with the provisions of this Agreement or otherwise (“**Payment**”) would (i) constitute a “parachute payment” within the meaning of Section 280G of the Code, and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the “**Excise Tax**”), then such Payment shall be equal to the Reduced Amount. The “**Reduced Amount**” shall be either (x) the largest portion of the Payment that would result in no portion of the Payment being subject to the Excise Tax, or (y) the largest portion, up to and including the total, of the Payment, whichever amount ((x) or (y)), after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in Employee’s receipt of the greatest economic benefit notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a Reduced Amount will give rise to the greater after tax benefit, the reduction in the Payments shall occur in the following order: (a) reduction of cash payments; (b) cancellation of accelerated vesting of equity awards other than stock options; (c) cancellation of accelerated vesting of stock options; and (d) reduction of other benefits paid to Employee. Within any such category of payments and benefits (that is, (a), (b), (c) or (d)), a reduction shall occur first with respect to amounts that are not “deferred compensation” within the meaning of Section 409A and then with respect to amounts that are. In the event that acceleration of compensation from Employee’s equity awards is to be reduced, such acceleration of vesting shall be canceled, subject to the immediately preceding sentence, in the reverse order of the date of grant.

(b) The independent accounting firm engaged by the Company for general accounting and/or tax advisory purposes as of the day prior to the effective date of the event described in Section 280G(b)(2)(A)(i) of the Code shall perform the foregoing calculations. If the independent accounting firm so engaged by the Company is serving as accountant or auditor for the individual, entity or group effecting such event, the Company shall appoint an independent accounting firm to make the determinations required hereunder. The Company shall bear all expenses with respect to the determinations by such independent accounting firm required to be made hereunder. The independent accounting firm engaged to make the determinations hereunder shall provide its calculations, together with detailed supporting documentation, to the Company and Employee within thirty (30) calendar days after the date on which Employee’s right to a Payment is triggered (if requested at that time by the Company or Employee) or such other time as reasonably requested by the Company or Employee. Any good faith determinations of the independent accounting firm made hereunder shall be final, binding and conclusive upon the Company and Employee.

24. **Effect of Termination**. The provisions of Sections 7, 9-13, 21-23, 25 and 27 and those provisions necessary to interpret and enforce them, shall survive any termination of this Agreement and any termination of the employment relationship between Employee and the Company.

25. **Third-Party Beneficiaries**. Each member of the Company Group that is not a signatory to this Agreement shall be a third-party beneficiary of Employee’s obligations under

Sections 8, 9, 10, 11, 21 and 27 and shall be entitled to enforce such obligations as if a party hereto.

26. **Severability**. Other than as set forth in Section 10(d), if a court of competent jurisdiction determines that any provision of this Agreement (or portion thereof) is invalid or unenforceable, then the invalidity or unenforceability of that provision (or portion thereof) shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect.

27. **Non-Disparagement**. Employee shall not, directly or indirectly, make or cause to be made any disparaging, denigrating, derogatory, misleading, or false statement orally or in writing to any person, including clients or prospective clients, competitors and advisors to the Company Group and members of the investment community or press, about (i) the Company and/or Company Group, or its/their members, managers, officers, employees, agents, or clients, or (ii) the business strategy or plans, policies, practices, or operations of the Company Group. Notwithstanding the foregoing, nothing in this section is intended to prevent Employee from making truthful statements to his attorney of record and/or any other government or law enforcement agency or official, or as otherwise required by applicable subpoena or court order or from communications internal to the Company and/or the Company Group related to Employee's duties under this Agreement.

IN WITNESS WHEREOF, Employee and the Company each have caused this Agreement to be executed, and intend this Agreement to become effective as of the Effective Date.

EMPLOYEE

/s/ Dennis M. Gallagher
Dennis M. Gallagher

HYLIION HOLDINGS CORP.

By: /s/ Thomas Healy
Name: Thomas Healy
Title: Chief Executive Officer

Signature Page to
Employment Agreement

**CERTIFICATION
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Thomas Healy, certify that:

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

Date: November 9, 2021

By: /s/ Thomas Healy
Thomas Healy
President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Sherri Baker, certify that:

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

Date: November 9, 2021

By: /s/ Sherri Baker
Sherri Baker
Chief Financial Officer
(Principal Financial Officer)

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

In connection with the Quarterly Report of Hyliion Holdings Corp. (the “Company”) on Form 10-Q for the period ended September 30, 2021, as filed with the Securities and Exchange Commission (the “Report”), I, Thomas Healy, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

Date: November 9, 2021

By:	<u>/s/ Thomas Healy</u>
Name:	Thomas Healy
Title:	President and Chief Executive Officer (Principal Executive Officer)

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

In connection with the Quarterly Report of Hyliion Holdings Corp. (the “Company”) on Form 10-Q for the period ended September 30, 2021, as filed with the Securities and Exchange Commission (the “Report”), I, Sherri Baker, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

Date: November 9, 2021

By:	<u>/s/ Sherri Baker</u>
Name:	Sherri Baker
Title:	Chief Financial Officer (Principal Financial Officer)