

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
Under
The Securities Act of 1933

QUANTUMSCAPE CORPORATION
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

3359
(Primary Standard Industrial
Classification Code Number)

85-0796578
(I.R.S. Employer
Identification Number)

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(408) 452-2000

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 (the "Securities Act") check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

CALCULATION OF REGISTRATION FEE

| Title of Each Class of Securities to be Registered | Amount to be Registered ⁽¹⁾ | Proposed Maximum Offering Price Per Share ⁽²⁾ | Proposed Maximum Aggregate Offering Price ⁽¹⁾⁽²⁾ | Amount of Registration Fee |
|--|--|--|---|----------------------------|
| Class A common stock, par value \$0.0001 per share | 14,950,000 | \$57.58 | \$860,821,000 | \$93,916 |

(1) Includes 1,950,000 additional shares of our Class A common stock that the underwriters have the option to purchase from us.

(2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(c) under the Securities Act of 1933, as amended, based on the average of the high and low sales prices of the Registrant's Class A Common Stock as reported on the New York Stock Exchange on March 17, 2021.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission acting pursuant to said Section 8(a) may determine.

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities, nor does it seek an offer to buy these securities, in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated March 22, 2021.

13,000,000 Shares



Class A Common Stock

We are offering 13,000,000 shares of our Class A Common Stock.

Our Class A Common Stock is listed on The New York Stock Exchange ("NYSE") under the symbol "QS". On March 19, 2021, the last reported sale price of our Class A Common Stock as reported on the NYSE was \$59.34 per share.

We are an "emerging growth company," as defined under the federal securities laws, and, as such, we have elected to comply with certain reduced reporting requirements for this prospectus and may elect to comply with reduced reporting requirements in future filings.

Investing in our Class A Common Stock involves risks. See "[Risk Factors](#)" beginning on page 6 to read about factors you should consider before buying shares of our Class A Common Stock.

Neither the Securities Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

| | Per Share | Total |
|--------------------------------------|-----------|-------|
| Public offering price | \$ | \$ |
| Underwriting discount ⁽¹⁾ | \$ | \$ |
| Proceeds, before expenses, to us | \$ | \$ |

(1) See the section titled "*Underwriting*" for additional information regarding compensation payable to the underwriters.

To the extent that the underwriters sell more than 13,000,000 shares of Class A Common Stock, the underwriters have the option to purchase up to an additional 1,950,000 shares from us at the public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on _____, 2021.

Goldman Sachs & Co. LLC

Morgan Stanley

Deutsche Bank Securities

Prospectus dated _____, 2021.

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Neither we nor any of the underwriters have authorized anyone to provide any information or to make any representations other than those contained in this prospectus. Neither we nor any of the underwriters take responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is accurate only as of its date, regardless of the time of delivery of this prospectus or of any sale of our Class A Common Stock. Our business, financial condition, results of operations and prospects may have changed since that date.

For investors outside the United States: Neither we nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of our Class A Common Stock, and the distribution of this prospectus outside the United States.

The QuantumScape design logo and the QuantumScape mark appearing in this prospectus are the property of QuantumScape Corporation. Trade names, trademarks and service marks of other companies appearing in this prospectus are the property of their respective holders. We have omitted the ® and ™ designations, as applicable, for the trademarks used in this prospectus.

PROSPECTUS SUMMARY

This summary highlights information contained in greater detail elsewhere in this prospectus. This summary is not complete and does not contain all of the information you should consider in making your investment decision. You should read the entire prospectus carefully before making an investment in our Class A Common Stock. You should carefully consider, among other things, our consolidated financial statements and the related notes and the sections titled “Risk Factors,” “Business,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this prospectus. Unless expressly indicated or the context requires otherwise, the terms “QuantumScape,” “QS,” the “Company,” the “Registrant,” “we,” “us” and “our” in this prospectus refer to the parent entity formerly named Kensington Capital Acquisition Corp., after giving effect to the Business Combination, and as renamed QuantumScape Corporation, and where appropriate, our wholly-owned subsidiaries.

Corporate History and Background

The original QuantumScape Corporation was founded in 2010 with the mission to revolutionize energy storage to enable a sustainable future. More specifically, our goal has been to build the world’s best batteries, as measured by energy density, power density (charge time), cycle life, and safety. We have focused first on the transformation of the electrification of the automotive powertrain, an application that we believe represents both an important part of the solution to the emissions problem as well as an opportunity to create tremendous value over the coming decades.

On November 25, 2020 (the “Closing Date”), the original QuantumScape Corporation, now named QuantumScape Battery, Inc. (“Legacy QuantumScape”), consummated a business combination (the “Closing”) with Kensington Capital Acquisition Corp., a special purpose acquisition company (“Kensington”). Legacy QuantumScape became a wholly-owned subsidiary of Kensington, and Kensington changed its name to QuantumScape Corporation. Our Class A common stock (“Class A Common Stock”) and Public Warrants are listed on NYSE under the symbols “QS” and “QS.WS”, respectively. Our Class B common stock (“Class B Common Stock”) is neither listed nor publicly traded. Our Class A Common Stock, together with our Class B Common Stock, is referred to herein as our “Common Stock.”

Overview

QuantumScape is developing next generation battery technology for electric vehicles (“EVs”) and other applications.

We are at the beginning of a forecasted once-in-a-century shift in automotive powertrains, from internal combustion engines to clean EVs. While EV adoption is advancing, principally in the premium passenger car market, the International Energy Association (“IEA”) estimated that only approximately 3% of new sales of global light-vehicles in 2020 were EV’s. We believe that fundamental limitations of lithium-ion battery technology—limitations that affect range, useful life, charging time, cost and safety—inhibit more widespread adoption of EVs. We believe the market needs a step change in battery technology to make mass market EVs competitive with the fossil fuel alternative.

We have spent the last decade developing a proprietary solid-state battery technology to meet this challenge. Our lithium-metal solid-state battery technology is intended to provide greater energy density, longer life, faster charging, and greater safety than today’s lithium-ion batteries.

Over the last eight years we have developed a strong partnership with Volkswagen Group of America Investments, LLC (“VGA”) and certain of its affiliates (together with VGA, “Volkswagen”). Volkswagen is one of the largest car companies in the world and intends to be a leader in EVs. Volkswagen has announced plans to launch more than 70 new EV models and build more than 25 million vehicles on electric platforms by the end of the decade. Over the last eight years Volkswagen has invested and committed to invest in us, subject, in one case, to certain closing conditions that have not yet been satisfied, a total of more than \$300 million and has established a joint venture with us to enable an industrial level of production of our solid-state batteries. As 50-50 partners in the joint venture with Volkswagen, we expect to share equally in the revenue and profit from the joint venture. Over the course of our relationship, Volkswagen has successfully tested multiple generations of certain of our single-layer, laboratory cells at industry-accepted automotive rates of power (power is the rate at which a battery can be charged and discharged). We believe no other lithium-metal battery technology has demonstrated the capability of achieving automotive rates of power with acceptable battery life.

While we expect Volkswagen will be the first to commercialize vehicles using our battery technology, we intend to work closely with other automotive original equipment manufacturers (“OEMs”) to make our solid-state battery cells widely available over time. Our joint venture agreement with Volkswagen provides that the facility to be built by the joint venture will be the first commercial-scale facility to manufacture our battery technology for automotive applications, but the agreement permits us to work in parallel with other automotive OEMs and non-automotive companies to commercialize our technology.

We recently announced plans to expand our manufacturing capability with the planned addition of an approximately 200,000 square foot pre-pilot line facility in California (“QS-0”). QS-0 will have a continuous flow, highly-automated production line. QS-0 is intended in part to provide the large numbers of additional samples we need for our solid-state battery development and to enable us to test and tune the systems and processes we intend to use for mass production.

QS-0 is also intended to produce enough prototype cells for our prospective customers to make hundreds of long-range electric test vehicles. We intend to use a portion of the proceeds from this offering to more than double the announced capacity of QS-0. We intend for this to enable us to provide more prototype cells to Volkswagen, to other automotive OEMs, and to prospective customers in other industries. We expect to secure a long-term lease for QS-0 in the second half of this year and for QS-0 to be producing prototype cells in 2023.

Subject to continued progress in our development efforts, after QS-0 we intend, through our joint venture with Volkswagen, to build a 21GWh line, starting with a 1GWh pilot line (“QS-1”), and subsequently expanding to the full 21GWh target (“QS-1 Expansion”). The proceeds of this offering are intended to provide sufficient funding to build the larger version of QS-0, to fund QS-0 operating expenses, to fund our share of the equity portion of the joint venture’s costs of building the QS-1 Expansion, net of debt intended to be incurred by the joint venture, and for working capital and general corporate purposes.

Our battery cells are designed to use earth-abundant materials and processes suitable for high volume production. Our manufacturing process for our proprietary separator uses tools which are already used at scale in the battery or ceramics industries. Outside of the separator, our battery is being designed to use many of the materials and processes that are standard across today’s lithium-ion battery manufacturers. As a result, we expect to benefit from the projected industry-wide cost declines for these materials that result from process improvements and economies of scale. We believe that the manufacturing of our solid-state battery cells provides us with a structural cost

advantage because our battery cells are manufactured without an anode. Relative to conventional lithium-ion cells, our technology eliminates the anode material cost (e.g. carbon/silicon host material, electrolyte in the anode) and is anticipated to reduce manufacturing costs (e.g. no anode related manufacturing costs, reduced formation costs). We believe this will enable savings in material costs, capital equipment expenses and manufacturing time.

There are government regulations pertaining to battery safety, transportation of batteries, use of batteries in cars, factory safety, and disposal of hazardous materials. We will ultimately have to comply with these regulations to sell our batteries into the market. The license and sale of our batteries abroad is likely to be subject to export controls in the future.

Corporate Information

Our principal executive offices are located at 1730 Technology Drive, San Jose, California, 95110, and our telephone number is (408) 452-2000.

Our website address is www.quantumscape.com. The information on, or that can be accessed through, our website or our Company Twitter account is not part of this prospectus, and you should not consider information contained on our website or our Company Twitter account in deciding whether to purchase shares of our Class A Common Stock.

Our investor relations website is located at <https://ir.quantumscape.com> and our Company Twitter account is located at <https://twitter.com/QuantumScapeCo>. We use our investor relations website and our Company Twitter account to post important information for investors, including news releases, analyst presentations, and supplemental financial information, and as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Accordingly, investors should monitor our investor relations website and our Company Twitter account, in addition to following press releases, filings with the Securities and Exchange Commission (the "SEC") and public conference calls and webcasts. We also make available, free of charge, on our investor relations website under "Financials—SEC Filings," our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports as soon as reasonably practicable after electronically filing or furnishing those reports to the SEC.

We are an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). We will remain an emerging growth company until the earliest to occur of: the last day of the fiscal year in which we have more than \$1.07 billion in annual revenues; the date we qualify as a "large accelerated filer," with at least \$700 million of equity securities held by non-affiliates; the issuance, in any three-year period, by us of more than \$1.0 billion in non-convertible debt securities; and the last day of the fiscal year ending after the fifth anniversary of our initial public offering.

Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended (the "Securities Act"), for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have 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, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our financial statements with certain other public companies difficult or impossible because of the potential differences in accounting standards used.

The Offering

| | |
|--|---|
| Shares of Class A Common Stock Offered Hereunder | 13,000,000 shares |
| Underwriters' Option to Purchase Additional Shares of Class A Common Stock from Us | We have granted the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an additional 1,950,000 shares of Class A Common Stock from us. |
| Use of Proceeds | <p>We estimate that the net proceeds from our sale of 13,000,000 shares of Class A Common Stock in this offering will be approximately \$747 million (or approximately \$859 million if the underwriters exercise their option to purchase additional shares of Class A Common Stock in full), based upon an assumed public offering price of \$59.34 per share, the last reported sale price of our Class A Common Stock on the NYSE on March 19, 2021, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.</p> <p>We expect to use the net proceeds from the sale of our Class A Common Stock to provide sufficient funding to build the larger version of QS-0, to fund QS-0 operating expenses, to fund our share of the equity portion of the joint venture's costs of building the QS-1 Expansion, net of debt intended to be incurred by the joint venture, and for working capital and general corporate purposes. See the section titled "<i>Use of Proceeds</i>" appearing elsewhere in this prospectus for more information.</p> |
| Class A Common Stock to be Outstanding Immediately after this Offering | 220,769,091 shares. |
| Risk Factors | See the section titled " <i>Risk Factors</i> " and other information included in this prospectus for a discussion of factors that you should consider carefully before deciding to invest in our Class A Common Stock. |
| NYSE symbol | "QS" for our Class A Common Stock. |

Unless otherwise indicated, the number of shares of Common Stock to be outstanding after this offering is based on 207,769,091 shares of our Class A Common Stock and 156,224,614 shares of our Class B Common Stock issued and outstanding as of December 31, 2020, assumes no exercise of the underwriters' option to purchase additional shares and excludes the following:

- 68,294,957 shares of our Common Stock, 55,316,336 shares of which are issuable upon the exercise of options under our 2010 Equity Incentive Plan (the “2010 Plan”) with a weighted-average exercise price of \$1.62 per share and 12,978,621 shares of which are issuable upon vesting of certain restricted stock units granted before November 25, 2020;
- 6,575,000 shares of our Class A Common Stock issuable upon the exercise of private placement warrants (the “Private Placement Warrants”) outstanding as of December 31, 2020, with an exercise price of \$11.50 per share;
- 75,000 shares of our Class A Common Stock issuable upon the exercise of working capital warrants (the “Working Capital Warrants”) outstanding as of December 31, 2020, with an exercise price of \$11.50 per share;
- 11,499,989 shares of our Class A Common Stock issuable upon the exercise of public warrants (the “Public Warrants”) outstanding as of December 31, 2020, with an exercise price of \$11.50 per share;
- 15,221,334 shares of Class A Common Stock that will be issued and sold to VGA subject to the achievement of a specified technical milestone on or before March 31, 2021; and
- 41,500,000 shares of our Class A Common Stock issuable and reserved for future issuance under our 2020 Equity Incentive Plan (the “2020 Plan”).

RISK FACTORS

An investment in our securities involves a high degree of risk. You should consider carefully the risks and uncertainties described below, together with all of the other information contained in this prospectus, including our consolidated financial statements and related notes, before deciding to invest in our securities. If any of the following events occur, our business, financial condition and operating results may be materially adversely affected. In that event, the trading price of our securities could decline, and you could lose all or part of your investment. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business or results of operations.

SUMMARY RISK FACTORS

The following summary risk factors and other information included in this prospectus should be carefully considered. The summary risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not currently known to us or that we currently deem less significant may also affect our business operations or financial results. If any of the following risks actually occur, our stock price, business, operating results and financial condition could be materially adversely affected. For more information, see below for more detailed descriptions of each risk factor.

- We face significant challenges in our attempt to develop a solid-state battery cell and produce it at high volumes with acceptable performance, yields and costs. The pace of development in materials science is often not predictable. Delays or failures in accomplishing particular development objectives may delay or prevent successful commercialization of our products. Examples of such development objectives, among many others, include:
 - We have tested 4-layer cells that measure 30x30mm, but we must make multilayer cells in a commercial form factor (70x85mm) with dozens of layers and do so at a high yield without compromising performance, and while solving related packaging challenges in a way that is scalable and low-cost.
 - We must advance our manufacturing processes to include more automation, such as automated stackers, and higher volume tools, such as moving to larger continuous flow equipment. We may encounter delays or unexpected challenges in the delivery, installation and operation of the new equipment.
 - We must build QS-0 to produce engineering samples or prototype cells in the high volumes needed for our development work and to supply to prospective customers for testing. Such a project could encounter significant delays and cost overruns.
 - We may be unsuccessful at attracting additional customers for QS-0, in which case we may have excess capacity.
 - We must substantially improve our manufacturing processes to increase yield and throughput to achieve the cost, performance and volume levels required for commercial shipments. In addition, our multi-layer battery cells must simultaneously satisfy all of the commercial requirements of our customers.
- We may not be able to establish supply relationships for necessary components or equipment or may be required to pay more than anticipated for components or equipment, which could delay the introduction of our product and negatively impact our business.
- Our relationship with Volkswagen is subject to various risks which could adversely affect our business and future prospects. There are no assurances that we will be able to commercialize solid-state batteries from our joint development relationship with Volkswagen.

- Volkswagen's obligation to invest an additional \$100 million in our business is contingent upon our batteries meeting agreed technical specifications on or before March 31, 2021. The required tests will not be completed until shortly before that date. If the technical milestone is not met by us and is not waived by Volkswagen, then we will not receive the \$100 million in financing and may experience an adverse market reaction.
- If our batteries fail to perform as expected, our ability to develop, market and sell our batteries could be harmed.
- We may not succeed in attracting customers during the development stage or for high volume commercial production.
- We may be unable to adequately control the costs associated with our operations and the components necessary to build our solid-state battery cells.
- We rely heavily on our intellectual property portfolio. If we are unable to protect our intellectual property rights, our business and competitive position would be harmed.
- We may need to defend ourselves against intellectual property infringement claims or other litigation, which may be time-consuming and could cause us to incur substantial costs.
- We may not be able to accurately estimate the future supply and demand for our batteries, which could result in a variety of inefficiencies in our business and hinder our ability to generate revenue.
- If we fail to accurately predict our manufacturing requirements, we could incur additional costs or experience delays.
- The battery market continues to evolve, is highly competitive, and we may not be successful in competing in this industry or establishing and maintaining confidence in our long-term business prospects among current and future partners and customers.

The following risk factors apply to our business and operations. These risk factors are not exhaustive, and investors are encouraged to perform their own investigation with respect to our business, financial condition and prospects. We may face additional risks and uncertainties that are not presently known to us, or that we currently deem immaterial, which may also impair our business. The following discussion should be read in conjunction with the financial statements and notes to the financial statements included elsewhere in this prospectus.

Risks Related to Our Technology Development and Scale-Up

We face significant challenges in our attempt to develop a solid-state battery cell and produce it at high volumes with acceptable performance, yields and costs. The pace of development in materials science is often not predictable. Delays or failures in accomplishing particular development objectives may delay or prevent successful commercialization of our products.

Developing lithium-metal solid-state batteries that meet the requirements for wide adoption by automotive OEMs is a difficult undertaking and, as far as we are aware, has never been done before. We are still in development stage and face significant challenges in completing development of our multi-layer battery cells and in producing battery cells in commercial volumes. Some of the development challenges that could prevent the introduction of our solid-state battery cell include difficulties with increasing the volume, yield, reliability and uniformity of our separators and cells, increasing the size and layer count of our multi-layer cells, increasing manufacturing to produce the volume of cells needed for our technology development and customer applications, installing, bringing up and optimizing higher volume manufacturing equipment, packaging design and engineering to ensure adequate cycle life, cost reduction, completion of the rigorous and challenging specifications

required by our automotive partners, including but not limited to, calendar life, mechanical testing, and abuse testing and development of the final manufacturing processes.

Our solid-state separators are in the development stage. These separators have never been used before for battery applications (or to our knowledge, for any other applications) and there are significant yield, cost, performance and manufacturing process challenges to be solved in order for the separators to be produced and used commercially. We are likely to encounter engineering challenges as we increase the dimensions, reduce the thickness and increase the volume of our solid-state separators. If we are not able to overcome these barriers in developing and producing its solid-state separators at commercial volumes, our business could fail.

To achieve target energy density, we need to stack our single-layer solid-state cells in a multi-layer format, which is enclosed within a single battery package. Depending upon our customer's requirements, our battery cell may require dozens of single-layer cells within each battery package. We have tested 4-layer cells that measure 30x30mm, but we must make multi-layer cells in a commercial form factor (70x85mm) with dozens of layers and do so at a high yield without compromising performance, and while solving related packaging challenges in a way that is scalable and low-cost. There are significant engineering and mechanical challenges that we must overcome to build our multi-layer battery cells. In addition, we will need to acquire certain tools that we currently do not possess and develop the manufacturing process necessary to make these multi-layer battery cells in high volume. If we are not able to overcome these developmental hurdles in building our multi-layer cells, our business is likely to fail.

We are evaluating multiple cathode material compositions for inclusion in our solid-state battery cells and have not yet finalized the cathode composition or formulation. We also have not validated that the current cell design, with the inclusion of an organic gel made of an organic polymer and organic liquid catholyte as part of the cathode, meets all automotive requirements. We have not yet validated a manufacturing process or acquired the tools necessary to produce high volumes of our cathode material that meets all commercial requirements. If we are not able to overcome these developmental and manufacturing hurdles our business likely will fail.

Even if we complete development and achieve volume production of our solid-state battery, if the cost, performance characteristics or other specifications of the battery fall short of our targets, our sales, product pricing and margins would likely be adversely affected.

In addition, we must advance our manufacturing processes to include more automation, such as automated stackers, and to use higher volume tools and processes, such as moving to larger continuous flow equipment. We may encounter delays or unexpected challenges in the delivery, installation and operation of the new equipment. Further, we must build QS-0 to produce engineering samples or prototype cells in the high volumes needed for our development work and to supply to prospective customers for testing. Such a project could encounter significant delays and cost overruns. We must substantially improve our manufacturing processes to increase yield and throughput to achieve the cost, performance and volume levels required for commercial shipments. In addition, our multi-layer battery cells must simultaneously satisfy all of the commercial requirements of our customers.

Any delay in the development or manufacturing scale-up of our solid-state battery cells would negatively impact our business as it will delay time to revenue and negatively impact our customer relationships. Additionally, we may encounter delays in obtaining the necessary regulatory approvals or launching our solid-state battery on the market, including delays in entering into agreements for the supply of component parts and manufacturing tools and supplies. Delays in the launching of our product would materially damage our business, prospects, financial condition, operating results and brand.

We may not be able to establish supply relationships for necessary components and equipment or may be required to pay more than anticipated for components or equipment, which could delay the introduction of our product and negatively impact our business.

We rely on third-party suppliers for components and equipment necessary to develop and manufacture our solid-state batteries, including key supplies, such as our cathode material and manufacturing tools for both our separator and solid-state battery cells. We are collaborating with key suppliers but have not yet entered into agreements for the supply of production quantities of these materials. To the extent that we are unable to enter into commercial agreements with these suppliers on beneficial terms, or these suppliers experience difficulties ramping up their supply of materials to meet our requirements, the introduction of our battery will be delayed. To the extent our suppliers experience any delays in providing or developing the necessary materials, we could experience delays in delivering on our timelines.

We expect to incur significant costs related to procuring materials required to manufacture and assemble our batteries. We expect to use various materials in our batteries that will require us to negotiate purchase agreements and delivery lead-times on advantageous terms. We may not be able to control fluctuation in the prices for these materials or negotiate agreement with suppliers on terms that are beneficial to us. Our business depends on the continued supply of certain proprietary materials for our products. We are exposed to multiple risks relating to the availability and pricing of such materials and components. Substantial increases in the prices for our raw materials or components would increase our operating costs and negatively impact our prospects.

Any disruption in the supply of components, equipment or materials could temporarily disrupt research and development activities or production of our batteries until an alternative supplier is able to supply the required material. Changes in business conditions, unforeseen circumstances, governmental changes, and other factors beyond our control or which we do not presently anticipate, could also affect our suppliers' ability to deliver components or equipment to us on a timely basis. Any of the foregoing could materially and adversely affect our results of operations, financial condition and prospects.

Currency fluctuations, trade barriers, tariffs or shortages and other general economic or political conditions may limit our ability to obtain key components or equipment for our solid-state batteries or significantly increase freight charges, raw material costs and other expenses associated with our business, which could further materially and adversely affect our results of operations, financial condition and prospects.

We may be unable to adequately control the costs associated with our operations and the components necessary to build our solid-state battery cells, and, if we are unable to control these costs and achieve cost advantages in our production of our solid-state battery cells at scale, our business will be adversely affected.

We require significant capital to develop and grow our business and expects to incur significant expenses, including those relating to research and development, raw material procurement, leases, sales and distribution as we build our brand and market our batteries, and general and administrative costs as we scale our operations. Our ability to become profitable in the future will not only depend on our ability to successfully market our solid-state batteries and services, but also to control our costs and achieve the target cost projections that we have, including our projected 17% cost advantage when compared to the costs of building traditional lithium-ion batteries at scale. If we are unable to cost efficiently design, manufacture, market, sell and distribute our solid-state batteries and services, our margins, profitability and prospects would be materially and adversely affected. We have not yet produced any solid-state battery cells at the commercial size or in volume and our forecasted cost

advantage for the production of these cells at scale, compared to conventional lithium-ion cells, will require us to achieve rates of throughput, use of electricity and consumables, yield, and rate of automation demonstrated for mature battery, battery material, and ceramic manufacturing processes, that we have not yet achieved. If we are unable to achieve these targeted rates, our business will be adversely impacted.

In particular, while we have estimated that eliminating the anode host material and the associated manufacturing costs will provide a savings in production at scale of approximately 17% compared to the costs of building traditional lithium-ion batteries at leading manufacturers, that estimate is subject to numerous assumptions and uncertainties. To achieve those savings we will need to achieve significant cost savings in battery design and manufacturing, in addition to the cost savings associated with the elimination of an anode from our solid-state battery cells, while controlling costs associated with the manufacture of our solid-state separator, including achieving substantial improvements in throughput and yield required to hit commercial targets. Further, we will need to capture industry cost savings in the materials, components, equipment, and processes that we share, notably in the cathode, cell design, and factory. We cannot be certain that we will achieve these cost savings or that future efficiency improvements in lithium-ion battery manufacturing will not reduce or eliminate these estimated cost savings.

We rely on complex machinery for our operations, and production involves a significant degree of risk and uncertainty in terms of operational performance and costs.

We rely heavily on complex machinery for our operations and the production of our solid-state battery cells, and this equipment has not yet been qualified to operate at large-scale manufacturing. The work required to integrate this equipment into the production of our solid-state battery cells is time intensive and requires us to work closely with the equipment provider to ensure that it works properly for our unique battery technology. This integration work will involve a significant degree of uncertainty and risk and may result in the delay in the scaling up of production or result in additional cost to our battery cells.

Both our pilot manufacturing facilities and our large-scale manufacturing facility will require large-scale machinery. Such machinery is likely to suffer unexpected malfunctions from time to time and will require repairs and spare parts to resume operations, which may not be available when needed. Unexpected malfunctions of our production equipment may significantly affect the intended operational efficiency. In addition, because this equipment has not been used to build solid-state battery cells, the operational performance and costs associated with this equipment can be difficult to predict and may be influenced by factors outside of our control, such as, but not limited to, failures by suppliers to deliver necessary components of our products in a timely manner and at prices and volumes acceptable to us, environmental hazards and remediation, difficulty or delays in obtaining governmental permits, damages or defects in systems, industrial accidents, fires, seismic activity and other natural disasters.

Operational problems with our manufacturing equipment could result in the personal injury to or death of workers, the loss of production equipment, damage to manufacturing facilities, monetary losses, delays and unanticipated fluctuations in production. In addition, operational problems may result in environmental damage, administrative fines, increased insurance costs and potential legal liabilities. All of these operational problems could have a material adverse effect on our business, results of operations, cash flows, financial condition or prospects.

Customer Risks and Risks Related to Our Partnership with Volkswagen

Our relationship with Volkswagen is subject to various risks which could adversely affect our business and future prospects. There are no assurances that we will be able to commercialize solid-state batteries from our joint development relationship with Volkswagen.

We and Volkswagen have formed a joint venture to collaborate on the manufacturing ramp up of our solid-state battery cell.

There is no assurance that we will be able to complete the development of the solid-state battery cells in the time frame required by the joint venture arrangements. If we do not complete this development in a timely manner, Volkswagen may terminate its participation in the joint venture. Our joint venture arrangements with Volkswagen provide a framework for our cooperation and requires that we and Volkswagen enter into certain additional arrangements regarding the purchase by the joint venture of solid-state separators from us, the purchase and pricing of the solid-state battery cells that will be produced by the joint venture and sold to Volkswagen, and the terms for licensing our technology to the joint venture. There can be no assurance that we will be able to agree with Volkswagen on these key elements on terms that are financially beneficial for us or that we will be able to enter into the additional arrangements, including any purchase orders, with Volkswagen for commercialization under the joint venture arrangements.

The commercial terms of the purchase by Volkswagen of the output of the joint venture will depend on the performance of our solid-state battery and the demand for the vehicles that Volkswagen develops to utilize the solid-state battery cells that will be produced by the joint venture. If we cannot complete the development of our solid-state battery cells, Volkswagen does not select our solid-state battery cell for commercialization or if there is a delay in the introduction of the Volkswagen vehicles that intend to use our solid-state battery cells, our business will be harmed.

The strong relationship that we have developed with Volkswagen and rights under the joint venture agreement may deter other automotive OEMs from working closely with us. If we are not able to expand our other customer relationships, or if we become too dependent on Volkswagen for our revenue, our business could be harmed.

Volkswagen may have economic, business or legal interests or goals that are inconsistent with our goals. Any significant disagreements with Volkswagen may impede our ability to maximize the benefits of our partnerships and slow the commercialization of our solid-state battery. Our joint venture arrangements may require us, among other things, to pay certain costs or to make certain capital investments or to seek Volkswagen's consent to take certain actions. In addition, if Volkswagen is unable or unwilling to meet its economic or other obligations under the joint venture arrangements, we may be required to either fulfill those obligations alone to ensure the ongoing success of the joint venture or to dissolve and liquidate the joint venture. These factors could result in a material adverse effect on our business and financial results.

Volkswagen's obligation to invest an additional \$100 million in our business is contingent upon our batteries meeting agreed technical specifications on or before March 31, 2021. The required tests will not be completed until shortly before that date. If the technical milestone is not met by us and is not waived by Volkswagen, then we will not receive the \$100 million in financing and may experience an adverse market reaction.

In May 2020 and September 2020, we entered into a Series F Preferred Stock Purchase Agreement and related agreements and amendments thereto with VGA. Pursuant to these agreements, Volkswagen is obligated to invest an additional \$100 million in our business, contingent

upon our batteries meeting agreed technical specifications on or before March 31, 2021. The required tests will not be completed until shortly before that date. If the technical milestone is not met by us and is not waived by Volkswagen, then we will not receive the \$100 million in financing and may experience an adverse market reaction.

If our batteries fail to perform as expected, our ability to develop, market, and sell our batteries could be harmed.

Once commercial production of our solid-state battery cells commences, our batteries may contain defects in design and manufacture that may cause them to not perform as expected or that may require repairs, recalls, and design changes. Our batteries are inherently complex and incorporate technology and components that have not been used for other applications and that may contain defects and errors, particularly when first introduced. We have a limited frame of reference from which to evaluate the long-term performance of our solid-state batteries. There can be no assurance that we will be able to detect and fix any defects in our solid-state batteries prior to the sale to potential consumers. If our batteries fail to perform as expected, we could lose design wins and customers may delay deliveries, terminate further orders or initiate product recalls, each of which could adversely affect our sales and brand and could adversely affect our business, prospects, and results of operations.

We may not succeed in attracting customers during the development stage or for high volume commercial production, and our future growth and success depend on our ability to attract customers.

We may not succeed in attracting customers during the development stage or for high volume commercial production. For example, we may be unsuccessful at attracting additional customers for QS-0, in which case we may have excess capacity. In addition, if we are unable to attract new customers in need of high volume commercial production of our products, our business may suffer.

Many of our potential customers tend to be large enterprises. Therefore, our future success will depend on our ability to effectively sell our products to such large customers. Sales to these end-customers involve risks that may not be present (or that are present to a lesser extent) with sales to smaller customers. These risks include, but are not limited to, (i) increased purchasing power and leverage held by large customers in negotiating contractual arrangements with us and (ii) longer sales cycles and the associated risk that substantial time and resources may be spent on a potential end-customer that elects not to purchase our solutions.

Our potential customers that are large organizations often undertake a significant evaluation process that results in a lengthy sales cycle. In addition, product purchases by large organizations are frequently subject to budget constraints, multiple approvals and unanticipated administrative, processing and other delays. Finally, large organizations typically have longer implementation cycles, require greater product functionality and scalability, require a broader range of services, demand that vendors take on a larger share of risks, require acceptance provisions that can lead to a delay in revenue recognition and expect greater payment flexibility. All of these factors can add further risk to business conducted with these potential customers.

If the Put or Call Rights under our joint venture agreements with Volkswagen are exercised, it may have an adverse effect on our liquidity or our stockholders' ownership could be diluted.

The joint venture structure we agreed to with Volkswagen is intended, in part, to protect our intellectual property. Certain key battery technology will continue to be owned by us and will be provided to the joint venture through a limited license for purposes of QS-1. We and Volkswagen still

need to agree on the license terms for this battery technology license for QS-1 Expansion. The joint venture terminates upon the earliest to occur of (i) Volkswagen exercising specified put rights in the event of, amongst others, (a) a change of control of our company, or (b) the failure by us to meet specified development milestones within certain timeframes, (ii) us exercising specified call rights or Volkswagen exercising specified put rights if, among other things, the parties cannot agree to commercial terms for QS-1 or QS-1 Expansion within certain timeframes, (iii) a certain date after commencement of production of a Volkswagen series production vehicle using our battery cells (or an alternative end date if no such production was commenced after certain technical milestones with respect to our battery cell technology were reached) and (iv) December 31, 2028.

We may not have sufficient funds, borrowing capacity, or other capital resources available to pay for the interests of Volkswagen in cash if it exercises its put rights or to exercise our call rights. Such lack of available funds upon the exercising by Volkswagen of its put rights or by us of our call rights could force us to issue stock at a time we might not otherwise desire to do so in order to purchase the interests of Volkswagen. If we are required or choose to purchase those interests from Volkswagen, we could experience significant cash outflow, our other stockholders could see their holdings diluted through the issuance of shares to finance such payment obligations, and our financial condition and the price of our Class A Common Stock may be adversely affected.

We may not be able to accurately estimate the future supply and demand for our batteries, which could result in a variety of inefficiencies in our business and hinder our ability to generate revenue. If we fail to accurately predict our manufacturing requirements, we could incur additional costs or experience delays.

It is difficult to predict our future revenues and appropriately budget for our expenses, and we may have limited insight into trends that may emerge and affect our business. We anticipate being required to provide forecasts of our demand to our current and future suppliers prior to the scheduled delivery of products to potential customers. Currently, there is no historical basis for making judgments on the demand for our batteries or our ability to develop, manufacture, and deliver batteries, or our profitability in the future. If we overestimate our requirements, our suppliers may have excess inventory, which indirectly would increase our costs. If we underestimate our requirements, our suppliers may have inadequate inventory, which could interrupt manufacturing of our products and result in delays in shipments and revenues. In addition, lead times for materials and components that our suppliers order may vary significantly and depend on factors such as the specific supplier, contract terms and demand for each component at a given time. If we fail to order sufficient quantities of product components in a timely manner, the delivery of batteries to our potential customers could be delayed, which would harm our business, financial condition and operating results.

Our future growth and success are dependent upon consumers' willingness to adopt EVs.

Our growth and future demand for our products is highly dependent upon the adoption by consumers of alternative fuel vehicles in general and EVs in particular. The market for new energy vehicles is still rapidly evolving, characterized by rapidly changing technologies, competitive pricing and competitive factors, evolving government regulation and industry standards, and changing consumer demands and behaviors. If the market for EVs in general does not develop as expected, or develops more slowly than expected, our business, prospects, financial condition and operating results could be harmed.

Concentration of ownership among Volkswagen and our executive officers, directors and their affiliates may prevent new investors from influencing significant corporate decisions.

As of December 31, 2020, Volkswagen beneficially owned approximately 26% of our Class A Common Stock, and 12% of Class B Common Stock outstanding, representing 13% of the vote, and

our executive officers, directors and their affiliates as a group beneficially owned approximately 40% of Class A Common Stock and 62% Class B Common Stock outstanding, representing 59% of the vote. As a result, these stockholders will be able to exercise a significant level of control over all matters requiring stockholder approval, including the election of directors, any amendment of our amended and restated certificate of incorporation (the "Certificate of Incorporation") and approval of significant corporate transactions. In addition, Volkswagen holds the right to designate two directors to our board of directors (our "Board"). This control could have the effect of delaying or preventing a change of control or changes in our management and will make the approval of certain transactions difficult or impossible without the support of these stockholders and of their votes.

Our Intellectual Property Risks

We rely heavily on our intellectual property portfolio. If we are unable to protect our intellectual property rights, our business and competitive position would be harmed.

We may not be able to prevent unauthorized use of our intellectual property, which could harm our business and competitive position. We rely upon a combination of the intellectual property protections afforded by patent, copyright, trademark and trade secret laws in the United States and other jurisdictions, as well as license agreements and other contractual protections, to establish, maintain and enforce rights in our proprietary technologies. In addition, we seek to protect our intellectual property rights through nondisclosure and invention assignment agreements with our employees and consultants, and through non-disclosure agreements with business partners and other third parties. Despite our efforts to protect our proprietary rights, third parties, including our business partners, may attempt to copy or otherwise obtain and use our intellectual property without our consent. Monitoring unauthorized use of our intellectual property is difficult and costly, and the steps we have taken or will take to prevent misappropriation may not be sufficient. Any enforcement efforts we undertake, including litigation, could be time-consuming and expensive and could divert management's attention, which could harm our business, results of operations and financial condition. In addition, existing intellectual property laws and contractual remedies may afford less protection than needed to safeguard our intellectual property portfolio.

Patent, copyright, trademark and trade secret laws vary significantly throughout the world. A number of foreign countries do not protect intellectual property rights to the same extent as do the laws of the United States. Therefore, our intellectual property rights may not be as strong or as easily enforced outside of the United States and efforts to protect against the unauthorized use of our intellectual property rights, technology and other proprietary rights may be more expensive and difficult outside of the United States. Failure to adequately protect our intellectual property rights could result in our competitors using our intellectual property to offer products, potentially resulting in the loss of some of our competitive advantage and a decrease in our revenue which, would adversely affect our business, prospects, financial condition and operating results.

We may need to defend ourselves against intellectual property infringement claims, which may be time-consuming and could cause us to incur substantial costs.

Companies, organizations or individuals, including our current and future competitors, may hold or obtain patents, trademarks or other proprietary rights that would prevent, limit or interfere with our ability to make, use, develop or sell our products, which could make it more difficult for us to operate our business. From time to time, we may receive inquiries from third parties inquiring whether we are infringing their intellectual property rights and/or seek court declarations that they do not infringe upon our intellectual property rights. Companies holding patents or other intellectual property rights relating to batteries, electric motors or electronic power management systems may bring suits alleging infringement of such rights or otherwise asserting their rights and seeking licenses. In addition, if we

are determined to have infringed upon a third party's intellectual property rights, we may be required to do one or more of the following:

- cease selling, incorporating or using products that incorporate the challenged intellectual property;
- pay substantial damages;
- obtain a license from the holder of the infringed intellectual property right, which license may not be available on reasonable terms or at all; or
- redesign our batteries.

In the event of a successful claim of infringement against us and our failure or inability to obtain a license to the infringed technology on reasonable terms, our business, prospects, operating results and financial condition could be materially adversely affected. In addition, any litigation or claims, whether or not well-founded, could result in substantial costs and diversion of resources and management's attention.

We also license patents and other intellectual property from third parties, and we may face claims that our use of this intellectual property infringes the rights of others. In such cases, we may seek indemnification from our licensors under our license contracts with them. However, our rights to indemnification may be unavailable or insufficient to cover our costs and losses, depending on our use of the technology, whether we choose to retain control over conduct of the litigation, and other factors.

Our patent applications may not result in issued patents or our patent rights may be contested, circumvented, invalidated or limited in scope, any of which could have a material adverse effect on our ability to prevent others from interfering with our commercialization of our products.

Our patent applications may not result in issued patents, which may have a material adverse effect on our ability to prevent others from commercially exploiting products similar to ours. The status of patents involves complex legal and factual questions and the breadth of claims allowed is uncertain. As a result, we cannot be certain that the patent applications that we file will result in patents being issued, or that our patents and any patents that may be issued to us will afford protection against competitors with similar technology. Numerous patents and pending patent applications owned by others exist in the fields in which we have developed and are developing our technology. Any of our existing or pending patents may be challenged by others on the basis that they are invalid or unenforceable. Furthermore, patent applications filed in foreign countries are subject to laws, rules and procedures that differ from those of the United States, and thus we cannot be certain that foreign patent applications related to issued U.S. patents will be issued.

Even if our patent applications succeed and we are issued patents in accordance with them, we are still uncertain whether these patents will be contested, circumvented, invalidated or limited in scope in the future. The rights granted under any issued patents may not provide us with meaningful protection or competitive advantages, and some foreign countries provide significantly less effective patent enforcement than in the United States. In addition, the claims under any patents that issue from our patent applications may not be broad enough to prevent others from developing technologies that are similar or that achieve results similar to ours. The intellectual property rights of others could also bar us from licensing and exploiting any patents that issue from our pending applications. In addition, patents issued to us may be infringed upon or designed around by others and others may obtain patents that we need to license or design around, either of which would increase costs and may adversely affect our business, prospects, financial condition and operating results.

Our Business Risks

The battery market continues to evolve, is highly competitive, and we may not be successful in competing in this industry or establishing and maintaining confidence in our long-term business prospects among current and future partners and customers.

The battery market in which we compete continues to evolve and is highly competitive. To date, we have focused our efforts on our lithium-metal solid-state battery technology, which is being designed to outperform conventional lithium-ion battery technology. However, lithium-ion battery technology has been widely adopted and our current competitors have, and future competitors may have, greater resources than we do and may also be able to devote greater resources to the development of their current and future technologies. These competitors also may have greater access to customers and may be able to establish cooperative or strategic relationships amongst themselves or with third parties that may further enhance their resources and competitive positioning. In addition, lithium-ion battery manufacturers may continue to reduce cost and expand supply of conventional batteries and therefore reduce the prospects for our business or negatively impact the ability for us to sell our products at a market-competitive price and yet at sufficient margins.

Many automotive OEMs are researching and investing in solid-state battery efforts and, in some cases, in battery development and production. There are a number of companies seeking to develop alternative approaches to solid-state battery technology, including lithium-metal batteries. We expect competition in battery technology and EVs to intensify due to increased demand for these vehicles and a regulatory push for EVs, continuing globalization, and consolidation in the worldwide automotive industry. Developments in alternative technologies or improvements in batteries technology made by competitors may materially adversely affect the sales, pricing and gross margins of our batteries. If a competing technology is developed that has superior operational or price performance, our business will be harmed. Similarly, if we fail to accurately predict and ensure that our battery technology can address customers' changing needs or emerging technological trends, or if our customers fail to achieve the benefits expected from our solid-state batteries, our business will be harmed.

We must continue to commit significant resources to develop our battery technology in order to establish a competitive position, and these commitments will be made without knowing whether such investments will result in products potential customers will accept. There is no assurance we will successfully identify new customer requirements, develop and bring our batteries to market on a timely basis, or that products and technologies developed by others will not render our batteries obsolete or noncompetitive, any of which would adversely affect our business and operating results.

Customers will be less likely to purchase our batteries if they are not convinced that our business will succeed in the long term. Similarly, suppliers and other third parties will be less likely to invest time and resources in developing business relationships with us if they are not convinced that our business will succeed in the long term. Accordingly, in order to build and maintain our business, we must maintain confidence among current and future partners, customers, suppliers, analysts, ratings agencies and other parties in our long-term financial viability and business prospects. Maintaining such confidence may be particularly complicated by certain factors including those that are largely outside of our control, such as our limited operating history, market unfamiliarity with our products, any delays in scaling manufacturing, delivery and service operations to meet demand, competition and uncertainty regarding the future of EVs and our eventual production and sales performance compared with market expectations.

If we are unable to attract and retain key employees and qualified personnel, our ability to compete could be harmed.

Our success depends on our ability to attract and retain our executive officers, key employees and other qualified personnel, and our operations may be severely disrupted if we lost their services.

As we build our brand and become more well known, there is increased risk that competitors or other companies will seek to hire our personnel. None of our employees are bound by a non-competition agreement. The failure to attract, integrate, train, motivate and retain these personnel could seriously harm our business and prospects.

In addition, we are highly dependent on the services of Jagdeep Singh, our Chief Executive Officer, and other senior technical and management personnel, including our executive officers, who would be difficult to replace. If Mr. Singh or other key personnel were to depart, we may not be able to successfully attract and retain senior leadership necessary to grow our business.

We are an early stage company with a history of financial losses and expect to incur significant expenses and continuing losses for the foreseeable future.

We incurred a net loss of approximately \$1,099.9 million for the year ended December 31, 2020 and an accumulated deficit of approximately \$1,395.8 million from our inception in 2010 through the year ended December 31, 2020. We believe that we will continue to incur operating and net losses each quarter until at least the time we begin significant production of our lithium-metal solid-state batteries, which is not expected to occur until 2024, and may occur later.

We expect the rate at which we will incur losses to be significantly higher in future periods as we, among other things, continue to incur significant expenses in connection with the design, development and manufacturing of our batteries; expand our research and development activities; invest in manufacturing capabilities; build up inventories of components for our batteries; increase our sales and marketing activities; develop our distribution infrastructure; and increase our general and administrative functions to support our growing operations. We may find that these efforts are more expensive than we currently anticipate or that these efforts may not result in revenues, which would further increase our losses.

We have been, and may in the future be, adversely affected by the global COVID-19 pandemic.

We face various risks related to epidemics, pandemics, and other outbreaks, including the recent COVID-19 pandemic. The impact of COVID-19, including changes in consumer and business behavior, pandemic fears and market downturns, and restrictions on business and individual activities, has created significant volatility in the global economy and led to reduced economic activity. The spread of COVID-19 has also impacted our potential customers and our suppliers by disrupting the manufacturing, delivery and overall supply chain of battery, EV and equipment manufacturers and suppliers and has led to a global decrease in battery and EV sales in markets around the world.

The pandemic has resulted in government authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, stay-at-home or shelter-in-place orders, and business shutdowns. For example, employees at our headquarters located in San Jose, California are subject to a stay-at-home order from the state and local governments. These measures limit operations in our San Jose headquarters and have and may continue to adversely impact our employees, research and development activities and operations and the operations of our suppliers, vendors and business partners, and may negatively impact our sales and marketing activities. In addition, various aspects of our business cannot be conducted remotely, including many aspects of the development and manufacturing of our solid-state material and our battery cells. These measures by government authorities may remain in place for a significant period of time and they are likely to continue to adversely affect our future manufacturing plans, sales and marketing activities, business and results of operations. We may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, suppliers, vendors and business partners.

The extent to which the COVID-19 pandemic continues to impact our business, prospects and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including the duration and spread of the pandemic, its severity, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating activities can resume. Even after the COVID-19 pandemic has subsided, we may continue to experience an adverse impact to our business as a result of the global economic impact, including any recession that has occurred or may occur in the future.

There are no comparable recent events that may provide guidance as to the effect of the spread of COVID-19 and a pandemic, and, as a result, the ultimate impact of the COVID-19 pandemic or a similar health epidemic is highly uncertain.

Our expectations and targets regarding the times when we will achieve various technical, pre-production and production objectives depend in large part upon assumptions and analyses developed by us. If these assumptions or analyses prove to be incorrect, we may not achieve these milestones when expected or at all.

Our expectations and targets regarding the times when we will achieve various technical, pre-production and production objectives reflect our current expectations and estimates. Whether we will achieve these objectives when we expect depends on a number of factors, many of which are outside our control, including, but not limited to:

- success and timing of development activity;
- unanticipated technical or manufacturing challenges or delays;
- technological developments relating to lithium-ion, lithium-metal solid-state or other batteries that could adversely affect the commercial potential of our technologies;
- whether we can obtain sufficient capital when required to build our manufacturing facilities and sustain and grow our business;
- adverse developments in our joint venture relationship with Volkswagen, including termination of the joint venture or delays in negotiating commercial terms for QS-1 or QS-1 Expansion;
- our ability to manage our growth;
- whether we can manage relationships with key suppliers;
- our ability to retain existing key management, integrate recent hires and attract, retain and motivate qualified personnel; and
- the overall strength and stability of domestic and international economies.

Unfavorable changes in any of these or other factors, most of which are beyond our control, could materially and adversely affect our ability to achieve our objectives when planned and our business, results of operations and financial results.

From time to time, we may be involved in litigation, regulatory actions or government investigations and inquiries, which could have an adverse impact on our profitability and consolidated financial position.

We may be involved in a variety of litigation, other claims, suits, regulatory actions or government investigations and inquiries and commercial or contractual disputes that, from time to time, are significant.

For example, on December 11, 2020, a putative class action lawsuit was filed by a purported QuantumScape warrant holder (Index No. 656963/2020 (Sup. Ct. N.Y. Cnty.)) against the Company and Continental Stock Transfer & Trust Company. The complaint alleges, among other things, that the plaintiff is entitled to exercise warrants within 30 days of Closing. The complaint also alleges that the proxy statement/prospectus/information statement dated September 21, 2020 and November 12, 2020 is misleading and/or omits material information concerning the exercise of the warrants. The complaint generally seeks, among other things, the ability to exercise the warrants within 30 days of Closing and damages. We removed the case to federal court, Case No. 1:20-cv-10842 (S.D.N.Y.).

On December 24, 2020, a lawsuit was filed by three purported QuantumScape warrant holders (Index No. 657256/2020 (Sup. Ct. N.Y. Cnty.)) against the Company. The complaint alleges, among other things, that the plaintiffs are entitled to exercise warrants within 30 days of Closing. The complaint also alleges that the proxy statement/prospectus/information statement dated September 21, 2020 and November 12, 2020 is misleading and/or omits material information concerning the exercise of the warrants. The complaint generally seeks, among other things, the ability to exercise the warrants within 30 days of Closing and damages.

Between January 5 and January 8, 2021, three putative class action lawsuits were filed by purported purchasers of QuantumScape securities in the U.S. District Court for the Northern District of California against the Company and its Chief Executive Officer or against the Company and certain members of management and the Board of Directors, and VGA. On February 23, 2021, another putative class action was filed in the U.S. District Court for the Northern District of Illinois by a purported purchaser of QuantumScape securities against us and our Chief Executive Officer.

All four complaints allege that the defendants purportedly made false and/or misleading statements and failed to disclose material adverse facts about our business, operations, and prospects, including information regarding our battery technology. Two complaints allege a purported class that includes all persons who purchased or acquired our securities between December 8, 2020 and December 31, 2020. The other two complaints allege a purported class that includes all persons who purchased or acquired our securities between November 27, 2020 and December 31, 2020.

Two shareholder derivative suits were also filed against 11 officers and directors of the Company in the Northern District of California. QuantumScape is the nominal defendant. The suits allege that the individual defendants breached various duties to the Company and contains similar allegations based on the same general allegations in the class action complaints described immediately above. VGA was also named as a defendant in the complaints.

In addition, from time to time, we may also be involved in legal proceedings and investigations arising in the normal course of business including, without limitation, commercial or contractual disputes, including warranty claims and other disputes with potential customers, former employees and suppliers; intellectual property matters; personal injury claims; environmental issues; tax matters; and employment matters.

It is difficult to predict the outcome or ultimate financial exposure, if any, represented by these matters, and there can be no assurance that any such exposure will not be material. Such claims may also negatively affect our reputation.

We may become subject to product liability claims, which could harm our financial condition and liquidity if we are not able to successfully defend or insure against such claims.

We may become subject to product liability claims, even those without merit, which could harm our business, prospects, operating results, and financial condition. We face inherent risk of exposure to

claims in the event our batteries do not perform as expected or malfunction resulting in personal injury or death. Our risks in this area are particularly pronounced given our batteries have not yet been commercially tested or mass produced. A successful product liability claim against us could require us to pay a substantial monetary award. Moreover, a product liability claim could generate substantial negative publicity about our batteries and business and inhibit or prevent commercialization of other future battery candidates, which would have a material adverse effect on our brand, business, prospects and operating results. Any insurance coverage might not be sufficient to cover all potential product liability claims. Any lawsuit seeking significant monetary damages either in excess of our coverage, or outside of our coverage, may have a material adverse effect on our reputation, business and financial condition. We may not be able to secure additional product liability insurance coverage on commercially acceptable terms or at reasonable costs when needed, particularly if we do face liability for our products and are forced to make a claim under our policy.

Our batteries and our website, systems, and data we maintain may be subject to intentional disruption, other security incidents, or alleged violations of laws, regulations, or other obligations relating to data handling that could result in liability and adversely impact our reputation and future sales.

We expect to face significant challenges with respect to information security and maintaining the security and integrity of our systems and other systems used in our business, as well as with respect to the data stored on or processed by these systems. Advances in technology, an increased level of sophistication and expertise of hackers, and new discoveries in the field of cryptography can result in a compromise or breach of the systems used in our business or of security measures used in our business to protect confidential information, personal information, and other data.

The availability and effectiveness of our batteries, and our ability to conduct our business and operations, depend on the continued operation of information technology and communications systems, some of which we have yet to develop or otherwise obtain the ability to use. Systems used in our business, including data centers and other information technology systems, will be vulnerable to damage or interruption. Such systems could also be subject to break-ins, sabotage and intentional acts of vandalism, as well as disruptions and security incidents as a result of non-technical issues, including intentional or inadvertent acts or omissions by employees, service providers, or others. We anticipate using outsourced service providers to help provide certain services, and any such outsourced service providers face similar security and system disruption risks as us. Some of the systems used in our business will not be fully redundant, and our disaster recovery planning cannot account for all eventualities. Any data security incidents or other disruptions to any data centers or other systems used in our business could result in lengthy interruptions in our service and may adversely affect our business, prospects, financial condition and operating results.

Our facilities or operations could be damaged or adversely affected as a result of natural disasters and other catastrophic events.

Our facilities or operations could be adversely affected by events outside of our control, such as natural disasters, wars, health epidemics such as the ongoing COVID-19 pandemic, and other calamities. We cannot assure you that any backup systems will be adequate to protect us from the effects of fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events. Any of the foregoing events may give rise to interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide services.

Any financial or economic crisis, or perceived threat of such a crisis, including a significant decrease in consumer confidence, may materially and adversely affect our business, financial condition, and results of operations.

In recent years, the United States and global economies suffered dramatic downturns as the result of the COVID-19 pandemic, a deterioration in the credit markets and related financial crisis as well as a variety of other factors including, among other things, extreme volatility in security prices, severely diminished liquidity and credit availability, ratings downgrades of certain investments and declining valuations of others. The United States and certain foreign governments have taken unprecedented actions in an attempt to address and rectify these extreme market and economic conditions by providing liquidity and stability to the financial markets. If the actions taken by these governments are not successful, the return of adverse economic conditions may negatively impact the demand for our solid-state battery cells and may negatively impact our ability to raise capital, if needed, on a timely basis and on acceptable terms or at all.

Our ability to utilize our net operating loss and tax credit carryforwards to offset future taxable income may be subject to certain limitations.

In general, under Section 382 of the Code, a corporation that undergoes an “ownership change” is subject to limitations on its ability to use its pre-change net operating loss carryforwards (“NOLs”), to offset future taxable income. The limitations apply if a corporation undergoes an “ownership change,” which is generally defined as a greater than 50 percentage point change (by value) in its equity ownership by certain stockholders over a three-year period. If we have experienced an ownership change at any time since our incorporation, we may already be subject to limitations on our ability to utilize our existing NOLs and other tax attributes to offset taxable income or tax liability. In addition, future changes in our stock ownership, which may be outside of our control, may trigger an ownership change. Similar provisions of state tax law may also apply to limit our use of accumulated state tax attributes. As a result, even if we earn net taxable income in the future, our ability to use it or our pre-change NOL carryforwards and other tax attributes to offset such taxable income or tax liability may be subject to limitations, which could potentially result in increased future income tax liability to us.

There is also a risk that changes in law or regulatory changes made in response to the need for some jurisdictions to raise additional revenue to help counter the fiscal impact from the COVID-19 pandemic or for other unforeseen reasons, including suspensions on the use of net operating losses or tax credits, possibly with retroactive effect, may result in our existing net operating losses or tax credits expiring or otherwise being unavailable to offset future income tax liabilities. A temporary suspension of the use of certain net operating losses and tax credits has been enacted in California, and other states may enact suspensions as well.

We are subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and similar laws, and non-compliance with such laws can subject us to administrative, civil and criminal fines and penalties, collateral consequences, remedial measures and legal expenses, all of which could adversely affect our business, results of operations, financial condition and reputation.

We are subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and similar laws and regulations in various jurisdictions in which we conduct or in the future may conduct activities, including the U.S. Foreign Corrupt Practices Act (“FCPA”), the U.K. Bribery Act 2010, and other anti-corruption laws and regulations. The FCPA and the U.K. Bribery Act 2010 prohibit us and our officers, directors, employees and business partners acting on our behalf, including agents, from corruptly offering, promising, authorizing or providing anything of value to a “foreign official” for the

purposes of influencing official decisions or obtaining or retaining business or otherwise obtaining favorable treatment. The FCPA also requires companies to make and keep books, records and accounts that accurately reflect transactions and dispositions of assets and to maintain a system of adequate internal accounting controls. The U.K. Bribery Act also prohibits non-governmental “commercial” bribery and soliciting or accepting bribes. A violation of these laws or regulations could adversely affect our business, results of operations, financial condition and reputation. Our policies and procedures designed to ensure compliance with these regulations may not be sufficient and our directors, officers, employees, representatives, consultants, agents, and business partners could engage in improper conduct for which we may be held responsible.

Non-compliance with anti-corruption, anti-bribery, anti-money laundering or financial and economic sanctions laws could subject us to whistleblower complaints, adverse media coverage, investigations, and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures and legal expenses, all of which could materially and adversely affect our business, results of operations, financial condition and reputation. In addition, changes in economic sanctions laws in the future could adversely impact our business and investments in our Class A Common Stock.

Our insurance coverage may not be adequate to protect us from all business risks.

We may be subject, in the ordinary course of business, to losses resulting from products liability, accidents, acts of God, and other claims against us, for which we may have no insurance coverage. As a general matter, the policies that we do have may include significant deductibles or self-insured retentions, and we cannot be certain that our insurance coverage will be sufficient to cover all future losses or claims against us. A loss that is uninsured or which exceeds policy limits may require us to pay substantial amounts, which could adversely affect our financial condition and operating results.

Our management has limited experience in operating a public company.

Some of our executive officers have limited experience in the management of a publicly traded company. Our management team may not successfully or effectively manage our transition to a public company that will be subject to significant regulatory oversight and reporting obligations under federal securities laws. Certain executives’ limited experience in dealing with the increasingly complex laws pertaining to public companies could be a significant disadvantage in that it is likely that an increasing amount of their time may be devoted to these activities which will result in less time being devoted to the management and growth of our Company. We may not have adequate personnel with the appropriate level of knowledge, experience, and training in the accounting policies, practices or internal controls over financial reporting required of public companies in the United States.

We will incur significant increased expenses and administrative burdens as a public company, which could have an adverse effect on our business, financial condition and results of operations.

We will face increased legal, accounting, administrative and other costs and expenses as a public company that we did not incur as a private company. The Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”), including the requirements of Section 404, as well as rules and regulations subsequently implemented by the SEC, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the rules and regulations promulgated and to be promulgated thereunder, the PCAOB and the securities exchanges, impose additional reporting and other obligations on public companies. The development and implementation of the standards and controls necessary for us to achieve the level of accounting standards required of a public company in the United States may require costs greater than expected. It is possible that we will be required to expand our employee base and hire additional employees to support our operations as a public company which will increase our operating costs in future periods.

Compliance with public company requirements will increase costs and make certain activities more time-consuming. A number of those requirements will require us to carry out activities we have not done previously. For example, we have created new Board committees and adopted new internal controls and disclosure controls and procedures. In addition, expenses associated with SEC reporting requirements will be incurred. Furthermore, if any issues in complying with those requirements are identified (for example, if the auditors identify a material weakness or significant deficiency in the internal control over financial reporting), we could incur additional costs rectifying those issues, and the existence of those issues could adversely affect our reputation or investor perceptions of it. It will also be more expensive to obtain director and officer liability insurance. Risks associated with our status as a public company may make it more difficult to attract and retain qualified persons to serve on our Board or as executive officers. The additional reporting and other obligations imposed by these rules and regulations will increase legal and financial compliance costs and the costs of related legal, accounting and administrative activities. These increased costs will require us to divert a significant amount of money that could otherwise be used to expand the business and achieve strategic objectives. Advocacy efforts by stockholders and third parties may also prompt additional changes in governance and reporting requirements, which could further increase costs.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business, or the market in which we operate, or if they change their recommendations regarding our securities adversely, the price and trading volume of our securities could decline.

The trading market for our securities will be influenced by the research and reports that industry or securities analysts may publish about us, our business, market or competitors. Securities and industry analysts do not currently, and may never, publish research on us. If no securities or industry analysts commence coverage of us, our share price and trading volume would likely be negatively impacted. If any of the analysts who may cover us change their recommendation regarding our shares of Class A Common Stock adversely, or provide more favorable relative recommendations about our competitors, the price of our shares of Class A Common Stock would likely decline. If any analyst who may cover us were to cease our coverage of us or fail to regularly publish reports on it, we could lose visibility in the financial markets, which in turn could cause our share price or trading volume to decline.

Our Regulatory Risks

We are subject to substantial regulation and unfavorable changes to, or failure by us to comply with, these regulations could substantially harm our business and operating results.

Our batteries, and the sale of EVs and motor vehicles in general, are subject to substantial regulation under international, federal, state and local laws, including export control laws. We expect to incur significant costs in complying with these regulations. Regulations related to the battery and EV industry and alternative energy are currently evolving and we face risks associated with changes to these regulations.

To the extent the laws change, our products may not comply with applicable international, federal, state or local laws, which would have an adverse effect on our business. Compliance with changing regulations could be burdensome, time consuming, and expensive. To the extent compliance with new regulations is cost prohibitive, our business, prospects, financial condition and operating results would be adversely affected.

Internationally, there may be laws in jurisdictions we have not yet entered or laws we are unaware of in jurisdictions we have entered that may restrict our sales or other business practices. The laws in this area can be complex, difficult to interpret and may change over time. Continued regulatory limitations and other obstacles that may interfere with our ability to commercialize our products could have a negative and material impact on our business, prospects, financial condition and results of operations.

We are subject to requirements relating to environmental and safety regulations and environmental remediation matters which could adversely affect our business, results of operation and reputation.

We are subject to numerous federal, state and local environmental laws and regulations governing, among other things, solid and hazardous waste storage, treatment and disposal, and remediation of releases of hazardous materials. There are significant capital, operating and other costs associated with compliance with these environmental laws and regulations. Environmental laws and regulations may become more stringent in the future, which could increase costs of compliance or require us to manufacture with alternative technologies and materials.

Federal, state and local authorities also regulate a variety of matters, including, but not limited to, health, safety and permitting in addition to the environmental matters discussed above. New legislation and regulations may require us to make material changes to our operations, resulting in significant increases to the cost of production.

Our manufacturing process will have hazards such as but not limited to hazardous materials, machines with moving parts, and high voltage and/or high current electrical systems typical of large manufacturing equipment and related safety incidents. There may be safety incidents that damage machinery or product, slow or stop production, or harm employees. Consequences may include litigation, regulation, fines, increased insurance premiums, mandates to temporarily halt production, workers' compensation claims, or other actions that impact our company brand, finances, or ability to operate.

Our failure to timely and effectively implement controls and procedures required by Section 404(a) of the Sarbanes-Oxley Act could have a material adverse effect on our business.

We will be required to provide management's attestation on internal controls. The standards required for a public company under Section 404(a) of the Sarbanes-Oxley Act are significantly more stringent than those that were required of us as a privately-held company. Management may not be able to effectively and timely implement controls and procedures that adequately respond to the increased regulatory compliance and reporting requirements. If we are not able to implement the additional requirements of Section 404(a) in a timely manner or with adequate compliance, we may not be able to assess whether our internal controls over financial reporting are effective, which may subject us to adverse regulatory consequences and could harm investor confidence and the market price of our securities.

We qualify as an "emerging growth company" within the meaning of the Securities Act, and if we take advantage of certain exemptions from disclosure requirements available to emerging growth companies, this could make our securities less attractive to investors and may make it more difficult to compare our performance with other public companies.

We qualify as an "emerging growth company" as defined in Section 2(a)(19) of the Securities Act, as modified by the JOBS Act. As such, we are eligible for and intend to take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies for as long as we continue to be an emerging growth company, including (i) the exemption from the auditor attestation requirements with respect to internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act, (ii) the exemptions from say-on-pay, say-on-frequency and say-on-golden parachute voting requirements and (iii) reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. As a result, the stockholders may not have access to certain information they may deem important. We will remain an emerging growth company until the earliest of (i) the last day of the fiscal year in which the market value of the Common Stock that is held by non-affiliates exceeds \$700 million as of June 30 of

that fiscal year, (ii) the last day of the fiscal year in which we have total annual gross revenue of \$1.07 billion or more during such fiscal year (as indexed for inflation), (iii) the date on which we have issued more than \$1 billion in non-convertible debt in the prior three-year period or (iv) the last day of the fiscal year following the fifth anniversary of the date of the first sale of units in Kensington's initial public offering. In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the exemption from complying with new or revised accounting standards provided in Section 7(a)(2)(B) of the Securities Act as long as we are an emerging growth company. An emerging growth company can therefore delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected not to opt out of such extended transition period and, therefore, we may not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies. Investors may find our Class A Common Stock less attractive because we will rely on these exemptions, which may result in a less active trading market for our Class A Common Stock and its price may be more volatile.

Risks Related to Ownership of Our Common Stock, this Offering, and Our Certificate of Incorporation and Bylaws Provisions

Our Class A Common Stock has been and may in the future continue to be subject to extreme volatility.

The trading price of our Class A Common Stock has been and may in the future continue to be subject to extreme volatility. For example, from November 27, 2020, the date our Class A Common Stock began trading on the NYSE, through March 11, 2021, our Class A Common Stock has experienced an intra-day trading high of \$132.73 per share and an intra-day trading low of \$24.50 per share. At certain times during such period, the daily fluctuations in the trading price of our Class A Common Stock were substantially greater than 10%. We cannot predict the magnitude of future fluctuations in the trading price of our Class A Common Stock. The trading price of our Class A Common Stock may be affected by a number of factors, including events described in the risk factors set forth in this prospectus and in our periodic reports filed with the SEC from time to time, as well as our operating results, financial condition and other events or factors. Any of the factors listed below could have a material adverse effect on your investment in our securities. Factors affecting the trading price of our securities may include:

- announcements by us or our competitors regarding technical developments and levels of performance achieved by our or their battery technologies;
- announcements by us regarding the timing of our production objectives, including regarding QS-0 and QS-1;
- announcements by us or Volkswagen regarding developments in our relationship with Volkswagen;
- our ability to bring our products and technologies to market on a timely basis, or at all;
- our operating results or development efforts failing to meet the expectation of securities analysts or investors in a particular period;
- actual or anticipated fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to it;
- changes in the market's expectations about our operating results or the EV industry;
- success of competitors actual or perceived development efforts;
- changes in financial estimates and recommendations by securities analysts concerning the Company or the battery industry in general;

- operating and share price performance of other companies that investors deem comparable to the Company;
- disputes or other developments related to proprietary rights, including patents, litigation matters and our ability to obtain intellectual property protection for our technologies;
- changes in laws and regulations affecting our business;
- our ability to meet compliance requirements;
- commencement of, or involvement in, litigation involving the Company;
- changes in our capital structure, such as future issuances of securities or the incurrence of additional debt;
- the volume of shares of Common Stock available for public sale;
- the level of demand for our stock, including the amount of short interest in our stock;
- any major change in our Board or management;
- sales of substantial amounts of the shares of Common Stock by our directors, executive officers or significant stockholders or the perception that such sales could occur;
- the expiration of contractual lock-up agreements with our executive officers, directors and stockholders, which we have entered into and may enter into in the future from time to time; and
- general economic and political conditions such as recessions, interest rates, fuel prices, international currency fluctuations and acts of war or terrorism.

Broad market and industry factors may materially harm the market price of our securities irrespective of our operating performance. The stock market in general, and the NYSE in particular, have experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the particular companies affected. The trading prices and valuations of these stocks, and of our securities, may not be predictable. A loss of investor confidence in the market for retail stocks or the stocks of other companies which investors perceive to be similar to the Company could depress our share price regardless of our business, prospects, financial conditions or results of operations. A decline in the market price of our securities also could adversely affect our ability to issue additional securities and our ability to obtain additional financing in the future.

Following certain periods of volatility in the market price of our securities, we may become subject of securities litigation. We have experienced, and may in the future experience additional litigation following periods of volatility. This type of litigation may result in substantial costs and a diversion of management's attention and resources.

Sales of substantial amounts of our Class A Common Stock in the public markets, or the perception that such sales could occur, could reduce the price that our Class A Common Stock might otherwise attain.

Sales of a substantial number of shares of our Class A Common Stock in the public market after this offering, or the perception that such sales could occur, could adversely affect the market price of our Class A Common Stock and may make it more difficult for you to sell your Class A Common Stock at a time and price that you deem appropriate. Based on the total number of outstanding shares of our capital stock as of December 31, 2020, we will have approximately 220,769,091 shares of Class A Common Stock and 156,224,614 shares of Class B Common Stock outstanding upon completion of this offering (assuming no exercise of the underwriters' option to purchase additional shares). All of the

shares of Class A Common Stock sold in this offering will be freely tradable without restrictions or further registration under the Securities Act, except for any shares held by our “affiliates” as defined in Rule 144 under the Securities Act.

In connection with the Business Combination Agreement dated September 2, 2020, by and among Kensington, Kensington Merger Sub Corp., a Delaware corporation and wholly owned subsidiary of Kensington (“Merger Sub”), and Legacy QuantumScape the “Business Combination Agreement”) and the transactions contemplated by the Business Combination Agreement (the “Transactions”), certain holders of the Company’s securities entered into the Registration Rights and Lock-Up Agreement, the Senior Employee Lock-Up Agreements and the Stockholder Lock-Up Agreements, pursuant to which they agreed to certain restrictions on the transfer of QuantumScape securities. See the sections titled “*Certain Relationships, Related Party and Other Transactions —Registration Rights,*” “*—Senior Employee Lock-Up Agreements,*” and “*—Lock-Up Agreements*” for a description of these agreements and restrictions.

In addition, in connection with this offering, (i) we have agreed that, without the prior written consent of Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC on behalf of the underwriters and subject to certain exceptions, we will not offer, sell, or agree to sell, directly or indirectly, any shares of Common Stock for a period of 90 days from the date of the final prospectus relating to this offering, and (ii) each of our directors and executive officers have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any shares of Common Stock or securities convertible into or exchangeable for shares of Common Stock during the period from the date of such agreement continuing through May 21, 2021, except with the prior written consent of Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC.

Certain stockholders are entitled to require us to register shares owned by them for public sale in the United States, and we have filed a Form S-1 (Registration No. 333-251433), which the SEC declared effective on December 31, 2020, to register those shares. In addition, we have filed a registration statement to register shares reserved for future issuance under our equity compensation plans. Subject to the satisfaction of applicable exercise periods and expiration of the lock-up agreements referred to above, the shares issued upon exercise of outstanding stock options and settlement of outstanding restricted stock units will be available for immediate resale in the United States in the open market. See the section titled “*Shares Eligible for Future Sale*” for additional information.

If you purchase our Class A Common Stock in this offering, you will incur immediate and substantial dilution.

The assumed public offering price of \$59.34 per share is substantially higher than the net tangible book value per share of our Common Stock of \$2.87 per share as of December 31, 2020. Investors purchasing Class A Common Stock in this offering will pay a price per share that substantially exceeds the book value of our tangible assets after subtracting our liabilities. As a result, investors purchasing Class A Common Stock in this offering will incur immediate dilution in the as adjusted net tangible book value of \$54.59 per share as of December 31, 2020, based on the assumed public offering price of \$59.34 per share, the last reported sale price of our Class A Common Stock on the NYSE on March 19, 2021.

This dilution is due to the substantially lower price paid by our investors who purchased shares prior to this offering as compared to the price offered to the public in this offering, and any previous exercise of stock options granted to our service providers. In addition, as of December 31, 2020, options to purchase shares of our Class A Common Stock and warrants to purchase shares of our Class A Common Stock were outstanding, as set forth in the section titled “*The Offering.*” The exercise

of any of these options or warrants would result in additional dilution. As a result of the dilution to investors purchasing shares in this offering, investors may receive less than the purchase price paid in this offering, if anything, in the event of our liquidation.

We have broad discretion in the use of the net proceeds from this offering and may not use them effectively.

Our management has broad discretion in the application of the net proceeds from this offering, including to provide sufficient funding to build the larger version of QS-0, to fund QS-0 operating expenses, to fund our share of the equity portion of the joint venture's costs of building the QS-1 Expansion, net of debt intended to be incurred by the joint venture, and for working capital and general corporate purposes, and we may spend or invest these proceeds in a way with which our stockholders disagree. Because of the number and variability of factors that will determine our use of the net proceeds from this offering, their ultimate use may vary substantially from their currently intended use.

The failure by our management to apply these funds effectively could harm our business. Pending their use, we may invest such proceeds in a manner that does not produce income or that loses value, which may negatively impact the market price of our common stock.

Our business model of manufacturing solid-state batteries is capital-intensive, and we may not be able to raise additional capital on attractive terms, if at all, which could be dilutive to stockholders. If we cannot raise additional capital when needed, our operations and prospects could be materially and adversely affected.

The development, design, manufacture and sale of batteries is a capital-intensive business, which we currently finance through joint venture arrangements and other third-party financings. As a result of the capital-intensive nature of our business, we can be expected to continue to sustain substantial operating expenses without generating sufficient revenues to cover expenditures. Over time, we expect that we will need to raise additional funds, including through entry into new or extending existing joint venture arrangements, through the issuance of equity, equity-related or debt securities or through obtaining credit from financial institutions to fund, together with our principal sources of liquidity, ongoing costs such as research and development relating to our batteries, the construction of large factories, any significant unplanned or accelerated expenses, and new strategic investments. We cannot be certain that additional capital will be available on attractive terms, if at all, when needed, which could be dilutive to stockholders, and our financial condition, results of operations, business and prospects could be materially and adversely affected.

The dual class structure of our Common Stock has the effect of concentrating voting control with the current holders of Class B Common Stock. This will limit or preclude the ability of other stockholders to influence corporate matters, including the outcome of important transactions, including a change in control.

Shares of Class B Common Stock have 10 votes per share, while shares of Class A Common Stock have one vote per share. Although no one holder or group of holders has control of more than 30% of the voting power of our capital stock, after the completion of this offering, the beneficial owners of the Class B Common Stock will control approximately 87% of the voting power of our capital stock and collectively are to control matters submitted to our stockholders for approval, including the election of directors, amendments of our organizational documents and any merger, consolidation, sale of all or substantially all of our assets or other major corporate transactions. Even though these holders are not party to any agreement that requires them to vote together, they may have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. This concentrated control may have the effect of delaying, preventing or deterring a change in control of us,

could deprive our stockholders of an opportunity to receive a premium for their capital stock as part of a sale of us, and might ultimately affect the market price of shares of our Class A Common Stock. For information about our dual class structure, see the section titled “*Description of Capital Stock*” appearing elsewhere in this prospectus.

Anti-takeover provisions in our Certificate of Incorporation, Bylaws and Delaware law could make an acquisition of us more difficult, limit attempts by our stockholders to replace or remove our management and limit the market price of our Class A Common Stock.

The Certificate of Incorporation, amended and restated Bylaws (the “Bylaws”) and Delaware law contain provisions which could have the effect of rendering more difficult, delaying or preventing an acquisition deemed undesirable by our Board. These provisions include:

- authorizing “blank check” preferred stock, which could be issued by our Board without stockholder approval and may contain voting, liquidation, dividend and other rights superior to the Common Stock;
- limiting the liability of, and providing indemnification to, our directors and officers;
- prohibiting cumulative voting in the election of directors;
- providing that vacancies on our Board may be filled only by majority of directors then in office of our Board, even though less than a quorum;
- prohibiting the ability of our stockholders to call special meetings;
- establishing an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our Board;
- requiring that, once there are no longer any outstanding shares of the Class B Common Stock, any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent;
- specifying that special meetings of our stockholders can be called only by a majority of our Board, the chair of our Board, or our Chief Executive Officer;
- requiring that, once there are no longer any outstanding shares of Class B Common Stock, the approval of holders of at least two-thirds of the outstanding voting securities to amend the Bylaws and certain provisions of the Certificate of Incorporation; and
- reflecting two classes of Common Stock.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our Board, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law (“DGCL”), which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any “interested” stockholder for a period of three years following the date on which the stockholder became an “interested” stockholder.

Our Bylaws provide, subject to limited exceptions, that the Court of Chancery of the State of Delaware and the federal district courts of the United States will be the sole and exclusive forum for certain stockholder litigation matters, which could limit our stockholders’ ability to obtain a chosen judicial forum for disputes with us or our directors, officers, employees or stockholders.

Our Bylaws provide that, unless otherwise consented to by us in writing, the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, another State court in

Delaware or the federal district court for the District of Delaware) shall, to the fullest extent permitted by law, be the sole and exclusive forum for the following types of actions or proceedings: (i) any derivative action or proceeding brought on behalf of the Company; (ii) any action asserting a claim of breach of a fiduciary duty owed by, or otherwise wrongdoing by, any of our directors, officers, or other employees to us or our stockholders; (iii) any action arising pursuant to any provision of the DGCL or the Certificate of Incorporation or the Bylaws; (iv) any action to interpret, apply, enforce or determine the validity of the Certificate of Incorporation or the Bylaws; or (v) any other action asserting a claim that is governed by the internal affairs doctrine, in all cases subject to the court having jurisdiction over indispensable parties named as defendants. This provision would not apply to suits brought to enforce a duty or liability created by the Securities Exchange Act of 1934, as amended, or any other claim for which the U.S. federal courts have exclusive jurisdiction. The Bylaws further provide that, unless otherwise consented to by the Company in writing, the federal district courts of the United States will be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act.

Any person or entity purchasing or otherwise acquiring any interest in our securities shall be deemed to have notice of and consented to this provision. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum of its choosing for disputes with the Company or any of our directors, officers, other employees or stockholders, which may discourage lawsuits with respect to such claims. There is uncertainty as to whether a court would enforce such provisions, and the enforceability of similar choice of forum provisions in other companies' charter documents has been challenged in legal proceedings. It is possible that a court could find these types of provisions to be inapplicable or unenforceable, and if a court were to find the choice of forum provision contained in the Bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, operating results and financial condition.

Our dual class structure may depress the trading price of the Class A Common Stock.

We cannot predict whether our dual class structure will result in a lower or more volatile market price of the Class A Common Stock or in adverse publicity or other adverse consequences. For example, certain index providers have announced restrictions on including companies with multiple-class share structures in certain of their indexes. S&P Dow Jones and FTSE Russell have announced changes to their eligibility criteria for inclusion of shares of public companies on certain indices, including the S&P 500, pursuant to which companies with multiple classes of shares of common stock are excluded. In addition, several stockholder advisory firms have announced their opposition to the use of multiple class structures. As a result, the dual class structure of our Common Stock may cause stockholder advisory firms to publish negative commentary about our corporate governance practices or otherwise seek to cause us to change our capital structure. Any such exclusion from indices or any actions or publications by stockholder advisory firms critical of our corporate governance practices or capital structure could adversely affect the value and trading market of the Class A Common Stock.

We do not expect to declare any dividends in the foreseeable future.

We do not anticipate declaring any cash dividends to holders of our Common Stock in the foreseeable future. Consequently, investors may need to rely on sales of their shares after price appreciation, which may never occur, as the only way to realize any future gains on their investment.

There can be no assurance that we will be able to comply with the continued listing standards of the NYSE.

Our Class A Common Stock and Public Warrants are listed on the NYSE under the symbols "QS" and "QS.WS", respectively. If the NYSE delists our securities from trading on its exchange for failure to

meet the listing standards and we are not able to list such securities on another national securities exchange, we expect such securities could be quoted on an over-the-counter market. If this were to occur, we and our stockholders could face significant material adverse consequences including:

- a limited availability of market quotations for our securities;
- reduced liquidity for our securities;
- a limited amount of news and analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

Risks Related to Our Warrants

We may redeem unexpired Warrants prior to their exercise at a time that is disadvantageous to Warrantheolders.

The Public Warrants are currently exercisable for one share of Class A Common Stock at a price of \$11.50 per share. We have the ability to redeem outstanding Warrants at any time starting July 30, 2021 for the Public Warrants and prior to their expiration, at a price of \$0.01 per Warrant, provided that the last reported sales price of Class A Common Stock equals or exceeds \$18.00 per share for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date we send the notice of redemption to Warrantheolders and provided certain other conditions are met. If and when the Warrants become redeemable by us, we may exercise our redemption rights even if we are unable to register or qualify the underlying securities for sale under all applicable state securities laws. As a result, we may redeem the Warrants as set forth above even if the holders are otherwise unable to exercise the Warrants. Redemption of the outstanding Warrants could force Warrantheolders (i) to exercise their Warrants and pay the exercise price therefor at a time when it may be disadvantageous for them to do so, (ii) to sell their Warrants at the then-current market price when they might otherwise wish to hold their Warrants or (iii) to accept the nominal redemption price which, at the time the outstanding Warrants are called for redemption, we expect would be substantially less than the market value of their Warrants. None of the Private Placement Warrants will be redeemable by us so long as they are held by the Sponsor or its permitted transferees.

In addition, we have the ability to redeem outstanding Warrants starting September 28, 2021 for \$0.10 per Warrant upon a minimum of 30 days' prior written notice of redemption provided that holders will be able to exercise their Warrants prior to redemption for a number of Class A Common Stock determined based on the redemption date and the fair market value of Class A Common Stock and provided certain other conditions are met. We would redeem the Warrants in this manner when we believe it is in our best interest to update our capital structure to remove the Warrants and pay fair market value to the Warrantheolders. We can also redeem the Warrants for Class A Common Stock when the Class A Common Stock is trading at a price starting at \$10.00, which is below the exercise price of \$11.50, because it will provide certainty with respect to our capital structure and cash position while providing our Warrantheolders with fair market value in the form of shares of our Class A Common Stock. If we choose to redeem our Warrants when the Class A Common Stock is trading at a price below the exercise price of our Warrants, this could result in our Warrantheolders receiving fewer shares of our Class A Common Stock than they would have received if they had chosen to wait to exercise their Warrants for shares of Class A Common Stock if and when the Class A Common Stock trades at a price higher than the exercise price of \$11.50. Any such redemption may have similar consequences to a cash redemption described above. In addition, such redemption may occur at a time when our Warrants are "out-of-the-money," in which case they would lose any potential embedded value from a subsequent increase in the value of the Class A Common Stock had their Warrants remained outstanding. Finally, this redemption feature provides a ceiling to the value of their Warrants since it locks in the redemption price in the number of Class A Common Stock to be received if we choose to redeem the Warrants for Class A Common Stock.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The Company makes forward-looking statements in this prospectus and in documents incorporated herein by reference. All statements, other than statements of present or historical fact included in or incorporated by reference in this prospectus, regarding the Company's future financial performance, as well as the Company's strategy, future operations, including the expected operations of QS-0, QS-1 and QS-1 Expansion, financial position, estimated revenues, and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this prospectus, the words "anticipate," "believe," "continue," "could," "estimate," "expect," "intends," "may," "might," "plan," "possible," "potential," "predict," "project," "should," "will," "would" the negative of such terms and other similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on management's current expectations, assumptions, hopes, beliefs, intentions and strategies regarding future events and are based on currently available information as to the outcome and timing of future events. The Company cautions you that these forward-looking statements are subject to all of the risks and uncertainties, most of which are difficult to predict and many of which are beyond the control of the Company, incident to its business.

These forward-looking statements are based on information available as of the date of this prospectus, and current expectations, forecasts and assumptions, and involve a number of risks and uncertainties. Accordingly, forward-looking statements in this prospectus and in any document incorporated herein by reference should not be relied upon as representing the Company's views as of any subsequent date, and the Company does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

As a result of a number of known and unknown risks and uncertainties, the Company's actual results or performance may be materially different from those expressed or implied by these forward-looking statements. Some factors that could cause actual results to differ include:

- delays in or the inability to achieve our technology development objectives, including high volume production of battery cells at commercial size with acceptable performance, yield, and costs for successful commercialization of our technologies;
- delays in implementing, or the inability to successfully implement the manufacturing processes related automation and technologies necessary for development efforts or for volume production and successful commercialization of our technologies;
- the inability to establish supply relationships for necessary components or being required to pay higher than anticipated supply costs;
- our relationship with Volkswagen, including the ability to commercialize solid-state batteries from our joint development relationship with Volkswagen and as a potential customer;
- the failure of our batteries to perform as expected;
- the inability to attract customers during the development stage or for high volume commercial production;
- the Company's future financial and business performance, including financial projections and business metrics;
- changes in the Company's strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects and plans;
- the Company's ability to scale in a cost-effective manner;
- the Company's ability to raise capital;

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- developments relating to the Company's competitors and industry;
- the outcome of any known and unknown litigation and regulatory proceedings; and
- other risks and uncertainties set forth in the section titled "*Risk Factors*" as set forth in this prospectus, which is incorporated herein by reference.

INDUSTRY, MARKET AND OTHER DATA

Unless otherwise indicated, estimates and information contained in this prospectus concerning our industry and the market in which we operate, including our general expectations, market position, market opportunity, and market size, are based on industry publications and reports generated by third-party providers, other publicly available studies, and our internal sources and estimates. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. Although we are responsible for all of the disclosure contained in this prospectus and we believe the information from the industry publications and other third-party sources included in this prospectus is reliable, we have not independently verified the accuracy or completeness of the data contained in such sources. The content of, or accessibility through, the below sources and websites, except to the extent specifically set forth in this prospectus, does not constitute a portion of this prospectus and is not incorporated herein, and any websites are an inactive textual reference only.

The source of certain statistical data, estimates and forecasts contained in this prospectus are the following independent industry publications or reports:

- International Energy Association, *Global EV Outlook 2020*, 2020.
- Organisation Internationale des Constructeurs d'Automobiles, *World Motor Vehicle Production by Country and Type*, 2019.
- Ding, Y., Cano, Z.P., Yu, A. et al., *Electrochemical Energy Reviews, Automotive Li-Ion Batteries: Current Status and Future Perspectives*, 2019.
- Andre et al, *J Mater Chem A, Future Generations of Cathode Materials: An Automotive Industry Perspective*, 2015.

The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section titled "*Risk Factors*" and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

BACKGROUND OF QUANTUMSCAPE

Business Combination

On the Closing Date, Kensington consummated the Business Combination Agreement. The Company's Class A Common Stock and Public Warrants are listed on NYSE under the symbols "QS" and "QS.WS", respectively. The Company's Class B Common Stock is neither listed nor publicly traded.

Pursuant to the terms of the Business Combination Agreement, a business combination between the Company and Legacy QuantumScape was effected through the merger of Merger Sub with and into Legacy QuantumScape, with Legacy QuantumScape surviving as the surviving company and as a wholly-owned subsidiary of Kensington (the "Merger" and, collectively with the other transactions described in the Business Combination Agreement, the "Business Combination"). On the Closing Date, the Company changed its name from Kensington Capital Acquisition Corp. to QuantumScape Corporation.

At the effective time of the Merger (the "Effective Time"), each share of Legacy QuantumScape Class A common stock and each share of the Legacy QuantumScape Preferred Stock that was convertible into a share of Legacy QuantumScape Class A common stock, was canceled and converted into the right to receive shares of the Company's Class A Common Stock, and each share of Legacy QuantumScape Class B common stock and each share of the Legacy QuantumScape Preferred Stock that was convertible into a share of Legacy QuantumScape Class B common stock was canceled and converted into the right to receive the number of shares of the Company's Class B Common Stock.

At the Effective Time, each outstanding and unexercised warrant to purchase shares of Legacy QuantumScape capital stock was automatically converted into a warrant to purchase the applicable class of Common Stock, each option to purchase shares of Legacy QuantumScape common stock that was outstanding immediately prior to the Effective Time, whether vested or unvested, was converted into an option to purchase the applicable class of Common Stock, and each outstanding restricted stock unit granted by Legacy QuantumScape, immediately prior to the Closing under Legacy QuantumScape option plans or otherwise that was outstanding immediately prior to the Effective Time was converted into a restricted stock unit of the applicable class of Common Stock.

Immediately prior to the Effective Time, the obligation to purchase shares of Legacy QuantumScape's Series F Preferred Stock ("Legacy QuantumScape Series F Preferred Stock") became an obligation to purchase shares of Class A Common Stock equal in number to the shares of Class A Common Stock that would have been issued in the Merger in exchange for such shares of Legacy QuantumScape Series F Preferred Stock if such shares of Legacy QuantumScape Series F Preferred Stock had been outstanding prior to the Merger. On December 1, 2020, the Company issued 15,221,334 shares of Class A Common Stock to VGA for an aggregate purchase price of \$100 million. An additional 15,221,334 shares of Class A Common Stock are issuable to VGA for \$100 million on or before March 31, 2021, subject to completion of a certain technical milestone or VGA's waiver of that milestone.

On November 25, 2020, a number of subscribers (each, a "Subscriber") purchased from the Company an aggregate of 50,000,000 shares of Class A Common Stock (the "PIPE"), for a purchase price of \$10.00 per share and an aggregate purchase price of \$500.0 million (the "PIPE Shares"), pursuant to separate subscription agreements (each, a "Subscription Agreement") entered into effective as of September 2, 2020. Pursuant to the Subscription Agreements, the Company gave certain registration rights to the Subscribers with respect to the PIPE Shares. The sale of PIPE Shares was consummated concurrently with the Closing.

As of the open of trading on November 27, 2020, the Class A Common Stock and Public Warrants of the Company, formerly those of Kensington, began trading on NYSE under the symbols “QS” and “QS.WS”, respectively.

The Business Combination was accounted for as a reverse recapitalization. Legacy QuantumScape was deemed the accounting predecessor and the combined entity is the successor SEC registrant, meaning that Legacy QuantumScape’s financial statements for previous periods have and will be disclosed in the registrant’s future periodic reports filed with the SEC. Under this method of accounting, Kensington is treated as the acquired company for financial statement reporting purposes. The most significant changes in the combined company’s reported financial position and results was a \$953 million net increase in cash, cash equivalents and marketable securities and a \$2.0 billion net impact in total stockholders’ equity, both of which included \$230 million cash in Kensington’s trust account, \$500 million in gross proceeds from the issuance of PIPE Shares and \$288 million in gross proceeds from the sale of Legacy QuantumScape Series F Preferred Stock on November 25, 2020 and the sale of the Class A Common Stock to VGA on December 1, 2020. Total transaction costs were approximately \$66 million. The foregoing description of the Business Combination does not take into account the \$100 million equity investment by VGA that is subject to completion of a certain technical milestone on or before March 31, 2021.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of our Class A Common Stock in this offering will be approximately \$747 million, based upon the assumed public offering price of \$59.34 per share, the last reported sale price of our Class A Common Stock on the NYSE on March 19, 2021, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters' option to purchase additional shares is exercised in full, we estimate that the net proceeds to us would be approximately \$859 million, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

Each \$1.00 increase or decrease in the assumed public offering price of \$59.34 per share, the last reported sale price of our Class A Common Stock on the NYSE on March 19, 2021, would increase or decrease the net proceeds that we receive from this offering by approximately \$13 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions payable by us. Similarly, each increase or decrease of 1.0 million shares in the number of shares offered by us would increase or decrease the net proceeds that we receive from this offering by approximately \$58 million, assuming the assumed public offering price remains the same and after deducting the estimated underwriting discounts and commissions payable by us.

We currently intend to use the net proceeds we receive from this offering to provide sufficient funding to build the larger version of QS-0, to fund QS-0 operating expenses, to fund our share of the equity portion of the joint venture's costs of building the QS-1 Expansion, net of debt intended to be incurred by the joint venture, and for working capital and general corporate purposes. We estimate the amount needed to fund the incremental capital expenditures associated with the larger version of QS-0 and to fund QS-0 operating expenses is approximately \$250 million. We estimate that our share of the equity portion of the joint venture's cost of building the QS-1 Expansion will be in the range of \$250-350 million, depending on the final cost of the facility, the amount of debt financing and other factors.

MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information and Holders

The Common Stock, Kensington warrants and Kensington units (consisting of one share of Common Stock and one-half of one warrant, the "Units") were historically quoted on the NYSE under the symbols "KCAC", "KCAC WS" and "KCAC.U", respectively. At the Effective Time, the Units automatically separated into the component securities and, as a result, no longer trade as a separate security. On November 27, 2020, the Class A Common Stock and Public Warrants began trading on the NYSE under the new trading symbols "QS" and "QS.WS", respectively.

As of March 8, 2021, the Company had approximately 212,058,168 shares of Class A Common Stock issued and outstanding held of record by 93 holders, approximately 156,161,849 shares of Class B Common Stock held of record by 38 holders and approximately 18,149,989 warrants, each exercisable for one share of Class A Common Stock at a price of \$11.50 per share, held of record by 21 holders.

Dividends

On June 25, 2020, Kensington effected a stock dividend of 718,750 shares of Common Stock, resulting in the Sponsor holding an aggregate of 5,750,000 Sponsor Shares. The Company has not paid any cash dividends on the Class A Common Stock to date. The Company may retain future earnings, if any, for future operations, expansion and debt repayment and has no current plans to pay cash dividends for the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of the Board and will depend on, among other things, the Company's results of operations, financial condition, cash requirements, contractual restrictions and other factors that the Board may deem relevant. In addition, the Company's ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness the Company or its subsidiaries incur. The Company does not anticipate declaring any cash dividends to holders of the Class A Common Stock in the foreseeable future.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of December 31, 2020:

- on an actual basis without any adjustments to reflect subsequent or anticipated events;
- on an as adjusted basis to reflect receipt of \$747 million in net proceeds from the issuance and sale of 13,000,000 shares of Class A Common Stock in this offering at the assumed public offering price of \$59.34 per share, the last reported sale price of our Class A Common Stock on the NYSE on March 19, 2021, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

| | Actual | As Adjusted(1) |
|--|--|-----------------|
| | (in millions, except share and per share data) | |
| Cash and cash equivalents | \$ 113 | \$ 860 |
| Stockholders' equity: | | |
| Preferred stock, \$0.0001 par value per share, 100,000,000 shares authorized, no shares issued or outstanding, actual and as adjusted | — | — |
| Class A Common Stock, \$0.0001 par value per share; 1,000,000,000 shares authorized; 207,769,091 shares issued and outstanding actual; 220,769,091 shares issued and outstanding as adjusted | — | — |
| Class B Common Stock, \$0.0001 par value per share; 250,000,000 shares authorized, 156,224,614 shares issued and outstanding actual and as adjusted | — | — |
| Additional paid-in capital | 2,437 | 3,184 |
| Accumulated other comprehensive loss | — | — |
| Accumulated deficit | (1,396) | (1,396) |
| Total stockholders' equity (deficit) | <u>1,041</u> | <u>1,788</u> |
| Total capitalization | <u>\$ 1,041</u> | <u>\$ 1,788</u> |

- (1) Each \$1.00 increase (decrease) in the assumed public offering price of \$59.34 per share, the last reported sale price of our Class A Common Stock on the NYSE on March 19, 2021, would increase (decrease) our as adjusted cash and cash equivalents, additional paid-in capital, total stockholders' equity, and total capitalization by approximately \$13 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions. Similarly, each increase (decrease) of 1,000,000 shares in the number of shares of our Class A Common Stock offered would increase (decrease) the amount of our as adjusted cash and cash equivalents, additional paid-in capital, total stockholders' equity, and total capitalization by approximately \$58 million, assuming that the assumed public offering price remains the same, and after deducting the estimated underwriting discounts and commissions. If the underwriters exercise their option to purchase additional shares in full, the as adjusted amount of each of cash and cash equivalents, additional paid-in capital, total stockholders' equity, and total capitalization would increase by approximately \$112 million, after deducting the estimated underwriting discounts and commissions, and we would have 378,943,705 shares of our Common Stock issued and outstanding, as adjusted.

Unless otherwise indicated, the number of shares of our Common Stock to be outstanding after this offering is based on 207,769,091 shares of our Class A Common Stock and 156,224,614 shares of our Class B Common Stock issued and outstanding as of December 31, 2020, assumes no exercise of the underwriters' option to purchase additional shares and excludes the following:

- 68,294,957 shares of our Common Stock, 55,316,336 shares of which are issuable upon the exercise of options under our 2010 Plan with a weighted-average exercise price of \$1.62 per

share and 12,978,621 shares of which are issuable upon vesting of certain restricted stock units granted before November 25, 2020;

- 6,575,000 shares of our Class A Common Stock issuable upon the exercise of Private Placement Warrants outstanding as of December 31, 2020, with an exercise price of \$11.50 per share;
- 75,000 shares of our Class A Common Stock issuable upon the exercise of Working Capital Warrants outstanding as of December 31, 2020, with an exercise price of \$11.50 per share;
- 11,499,989 shares of our Class A Common Stock issuable upon the exercise of Public Warrants outstanding as of December 31, 2020, with an exercise price of \$11.50 per share;
- 15,221,334 shares of Class A Common Stock that will be issued and sold to VGA subject to the achievement of a specified technical milestone before March 31, 2021; and
- 41,500,000 shares of our Class A Common Stock issuable and reserved for future issuance under our 2020 Plan.

DILUTION

If you invest in our Class A Common Stock in this offering, you will experience immediate and substantial dilution in the net tangible book value of your shares of Class A Common Stock. Dilution in net tangible book value represents the difference between the price to the public per share of our Class A Common Stock and the as adjusted net tangible book value per share, as adjusted to give effect to this offering.

Net tangible book value as of December 31, 2020 represents our total tangible assets less our total liabilities, divided by the number of shares of Common Stock outstanding as of December 31, 2020. Our net tangible book value as of December 31, 2020 was \$1.0 billion, or \$2.87 per share. After giving effect to the sale and issuance of shares of Class A Common Stock in this offering at an assumed public offering price of \$59.34 per share, the last reported sale price of our Class A Common Stock on the NYSE on March 19, 2021, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, our as adjusted net tangible book value as of December 31, 2020 would have been approximately \$1,790 million, or \$4.75 per share (assuming no exercise of the underwriters' option to purchase additional shares of our Class A Common Stock). This represents an immediate increase in net tangible book value of \$1.88 per share to existing stockholders and an immediate dilution of \$54.59 per share to new investors purchasing Class A Common Stock in this offering.

The following table illustrates this dilution:

| | |
|---|---------|
| Assumed public offering price per share | \$59.34 |
| Net tangible book value per share as of December 31, 2020 | \$2.87 |
| Increase in net tangible book value per share attributable to investors in this offering | \$1.88 |
| As adjusted net tangible book value per share after this offering | \$ 4.75 |
| Dilution in as adjusted net tangible book value per share to investors purchasing Class A Common Stock in this offering | \$54.59 |

If the underwriters exercise their option in full, the as adjusted net tangible book value after the offering would be \$5.02 per share, the increase in as adjusted net tangible book value per share to existing stockholders would be \$2.15 per share and the dilution in as adjusted net tangible book value to new investors would be \$54.32 per share, in each case assuming an public offering price of \$59.34 per share, the last reported sale price of our Class A Common Stock on the NYSE on March 19, 2021, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

Each \$1.00 increase (decrease) in the assumed public offering price of \$59.34 per share, the last reported sale price of our Class A Common Stock on the NYSE on March 19, 2021, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, would increase (decrease) the as adjusted net tangible book value per share after this offering by approximately \$0.03 per share and dilution in as adjusted net tangible book value per share to new investors by approximately \$0.97 per share, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discount and estimated offering expenses payable by us.

We may also increase or decrease the number of Class A Common Stock we are offering. Each increase (decrease) of 1,000,000 shares in the number of shares offered in this offering, as set forth on the cover page of this prospectus, would increase (decrease) our as adjusted net tangible book value

after this offering by approximately \$58 million, or \$0.14 per share, and would increase (decrease) the dilution per share to new investors by \$(0.14) per share, assuming that the assumed public offering price of \$59.34 per share, the last reported sale price of our Class A Common Stock on the NYSE on March 19, 2021, remains the same and after deducting underwriting discounts and estimated offering expenses payable by us.

Unless otherwise indicated, the number of shares of our Common Stock to be outstanding after this offering is based on 207,769,091 shares of our Class A Common Stock and 156,224,614 shares of our Class B Common Stock issued and outstanding as of December 31, 2020, assumes no exercise of the underwriters' option to purchase additional shares and excludes the following:

- 68,294,957 shares of our Common Stock, 55,316,336 shares of which are issuable upon the exercise of options under our 2010 Plan with a weighted-average exercise price of \$1.62 per share and 12,978,621 shares of which are issuable upon vesting of certain restricted stock units granted before November 25, 2020;
- 6,575,000 shares of our Class A Common Stock issuable upon the exercise of Private Placement Warrants outstanding as of December 31, 2020, with an exercise price of \$11.50 per share;
- 75,000 shares of our Class A Common Stock issuable upon the exercise of Working Capital Warrants outstanding as of December 31, 2020, with an exercise price of \$11.50 per share;
- 11,499,989 shares of our Class A Common Stock issuable upon the exercise of Public Warrants outstanding as of December 31, 2020, with an exercise price of \$11.50 per share;
- 15,221,334 shares of Class A Common Stock that will be issued and sold to VGA subject to the achievement of a specified technical milestone before March 31, 2021; and
- 41,500,000 shares of our Class A Common Stock issuable and reserved for future issuance under our 2020 Plan.

The shares of our Class A Common Stock reserved for future issuance under our equity plan will be subject to automatic annual increases in accordance with the terms of the plan. To the extent that options or warrants are exercised, new options are issued under our equity incentive plan or we issue additional shares of Common Stock in the future, there will be further dilution to investors participating in this offering. In addition, we may choose to raise additional capital because of market conditions or strategic considerations, even if we believe that we have sufficient funds for our current or future operating plans. If we raise additional capital through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our stockholders.

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

On November 25, 2020, Kensington acquired us. The Business Combination was accounted for as a reverse recapitalization in accordance with U.S. GAAP. Under this method of accounting, Kensington was treated as the "acquired" company for financial reporting purposes. Except as otherwise provided herein, our financial statement presentation includes (1) the results of Legacy QuantumScape and its consolidated subsidiaries as our accounting predecessor for periods prior to the completion of the Business Combination, and (2) the results of the Company (including the consolidation of Legacy QuantumScape and its subsidiaries) for periods after the completion of the Business Combination.

The following discussion and analysis should be read in conjunction with our audited consolidated financial statement the related notes appearing elsewhere in this prospectus. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in the section titled "*Risk Factors*" as set forth in this prospectus. Unless the context otherwise requires, references in this "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" to "Legacy QuantumScape", "the Company", "we", "us" and "our" refer to the business and operations of Legacy QuantumScape and its consolidated subsidiaries prior to the Business Combination and to QuantumScape Corporation and its consolidated subsidiaries, following the closing of the Business Combination.

Overview

We are developing next generation battery technology for EVs and other applications. We believe that our technology will enable a new category of battery that meets the requirements for broader market adoption. Our lithium-metal solid-state battery technology is intended to provide greater energy density, longer life, faster charging, and greater safety than today's conventional lithium-ion batteries.

We are a development stage company with no revenue to date, have incurred a net loss of approximately \$1,099.9 million for the year ended December 31, 2020 and an accumulated deficit of approximately \$1,395.8 million from our inception through December 31, 2020. A significant portion of the net loss incurred during the year ended December 31, 2020 is associated with the non-cash fair value adjustment of the Legacy QuantumScape preferred stock tranche liabilities of \$999.9 million.

Key Trends, Opportunities and Uncertainties

We are pre-revenue company; we believe that our performance and future success depend on several factors that present significant opportunities for us but also pose significant risks and challenges, including those discussed below and in the section titled "*Risk Factors*" appearing elsewhere in this prospectus.

Product Development

We are developing our battery technology with the goal of enabling commercial production in 2024. We have validated capabilities of our solid-state separator and battery technology in single-layer solid-state cells. We are now working to develop multi-layer cells, to continue improving yield and performance and to optimize all components of the cell.

We have described our research and development programs to make further improvements to our battery technology, including improvements to battery performance and cost under the sub-section titled “*Research and Development*” in the section titled “*Business*” appearing elsewhere in this prospectus. Major remaining development activities include, but are not limited to:

- *Multi-layering.* To date, we have only produced single-layer solid-state cells at the commercially required size (70x85mm) and four-layer cells at a smaller size (30x30mm). In order to produce commercially-viable solid-state battery cells, we must produce battery cells that may require dozens of layers, depending on our customers’ requirements. We will need to overcome the developmental challenges to stack these layers and implement the appropriate cell design for our solid-state battery cell.
- *Continued improvement in the solid-state separator.* We are working to improve the reliability and performance of our solid-state separator, including decreasing the thickness.
- *Improved yields and throughput.* We are focused on improving the yields (useful output) of both our solid-state separators and our battery cells. We are automating our manufacturing process and purchasing larger-scale manufacturing equipment. We will need to substantially improve our manufacturing processes to increase yield and throughput to achieve the cost, performance and volume levels required for commercial shipments.

Our team of over 275 scientists, engineers, technicians, and other staff is highly motivated and committed to solving these challenges ahead. However, any delays in the completion of these tasks will require additional cash use and delay market entry. As we grow our team, size of engineering pilot line, and materials consumption, the rate of cash utilization as a function of time will also increase significantly.

Process Development

Our architecture depends on our proprietary solid-state ceramic separator which we will manufacture ourselves. Though our separator’s design is unique, its manufacturing relies on well-established, high-volume production processes currently deployed globally in other industries at large scale.

The solid-state separator is being designed to enable our ‘anode-free’ architecture. As manufactured, the cell has no anode; the lithium-metal anode is formed during the first charge of the cell; 100% of the lithium that forms the anode comes from the cathode material we purchase. Eliminating the anode bill of materials and associated manufacturing costs found in conventional lithium-ion cells could result in a meaningful cost of goods sold advantage for us. In addition, our solid-state battery cell is being designed to reduce the time and capital-intensity of the formation process step as compared to conventional lithium-ion manufacturing.

We are focused on both the continued expansion of the throughput and capability of our San Jose engineering line and QS-0 as well as the planning and execution of QS-1 for our first commercial manufacturing facility.

Continued expansion of the throughput and capability of our San Jose engineering line and QS-0 serves two purposes. First, the engineering line and QS-0 are intended to provide a sufficient quantity of solid-state separators and cells for internal development and for customer sampling. And second, our San Jose engineering line and QS-0 are intended to provide the basis for continued manufacturing process development and help inform tool selection and specifications for equipment for QS-1. Delays in the successful buildout of our San Jose engineering line and QS-0 may impact both our development and QS-1 timelines.

We will need to achieve significant cost savings in battery design and manufacturing, in addition to the cost savings associated with the elimination of an anode from our solid-state battery cells, while

controlling costs associated with the manufacture of our solid-state separator, including achieving substantial improvements in throughput and yield required to hit commercial targets. Further, we will need to capture industry cost savings in the materials, components, equipment, and processes that we share, notably in the cathode, cell design, and factory.

Commercialization and Market Focus

As noted above, we will continue developing our battery technology with the goal of enabling customer prototype sampling in 2022, samples for use in test cars by 2023, and commercialization beginning in 2024 to 2025. We have validated the performance capabilities of our solid-state separator and battery technology in single-layer solid-state cells at the commercially required size (70x85mm) and four-layer solid-state battery cells at a smaller size (30x30mm), and are now working to develop multi-layer cells at the commercially required size, aiming first for 4 layers and then for 8 to 10 layers by year end, to continue improving yield and performance and to optimize all components of the cell. We will continue to work to further develop and validate the volume manufacturing processes to enable high volume manufacturing and minimize manufacturing costs. The funds available to us will enable us to expand and accelerate research and development activities and undertake additional initiatives. Finally, we will continue to use and expand on our engineering line in San Jose, California to prepare for high volume manufacturing and plan our first commercial production QS-1 through our joint venture partnership with Volkswagen, including the recently announced planned expansion into our QS-0 facility.

The joint venture partnership with Volkswagen is described in the section titled “*Business*” and the sub-section titled “*Joint Venture Relationship*” appearing elsewhere in this prospectus. QS-1 will be built and run by QSV Operations LLC (“QSV”), the joint venture between us and Volkswagen and QS-1 Expansion would represent a small fraction of Volkswagen’s demand for batteries and implies vehicle volumes under 2% of Volkswagen’s total production in 2019, assuming a 100kWh battery pack size. Our goal is to significantly expand the production capacity of the joint venture, in partnership with Volkswagen, to meet more of their projected demand. While we expect Volkswagen will be the first to commercialize vehicles using our battery technology, we intend to work closely with other automotive OEMs to make our solid-state battery cells widely available over time. We are focused on automotive EV applications, which have the most stringent set of requirements for batteries. However, we recognize that our solid-state battery technology has applicability in other large and growing markets including stationary storage and consumer electronics such as smartphones and wearables.

We believe that our technology enables a variety of business models. In addition to joint ventures, such as the one with Volkswagen, we may operate solely-owned manufacturing facilities or license technology to other manufacturers. Where appropriate, we may build and sell separators rather than complete battery cells. We intend to continue to invest in research and development to improve battery cell performance, improve manufacturing processes, and reduce cost.

Regulatory Landscape

We operate in an industry that is subject to many established environmental regulations, which have generally become more stringent over time, particularly in hazardous waste generation and disposal and pollution control. Regulations in our target markets include economic incentives to purchasers of EVs, tax credits for EV manufacturers, and economic penalties that may apply to a car manufacturer based on its fleet-wide emissions which may indirectly benefit us in that the regulations will expand the market size of EVs. While we expect environmental regulations to provide a tailwind to our growth, it is possible for certain regulations to result in margin pressures. Trade restrictions and tariffs, while historically minimal between the European Union and the United States where most of our production and sales are expected, are subject to unknown and unpredictable change that could impact our ability to meet projected sales or margins.

Basis of Presentation

We currently conduct our business through one operating segment. As a pre-revenue company with no commercial operations, our activities to date have been limited and were conducted primarily in the United States. Our historical results are reported under GAAP and in U.S. dollars. Upon commencement of commercial operations, we expect to expand our global operations substantially, including in the United States and the European Union, and as a result we expect our future results to be sensitive to foreign currency transaction and translation risks and other financial risks that are not reflected in our historical financial statements. As a result, we expect that the financial results we report for periods after we begin commercial operations will not be comparable to the financial results included in this prospectus.

Components of Results of Operations

We are a research and development stage company and our historical results may not be indicative of our future results for reasons that may be difficult to anticipate. Accordingly, the drivers of our future financial results, as well as the components of such results, may not be comparable to our historical or projected results of operations.

Research and Development Expense

To date, our research and development expenses have consisted primarily of personnel-related expenses for scientists, experienced engineers and technicians as well as costs associated with the expansion and ramp up of our engineering facility in San Jose, California, including the material and supplies to support the product development and process engineering efforts. As we attempt to develop a solid-state battery cell and produce it at high volumes with acceptable performance, yields and costs, we anticipate that research and development expenses will increase significantly for the foreseeable future as we expand our hiring of scientists, engineers, and technicians and continue to invest in additional plant and equipment for product development (e.g. multi-layer cell stacking, packaging engineering), building prototypes, and testing of battery cells as our team works to satisfy all of the commercial requirements of our customers.

General and Administrative Expense

General and administrative expenses consist mainly of personnel-related expenses for our executive, sales and marketing and other administrative functions and expenses for director and officer insurance and outside professional services, including legal, accounting and other advisory services. We are rapidly expanding our personnel headcount, in anticipation of planning for and supporting the ramping up of commercial manufacturing operations and being a public company. Accordingly, we expect our general and administrative expenses to increase significantly in the near term and for the foreseeable future. Upon commencement of commercial operations, we also expect general and administrative expenses to include customer and sales support and advertising costs.

Other Income (Expense)

Our other income (expense) consists of interest income from marketable securities, sublease income, and interest expense related to fair value adjustments for our convertible preferred stock warrants, and other expense related to fair value adjustment for the convertible preferred stock tranche liabilities. A portion of the convertible preferred stock tranche liabilities were settled upon the issuance of the shares of Series F Preferred Stock concurrent with the Business Combination, and the remaining commitment to issues shares of Class A Common Stock pursuant to the Series F Stock

Purchase Agreements and the convertible preferred stock warrants became equity classified upon the consummation of the Business Combination. Accordingly, the Company does not expect to incur incremental fair value adjustments related to the convertible preferred stock tranche liabilities and convertible preferred stock warrants in future periods.

Income Tax Expense / Benefit

Our income tax provision consists of an estimate for U.S. federal and state income taxes based on enacted rates, as adjusted for allowable credits, deductions, uncertain tax positions, changes in deferred tax assets and liabilities, and changes in the tax law. We maintain a valuation allowance against the full value of our U.S. and state net deferred tax assets because we believe the recoverability of the tax assets is not more likely than not.

Results of Operations

Comparison of the Year Ended December 31, 2020 to the Year Ended December 31, 2019

The following table sets forth our historical operating results for the periods indicated (amounts in thousands):

| | <u>Year Ended December 31,</u> | | <u>\$</u> | <u>%</u> |
|--|--------------------------------|--------------------|-----------------------|-----------------|
| | <u>2020</u> | <u>2019</u> | <u>Change</u> | <u>Change</u> |
| Operating expenses: | | | | |
| Research and development | \$ 65,103 | \$ 45,944 | \$ 19,159 | 42% |
| General and administrative | 15,918 | 9,874 | 6,044 | 61% |
| Total operating expenses | <u>81,021</u> | <u>55,818</u> | <u>25,203</u> | <u>45%</u> |
| Loss from operations | <u>(81,021)</u> | <u>(55,818)</u> | <u>(25,203)</u> | <u>45%</u> |
| Other (expense) income: | | | | |
| Interest expense | (20,765) | (94) | (20,671) | 21990% |
| Interest income | 1,093 | 3,608 | (2,515) | (70)% |
| Other income | 760 | 1,041 | (281) | (27)% |
| Other expense | (999,987) | — | (999,987) | 100% |
| Total other (expense) income: | <u>(1,018,899)</u> | <u>4,555</u> | <u>(1,023,454)</u> | <u>(22469)%</u> |
| Net loss | (1,099,920) | (51,263) | (1,048,657) | 2046% |
| Less: Net (loss) income attributable to non-controlling interest | (6) | 20 | (26) | (130)% |
| Net loss attributable to common stockholders | <u>\$ (1,099,914)</u> | <u>\$ (51,283)</u> | <u>\$ (1,048,631)</u> | <u>2045%</u> |

Research and Development

The increase in research and development expense primarily resulted from the \$7.2 million increase in personnel cost due to the growth in research and development headcount to support technology development, an increase of \$2.2 million in material supplies to support the increase of research and development cell builds in our commercial form factor, an increase of \$1.9 million related to depreciation and amortization and a \$2.5 million increase in facility, professional fees and outside services related to the growth in research and development. These costs were partially offset by a decrease in travel related expenditures. Additionally, non-cash stock-based compensation expense increased by \$5.8 million from \$4.1 million for the year ended December 31, 2019 to \$9.9 million for the year ended December 31, 2020 due to the effect of refresh option grants in June 2019 and retention restricted stock unit ("RSU") grants to employees in 2020.

General and Administrative

The increase in general and administrative expenses is due in part to the increase of \$4.4 million for stock-based compensation in the year ended December 31, 2020 for employees and director refresh grants in December 2019 and RSU grants to employees in 2020. Additionally, personnel costs increased by \$0.8 million due to the headcount increase to support business growth and director and officer insurance expenses increased by \$0.7 million.

Interest Expense

Interest expense primarily represents the non-cash fair value adjustment of the warrants to purchase shares of our Series A Preferred Stock and our Series C Preferred Stock. Prior to the Business Combination, the commitments were considered free standing financial instruments and are subject to fair value measurement at issuance and at each reporting period. The increase in the fair value of the warrants was due to the accretion in the valuation of the underlying convertible preferred stock prior to the Business Combination. In connection with the Business Combination, the fair value of the warrants to purchase these shares of our Preferred Stock were adjusted based on the fair value of the underlying common stock. The warrant liability was reclassified to additional paid-in capital and there will be no further re-measurement of these warrants.

Interest Income

The decrease in interest income was due to the reduction of market interest rates and due to the decrease of our marketable securities balance prior to the Business Combination.

Other Income

Other income for the year ended December 31, 2020 consisted of the receipt for a legal settlement, as compared to other income for the year ended December 31, 2019 which was related to sublease income.

Other Expense

Other expense represents the non-cash fair value adjustment of our preferred stock tranche liabilities. In May 2020 and August 2020, we entered into the commitment to sell, and investors commitment to buy, the Series F Preferred Stock totaling up to \$388.0 million in gross proceeds. Approximately \$188.0 million closed in connection with the Business Combination and \$100.0 million closed on December 1, 2020. An additional \$100.0 million is expected to close by March 31, 2021, contingent on QuantumScape meeting a certain technical milestone. Since the second tranche will be funded after the closing of Business Combination, QuantumScape has reserved shares of Class A Common Stock to be issued in lieu of our Series F Preferred Stock.

Prior to the Business Combination, the commitments were considered free standing financial instruments and were classified as liabilities and subject to fair value measurement at issuance and at each reporting period. Concurrent with the Business Combination, the entire commitment was adjusted based on the fair value of the underlying common stock and a portion of the convertible preferred stock tranche liabilities were settled upon the issuance of the shares of Series F Preferred Stock. Additionally, the remaining commitment to issues shares of Class A Common Stock pursuant to the Series F Stock Purchase Agreements became equity classified and were reclassified to additional paid-in capital, with no further remeasurement required.

Liquidity and Capital Resources

As of December 31, 2020, our principal sources of liquidity were our cash and cash equivalents and marketable securities in the amount of \$997.6 million. Our cash equivalents are invested in U.S. Treasury money market funds and short-term U.S. Treasury notes and bonds. Our marketable securities are primarily invested in U.S. Treasury notes and bonds.

We have yet to generate any revenue from our business operations. To date, we have funded our capital expenditure and working capital requirements through equity as further discussed below. Our ability to successfully develop our products, commence commercial operations and expand our business will depend on many factors, including our working capital needs, the availability of equity or debt financing and, over time, our ability to generate cash flows from operations.

Prior to the Business Combination, we financed our operations primarily from the sales of redeemable convertible preferred stock. In connection with the Business Combination, we received net cash proceeds of approximately \$676.9 million. Additionally, after the Business Combination, we received proceeds from the Series F Preferred Stock agreements described above under "Other Expense".

We believe that our cash on hand will be sufficient to meet our working capital and capital expenditure requirements for a period of at least twelve months from the date of this filing, and also sufficient to fund our operations until we initially commence production of the pilot line solid-state battery through the first commercial sales, assuming QuantumScape is able to do so as currently contemplated. We may, however, need additional cash resources due to changed business conditions or other developments, including unanticipated delays in negotiations with OEMs and tier-one automotive suppliers or other suppliers, supply chain challenges, disruptions due to the COVID-19 pandemic, competitive pressures, and regulatory developments, among other developments. To the extent that our current resources are insufficient to satisfy our cash requirements, we may need to seek additional equity or debt financing. If the financing is not available, or if the terms of financing are less desirable than we expect, we may be forced to decrease our level of investment in product development or scale back our operations, which could have an adverse impact on our business and financial prospects.

We believe that our current cash and marketable securities, combined with the anticipated proceeds of this offering, the additional \$100 million Volkswagen investment, which is subject to the achievement of specified technical milestones on or before March 31, 2021, warrant exercise proceeds, and debt financing we believe will be available to us, is sufficient funding to build a larger version of QS-0, to fund QS-0 operating expenses, and to fund our share of the equity portion of the joint venture's costs of building the QS-1 Expansion, net of debt intended to be incurred by the joint venture. We estimate the amount needed to fund the incremental capital expenditures associated with the larger version of QS-0 and to fund QS-0 operating expenses is approximately \$250 million. We estimate that our share of the equity portion of the joint venture's cost of building the QS-1 Expansion will be in the range of \$250-350 million, depending on the final cost of the facility, the amount of debt financing and other factors.

Cash Flows

The following table provides a summary of our cash flow data for the periods indicated (amounts in thousands):

| | Year Ended December 31, | |
|---|-------------------------|-------------|
| | 2020 | 2019 |
| Net cash used in operating activities | \$ (61,263) | \$ (41,731) |
| Net cash (used in) provided by investing activities | (802,648) | 33,301 |
| Net cash provided by financing activities | 953,724 | 394 |

Cash Used in Operating Activities

Our cash flows used in operating activities to date have been primarily comprised of payroll, material and supplies, facilities expense, and professional service related to research and development and general and administrative activities. As we continue to ramp up hiring for technical headcounts to accelerate our engineering efforts ahead of starting the pilot line operations, we expect our cash used in operating activities to increase significantly before we start to generate any material cash flows from our business.

The most significant component of our cash used during the year ended December 31, 2020 was a net loss of \$1,099.9 million, which included non-cash expenses of \$20.8 million for the change in the fair value of Legacy QuantumScape convertible preferred stock warrants, and \$999.9 million for the issuance and change in the fair value of the Legacy QuantumScape Series F Preferred Stock tranche liabilities, \$17.0 million related to stock based compensation and \$7.5 million related to depreciation and amortization.

The most significant component of cash used during the year ended December 31, 2019 was a net loss of \$51.3 million, which included non-cash expenses of \$5.6 million related to depreciation and amortization and \$6.8 million related to stock-based compensation.

Cash Flows from Investing Activities

Our cash flows from investing activities, to date, have been comprised of purchases of property and equipment and purchases and maturities of our marketable securities. We expect the costs to acquire property and equipment to increase substantially in the near future as we fully build out our engineering lines as well as acquire the property and equipment for QS-0 and the pilot line of the separator and cell manufacturing operations.

Cash used for the purchase of marketable securities increased \$695.2 million to \$891.6 million for the year ended December 31, 2020, as compared to \$196.4 million for the year ended December 31, 2019 due to the investment of proceeds from the Business Combination and the convertible Series F Preferred Stock financing. Proceeds from the maturities of marketable securities decreased \$126.5 million to \$113.0 million for the year ended December 31, 2020, as compared to \$239.5 million for the year ended December 31, 2019 due to the timing of the maturity of securities. Cash used for property and equipment purchases in the year ended December 31, 2020 was \$24.1 million, a significant increase over the \$9.8 million of cash used for equipment purchases in the year ended December 31, 2019.

Cash Flows from Financing Activities

Prior to the Business Combination, we financed our operations primarily through the sale of equity securities including agreements for the sale of Legacy QuantumScape Series F Preferred Stock for \$388 million (before fees and expenses) in gross proceeds, of which \$288 million (before fees and expenses) of the purchase commitment has been sold, and \$100 million of the purchase commitment is subject to completion of a certain technical milestone on or before March 31, 2021.

The increase in cash provided by financing activities is due to \$676.9 million in net proceeds received from the Business Combination and related PIPE financing, as well as \$276.3 million in net proceeds received from the Legacy QuantumScape Series F Preferred Stock agreements discussed above.

Critical Accounting Policies and Estimates

Our financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”). In the preparation of these financial statements, we are required to use judgment in making estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported expenses incurred during the reporting periods.

We consider an accounting judgment, estimate or assumption to be critical when (1) the estimate or assumption is complex in nature or requires a high degree of judgment and (2) the use of different judgments, estimates and assumptions could have a material impact on the consolidated financial statements. Our significant accounting policies are described in Note 2 to our audited consolidated financial statements included elsewhere in this prospectus. We have the critical accounting policies and estimates which are described below.

Stock-Based Compensation

We recognize the cost of share-based awards granted to employees and directors based on the estimated grant-date fair value of the awards. Cost is recognized on a straight-line basis over the service period, which is generally the vesting period of the award. We reverse previously recognized costs for unvested awards in the period that forfeitures occur. We determine the fair value of stock options using the Black-Scholes option pricing model, which is impacted by the following assumptions:

- *Expected Term*—We use the simplified method when calculating the expected term due to insufficient historical exercise data.
- *Expected Volatility*—Given the limited market trading history of our common stock, volatility is based on a benchmark of comparable companies within the automotive and energy storage industries.
- *Expected Dividend Yield*—We have never paid any cash dividends on common stock and do not anticipate doing so in the foreseeable future.
- *Risk-Free Interest Rate*—The interest rates used are based on the implied yield available on U.S. Treasury zero-coupon issues with an equivalent remaining term equal to the expected life of the award.

Common Stock Valuations

Prior to the Business Combination, the grant date fair value of our common stock was typically determined by our board of directors with the assistance of management and a third-party valuation specialist. Given its pre-revenue stage of development, our management believed that an Option Pricing Model (“OPM”) was the most appropriate method for allocating enterprise value to determine the estimated fair value of Common Stock prior to the Business Combination. Application of the OPM involves the use of estimates, judgment, and assumptions that are highly complex and subjective, such as those regarding our expected future revenue, expenses, and cash flows, discount rates, market multiples, the selection of comparable companies, and the probability of future events. The deemed fair value for common stock for options and restricted stock units granted in August 2020 and September 2020 (prior to the announcement of the Business Combination) were based on the accreted estimated Business Combination price per the Business Combination Agreement. There were no grants of options to purchase common stock or restricted stock units subsequent to September 2, 2020 for us. Subsequent to the Business Combination, the Board determines the fair value of the Common Stock based on the closing market price on or around the date of grant.

Redeemable Convertible Preferred Stock Warrant Liabilities

Prior to the Business Combination, warrants to purchase shares of redeemable convertible preferred stock were classified as liabilities on the Consolidated Balance Sheets at fair value upon issuance because the underlying shares of redeemable convertible preferred stock were redeemable outside of our control. The initial liability recorded was adjusted for changes in the fair value at each reporting date and recorded as interest expense in the accompanying Consolidated Statements of Operations and Comprehensive Loss. In connection with the Business Combination, the warrant liabilities were adjusted based on the fair value of the underlying common stock. The warrant liabilities became classified as equity as the shares issuable upon exercise of the warrants are shares of the Class A Common Stock, and the fair value of the warrants were reclassified to additional paid-in capital, with no further remeasurement required.

Convertible Preferred Stock Tranche Liabilities

Prior to the Business Combination, the obligation to issue, and the Company’s investors’ right to purchase, shares of redeemable convertible Series F Preferred Stock represented a freestanding financial instrument classified as liabilities (the “tranche liabilities”). The tranche liabilities were initially recorded at fair value and remeasured at each reporting period with gains and losses arising from subsequent changes in its fair value recognized in Other expense, net, in the Consolidated Statements of Operations and Comprehensive Loss. Concurrent with the Business Combination, the entire commitment was adjusted based on the fair value of the underlying common stock and a portion of the convertible preferred stock tranche liabilities were settled upon the issuance of the shares of Series F Preferred Stock. The remaining commitment to issue shares of Class A Common Stock pursuant to the Series F Stock Purchase Agreements became equity classified and were reclassified to additional paid-in capital with no further remeasurement required.

Emerging Growth Company Status

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

The Company is an “emerging growth company” as defined in Section 2(a) of the Securities Act and has elected to take advantage of the benefits of the extended transition period for new or revised financial accounting standards. The Company expects to remain an emerging growth company at least through the end of second quarter of 2021 and expects to continue to take advantage of the benefits of the extended transition period, although it may decide to early adopt such new or revised accounting standards to the extent permitted by such standards. This may make it difficult or impossible to compare our financial results with the financial results of another public company that is either not an emerging growth company or is an emerging growth company that has chosen not to take advantage of the extended transition period exemptions because of the potential differences in accounting standards used.

Recent Accounting Pronouncements

See Note 3 to the audited consolidated financial statements in this prospectus for more information about recent accounting pronouncements, the timing of their adoption, and our, to the extent it has made one, of their potential impact on our financial condition and its results of operations and cash flows.

Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to a variety of markets and other risks including the effects of change in interest rates, inflation and foreign currency translation and transaction risks as well as risks to the availability of funding sources, hazard events and specific asset risks.

Interest Rate Risk

The market interest risk in our financial instruments and our financial positions represents the potential loss arising from adverse changes in interest rates. As of December 31, 2020, we had cash and cash equivalents and marketable securities of \$997.6 million, consisting of interest-bearing money market accounts and marketable securities, for which the fair market value would be affected by a change in the general level of U.S. interest rates. However, due to the short-term maturities and the low-risk profile of our investments, an immediate 10% change in interest rates would not have a material effect on the fair market value of our cash and cash equivalents and marketable securities.

Foreign Currency Risk

Our functional currency is the U.S. dollar, while certain of our current and future subsidiaries will be expected to have other functional currencies, reflecting their principal operating markets. Once we commence phase 1 pilot operations, we expect to be exposed to both currency transaction and translation risk. To date, we have not had material exposure to foreign currency fluctuations and have not hedged such exposure, although we may do so in the future.

BUSINESS

Overview

QuantumScape is developing next generation battery technology for EVs and other applications.

We are at the beginning of a forecasted once-in-a-century shift in automotive powertrains, from internal combustion engines to clean EVs. While EV adoption is advancing, principally in the premium passenger car market, the IEA estimated that only approximately 3% of new sales of global light-vehicles in 2020 were EV's. We believe that fundamental limitations of lithium-ion battery technology—limitations that affect range, useful life, charging time, cost and safety—inhibit more widespread adoption of EVs. We believe the market needs a step change in battery technology to make mass market EVs competitive with the fossil fuel alternative.

We have spent the last decade developing a proprietary solid-state battery technology to meet this challenge. Our lithium-metal solid-state battery technology is intended to provide greater energy density, longer life, faster charging, and greater safety than today's lithium-ion batteries.

Over the last eight years we have developed a strong partnership with VAG and Volkswagen. Volkswagen is one of the largest car companies in the world and intends to be a leader in EVs. Volkswagen has announced plans to launch more than 70 new EV models and build more than 25 million vehicles on electric platforms by the end of the decade. Over the last eight years Volkswagen has invested and committed to invest in us, subject, in one case, to certain closing conditions that have not yet been satisfied, a total of more than \$300 million and has established a joint venture with us to enable an industrial level of production of our solid-state batteries. As 50-50 partners in the joint venture with Volkswagen, we expect to share equally in the revenue and profit from the joint venture. Over the course of our relationship, Volkswagen has successfully tested multiple generations of certain of our single-layer, laboratory cells at industry-accepted automotive rates of power (power is the rate at which a battery can be charged and discharged). We believe no other lithium-metal battery technology has demonstrated the capability of achieving automotive rates of power with acceptable battery life.

While we expect Volkswagen will be the first to commercialize vehicles using our battery technology, we intend to work closely with other automotive OEMs to make our solid-state battery cells widely available over time. Our joint venture agreement with Volkswagen provides that the facility to be built by the joint venture will be the first commercial-scale facility to manufacture our battery technology for automotive applications, but the agreement permits us to work in parallel with other automotive OEMs and non-automotive companies to commercialize our technology.

We recently announced plans to expand our manufacturing capability with the addition of QS-0. QS-0 will have a continuous flow, highly-automated production line. QS-0 is intended to provide the prototype cells we need for our solid-state battery development and to enable us to test and tune the systems and processes we intend to use for mass production.

QS-0 is also intended to produce enough prototype cells for our prospective customers to make hundreds of long-range electric test vehicles. We intend to use a portion of the proceeds from this offering to more than double the announced capacity of QS-0. We intend for this to enable us to provide more prototype cells to Volkswagen, to other automotive OEMs, and to prospective customers in other industries. We expect to secure a long-term lease for QS-0 in the second half of this year and for QS-0 to be producing prototype cells in 2023.

Subject to continued progress in our development efforts, after QS-0 we intend, through our joint venture with Volkswagen, to build a 21GWh line, starting with QS-1, and subsequently expanding to

QS-1 Expansion. The proceeds of this offering are intended to provide sufficient funding to build the larger version of QS-0, to fund QS-0 operating expenses, to fund our share of the equity portion of the joint venture's costs of building the QS-1 Expansion, net of debt intended to be incurred by the joint venture, and for working capital and general corporate purposes.

Our battery cells are designed to use earth-abundant materials and processes suitable for high volume production. Our manufacturing process for our proprietary separator uses tools which are already used at scale in the battery or ceramics industries. Outside of the separator, our battery is being designed to use many of the materials and processes that are standard across today's lithium-ion battery manufacturers. As a result, we expect to benefit from the projected industry-wide cost declines for these materials that result from process improvements and economies of scale. We believe that the manufacturing of our solid-state battery cells provides us with a structural cost advantage because our battery cells are manufactured without an anode. Relative to conventional lithium-ion cells, our technology eliminates the anode material cost (e.g. carbon/silicon host material, electrolyte in the anode) and is anticipated to reduce manufacturing costs (e.g. no anode related manufacturing costs, reduced formation costs). We believe this will enable savings in material costs, capital equipment expenses and manufacturing time.

There are government regulations pertaining to battery safety, transportation of batteries, use of batteries in cars, factory safety, and disposal of hazardous materials. We will ultimately have to comply with these regulations to sell our batteries into the market. The license and sale of our batteries abroad is likely to be subject to export controls in the future.

Our investor relations website is located at <https://ir.quantumscape.com> and our Company Twitter account is located at <https://twitter.com/QuantumScapeCo>. We use our investor relations website and our Company Twitter account to post important information for investors, including news releases, analyst presentations, and supplemental financial information, and as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Accordingly, investors should monitor our investor relations website and our Company Twitter account, in addition to following press releases, filings with the SEC and public conference calls and webcasts. We also make available, free of charge, on our investor relations website under "Financials—SEC Filings," our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports as soon as reasonably practicable after electronically filing or furnishing those reports to the SEC.

Industry Background

Shift to EVs

We believe that evolving consumer preferences coupled with growing government incentives and regulations are driving a once-in-a-century shift to EVs.

Countries around the world are promoting EVs. The dependence on gasoline-powered internal combustion engine ("ICE") vehicles has heightened environmental concerns, created reliance among industrialized and developing nations on large oil imports, and exposed consumers to unstable fuel prices and health concerns related to heightened emissions. Many national and regional regulatory bodies have adopted legislation to incentivize or require a shift to lower-emission and zero-emission vehicles. For example, countries such as the United Kingdom, the Netherlands, Sweden, Germany, and France have announced intentions to either increase applicable environmental targets or outright ban the sale of new ICE vehicles in the next two decades. More recently, California passed regulations requiring half of trucks sold in the state to be zero-emissions by 2035 and 100% by 2045. This global push to transition from ICE vehicles, aided by favorable government incentives and regulations, is accelerating the growth in lower- and zero-emission vehicle markets.

Furthermore, consumers are increasingly considering EVs for a variety of reasons including better performance, growing EV charging infrastructure, significantly lighter environmental impact, and lower maintenance and operating costs. Automakers such as Tesla, Inc. have demonstrated that premium EVs can deliver a compelling alternative to fossil fuels. As EVs become more competitive and more affordable, we believe that they will continue to take market share from ICE vehicles. We believe that this shift will occur across vehicle types and market segments. However, the inherent limitations of lithium-ion battery technology continue to impede improvements in EV competitiveness and cost.

Current Battery Technology Will Not Meet the Requirements for Broad Adoption of EVs

Despite the significant progress in the shift to EVs, the market remains dominated by ICE vehicles. The IEA estimated that, approximately 3% of new sales of light vehicles in 2020 were EVs. For EVs to be adopted at scale across market segments batteries need to improve. In particular, we believe there are five key requirements to drive broad adoption of EVs:

- **Battery capacity (energy density).** EVs need to be able to drive over 300 miles on a single charge to achieve broad market adoption. The volume required for conventional lithium-ion battery technology limits the range of many EVs. Higher energy density will enable automotive OEMs to increase battery pack energy without increasing the size and weight of the vehicle's battery pack.
- **Fast charging capability.** EV batteries need to be fast-charging to replicate the speed and ease with which a gasoline car can be refueled. We believe this objective is achieved with the ability to charge to at least 80% capacity in under 15 minutes, without materially degrading battery life.
- **Safety (nonflammable).** EV batteries need to replace as many of the flammable components in the battery as possible with non-flammable equivalents to reduce the extent of damage caused by a fire. With current batteries, many abuse conditions, including malfunctions that can result in overcharges and battery damage from accidents, can result in fires.
- **Cost.** Mass market adoption of EVs requires a battery that is capable of delivering long range while remaining cost competitive with a vehicle price point of around \$30,000.
- **Battery life.** Batteries need to be usable for the life of the vehicle, typically 12 years or 150,000 miles. If the battery fades prematurely, EVs will not be an economically practical alternative.

Since these requirements have complex interlinkages, most manufacturers of conventional lithium-ion batteries used in today's cars are forced to make trade-offs. For example, conventional batteries can be fast-charged, but at the cost of significantly limiting their battery life.

We believe that a battery technology that can meet these requirements will enable an EV solution that is much more broadly competitive with internal combustion engines. With more than 90 million ICE vehicles produced in 2019, according to the Organisation Internationale des Constructeurs d'Automobiles, across the auto industry, there is significant untapped demand for a battery that meets these goals—a potential market opportunity in excess of \$450 billion annually. Our estimate of our potential market opportunity assumes a 100kWh battery pack size for each vehicle at a price of \$50/kWh.

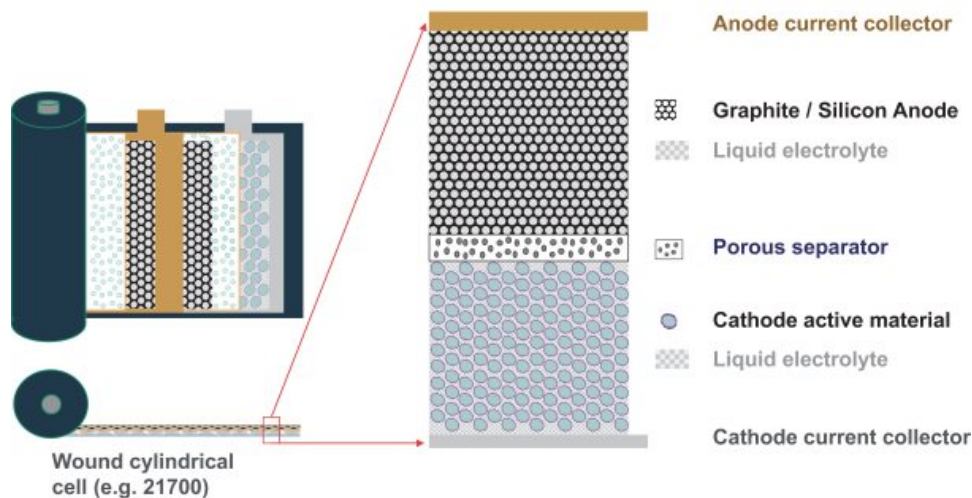
Limitations of Conventional Lithium-ion Battery Technologies

The last significant development in battery technology was the commercialization of lithium-ion batteries in the early 1990s which created a new class of batteries with higher energy density. Lithium-ion batteries have enabled a new generation of mobile electronics, efficient renewable energy storage, and the start of the transition to electrified mobility.

Since the 1990s, conventional lithium-ion batteries have gradually improved in energy density. Most increases in energy density have come from improved cell design and incremental improvements in cathode and anode technology. However, there is no Moore's law in batteries—it has taken conventional lithium-ion batteries at least 10 years to double in energy density and it has been approximately 30 years since the introduction of a major new chemistry. As the industry approaches the theoretical limit of achievable energy density for lithium-ion batteries, we believe a new architecture is required to deliver meaningful gains in energy density.

Batteries have a cathode (the positive electrode), an anode (the negative electrode), a separator which prevents contact between the anode and cathode, and an electrolyte which transports ions but not electrons. A conventional lithium-ion battery uses a liquid electrolyte, a polymer separator, and an anode made principally of carbon (graphite) or a carbon/silicon composite. Lithium ions move from the cathode to the anode when the battery is charged and vice versa during discharge.

Conventional Lithium-Ion Battery Design



The energy density of conventional lithium-ion batteries is fundamentally limited by the anode, which provides a host material to hold the lithium ions, preventing them from binding together into pure metallic lithium. Metallic lithium, when used with conventional liquid electrolytes and porous separators, can form needle-like crystals of lithium known as dendrites, which can penetrate through the separator and short-circuit the cell.

While using a host material is an effective way to prevent dendrites, this host material adds volume and mass to the cell, adds cost to the battery, and limits the battery life due to side reactions at the interface with the liquid electrolyte. The rate at which lithium diffuses through the anode also limits the maximum cell power.

The addition of silicon to a carbon anode provides a modest boost to energy density relative to a pure carbon anode. However, silicon is also a host material that not only suffers from the limitations of carbon as discussed above, but also introduces cycle life challenges as a result of the repeated

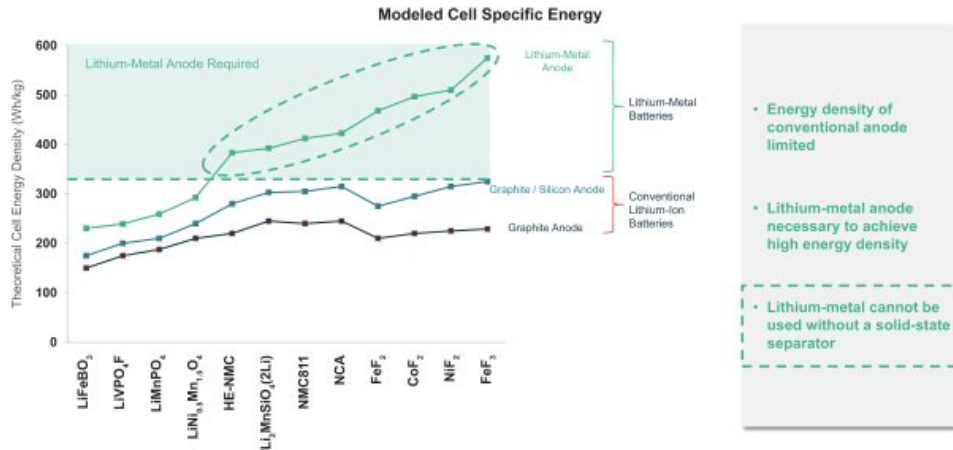
expansion and contraction of the silicon particles, since silicon undergoes significantly more expansion than carbon when hosting lithium ions. Furthermore, the voltage of the lithium-silicon reaction subtracts from the overall cell voltage, reducing cell energy.

Lithium-Metal Anode Required to Unlock Highest Energy Density

We believe that a lithium-metal anode is the most promising approach that can break out of the constraints inherent in conventional lithium-ion batteries and enable significant improvements in energy density.

In a lithium-metal battery, the anode is made of metallic lithium; there is no host material. Eliminating the host material reduces the size and weight of the battery cell and eliminates the associated materials and manufacturing costs. This results in the highest theoretical gravimetric energy density for a lithium-based battery system. Lithium-ion batteries currently used in the auto industry have energy densities of less than 300 Wh/kg. We believe lithium-metal batteries have the potential to achieve significantly higher energy density.

Lithium-metal anodes are generally compatible with conventional cathode materials, and lithium-metal batteries will derive some benefit from continued improvement in conventional cathode materials. Moreover, lithium-metal anodes may enable future generations of higher energy cathodes, such as the metal fluorides, that may not achieve significant energy density gains when used with lithium-ion anodes, as shown in the figure below.



Source: Andre et al, J Mater Chem A, (2015) 6709

Modeled cell specific energy is based on traditional cell designs and architectures. Source: Andre et al, J Mater Chem A, (2015) 6709.

Although the industry has understood for 40 years the potential benefits of lithium-metal anodes, the industry has not been able to develop a separator that makes a lithium-metal anode practical for automotive use.

Solid-State Separator Required to Enable Lithium-Metal Anode

We believe that a lithium-metal battery requires that the porous separators used in current lithium-ion batteries be replaced with a solid-state separator capable of conducting lithium ions between the cathode and anode at rates comparable to conventional liquid electrolyte while also suppressing the formation of lithium dendrites. While various solid-state separators have been shown to operate at low power densities, such low power densities are not useful for most practical applications. To our knowledge, we are the only company that has been able to demonstrate a solid-state separator for lithium-metal batteries that reliably prevents dendrite formation at higher power densities, such as those required for automotive applications and fast-charging.

We believe that our ability to develop this proprietary solid-state separator will enable the shift from lithium-ion to lithium-metal batteries.

Our Technology



Our proprietary solid-state lithium-metal cell represents the next-generation of battery technology.

Our battery cells have none of the host materials used in conventional anodes. In fact, when our cells are manufactured there is no anode; lithium is present only in the cathode. When the cell is first charged, lithium moves out of the cathode, diffuses through our solid-state separator and plates in a thin metallic layer directly on the anode current collector, forming an anode. When the battery cell is discharged, the lithium diffuses back into the cathode.

Eliminating the anode host material found in conventional lithium-ion cells substantially increases the volumetric energy density. A pure lithium-metal anode also enables the theoretically highest gravimetric energy density for a lithium battery system.

Our proprietary solid-state separator is the core technology breakthrough that enables reliable cycling of the lithium-metal anode battery. Without a working solid-state separator, the lithium would form dendrites which would grow through a traditional porous separator and short circuit the cell.

An effective solid-state separator requires a solid material that is as conductive as a liquid electrolyte, chemically stable next to lithium—one of the most reactive elements—and able to prevent the formation of dendrites. Our team worked over ten years to develop a composition that meets these requirements and to develop the techniques necessary to manufacture the separator material at scale using a continuous process. We have a number of patents covering both the composition of this material and key steps of the manufacturing process.

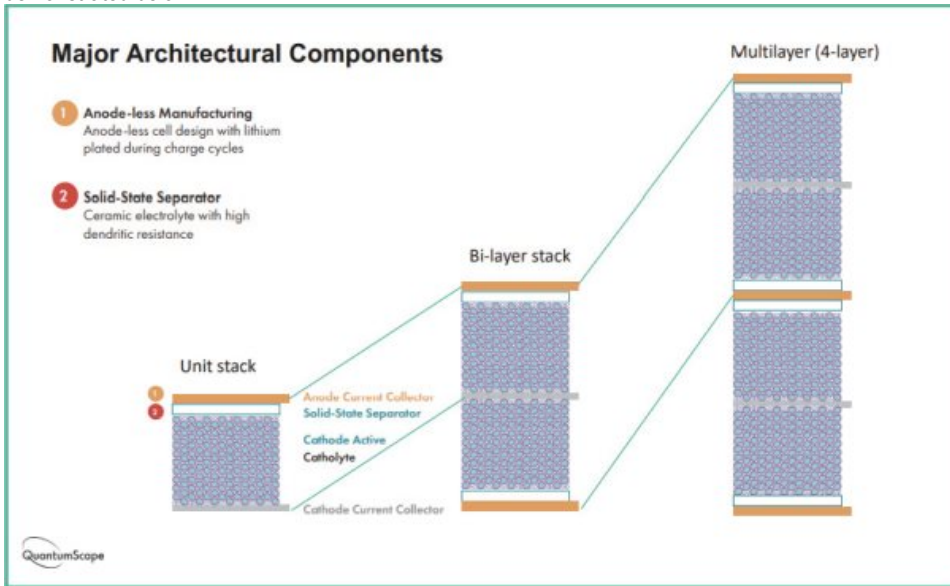


Our solid-state separator is a dense, entirely inorganic ceramic. It is made into a film that is thinner than a human hair and then cut into pieces about the length and width of a playing card. Our solid-state separator is flexible because it has a low defect density and is thin. In contrast, typical household ceramics are brittle and can break due to millions of microscopic defects which reduce structural integrity.

The separator is placed between a cathode and anode current collector to form a single battery cell layer. Our single-layer solid-state cells have been extensively tested for power density, cycle life and temperature performance. This is the only solid-state cell we are aware of that simultaneously satisfies the key requirements for commercial usage and that has been validated to run at automotive power densities by a leading automotive OEM.

We have publicly shared performance data with respect to our single layer battery cells. The data we shared, based on the testing of single layer battery cells, shows that, unlike previous solid-state efforts, our solid-state separators can work at high rates of power, enabling a 15-minute charge to 80% capacity, faster than today's conventional batteries can deliver without degrading life. In addition, the data shows our battery technology is capable of lasting 1000+ cycles even under one-hour charge and discharge (1C/1C rates) test conditions. We also presented data showing our single-layer battery cell can work at a wide range of temperatures, including results that show cycling at -10°C .

These single layers will be stacked together into a multi-layer cell, about the size of a deck of cards, that will be the commercial form factor for EV batteries. The basic building block of our cells is the bilayer cell, consisting of a double-sided cathode with a separator on either side (or a double-sided separator with a cathode on either side). We then stack two of these bilayers together to form a 4-layer cell, as demonstrated below:

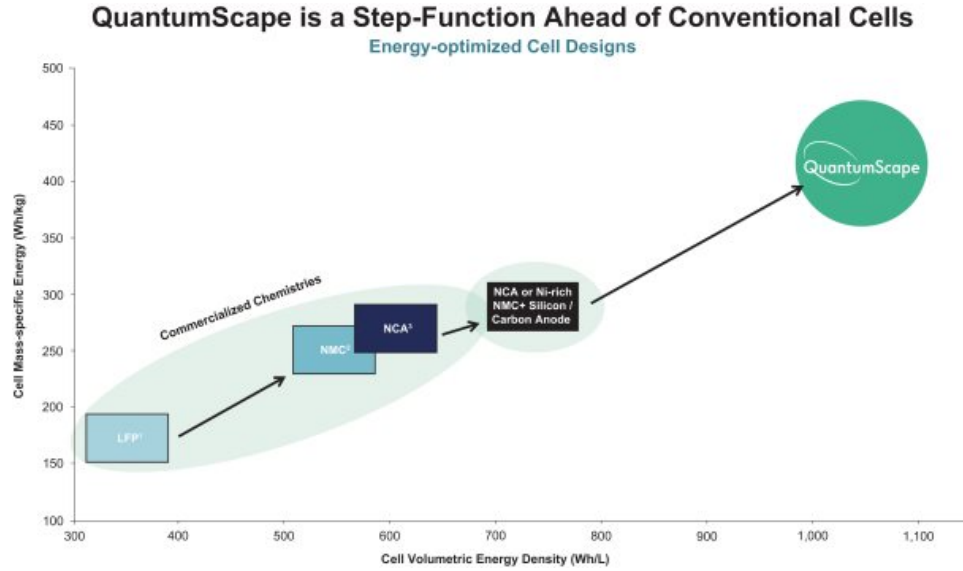


Depending upon our customer's requirements, our battery cell may require from several dozen to over one hundred single-layer cells within each battery package. We have not yet built a multi-layer solid-state battery cell in the dimensions required for automotive applications but have announced the results of our four-layer multilayer cells in the 30x30mm form factor. Those 30x30mm cells, made from separators cut from our standard target commercial form factor have reached approximately 800 cycles at near-room temperature (30 degrees Celsius) with over 90% capacity retention at both C/3 and 1C rates. We believe these results demonstrate that it is possible to stack our single-layer unit cells, and to do so without adversely impacting the cycle life and capacity retention performance of the cells, i.e., while maintaining performance similar to single-layer cells.

We need more production capacity to make the large number of larger-area, multi-layer cells needed for testing and for process optimization, including yield improvement. We have ordered new automation and high-volume tools (including the stacker and continuous flow heat treatment tools) which we expect to install and bring up during the course of the year. We expect these to increase repeatability, but the nature of the task, and the development approach that we use, involve high velocity experimentation and a large number of samples.

Our cathodes use a combination of conventional cathode active materials such as NMC with a gel made of an organic polymer and organic liquid catholyte. In the future, we may use other compositions of cathode active materials, including NCA or cobalt-free compositions. We have an ongoing research and development investigation into inorganic catholyte that could replace the organic gel made of an organic polymer and organic liquid catholyte currently used.

We believe our battery technology may provide significant improvements in energy density compared to today's conventional lithium-ion batteries, as shown in the figure below.



Source: Ding, Y., Cano, Z.P., Yu, A. et al. (2019)

¹ Lithium, iron, and phosphate ² Nickel, manganese, and cobalt ³ Nickel, cobalt, and aluminum

Benefits of Our Technology

We believe our battery technology will enable significant benefits across battery capacity, life, safety, and fast charging while minimizing cost. We believe these benefits will provide significant value to automotive OEMs by enabling greater customer adoption of their EVs. By solving key pain-points such as 15-minute fast charging, we believe our battery technology will enable EVs to be significantly more competitive with fossil fuel vehicles than what today's EVs can achieve with conventional batteries.

Our battery technology is intended to meet the five key requirements we believe will enable mass market adoption of EVs:

- Energy density.** Our battery design is intended to significantly increase volumetric and gravimetric energy density by eliminating the carbon/silicon anode host material found in conventional lithium-ion cells. This increased energy density will enable EV manufacturers to increase range without increasing the size and weight of the battery pack, or to reduce the size and weight of the battery pack which will reduce the cost of the battery pack and other parts of the vehicle. For example, we estimate that our solid-state battery cells will enable a car maker to increase the range of a luxury performance EV-with 350 liters of available battery space-from 250 miles (400 km) to 450 miles (730 km) without increasing the size of the battery pack. In the same example, we estimate our battery would enable the car maker to increase the maximum power output of such a vehicle from 420 kW to 650 kW without increasing the size of the battery pack. Alternatively, we believe that our solid-state battery cells will enable a car maker to increase the range of a mass market sedan-with 160 liters of available battery space-from 123 miles (200km) to 233 miles (375km) without increasing the size of the battery pack. Similarly, we believe our battery would enable the car maker to increase the maximum power output of such vehicle from 100 kW to 150 kW without increasing the size of the battery pack.

- **Battery life.** We expect our technology to enable increased battery life relative to conventional lithium-ion batteries. In a conventional cell, battery life is limited by the gradual irreversible loss of lithium due to side reactions between the liquid electrolyte and the anode. By eliminating the anode host material, we expect to eliminate the side reaction and enable longer battery life. Our latest single-layer prototype cells have been tested to over 1000 cycles (under stringent test conditions, including 100% depth-of-discharge cycles at one-hour charge and discharge rates at 30 degrees Celsius and approximately 3.4 atm with commercial-loading cathodes) while still retaining over 80% of the cells' discharge capacity. This performance exceeds the cycle life and capacity retention in many EV battery warranties today, which require that cells retain 70% of the rated capacity at 150,000 miles.
- **Fast charging capability.** Our battery technology, and specifically our solid-state separator material, has been tested to demonstrate the ability to charge to approximately 80% in 15 minutes at 30 degrees Celsius and approximately 3.4 atm, significantly faster than commonly used high-energy EV batteries on the market. In these conventional EV batteries, the limiting factor for charge rate is the rate of diffusion of lithium ions into the anode. If a conventional battery is charged beyond these limits, lithium can start plating on carbon particles of the anode rather than diffuse into the carbon particles. This causes a reaction between the plated lithium and liquid electrolyte which reduces cell capacity and increases the risk of dendrites that can short circuit the cell. With a lithium-metal anode, using our solid-state separator, we expect the lithium can be plated as fast as the cathode can deliver it.
- **Increased safety.** Our solid-state battery cell uses a ceramic separator which is not combustible and is therefore safer than conventional polymer separators. This ceramic separator is also capable of withstanding temperatures considerably higher than those that would melt conventional polymer separators, providing an additional measure of safety. In high temperature tests of our solid-state separator material with lithium, the separator material remained stable in direct contact with molten lithium without releasing heat externally, even when heated up to 250 degrees Celsius, higher than the 180-degree Celsius melting point of lithium.
- **Cost.** Our battery technology eliminates the anode host material and the associated manufacturing costs, providing a structural cost advantage compared to traditional lithium-ion batteries. When comparing manufacturing facilities of similar scale, we estimate that eliminating these costs has the potential to provide a savings of approximately 17% compared to the costs of building traditional lithium-ion batteries.

Our Competitive Strengths

Only lithium-metal battery technology with published data showing capability to meet automotive requirements for power, cycle life, and temperature range to our knowledge. We have built and tested over one hundred thousand single-layer solid-state cells and have demonstrated that our technology shows the capability to meet automotive requirements for power, cycle life, and temperature range. In 2018, Volkswagen announced it had successfully tested certain of our single-layer, laboratory battery cells at automotive rates of power.

Partnership with one of the world's largest automotive OEMs. We are partnered with Volkswagen, one of the largest automakers in the world. Volkswagen has been a collaboration partner and major investor since 2012 and has invested or committed to invest, subject, in certain cases, to certain closing conditions that have not yet been satisfied, a total of more than \$300 million. In addition, Volkswagen has committed additional capital to fund our joint venture. Volkswagen plans to launch more than 70 new electric models and build more than 25 million vehicles on electric platforms by the end of the decade. Together with Volkswagen, we have established a joint venture to enable an

industrial level of production of our solid-state batteries for use in Volkswagen vehicles. As 50-50 partners in the joint venture with Volkswagen, we expect to share equally in the revenue and profit from the joint venture.

High barriers to entry and extensive patent and intellectual property portfolio. Over the course of 10 years, we have generated 80 issued U.S. patents, 40 pending or allowed U.S. patent applications and 103 granted foreign patents and patent applications—including broad fundamental patents around our core technology. Our proprietary solid-state separator uses the only material we know of that can cycle lithium at automotive current densities without forming dendrites. We have a range of patents, including patents that cover:

- Composition of matter, including the optimal composition as well as wide-ranging coverage of a number of variations;
- Enabling battery technology covering compositions and methods required to incorporate a solid-state separator into a battery;
- Manufacturing technology, protecting the way to make the separator at scale using roll-to-roll processes, without semiconductor style production or batch processes used in traditional ceramics; and
- Material dimensions, including our proprietary solid-state separator, covering any separator with commercially practical thicknesses for a solid-state battery.

Significant development focused on next-gen technology for automotive applications. We have spent over ten years and over \$300 million developing our battery technology. We have run over 2.6 million tests on over 700,000 cells and cell components. Our technical team comprises approximately 250 employees, many of whom have worked at large battery manufacturers and automotive OEMs. Through its experience, our team has significant technical know-how and is supported by extensive facilities and equipment, development infrastructure, and data analytics.

Designed for volume production. Our battery cells are designed to use earth-abundant materials and processes suitable for high volume production. Our manufacturing process for our proprietary separator uses tools which are already used at scale in the battery or ceramics industries. While preparing for scale production, we have purchased or tested production-intent tools from the world's leading vendors. In particular, we expect to produce our proprietary separator using scalable continuous processing. Although our separator material is proprietary, the inputs are readily available and can be sourced from multiple suppliers across geographies.

Structural cost advantage leveraging industry cost trends. Aside from the separator, our battery is being designed to use many of the materials and processes that are standard across today's lithium-ion battery manufacturers. As a result, we expect to benefit from the projected industry-wide cost declines for these materials that result from process improvements and economies of scale. We believe that the manufacturing of our solid-state battery cells provides us with a structural cost advantage because our battery cells are manufactured without an anode.

Our Growth Strategy

Continue to develop our commercial battery technology. We will continue developing our battery technology with the goal of enabling customer prototype sampling in 2022, samples for use in test cars by 2023, and commercialization beginning in 2024 to 2025. We have validated capabilities of our solid-state separator and battery technology in single-layer solid-state cells at the commercially required size (70x85mm) and four-layer solid-state battery cells at a smaller size (30x30mm). We must now develop

multi-layer cells with commercial dimensions and many more layers, to continue improving yield and performance and to optimize all components of the cell for high volume manufacturing. We will continue to work to further develop and validate the volume manufacturing processes to enable high volume manufacturing and minimize manufacturing costs. Our current funds will enable us to expand and accelerate research and development activities and undertake additional initiatives. Finally, we will continue to use our engineering line in San Jose, California to prepare for high volume manufacturing and plan our first commercial production QS-1 through our joint venture partnership with Volkswagen. In addition, the objective of our recently announced QS-0 facility is to provide the additional capacity we need for our development work and to enable us to accelerate work on the next-generation of manufacturing tools. QS-0 is also intended to provide capacity to make enough batteries for hundreds of long-range battery electric test vehicles per year. This will enable us to provide more prototype cells to Volkswagen, to other automotive OEMs, and to prospective customers in other industries. We expect to secure a long-term lease for QS-0 in the second half of this year and for QS-0 to be producing prototype cells in 2023.

Meet Volkswagen battery demand. QS-1 will be built and run by QSV and the subsequent QS-1 Expansion would represent a small fraction of Volkswagen's demand for batteries and implies vehicle volumes under 2% of Volkswagen's total production in 2019, assuming a 100kWh battery pack size. Our goal is to significantly expand the production capacity of the joint venture, in partnership with Volkswagen, to meet more of their projected demand.

Expand partnerships with other automotive OEMs. While we expect Volkswagen will be the first to commercialize vehicles using our battery technology, over the next few years as we build QS-1, we intend to work closely with other automotive OEMs to make our solid-state battery cells widely available over time. As part of our joint venture agreement we have agreed that QS-1 will be the first commercial-scale facility to manufacture our battery technology for automotive applications, but, subject to the other terms of the joint venture arrangement, we are not limited from working in parallel with other automotive OEMs to commercialize our technology. We intend for QS-0 to allow us to provide prototype cells to Volkswagen, as well as other automotive partners, explore non-automotive applications, and help de-risk subsequent commercial scale-up.

Expand target markets. We are currently focused on automotive EV applications, which have the most stringent set of requirements for batteries. However, we recognize that our solid-state battery technology has applicability in other large and growing markets including stationary storage and consumer electronics such as smartphones and wearables.

Expand commercialization models. Our technology is being designed to enable a variety of business models. In addition to joint ventures, such as the one with Volkswagen, we may operate solely-owned manufacturing facilities or license technology to other manufacturers, such as our recently announced QS-0 facility that is planned for California. Where appropriate, we may build and sell separators rather than complete battery cells.

Continued investment in next-gen battery innovation. We intend to continue to invest in research and development to improve battery cell performance, improve manufacturing processes, and reduce cost.

Manufacturing and Supply

Our battery manufacturing process is being designed to be very similar to that of conventional lithium-ion battery manufacturing, with a few exceptions:

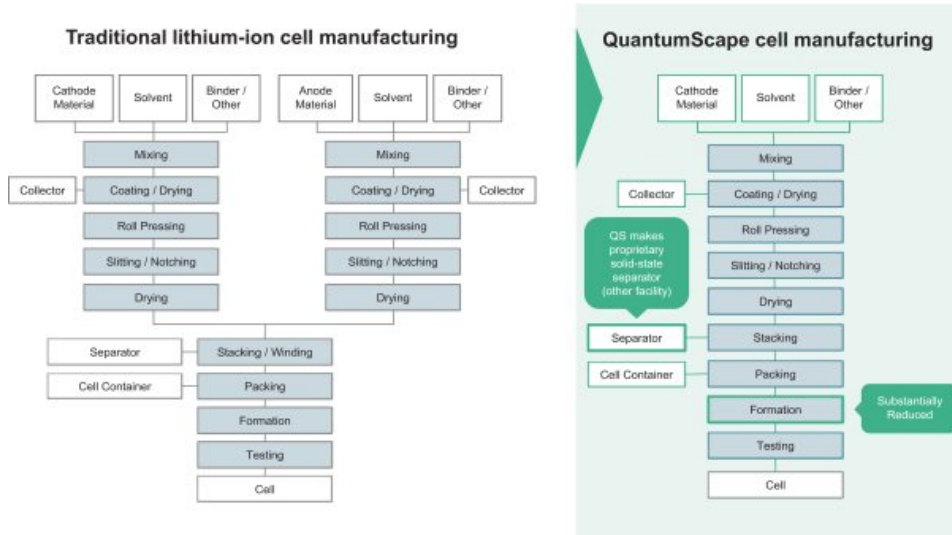
- We use a proprietary separator material instead of the polypropylene separator used in lithium-ion cells.

- Our architecture eliminates the need for anode manufacturing, reducing capital investment and lowering operating costs.
- We will build our multi-layer cells by sequentially stacking separators, cathodes and current collectors rather than winding these materials together.
- Our cell design allows us to greatly shorten the weeks-long aging process required for conventional lithium-ion cells, thus decreasing manufacturing cycle time and reducing working capital needs.

Our architecture depends on our proprietary separator, which we will manufacture ourselves. Though our separator design is unique, its manufacturing relies on well-established, high-volume production processes currently deployed globally in other industries.

We plan to source our input materials from industry leading suppliers to the lithium-ion battery industry, and we already have strategic relationships in place with the industry’s leading vendors of cathode material, the most critical purchased input to our cell, along with leading vendors of other less critical inputs. Our separator is made from abundant materials produced at industrial scale in multiple geographies. We do not anticipate any unique supply constraints that would impede the commercialization of our product for the foreseeable future.

Relative to conventional lithium-ion cells, our technology eliminates the anode material cost (e.g. carbon/silicon host material, electrolyte in the anode) and reduces manufacturing costs (e.g. no anode related manufacturing costs, reduced formation costs). This enables savings in materials, capital equipment and manufacturing time, as illustrated in the graphic below.



Partnerships

Volkswagen Collaboration

QuantumScape has had a strong collaborative relationship with Volkswagen since 2012. Our collaboration initially focused on the testing and evaluation of QuantumScape’s battery technology.

Volkswagen engineers worked closely with our engineering team and oversaw the progress on our technology development efforts and battery testing. Volkswagen has made several rounds of equity investments in QuantumScape, and senior executives of Volkswagen joined our Board, including two successive heads of group research for the Volkswagen Group. During the early part of this collaboration we worked closely with members of Volkswagen's global research and development team, and now the QuantumScape team works closely with the Volkswagen Battery Center of Excellence, which is tasked with commercializing battery technologies within Volkswagen. The Head of Volkswagen's Battery Center of Excellence, Frank Blome, and the Head of Volkswagen Group M&A, Investment Advisory, and Partnerships, Jens Wiese, are members of the Board.

Joint Venture Relationship

In June 2018, we formed a 50-50 joint venture entity with Volkswagen, named QSV, to facilitate the commercialization of our solid-state battery technology and enable Volkswagen to be the first automotive OEM to utilize this technology. In 2018, the parties collectively made an initial equity investment in the joint venture of approximately \$3 million. Upon the occurrence of certain development milestones and subject to the entry by QuantumScape, Volkswagen and QSV into certain related agreements, QuantumScape and Volkswagen have agreed to commit additional capital on a 50-50 basis to QSV to fund the buildout of QS-1 and QS-1 Expansion. As 50-50 partners in the joint venture with Volkswagen, we expect to share equally in the revenue and profit from the joint venture, including from QS-1 and QS-1 Expansion.

The joint venture agreements were amended in 2020 in connection with a further \$200 million investment commitment by Volkswagen in QuantumScape (subject to certain closing conditions). \$100 million of this equity investment by Volkswagen was paid on December 1, 2020 and the second \$100 million equity investment is subject to completion of a certain technical milestone on or before March 31, 2021. As part of the first tranche of this equity investment, Volkswagen has the right to increase its representation on the Board from one member to two members. As of January 13, 2021, Volkswagen had two members on the Board.

The joint venture agreements provide for the commercialization of our solid-state battery cells to occur in two phases. The first phase is the construction of QS-1 with an annual capacity of 1GWh. QSV will begin construction of QS-1 when certain delivery and validation milestones are met for our solid-state battery cells. The second phase is QS-1 Expansion.

We believe the joint venture structure will enable Volkswagen to benefit from early access to our solid-state battery cells, but also protect our intellectual property. For example, certain key battery technology will continue to be owned by us and will be provided to the joint venture through a limited license for purposes of QS-1. The parties will agree on the license terms for a high-volume manufacturing facility for this battery technology license. The joint venture terminates upon the earliest to occur of (i) Volkswagen exercising specified put rights in the event of, amongst others, (a) a change of control of QuantumScape, or (b) the failure by us to meet specified development milestones within certain timeframes, (ii) QuantumScape or Volkswagen exercising specified call or put rights in the event of, amongst others, if the parties cannot agree to commercial terms for QS-1 or QS-1 Expansion within certain timeframes, (iii) a certain date after commencement of production of a Volkswagen series production vehicle using our battery cells (or an alternative end date if no such production was commenced after certain technical milestones with respect to our battery cell technology were reached) and (iv) December 31, 2028.

Volkswagen committed to purchase a certain portion of the output capacity of QS-1 at a price for the solid-state battery cells that is comparable to those of lithium-ion batteries, but with a premium for the outperformance of these battery cells based on certain key technical parameters. In addition,

Volkswagen has agreed to pay a premium for pre-production versions of the battery cells. We will sell separators to the joint venture at a price to be agreed by the parties based on the provisions of the joint venture agreements. The joint venture agreements provide the framework for the commercial relationship. At the appropriate time, the parties will negotiate agreements covering the details of these purchase commitments.

QS-1 Expansion is subject to meeting additional technical milestones and agreement on commercial terms, including pricing for the battery cells, agreement on the terms of purchase or license for the separators, and agreement on terms of the license to our battery technology for QS-1 Expansion. As 50-50 partners in the joint venture with Volkswagen, we expect to share equally in the capital contributions required for QS-1 Expansion and in the revenue and profit from QS-1 Expansion. We have agreed that the pricing for the battery cells sold by QS-1 Expansion and the separators purchased by QS-1 Expansion may be different from the pricing set for QS-1, and we will need to agree on pricing at the appropriate time. In addition, we will need to agree to the terms of the license to our battery technology for QS-1 Expansion.

Volkswagen is expected to have a significant role in the manufacturing ramp-up of QSV, and we have agreed that certain technology that is developed by QSV will be owned by the joint venture and licensed to each of QuantumScape and Volkswagen on a royalty-free basis. None of this intellectual property has been developed to date. Although the parties have not commenced operations on QS-1, Volkswagen has offered to assist us with supply chain, manufacturing ramp-up planning, and automation. In addition, we have collaborated with Volkswagen on enabling us to develop stronger relationships with battery component supply companies, such as cathode manufacturers and equipment supply companies.

Research and Development

We conduct research and development at our headquarters facility in San Jose, California. Research and development activities concentrate on making further improvements to our battery technology, including improvements to battery performance and cost.

Our research and development currently includes programs for the following areas:

- *Multi-layering.* To date, we have only produced single-layer solid-state cells at the commercially required size (70x85mm) and four-layer solid-state cells at a smaller size (30x30mm). In order to produce commercially-viable solid-state battery cells for automotive applications, we must produce multi-layer battery cells that may require dozens of layers, depending on our customers' requirements, and to do so in the commercially required size. We will need substantial development and to overcome the challenges in creating these cells and implement the appropriate cell design for our solid-state battery cell.
- *Improved yields and throughput.* We are focused on improving the yields (useful output) of both our solid-state separators and our battery cells. We are automating our manufacturing process and purchasing larger-scale manufacturing equipment. We will need to substantially improve our manufacturing processes to increase yield and throughput to achieve the cost, performance and volume levels required for commercial shipments.
- *Continued improvement in the solid-state separator.* We are working to improve the reliability and performance of our solid-state separator, including decreasing the thickness. We have selected a method of continuous processing found at scale in both the battery and ceramic industries and are working on continuous improvement of this process. In addition, we are investigating alternative processing methods that may further increase the capital efficiency of this manufacturing process.

- *Continued improvement of the cathode.* Our cathodes use a conventional cathode active material such as NMC along with a gel made of an organic polymer and organic liquid catholyte. In the future, we may use other cathode active materials, including NCA and cobalt-free compositions. We have an ongoing research and development investigation into inorganic catholyte that could replace the organic gel made of an organic polymer and organic liquid currently used.
- *Integration of advanced cathode materials.* We plan to benefit from industry cathode chemistry improvements and/or cost reduction. Our solid-state separator platform is being designed to enable some of the most promising next-generation cathode technologies, including high voltage or high capacity cathode active materials, which when combined with a lithium-metal anode, may further increase cell energy densities.

Intellectual Property

The success of our business and technology leadership is supported by our proprietary battery technology. We rely upon a combination of patent, trademark and trade secret laws in the United States and other jurisdictions, as well as license agreements and other contractual protections, to establish, maintain and enforce rights in our proprietary technologies. In addition, we seek to protect our intellectual property rights through nondisclosure and invention assignment agreements with our employees and consultants and through non-disclosure agreements with business partners and other third parties. We regularly file applications for patents and have a significant number of patents in the United States and other countries where we expect to do business. Our patent portfolio is deepest in the area of solid-state separators with additional areas of strength in anodes, next-generation cathode materials, and cell, module, and pack design specific to lithium-metal batteries. Our trade secrets primarily cover manufacturing methods.

As of December 31, 2020, we owned or licensed, on an exclusive basis, 80 issued U.S. patents and 40 pending or allowed U.S. patent applications, and 103 granted foreign patents and patent applications. We also have numerous trade secrets and have 1 registered U.S. trademark and 6 pending U.S. trademark applications. Our issued patents start expiring in 2033.

Competition

The EV market, and the battery segment in particular, is evolving and highly competitive. With the introduction of new technologies and the potential entry of new competitors into the market, we expect competition to increase in the future, which could harm our business, results of operations, or financial condition.

Our prospective competitors include major manufacturers currently supplying the industry, automotive OEMs and potential new entrants to the industry. Major companies now supplying batteries for the EV industry include Panasonic Corporation, Samsung SDI, Contemporary Amperex Technology Co. Limited, and LG-Chem Ltd. They supply conventional lithium-ion batteries and in many cases are seeking to develop solid-state batteries, including potentially lithium-metal batteries. In addition, because of the importance of electrification, many automotive OEMs are researching and investing in solid-state battery efforts and, in some cases, in battery development and production. For example, Tesla, Inc. is building multiple battery gigafactories and potentially could supply batteries to other automotive OEMs, and Toyota Motors and a Japanese consortium have a multi-year initiative pursuing solid-state batteries.

A number of development-stage companies are also seeking to improve conventional lithium-ion batteries or to develop new technologies for solid-state batteries, including lithium-metal batteries.

Potential new entrants are seeking to develop new technologies for cathodes, anodes, electrolytes and additives. Some of these companies have established relationships with automotive OEMs and are in varying stages of development.

We believe our ability to compete successfully with lithium-ion battery manufacturers and with other companies seeking to develop solid-state batteries will depend on a number of factors including battery price, safety, energy density, charge rate and cycle life, and on non-technical factors such as brand, established customer relationships and financial and manufacturing resources.

Many of the incumbents have, and future entrants may have, greater resources than we have and may also be able to devote greater resources to the development of their current and future technologies. They may also have greater access to larger potential customer bases and have and may continue to establish cooperative or strategic relationships amongst themselves or with third parties (including automotive OEMs) that may further enhance their resources and offerings.

Government Regulation and Compliance

There are government regulations pertaining to battery safety, transportation of batteries, use of batteries in cars, factory safety, and disposal of hazardous materials. We will ultimately have to comply with these regulations to sell our batteries into the market. The license and sale of our batteries abroad is likely to be subject to export controls in the future.

Employees

We pride ourselves on the quality of our world-class team and seek to hire only employees dedicated to our strategic mission. Many of our employees have significant experience working with large battery manufacturers and automotive OEMs. As of December 31, 2020, we employed 276 full-time employees and 10 temporary employees, based primarily in our headquarters in San Jose, California. Over 250 of our employees are engaged in research and development and related functions, and more than half of these employees hold engineering and scientific degrees, including many from the world's top universities.

We seek team members who want to help solve a significant problem that will positively impact the world. We value diversity and recognize the importance of fostering a positive, inclusive culture. As such, we have actively taken steps towards eliminating unconscious bias in our hiring and promotion processes while enabling us to add and promote team members who demonstrate behaviors aligned with our values.

We are committed to maintaining equitable compensation programs including equity participation. We offer market-competitive salaries and strong equity compensation aimed at attracting and retaining team members capable of making exceptional contributions to our success. Our compensation decisions are guided by the external market, role criticality, and the contributions of each team member.

To date, we have not experienced any work stoppages and considers its relationship with its employees to be good. None of our employees are either represented by a labor union or subject to a collective bargaining agreement.

MANAGEMENT

Executive Officers and Directors

The following table sets forth the names, ages, and positions of our executive officers and directors as of March 8, 2021:

| Name | Age | Position |
|-----------------------------|-----|---|
| Executive Officers | | |
| Jagdeep Singh | 53 | Chief Executive Officer and Chairman |
| Dr. Timothy Holme | 39 | Chief Technology Officer |
| Dr. Mohit Singh | 42 | Chief Development Officer |
| Kevin Hettrich | 39 | Chief Financial Officer |
| Michael McCarthy | 55 | Chief Legal Officer and Head of Corporate Development |
| Outside Directors | | |
| Frank Blome(3) | 52 | Director |
| Brad Buss(1)(2) | 57 | Director |
| John Doerr(3) | 69 | Director |
| Prof. Dr. Jürgen Leohold(2) | 66 | Director |
| Justin Mirro(1)(3) | 52 | Director |
| Prof. Fritz Prinz | 70 | Director |
| Dipender Saluja(1) | 56 | Director |
| J.B. Straubel(2) | 45 | Director |
| Jens Wiese | 48 | Director |

(1) Member of the audit committee.

(2) Member of the compensation committee.

(3) Member of the nominating and corporate governance committee.

Letter Agreements on Board and Committee Representation

On September 2, 2020, the Company, Legacy QuantumScape, and VGA entered into a letter agreement (the "Original Letter Agreement") pursuant to which the Company would nominate one designee of VGA for election to our Board, from and after the First Closing (as defined under the Series F Preferred Stock Purchase Agreement between Legacy QuantumScape and VGA, dated May 14, 2020), a second designee of VGA. On December 7, 2020, the parties amended and restated the Original Letter Agreement to provide that (i) in connection with any annual or special meeting of stockholders of the Company, the Company nominate for election to our Board two designees of VGA (each, a "VW Director"), with such designation rights terminating upon certain circumstances and (ii) the Company shall cause one VW Director to be appointed to the nominating and corporate governance committee of the Board, provided that such VW Director fulfills the independence requirements under applicable NYSE rules.

Executive Officers

Jagdeep Singh has served as our Chief Executive Officer and the Chairman of our Board since November 2020. Mr. Singh co-founded Legacy QuantumScape and has served as its Chief Executive Officer and on Legacy QuantumScape's board of directors since its incorporation in May 2010. Prior to joining Legacy QuantumScape, he was the founder and Chief Executive Officer at Infinera Corporation (NASDAQ: INFN), a telecommunications company, from 2001 to 2009. Mr. Singh holds a B.S. in Computer Science from the University of Maryland College Park, an M.B.A. from the University of

California, Berkeley, Haas School of Business, and a M.S. in Computer Science from Stanford University.

We believe Mr. Singh is qualified to serve on our Board because of the perspective and experience he brings as Legacy QuantumScape's Chief Executive Officer, his leadership experience in the energy storage industry, his educational background and his strong scientific knowledge.

Dr. Timothy Holme has served as our Chief Technology Officer since November 2020. Dr. Holme co-founded Legacy QuantumScape and served as Legacy QuantumScape's Chief Technology Officer from January 2011 to November 2020. Prior to joining Legacy QuantumScape, he was a Research Associate at Stanford University from June 2008 to January 2011. Dr. Holme holds a B.S. in Physics, a M.S. in Mechanical Engineering, and a Ph.D. in Mechanical Engineering from Stanford University.

Dr. Mohit Singh has served as our Chief Development Officer since November 2020. Dr. Singh served as Legacy QuantumScape's Chief Development Officer from June 2015 to November 2020. Prior to this, Dr. Singh served as Legacy QuantumScape's Vice President, Research and Development and Engineering from April 2014 to June 2015. From 2004 to 2007, Dr. Singh conducted post doctorate research in Chemical Engineering at the Lawrence Berkeley National Laboratory for the University of California, Berkeley. Dr. Singh holds a B. Tech in Chemical Engineering from the Indian Institute of Technology Bombay and a Ph.D. in Chemical and Biomolecular Engineering from Tulane University.

Kevin Hettrich has served as our Chief Financial Officer since November 2020. Mr. Hettrich served as Legacy QuantumScape's Chief Financial Officer and head of Business Operations from September 2018 to November 2020. Prior to this, Mr. Hettrich served as Legacy QuantumScape's Vice President of Business Operations from March 2016 to March 2018, as Senior Director of Finance and Product Management from March 2014 to March 2016, as a Director of Product Management from March 2013 to March 2014, and as a Manager of Product Management from January 2012 to March 2013. Prior to joining Legacy QuantumScape, Mr. Hettrich served as a Private Equity Associate of Bain Capital, an investment firm, from September 2007 to July 2009. Mr. Hettrich also served as a Business Analyst at McKinsey & Company, a management consulting firm, from September 2004 to July 2007. Mr. Hettrich holds a B.A. in Economics from Pomona College, a M.B.A. from Stanford Graduate School of Business, and a M.S. in Environment and Resources from Stanford University.

Michael McCarthy has served as our Chief Legal Officer and Head of Corporate Development since November 2020. Mr. McCarthy has served as Legacy QuantumScape's Chief Legal Officer since March 2013 and Head of Corporate Development since January 2018 and also currently serves on the board of QSV Operations LLC. Prior to joining Legacy QuantumScape, he was the Chief Administrative Officer at Infinera Corporation from April 2003 to March 2013. From September 1997 to April 2003, Mr. McCarthy served as Senior Vice President and General Counsel of Ciena Corporation, a network strategy and technology company. Mr. McCarthy currently serves as a member of the boards of several privately-held companies. Mr. McCarthy holds a B.A. in Mathematical Economics from Colgate University and a J.D. from Vanderbilt University Law School.

Outside Directors

Frank Blome has served on our Board since November 2020, and on Legacy QuantumScape's board of directors from September 2020 until January 2021. Mr. Blome has also served on the board of QSV Operations LLC since September 2020. Mr. Blome has 25 years of professional experience in the automotive industry, with a particular focus on alternative powertrain technologies and battery cell technology. Since January 2018, Mr. Blome has served as the Head of the Battery Center of

Excellence of Volkswagen AG. Prior to this, Mr. Blome served from May 2016 to June 2016 as Chief Executive Officer at Mercedes-Benz Energy GmbH, a subsidiary of the Daimler Group active in the EV battery storage space. From July 2013 to June 2017, Mr. Blome served as Chief Executive Officer of LiTec Battery GmbH, a battery cell manufacturing company started as a joint venture between Daimler Group and Evonik Industries AG, a specialty chemicals company. In addition to these roles, Mr. Blome served from June 2009 to June 2017 as the Chief Executive Officer of Deutsche Accumotive GmbH & Co KG, a subsidiary of Daimler Group, producing batteries for hybrid and EVs, after which Mr. Blome was on garden leave until January 2018 when he started in his current position at Volkswagen. Mr. Blome holds a diploma in electrical engineering from the University of Applied Sciences Bielefeld.

We believe Mr. Blome is qualified to serve on our Board due to his vast experience in the automotive and alternative powertrain industries.

Brad Buss has served on our Board since November 2020, and on Legacy QuantumScape's board of directors from August 2020 until January 2021. From August 2014 until his retirement in February 2016, Mr. Buss served as the Executive Vice President and Chief Financial Officer of SolarCity Corporation, a solar energy company acquired by Tesla, Inc. (NASDAQ: TSLA), a high-performance electric vehicle company. Mr. Buss also served as the Executive, Vice President and Chief Financial Officer of Cypress Semiconductor Corporation (NASDAQ: CY), a semiconductor design and manufacturing company, from August 2005 to June 2014. Mr. Buss has served on the boards of Advance Auto Parts, Inc. (NYSE: AAP) ("Advance"), an automotive parts and accessories provider, since March 2016, Marvell Technology Group Ltd. (NASDAQ: MRVL) ("Marvell"), a semiconductor company, since July 2018, and AECOM (NYSE: ACM), an engineering firm, since August 2020. Mr. Buss serves as Chair of the Audit Committee of Advance, Chair of the Nominating and Corporate Governance Committee and a member of the Audit Committee of Marvell, and a member of the Nominating and Governance Committee and Compensation and Organization Committee of AECOM. Mr. Buss previously served on the boards of Tesla, Inc. from November 2009 to June 2019, Cavium, Inc., a semiconductor company, from July 2016 until its acquisition by Marvell in July 2018, and CafePress Inc., an e-commerce company, from October 2007 to July 2016. He served on the Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee, and Disclosure Committee of Tesla, the Audit Committee and Compensation Committee of Cavium, Inc., and the Audit Committee and Compensation Committee of CafePress Inc. Mr. Buss holds a B.A. in Economics from McMaster University and a Honors Business Administration degree from University of Windsor.

We believe Mr. Buss is qualified to serve on our Board because of his vast leadership expertise and experience on the boards of major automotive companies.

John Doerr has served on our Board since November 2020, and on Legacy QuantumScape's board of directors from December 2010 until January 2021. Mr. Doerr currently serves as Chairman at Kleiner Perkins, a venture capital firm, and previously served as a Partner from August 1980 to March 2016. Mr. Doerr currently serves on the boards of Amyris, Inc. (NASDAQ: AMRS), a biotechnology company, since May 2006, Bloom Energy Corporation (NYSE: BE), an energy solutions company, since April 2002, DoorDash, Inc. (NYSE: DASH), a provider of restaurant food delivery services, since 2015, and Alphabet, Inc. (NASDAQ: GOOGL), a multinational technology company, since May 1999. He serves as Chair of the Nominating and Corporate Governance Committee of Amyris, Inc., a member of the Compensation and Organizational Development Committee of Bloom Energy Corporation, and Chair of the Leadership Development and Compensation Committee of Alphabet, Inc. Mr. Doerr previously served on the boards of Zynga, Inc. (NASDAQ: ZNGA), a social game developer, from March 2013 to May 2017, and Amazon.com, Inc. (NASDAQ: AMZN), a multinational technology company, from June 1996 to May 2010. Mr. Doerr holds a B.S. and an M.E.E. in Electrical Engineering from Rice University and an M.B.A. from Harvard Business School.

We believe Mr. Doerr is qualified to serve on our Board because of his extensive investment experience in the technology industry and extensive expertise and skills in strategy, finance and management.

Prof. Dr. Jürgen Leohold has served on our Board since November 2020, and on Legacy QuantumScape's board of directors from May 2015 until January 2021. From October 2012 to December 2017, Prof. Dr. Leohold served as the Head of the Volkswagen AutoUni, an advanced training and research institution for Volkswagen Aktiengesellschaft, a German automobile manufacturer. He continued to serve as a consultant for Volkswagen Aktiengesellschaft's research and development group from January 2018 until retiring in May 2019. He also served as the Executive Director of Group Research at Volkswagen Aktiengesellschaft from April 2006 to July 2016. Prof. Dr. Leohold holds a degree in Electrical Engineering from the University of Hannover, a M.S. in Electrical Engineering from the Georgia Institute of Technology and a doctoral degree from the University of Hannover.

We believe Prof. Dr. Leohold is qualified to serve on our Board because of his leadership experience and his expertise in the energy technology and automotive fields.

Justin Mirro has served on our Board since November 2020 and as Kensington's Chairman and Chief Executive Officer from April 2020 to November 2020. Mr. Mirro has over 25 years of operating, mergers and acquisitions and financing experience in the automotive and automotive-related sector. He began his career at General Motors Company ("GM") as a Tool and Die Manufacturing Engineer, with successive positions at Car and Driver Magazine, Toyota Motor Corporation and Itochu International Inc. prior to transitioning to automotive investment banking at Schroder & Co. Inc./Salomon Smith Barney, Inc./ABN Amro Inc. in 1996. In 1999, Mr. Mirro formed Kensington Capital Partners, LLC, where he has served as President since 2015, to invest in automotive and automotive-related sector businesses. In 2005, Mr. Mirro transitioned to Jefferies & Company, Inc. as Head of Automotive Investment Banking, and later served as the Head of Automotive Investment Banking at Moelis & Company, LLC ("Moelis") and RBC Capital Markets, LLC ("RBC Capital Markets") from 2008 to 2011 and 2011 to 2014, respectively. In his role, Mr. Mirro played a key role in leading and executing all aspects of capital raising, mergers and acquisitions and restructurings, and has advised on over 70 transactions totaling more than \$60 billion of value for OEMs, suppliers and automotive-related industries. From 2016 to 2019, Mr. Mirro served as Chairman of the board of directors and audit committee of Pure Power Technologies, Inc. ("Pure Power") one of the largest aftermarket suppliers of diesel fuel injectors, which was later sold to Stanadyne LLC ("Stanadyne"). In his role, Mr. Mirro focused on deal sourcing, structuring, capital raising, executive recruitment and the eventual sale process. Mr. Mirro has sat on the board of Cooper-Standard Holdings Inc. (NYSE: CPS) since 2015 and sat on the board of Transtar Industries, Inc. from 2017 to 2021, in each case where he focuses or focused, respectively, on mergers and acquisitions, capital structuring and public market strategy. Mr. Mirro is also the chairman of the board of directors of Kensington Capital Acquisition Corp. II (NYSE: KCAC.UN).

We believe Mr. Mirro is qualified to serve on our Board due to his experience serving as Kensington's Chairman and Chief Executive Officer, as well as his extensive skills in strategy, finance and management.

Prof. Fritz Prinz co-founded Legacy QuantumScape and has served on our Board since November 2020, and on Legacy QuantumScape's board of directors from December 2010 until January 2021. Prof. Prinz has served as Professor of Materials Science and Engineering, Professor of Mechanical Engineering, and Senior Fellow at the Precourt Institute for Energy since September 2010. He has also served as the Finmeccanica Professor at the School of Engineering at Stanford University since September 1994. Prof. Prinz holds a Ph.D. in Physics and Mathematics from the University of Vienna, Austria.

We believe Prof. Prinz is qualified to serve on our Board because of his in-depth educational expertise and his broad insight and research into energy conservation.

Dipender Saluja has served on our Board since November 2020, and on Legacy QuantumScape's board of directors from August 2012 until January 2021. Mr. Saluja has served as Managing Director of Capricorn Investment Group, an investment firm, since 2006. Prior to Capricorn Investment Group, he served in various positions from 1990 to 2006 at Cadence Design Systems, an electronic design company. Mr. Saluja also currently serves as a Commissioner of the Global Commission to End Energy Poverty, a non-profit organization dedicated to providing electricity services to under-served communities, and also on the boards of several private companies.

We believe Mr. Saluja is qualified to serve on our Board because of his extensive investment experience in the technology industry and extensive expertise and skills in strategy, finance and management.

J.B. Straubel has served on our Board since November 2020, and on Legacy QuantumScape's board of directors from December 2019 until January 2021. Mr. Straubel has served as the Founder and Chief Executive Officer of Redwood Materials Inc., an electronic recycling and development company, since May 2017. Prior to joining Legacy QuantumScape, Mr. Straubel also co-founded and served as the Chief Technology Officer of Tesla, Inc. from May 2005 to July 2019. Mr. Straubel previously served on the board of SolarCity Corporation and as a member of its Nominating and Corporate Governance Committee from August 2006 until its acquisition by Tesla, Inc. in November 2016. Mr. Straubel holds a B.S. in Energy Systems Engineering and a M.S. in Engineering, with an emphasis on energy conversion, from Stanford University.

We believe Mr. Straubel is qualified to serve on our Board because of his technical and manufacturing expertise along with his leadership experience in electronic companies.

Jens Wiese has served on our Board since January 2021. Mr. Wiese has served in multiple roles at Volkswagen AG, most recently as Head of Volkswagen Group M&A, Investment Advisory, and Partnerships since January 2020, Head of Industrial Cooperations and Partnerships from June 2018 to December 2019, Head of Group Battery Strategy from June 2016 to December 2019, and Corporate Strategy/Head of Performance Improvement from March 2016 to May 2018. Prior to his service at Volkswagen AG, Mr. Wiese served as Director and Member of the German Management Team at AlixPartners GmbH, a consulting firm, from March 2007 to February 2016. Mr. Wiese holds a Master's degree in Business Administration from the Ludwig Maximilian University of Munich.

We believe Mr. Wiese is qualified to serve on our Board because of his leadership experience and experience in the automotive industry.

Board Composition

Our business and affairs are organized under the direction of our Board, which currently consists of ten members. Mr. Singh serves as Chairman of our Board. The primary responsibilities of our Board are to provide oversight, strategic guidance, counseling and direction to our management. Our Board meets on a regular basis and additionally as required.

In accordance with the terms of our Bylaws, each director, including a director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until such director's successor is elected and qualified or until such director's earlier death, resignation or removal.

Any director may be removed from office by our stockholders as provided in Section 141(k) of the DGCL.

Director Independence

Our Board has determined that each of our directors other than Messrs. Singh and Prinz qualify as independent directors, as defined under the rules of the NYSE, and our Board consists of a majority of “independent directors,” as defined under the rules of the SEC and the NYSE relating to director independence requirements. In addition, we are subject to the rules of the SEC and the NYSE relating to the membership, qualifications, and operations of the audit committee, as discussed below. Mr. Mirro is our lead independent director under the NYSE rules.

Role of our Board in Risk Oversight/Risk Committee

One of the key functions of our Board is informed oversight of our risk management process. Our Board does not currently have or anticipate having a standing risk management committee, but instead administers this oversight function directly through our Board as a whole, as well as through various standing committees of our Board that address risks inherent in their respective areas of oversight. In particular, our Board is responsible for monitoring and assessing strategic risk exposure and our audit committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management will take to monitor and control such exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken. The audit committee also monitors compliance with legal and regulatory requirements. Our compensation committee assesses and monitors whether our compensation plans, policies and programs comply with applicable legal and regulatory requirements.

Board Committees

Our Board has three standing committees—an audit committee, a compensation committee, and a nominating and corporate governance committee. Copies of the charters for each committee are available on our website.

Audit Committee

Our audit committee consists of Messrs. Buss, Saluja and Mirro. Our Board has determined that each of the members of the audit committee satisfy the independence requirements of the NYSE and Rule 10A-3 under the Exchange Act and are able to read and understand fundamental financial statements in accordance with the NYSE audit committee requirements. In arriving at this determination, our Board examined each audit committee member’s scope of experience and the nature of their prior and/or current employment.

Mr. Buss serves as the chair of the audit committee. Our Board has determined that Mr. Buss qualifies as an audit committee financial expert within the meaning of SEC regulations and meets the financial sophistication requirements of the NYSE rules. In making this determination, our Board considered Mr. Buss’ formal education and previous experience in financial roles. Both our independent registered public accounting firm and management will periodically meet privately with our audit committee.

The functions of this committee include, among other things:

- evaluating the performance, independence and qualifications of our independent auditors and determining whether to retain our existing independent auditors or engage new independent auditors;
- reviewing our financial reporting processes and disclosure controls;
- reviewing and approving the engagement of our independent auditors to perform audit services and any permissible non-audit services;

- reviewing the adequacy and effectiveness of our internal control policies and procedures, including the responsibilities, budget, staffing and effectiveness of our internal audit function;
- reviewing with the independent auditors the annual audit plan, including the scope of audit activities and all critical accounting policies and practices to be used by us;
- obtaining and reviewing at least annually a report by our independent auditors describing the independent auditors' internal quality control procedures and any material issues raised by the most recent internal quality-control review;
- monitoring the rotation of partners of our independent auditors on our engagement team as required by law;
- prior to engagement of any independent auditor, and at least annually thereafter, reviewing relationships that may reasonably be thought to bear on their independence, and assessing and otherwise taking the appropriate action to oversee the independence of our independent auditor;
- reviewing our annual and quarterly financial statements and reports, including the disclosures contained in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," and discussing the statements and reports with our independent auditors and management;
- reviewing with our independent auditors and management significant issues that arise regarding accounting principles and financial statement presentation and matters concerning the scope, adequacy, and effectiveness of our financial controls and critical accounting policies;
- reviewing with management and our auditors any earnings announcements and other public announcements regarding material developments;
- establishing procedures for the receipt, retention and treatment of complaints received by us regarding financial controls, accounting, auditing or other matters;
- preparing the report that the SEC requires in our annual proxy statement;
- reviewing and providing oversight of any related party transactions in accordance with our related party transaction policy and reviewing and monitoring compliance with legal and regulatory responsibilities, including our code of ethics;
- reviewing our major financial risk exposures, including the guidelines and policies to govern the process by which risk assessment and risk management is implemented; and
- reviewing and evaluating on an annual basis the performance of the audit committee and the audit committee charter.

The composition and function of the audit committee comply with all applicable requirements of the Sarbanes-Oxley Act and all applicable SEC rules and regulations. We will comply with future requirements to the extent they become applicable.

Compensation Committee

Our compensation committee consists of Messrs. Straubel, Leohold and Buss. Mr. Leohold serves as the chair of the compensation committee. Our Board has determined that each of the members of the compensation committee is an outside director, as defined in Rule 16b-3 promulgated under the Exchange Act and satisfies the independence requirements of the NYSE.

The functions of this committee include, among other things:

- reviewing and approving the corporate objectives that pertain to the determination of executive compensation;

- reviewing and approving the compensation and other terms of employment of our executive officers;
- reviewing and approving performance goals and objectives relevant to the compensation of our executive officers and assessing their performance against these goals and objectives;
- making recommendations to our Board regarding the adoption or amendment of equity and cash incentive plans and approving amendments to such plans to the extent authorized by our Board;
- reviewing and making recommendations to our Board regarding the type and amount of compensation to be paid or awarded to our outside Board members;
- reviewing and assessing the independence of compensation consultants, legal counsel and other advisors as required by Section 10C of the Exchange Act;
- administering our equity incentive plans, to the extent such authority is delegated by our Board;
- reviewing and approving the terms of any employment agreements, severance arrangements, change in control protections, indemnification agreements and any other material arrangements for our executive officers;
- reviewing with management our disclosures under the caption "*Compensation Discussion and Analysis*" in our periodic reports or proxy statements to be filed with the SEC, to the extent such caption is included in any such report or proxy statement;
- preparing an annual report on executive compensation that the SEC requires in our annual proxy statement; and
- reviewing and evaluating on an annual basis the performance of the compensation committee and recommending such changes as deemed necessary with our Board.

The composition and function of the compensation committee comply with all applicable requirements of the Sarbanes-Oxley Act and all applicable SEC and the NYSE rules and regulations. We will comply with future requirements to the extent they become applicable.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee consists of Messrs. Mirro, Doerr and Blome. Our Board has determined that each of the members of our nominating and corporate governance committee satisfy the independence requirements of the NYSE. Mr. Doerr serves as the chair of our nominating and corporate governance committee.

The functions of this committee include, among other things:

- identifying, reviewing and making recommendations of candidates to serve on our Board;
- evaluating the performance of our Board, committees of our Board and individual directors and determining whether continued service on our Board is appropriate;
- evaluating nominations by stockholders of candidates for election to our Board;
- evaluating the current size, composition and organization of our Board and its committees and making recommendations to our Board for approvals;
- developing a set of corporate governance policies and principles and recommending to our Board any changes to such policies and principles;
- reviewing issues and developments related to corporate governance and identifying and bringing to the attention of our Board current and emerging corporate governance trends; and

- reviewing periodically the nominating and corporate governance committee charter, structure and membership requirements and recommending any proposed changes to our Board, including undertaking an annual review of its own performance.

The composition and function of the nominating and corporate governance committee complies with all applicable requirements of the Sarbanes-Oxley Act and all applicable SEC and the NYSE rules and regulations. We will comply with future requirements to the extent they become applicable.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee have ever been an executive officer or employee of the Company. None of our executive officers currently serves, or has served during the last completed fiscal year, on the compensation committee or board of directors of any other entity that has one or more executive officers that serve on our Board or compensation committee.

Limitation on Liability and Indemnification of Directors and Officers

Our Certificate of Incorporation limits our directors' liability to the fullest extent permitted under the DGCL. The DGCL provides that directors of a corporation will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except for liability:

- for any transaction from which the director derives an improper personal benefit;
- for any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- for any unlawful payment of dividends or redemption of shares; or
- for any breach of a director's duty of loyalty to the corporation or its stockholders.

If the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of our directors will be eliminated or limited to the fullest extent permitted by the DGCL, as so amended. The DGCL and our Bylaws provide that we will, in certain situations, indemnify our directors and officers and may indemnify other employees and other agents, to the fullest extent permitted by law. Any indemnified person is also entitled, subject to certain limitations, to advancement, direct payment, or reimbursement of reasonable expenses (including attorneys' fees and disbursements) in advance of the final disposition of the proceeding.

In addition, we have entered into separate indemnification agreements with our directors and officers. These agreements, among other things, require us to indemnify our directors and officers for certain expenses, including attorneys' fees, judgments, fines, and settlement amounts incurred by a director or officer in any action or proceeding arising out of their services as one of our directors or officers or any other company or enterprise to which the person provides services at our request.

We maintain a directors' and officers' insurance policy pursuant to which our directors and officers are insured against liability for actions taken in their capacities as our directors and officers. We believe the provisions in our Certificate of Incorporation, Bylaws, and indemnification agreements are necessary to attract and retain qualified persons as directors and officers.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, or control persons, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Code of Business Conduct and Ethics for Employees, Executive Officers, and Directors

Our Board has adopted a code of business conduct and ethics, or the Code of Conduct, applicable to all of our employees, executive officers and directors. The Code of Conduct is available on our website.

Information contained on or accessible through our website is not a part of this prospectus. The nominating and corporate governance committee of our Board is responsible for overseeing the Code of Conduct and must approve any waivers of the Code of Conduct for employees, executive officers and directors. We expect that any amendments to the Code of Conduct, or any waivers of its requirements, will be disclosed on our website.

Outside Director Compensation

Our Board expects to review director compensation periodically to ensure that director compensation remains competitive such that we are able to recruit and retain qualified directors. We intend to develop an outside director compensation program that is designed to align compensation with our business objectives and the creation of stockholder value, while enabling us to attract, retain, incentivize and reward directors who contribute to our long-term success.

EXECUTIVE COMPENSATION

To achieve our goals, we have designed, and intend to modify as necessary, our compensation and benefits program to attract, retain, incentivize and reward deeply talented and qualified executives who share our philosophy and desire to work towards achieving these goals.

We believe our compensation program should promote the success of the company and align executive incentives with the long-term interests of our stockholders. Our current compensation programs reflect our startup origins in that they consist primarily of salary and stock option awards. As our needs evolve, we intend to continue to evaluate our philosophy and compensation programs as circumstances require.

This section provides an overview of our executive compensation programs, including a narrative description of the material factors necessary to understand the information disclosed in the summary compensation table below.

Our Board, with input from our Chief Executive Officer, has historically determined the compensation for our named executive officers.

For the year ended December 31, 2020, our named executive officers were:

- Jagdeep Singh, President and Chief Executive Officer
- Kevin Hettrich, Chief Financial Officer
- Michael McCarthy, Chief Legal Officer and Head of Corporate Development

Summary Compensation Table

The following table sets forth information concerning the compensation of our named executive officers for the years ended December 31, 2020 and December 31, 2019.

| <u>Name and Principal Position</u> | <u>Year</u> | <u>Salary (\$)</u> | <u>Stock Awards (\$)(1)</u> | <u>Option Awards (\$)(1)</u> | <u>All Other Compensation (\$)(2)</u> | <u>Total (\$)</u> |
|---|-------------|------------------------|-------------------------------------|--------------------------------------|---|-----------------------|
| Jagdeep Singh | | | | | | |
| Chief Executive Officer and Director | 2020 | 277,116 | 16,719,999 | — | 55,000 | 17,052,115 |
| | 2019 | 275,334 | — | — | — | 275,334 |
| Kevin Hettrich(3) | | | | | | |
| Chief Financial Officer | 2020 | 310,096 | 3,344,000 | — | 63,000 | 3,717,096 |
| Michael McCarthy | | | | | | |
| Chief Legal Officer and Head of Corporate Development | 2020 | 361,779 | 2,507,998 | — | 73,500 | 2,943,277 |
| | 2019 | 350,334 | — | 906,260 | — | 1,256,594 |

- (1) The amounts in this column represent the aggregate grant-date fair value of awards granted to each named executive officer, computed in accordance with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 718. See Note 8 to the audited consolidated financial statements included elsewhere in this prospectus for a discussion of the assumptions made by us in determining the grant-date fair value of our equity awards.
- (2) Amounts listed reflect a payment made to each of our named executive officers in order to secure his execution of an employee lock-up agreement in connection with the Company's entry into the Business Combination Agreement.
- (3) Mr. Hettrich was not a named executive officer in 2019.

Narrative Disclosure to Summary Compensation Table

Effective July 2020, the annual base salaries of each of Messrs. Hettrich and McCarthy were increased to \$315,000 and \$367,500, respectively.

Base Salary

Base salary is set at a level that is commensurate with the executive's duties and authorities, contributions, prior experience and sustained performance.

Nonequity Incentive Plan Compensation

We do not have any formal arrangements with our named executive officers providing for nonequity incentive plan compensation.

Stock Option Awards

Stock options and restricted stock units were granted to our named executive officers under Legacy QuantumScape's 2010 Equity Incentive Plan (the "2010 Plan").

Legacy QuantumScape 2010 Equity Incentive Plan

The 2010 Plan allowed Legacy QuantumScape to provide incentive stock options, within the meaning of Section 422 of the Code, nonstatutory stock options, stock appreciation rights, restricted stock awards and restricted stock units (each, an "award" and the recipient of such award, a "participant") to eligible employees, directors, and consultants of Legacy QuantumScape and any parent or subsidiary of Legacy QuantumScape. The 2010 Plan was terminated in connection with the Business Combination and we will not grant any additional awards under the 2010 Plan hereafter. However, the 2010 Plan will continue to govern the terms and conditions of the outstanding awards previously granted under the 2010 Plan.

Plan Administration

The 2010 Plan was administered by the board of directors of Legacy QuantumScape or one or more of its committees and will continue to be administered by our Board or one or more of its committees. Different committees administered the 2010 Plan with respect to different service providers. The administrator has all authority and discretion necessary or appropriate to administer the 2010 Plan and to control its operation, including the authority to construe and interpret the terms of the 2010 Plan and the awards granted under the 2010 Plan. The administrator's decisions are final and binding on all participants and any other persons holding awards.

The administrator's powers include the power to institute an exchange program under which (i) outstanding awards are surrendered or cancelled in exchange for awards of the same type (which may have higher or lower exercise prices and different terms), awards of a different type or cash, (ii) participants would have the opportunity to transfer any outstanding awards to a financial institution or other person or entity selected by the administrator or (iii) the exercise price of an outstanding award is increased or reduced. The administrator's powers also include the power to prescribe, amend and rescind rules and regulations relating to the 2010 Plan, to modify or amend each award and to make all other determinations deemed necessary or advisable for administering the 2010 Plan.

Eligibility

Employees, directors and consultants of Legacy QuantumScape or its parent or subsidiary companies were eligible to receive awards, provided such consultants render bona fide services not in

connection with the offer and sale of securities in a capital-raising transaction and did not directly promote or maintain a market for Legacy QuantumScape securities. Only employees of Legacy QuantumScape or its parent or subsidiary companies were eligible to receive incentive stock options.

Stock Options

Stock options were granted under the 2010 Plan. Subject to the provisions of the 2010 Plan, the administrator determined the term of an option, the number of shares and the class of shares subject to an option, and the time period in which an option may be exercised.

The term of an option is stated in the applicable award agreement, but the term of an option may not exceed 10 years from the grant date. The administrator determined the exercise price of options, which generally was not less than 100% of the fair market value of Legacy QuantumScape's common stock on the grant date, unless expressly determined in writing by the administrator on the option's grant date. However, an incentive stock option granted to an individual who directly or by attribution owned more than 10% of the total combined voting power of all of Legacy QuantumScape's classes of stock or of any of Legacy QuantumScape's parent or subsidiary had a term of no longer than 5 years from the grant date and have an exercise price of at least 110% of the fair market value of Legacy QuantumScape's common stock on the grant date. In addition, to the extent that the aggregate fair market value of the shares with respect to which incentive stock options are exercisable for the first time by an employee during any calendar year (under all our plans and any parent or subsidiary) exceeds \$100,000, such options will be treated as nonstatutory stock options.

The administrator determines how a participant may pay the exercise price of an option, and the permissible methods are generally set forth in the applicable award agreement. If a participant's status as a "service provider" (as defined in the 2010 Plan) terminates, that participant may exercise the vested portion of his or her option for the period of time stated in the applicable award agreement. Vested options generally will remain exercisable for three months or such longer or shorter period of time as set forth in the applicable award agreement if a participant's status as a service provider terminates for a reason other than death or disability. If a participant's status as a service provider terminates due to death or disability, vested options generally will remain exercisable for twelve months from the date of termination (or such other longer or shorter period as set forth in the applicable award agreement). In no event will an option remain exercisable beyond its original term. If a participant does not exercise his or her option within the time specified in the award agreement, the option will terminate. Except as described above, the administrator has the discretion to determine the post-termination exercisability periods for an option.

Non-Transferability of Awards

Unless determined otherwise by the administrator, awards may not be sold, pledged, assigned, hypothecated or otherwise transferred in any manner other than by will or by the laws of descent and distribution. In addition, during an applicable participant's lifetime, only that participant may exercise their award. In the case of awards issued to California residents, if the administrator makes an award transferable, such award may only be transferred (i) by will, (ii) by the laws of descent and distribution or (iii) as permitted by Rule 701 of the Securities Act.

Certain Adjustments

If there was a dividend or other distribution (whether in the form of cash, shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, exchange of shares or other securities or other change in our corporate structure affecting the shares, the administrator, in order to prevent

diminution or enlargement of the benefits or potential benefits intended to be made available under the 2010 Plan, would adjust the number and class of shares that could be delivered under the 2010 Plan and/or the number, class, and price of shares covered by each outstanding award. In the case of awards issued to California residents, the administrator would make such adjustments to an award required by Section 25102(o) of the California Corporations Code to the extent we were relying upon the exemption afforded thereby with respect to the award. The administrator's determination regarding such adjustments was final, binding and conclusive.

Dissolution or Liquidation

In the event of our proposed dissolution or liquidation, the administrator will notify each participant as soon as practicable prior to the effective date of such proposed transaction. To the extent it has not been previously exercised, an award will terminate immediately prior to the consummation of such proposed action.

Merger and Change of Control

In the event of a merger or a "change in control" (as defined in the 2010 Plan), each outstanding award will be treated as the administrator determines, including, without limitation, that (i) awards will be assumed, or substantially equivalent awards will be substituted, by the acquiring or succeeding corporation (or an affiliate thereof) with appropriate adjustments as to the number and kind of shares and prices; (ii) upon written notice to a participant, the participant's awards will terminate upon or immediately prior to the consummation of such merger or change in control; (iii) outstanding awards will vest and become exercisable, realizable or payable, or restrictions applicable to an award will lapse, in whole or in part, prior to or upon consummation of such merger or change in control, and, to the extent the administrator determines, terminate upon or immediately prior to the effectiveness of such merger or change in control; (iv) (A) the termination of an award in exchange for an amount of cash or property, if any, equal to the amount that would have been attained upon the exercise of such award or realization of the participant's rights as of the date of the occurrence of the transaction (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction the administrator determines in good faith that no amount would have been attained upon the exercise of such award or realization of the participant's rights, then such award may be terminated by us without payment) or (B) the replacement of such award with other rights or property selected by the administrator in its sole discretion; or (v) any combination of the foregoing. The administrator will not be obligated to treat all awards, all awards a participant holds or all awards of the same type, similarly.

In the event that the successor corporation does not assume or substitute for an award (or portion thereof), the participant will fully vest in and have the right to exercise all of his or her outstanding options and stock appreciation rights, including shares as to which such awards would not otherwise be vested or exercisable, all restrictions on restricted stock and restricted stock units will lapse, and, with respect to awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at 100% of target levels and all other terms and conditions met. In addition, if an option or stock appreciation right is not assumed or substituted in the event of a merger or change in control, the administrator will notify the participant in writing or electronically that the option or stock appreciation right will be exercisable for a period of time determined by the administrator in its sole discretion, and the option or stock appreciation right will terminate upon the expiration of such period.

Amendment and Termination

Our Board may, at any time, terminate or amend the 2010 Plan in any respect, including, without limitation, amendment of any form of award agreement or instrument to be executed pursuant to the

2010 Plan. To the extent necessary and desirable to comply with applicable laws, we would obtain stockholder approval of any amendment to the 2010 Plan. No amendment or alteration of the 2010 Plan would impair the rights of a participant, unless mutually agreed otherwise between the participant and the administrator in writing. As noted above, as of the Closing Date, the 2010 Plan terminated and no further awards will be granted thereunder. All outstanding awards will continue to be governed by their existing terms.

QuantumScope 2020 Equity Incentive Plan

On November 25, 2020, our 2020 Equity Incentive Plan (the “2020 Plan”) became effective. The 2020 Plan was approved by our stockholders at the special meeting held on November 25, 2020 to approve the Business Combination (the “Special Meeting”). The purposes of the 2020 Plan are to attract and retain personnel for positions with us, any parent or subsidiary, and any entity that is in control of, is controlled by or is under common control with us (such entities are referred to herein as, the company group); to provide additional incentive to employees, directors, and consultants; and to promote the success of our business. These incentives will be provided through the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, and performance awards as the administrator of the 2020 Plan may determine.

Authorized Shares

Subject to the adjustment provisions contained in the 2020 Plan and the evergreen provision described below, the maximum number of shares of Class A Common Stock that may be issued pursuant to awards under the 2020 Plan is (i) 41,500,000 shares of Class A Common Stock, plus (ii) any shares of Common Stock subject to stock options, restricted stock units or other awards that were assumed in the Merger and terminate as a result of being unexercised or are forfeited to or repurchased by us, with the maximum number of shares to be added to the 2020 Plan pursuant to clause (ii) equal to 69,846,580 shares of Class A Common Stock. The 2020 Plan also includes an evergreen provision that provides for an automatic annual increase to the number of shares of Class A Common Stock available for issuance under the 2020 Plan on the first day of each fiscal year beginning with the 2021 fiscal year, equal to the least of:

- 41,500,000 shares of Class A Common Stock;
- 5% of the total number of shares of all classes of Common Stock as of the last day of our immediately preceding fiscal year; or
- Such lesser amount determined by the administrator.

The 2020 Plan provides that the evergreen provision will terminate following the increase on the first day of the 2030 fiscal year.

Generally, if an award expires or becomes unexercisable without having been exercised in full, is surrendered under an exchange program described below, or, with respect to restricted stock, restricted stock units or performance awards, is forfeited to or reacquired by us due to the failure to vest, the unpurchased shares (or for awards other than options or stock appreciation rights, the forfeited or repurchased shares) that were subject to such awards will become available for future grant or sale under the 2020 Plan (unless it has terminated). With respect to stock appreciation rights, only shares actually issued will cease to be available. Shares that actually have been issued under the 2020 Plan under any award will not be returned to the 2020 Plan and will not become available for future distribution under the 2020 Plan; provided, however, that if shares issued pursuant to awards of restricted stock, restricted stock units, performance shares or performance units are repurchased by us or are forfeited to us, such shares will become available for future grant under the 2020 Plan. Shares

used to pay the exercise price of an award or to satisfy the tax withholding obligations related to an award will become available for future grant or sale. To the extent an award is paid out in cash rather than shares, such cash payment will not reduce the number of shares available for issuance. If the Board, or a committee appointed by the Board, grants awards in substitution for equity compensation awards outstanding under a plan maintained by an entity acquired by or that becomes a part of any member of the company group, the grant of those substitute awards will not decrease the number of shares available for issuance under the 2020 Plan.

If any extraordinary dividend or other extraordinary distribution (whether in cash, shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, reclassification, repurchase, or exchange of shares or other of our securities, issuance of warrants or other rights to acquire our securities, other change in our corporate structure affecting the shares, or any similar equity restructuring transaction affecting the shares occurs, the administrator, to prevent diminution or enlargement of the benefits or potential benefits intended to be provided under the 2020 Plan, will adjust the number and class of shares that may be delivered under the 2020 Plan; the number, class, and price of shares covered by each outstanding award; and the numerical share limits contained in the 2020 Plan.

Plan Administration

The Board or a committee appointed by the Board will administer the 2020 Plan and are referred to as the administrator. Different administrators may administer the 2020 Plan with respect to different groups of service providers. The Board may retain the authority to concurrently administer the 2020 Plan and revoke the delegation of some or all authority previously delegated.

Subject to the terms of the 2020 Plan and applicable laws, the administrator generally will have the power in its sole discretion to make any determinations and perform any actions deemed necessary or advisable for administering the 2020 Plan. The administrator will have the power to administer the 2020 Plan, including but not limited to the power to construe and interpret the 2020 Plan and awards granted under the 2020 Plan, and determine the terms of awards, including but not limited to the exercise price (if any), the number of shares of Common Stock subject to each award, the time when awards may vest or be exercised (including the ability to accelerate the vesting and exercisability of awards), and the form of consideration payable upon exercise, if applicable. The administrator may select the service providers to whom awards may be granted and approve forms of awards agreements under the 2020 Plan. The administrator will also have the authority to amend awards (including but not limited to the discretionary authority to extend the post-termination exercisability period of awards and to extend the maximum term of an option) and to temporarily suspend the exercisability of an award if the administrator deems such suspension to be necessary or appropriate for administrative purposes, subject to the provisions of the 2020 Plan. The administrator may institute and determine the terms and conditions of an exchange program under which (i) outstanding awards are surrendered or cancelled in exchange for awards of the same type (which may have higher or lower exercise prices and different terms), awards of a different type, and/or cash, (ii) participants have the opportunity to transfer any outstanding awards to a financial institution or other person or entity selected by the administrator, (iii) and/or the exercise price of an outstanding award is increased or reduced. Unless a participant is on an approved leave of absence, the administrator will have sole discretion to determine the date on which a participant stops actively providing services to us or the company group. The administrator's decisions, determinations, and interpretations are final and binding on all participants and any other holders of awards.

Stock Options

Options may be granted under the 2020 Plan. Subject to the provisions of the 2020 Plan, the administrator will determine the terms and conditions of options, including when such options vest and

become exercisable (and the administrator will have the discretion to accelerate the time at which such options will vest or become exercisable). The per share exercise price of any option generally must be at least 100% of the fair market value of a share on the date of grant, and the term of an incentive stock option may not be more than 10 years. However, with respect to any incentive stock option granted to an individual who owns 10% of the voting power of all classes of our stock or any of our parent or subsidiary corporations, the term of such option must not exceed 5 years, and the per share exercise price of such incentive stock option must be at least 110% of the fair market value of a share on the grant date. After a participant's service terminates, he or she generally may exercise the vested portion of his or her option for the period of time stated in his or her option agreement. Generally, the fair market value of a share is the closing sales price of a share on the relevant date as quoted on the NYSE. In no event may an option be exercised later than the expiration of its term, except in certain circumstances where the expiration occurs during a period where exercise is not permitted under applicable law, as described more fully in the 2020 Plan. Subject to the provisions of the 2020 Plan, the administrator will determine the other terms of options, including but not limited to the acceptable forms of consideration for exercising an option.

Stock Appreciation Rights

Stock appreciation rights may be granted under the 2020 Plan. Stock appreciation rights allow the recipient to receive the appreciation in the fair market value of Class A Common Stock between the exercise date and the date of grant. Subject to the provisions of the 2020 Plan, the administrator will determine the terms and conditions of stock appreciation rights, including when such rights vest and become exercisable (and the administrator will have the discretion to accelerate the time at which such rights will vest or become exercisable) and whether to pay any increased appreciation in cash, shares, or a combination of both. The per share exercise price of a stock appreciation right must be at least 100% of the fair market value a share on the date of grant with respect to United States taxpayers, and the term of a stock appreciation right will be 10 years. After a participant's service terminates, he or she generally may exercise the vested portion of his or her stock appreciation right for the period of time stated in his or her option agreement. However, in no event may a stock appreciation right be exercised later than the expiration of its terms, except in certain circumstances where the expiration occurs during a period where exercise is not permitted under applicable law, as described more fully in the 2020 Plan.

Restricted Stock

Restricted stock may be granted under the 2020 Plan. Restricted stock awards are grants of shares that vest in accordance with terms and conditions established by the administrator. The administrator will determine the number of shares of restricted stock granted to any employee, director or consultant. The administrator may impose whatever conditions to vesting it determines to be appropriate (for example, the administrator may set restrictions based on the achievement of specific performance goals or continued service to us or members of the company group), and the administrator will have the discretion to accelerate the time at which any restrictions will lapse or be removed. Recipients of restricted stock awards generally will have voting but will not have dividend rights with respect to such shares upon grant without regard to the restriction, unless the administrator provides otherwise. Shares of restricted stock as to which the restrictions have not lapsed are subject to our right of repurchase or forfeiture.

Restricted Stock Units

Restricted stock units may be granted under the 2020 Plan. Restricted stock units are bookkeeping entries representing an amount equal to the fair market value of one Share. The administrator will determine the terms and conditions of restricted stock units including the vesting

criteria (which may include accomplishing specified performance criteria or continued service to us) and the form and timing of payment. The administrator will have the discretion to accelerate the time at which any restrictions will lapse or be removed and to settle earned restricted stock units in cash, shares, or a combination of both.

Performance Awards

Performance awards may be granted under the 2020 Plan. Performance awards are awards that will result in a payment to a participant only if objectives established by the administrator are achieved or the awards otherwise vest. The administrator will establish organizational or individual performance objectives in its discretion, which, depending on the extent to which they are met, will determine the value of the payout for the performance awards to be paid out to participants. The administrator will have the discretion to reduce or waive any performance objectives or other vesting provisions for performance awards. Performance awards will have a threshold, target, and maximum payout value established by the administrator on or before the grant date. The administrator will have the discretion to pay earned performance awards in the form of cash, shares, or in some combination of both.

Outside Directors

The 2020 Plan provides that any outside director, in any fiscal year, may not be paid, issued or granted cash compensation and equity awards under the 2020 Plan with an aggregate value of more than \$750,000, increased to \$1,000,000 in connection with the outside director's initial service, with the value of each equity award based on its grant date fair value. For purposes of this limitation, the grant date fair value is determined in accordance with GAAP. Any cash compensation or equity awards granted under the 2020 Plan to an outside director for his or her services as an employee, or for his or her services as a consultant (other than as an outside director), will not count for purposes of the limitation. The maximum limit does not reflect the intended size of any potential compensation or equity awards to our outside directors.

Non-Transferability of Awards

Unless the administrator provides otherwise, the 2020 Plan generally does not allow for the transfer or disposal of awards and only the recipient of an award may exercise an award during his or her lifetime. Any unauthorized transfer will be void.

Dissolution or Liquidation

If we experience a proposed liquidation or dissolution, the administrator will notify participants at such time before the effective date of such event as the administrator determines and all awards, to the extent that they have not been previously exercised, will terminate immediately before the consummation of such event.

Merger or Change in Control

The 2020 Plan provides that if we engage in a merger or a "change in control" (as defined under the 2020 Plan), each outstanding award will be treated as the administrator determines (subject to the following paragraph) without a participant's consent, including that an award be continued by the successor corporation or that vesting of awards may accelerate automatically upon consummation of the transaction. The administrator will not be required to treat all awards, portions of awards or participants similarly and may modify awards, subject to the provisions of the 2020 Plan.

If the successor corporation does not continue an award (or some portion of such award), the participant will fully vest in (and have the right to exercise) 100% of the then-unvested shares subject to his or her outstanding options and stock appreciation rights, all restrictions on 100% of the participant's outstanding restricted stock and restricted stock units will lapse, and, regarding 100% of participant's outstanding awards with performance-based vesting, all performance goals or other vesting criteria will be treated as achieved at 100% of target levels and all other terms and conditions met. In no event will vesting of an award accelerate as to more than 100% of the award. If options or stock appreciation rights are not continued when a change in control or a merger of us with or into another corporation or other entity occurs, the administrator will notify the participant in writing or electronically that the participant's vested options or stock appreciation rights (after considering the foregoing vesting acceleration, if any) will be exercisable for a period of time determined by the administrator in its sole discretion and all of the participant's options or stock appreciation rights will terminate upon the expiration of such period (whether vested or unvested).

With respect to awards held by an outside director, in the event of a change in control, the outside director will fully vest in and have the right to exercise his or her options and/or stock appreciation rights, all restrictions on his or her restricted stock and restricted stock units will lapse, and, with respect to awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at 100% of target levels and all other terms and conditions met, unless specifically provided otherwise under the applicable award agreement or other written agreement with the participant.

Forfeiture and Clawback

All awards granted under the 2020 Plan will be subject to recoupment under any clawback policy that we are required to adopt under applicable law or listing standards. In addition, the administrator may provide in an award agreement that the recipient's rights, payments, and benefits with respect to such award shall be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of specified events. If we are required to prepare an accounting restatement due to our material noncompliance with any applicable securities laws as a result of a participant's misconduct or if a participant is subject to forfeiture under applicable law, the participant must reimburse us in the amount of any payment in settlement of an award earned or accrued during the 12-month period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever first occurred) of the financial document embodying such financial reporting requirement.

Amendment or Termination

The 2020 Plan became effective upon the consummation of the Business Combination and will continue in effect until terminated by the administrator, however no incentive stock options may be granted after the ten (10) year anniversary of the adoption of the 2020 Plan by the Board, and the evergreen feature of the 2020 Plan will terminate following the increase on the first day of the 2030 fiscal year. In addition, the Board will have the authority to amend, suspend, or terminate the 2020 Plan, but such action generally may not materially impair the rights of any participant without his or her written consent.

QuantumScope 2020 Employee Stock Purchase Plan

On November 25, 2020, our 2020 Employee Stock Purchase Plan (the "ESPP") became effective. The ESPP Plan was approved by our stockholders at the Special Meeting. The purpose of the ESPP is to provide eligible employees with an opportunity to purchase shares of the Class A Common Stock through accumulated contributions, which generally will be made through payroll deductions. The ESPP permits the administrator (as discussed below) to grant purchase rights that

qualify for preferential tax treatment under Section 423 of the Code. In addition, the ESPP authorizes the grant of purchase rights that do not qualify under Code Section 423 pursuant to rules, procedures or sub-plans adopted by the administrator that are designed to achieve desired tax or other objectives.

Shares Available for Issuance

The maximum number of shares of Class A Common Stock available for issuance under the ESPP is 7,600,000 shares. The shares may be authorized, but unissued, or reacquired Class A Common Stock. The number of shares of Class A Common Stock available for issuance under the ESPP will be increased on the first day of each fiscal year beginning with the 2021 fiscal year equal to the least of (i) 7,600,000 shares of Class A Common Stock, (ii) one percent (1%) of the outstanding shares of all classes of Common Stock on the last day of the immediately preceding fiscal year, or (iii) an amount determined by the administrator.

We are currently unable to determine how long this share reserve may last because the number of shares that will be issued in any year or offering period depends on a variety of factors that cannot be predicted with certainty, including, for example, the number of employees who elect to participate in the ESPP, the level of contributions made by participants and the future price of shares of Class A Common Stock.

Administration

The ESPP will be administered by the Board or a committee appointed by the Board that is constituted to comply with applicable laws (including the compensation committee). We expect the compensation committee to be the administrator of the ESPP. Subject to the terms of the ESPP, the administrator will have full and exclusive discretionary authority to construe, interpret and apply the terms of the ESPP, to delegate ministerial duties to any of our employees, to designate separate offerings under the ESPP, to designate subsidiaries and affiliates as participating in the Section 423 Component and the Non-Section 423 Component, to determine eligibility, to adjudicate all disputed claims filed under the ESPP and to establish such procedures that it deems necessary or advisable for the administration of the ESPP. The administrator is authorized to adopt rules and procedures in order to: determine eligibility to participate, determine the definition of compensation for the purposes of contributions to the ESPP, handle contributions to the ESPP, coordinate the making of contributions to the ESPP, establish bank or trust accounts to hold contributions to the ESPP, effect the payment of interest, effect the conversion of local currency, satisfy obligations to pay payroll tax, determine beneficiary designation requirements, implement and determine withholding procedures and determine procedures for the handling of stock certificates that vary with applicable local requirements. The administrator will also be authorized to determine that, to the extent permitted by applicable law, the terms of a purchase right granted under the ESPP or an offering to citizens or residents of a non-U.S. jurisdiction will be less favorable than the terms of options granted under the ESPP or the same offering to employees resident solely in the United States. Every finding, decision and determination made by the administrator will, to the full extent permitted by law, be final and binding upon all parties.

Eligibility

Generally, all of our employees will be eligible to participate if they are customarily employed by us, or any participating subsidiary or affiliate, for at least 20 hours per week and more than five months in any calendar year. The administrator, in its discretion, may, prior to an enrollment date, for all options to be granted on such enrollment date in an offering, determine that an employee who (i) has not completed at least two years of service (or a lesser period of time determined by the administrator) since his or her last hire date, (ii) customarily works not more than 20 hours per week (or a lesser

period of time determined by the administrator), (iii) customarily works not more than five months per calendar year (or a lesser period of time determined by the administrator), (iv) is a highly compensated employee within the meaning of Section 414(q) of the Code, or (v) is a highly compensated employee within the meaning of Section 414(q) of the Code with compensation above a certain level or is an officer or subject to disclosure requirements under Section 16(a) of the Exchange Act, is or is not eligible to participate in such offering period.

However, an employee may not be granted rights to purchase shares of Class A Common Stock under the ESPP if such employee:

- immediately after the grant would own capital stock and/or hold outstanding options to purchase such stock possessing 5% or more of the total combined voting power or value of all our classes of capital stock or of any of our parents or subsidiaries; or
- holds rights to purchase shares of Common Stock under all of our employee stock purchase plans or any of our parents or subsidiaries that accrue at a rate that exceeds \$25,000 worth of shares of Common Stock for each calendar year in which such rights are outstanding at any time.

Offering Periods

The ESPP will include a component that allows us to make offerings intended to qualify under Section 423 of the Code and a component that allows us to make offerings not intended to qualify under Section 423 of the Code to designated companies, as described in the ESPP. Offering periods will begin and end on such dates as may be determined by the administrator in its discretion, in each case on a uniform and nondiscriminatory basis, and may contain one or more purchase periods. The administrator may change the duration of offering periods (including commencement dates) with respect to future offerings so long as such change is announced prior to the scheduled beginning of the first offering period affected. No offering period may last more than 27 months.

Contributions

The ESPP will permit participants to purchase shares of Class A Common Stock through contributions (in the form of payroll deductions or otherwise to the extent permitted by the administrator) of up to 15% of their eligible compensation, or such other limit established by the administrator from time to time in its discretion and on a uniform and nondiscretionary basis for all options to be granted on an enrollment date in an offering, which includes a participant's base straight time gross earnings but excludes payments for commissions, incentive compensation, bonuses, payments for overtime and shift premium, equity compensation income and other similar compensation. Unless otherwise determined by the administrator, during any offering period, a participant may not increase the rate of his or her contributions and may only decrease the rate of his or her contributions (including to 0%) one time.

Exercise of Purchase Right

Amounts contributed and accumulated by the participant will be used to purchase shares of Class A Common Stock at the end of each purchase period. A participant may purchase a maximum number of shares of Class A Common Stock during a purchase period as determined by the administrator in its discretion and on a uniform and nondiscriminatory basis. The purchase price of the shares will be determined by the administrator from time to time, in its discretion and on a uniform and nondiscriminatory basis for all options to be granted on an enrollment date, provided that in no event may the purchase price be less than 85% of the lower of the fair market value of Class A Common Stock on the first trading day of the offering period or on the exercise date, which is generally the last

trading day of a purchase period. Participants may end their participation at any time during an offering period and will be paid their accrued contributions that have not yet been used to purchase shares of Class A Common Stock. Participation ends automatically upon termination of employment with us.

Termination of Participation

Participation in the ESPP generally will terminate when a participating employee's employment with us or a designated company ceases for any reason, the employee withdraws from the ESPP or we terminate or amend the ESPP such that the employee no longer is eligible to participate. An employee may withdraw his or her participation in the ESPP at any time in accordance with procedures, and prior to any applicable deadline, specified by the administrator. Upon withdrawal from the ESPP, in general the employee will receive all amounts credited to his or her account without interest (unless otherwise required under applicable law) and his or her payroll withholdings or contributions under the ESPP will cease.

Non-Transferability

Neither contributions credited to a participant's account nor rights to purchase shares of Class A Common Stock and any other rights and interests under the ESPP may be assigned, transferred, pledged or otherwise disposed of (other than by will, the laws of descent and distribution or beneficiary designation in the event of death). Any attempt at such prohibited disposition will be without effect, except that we may treat such act as an election to withdraw participation.

Certain Transactions

In the event that any dividend or other distribution (whether in the form of cash, Class A Common Stock, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, reclassification, repurchase, or exchange of shares of Class A Common Stock or our other securities, or other change in our corporate structure affecting the Class A Common Stock occurs (other than any ordinary dividends or other ordinary distributions), the administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the ESPP in such manner it may deem equitable, will adjust the number and class of Class A Common Stock that may be delivered under the ESPP, the purchase price per share, the number of shares of Class A Common Stock covered by each purchase right under the ESPP that has not yet been exercised, and the numerical limits of the ESPP.

In the event of our proposed dissolution or liquidation, any ongoing offering periods will be shortened and will terminate immediately before consummation of the proposed dissolution or liquidation following the purchase of shares of Class A Common Stock under the shortened offering periods, unless provided otherwise by the administrator. Prior to the new exercise date, the administrator will notify participants regarding the new exercise date and the exercise to occur on such date.

In the event of a merger or "change in control" (as defined in the ESPP), each outstanding option under the ESPP will be assumed or substituted for by the successor corporation or its parent or subsidiary. In the event that options are not assumed or substituted for, the offering period will be shortened by setting a new exercise date on which the offering period will end, which will occur prior to the closing of the merger or change in control. Prior to the new exercise date, the administrator will notify participants regarding the new exercise date and the exercise to occur on such date.

Amendment; Termination

The administrator will have the authority to amend, suspend or terminate the ESPP. The ESPP automatically will terminate in 2040, unless we terminate it sooner. If the administrator determines that

the ongoing operation of the ESPP may result in unfavorable financial accounting consequences, the administrator may modify, amend or terminate the ESPP to reduce or eliminate such accounting consequence. If the ESPP is terminated, the administrator in its discretion may terminate all outstanding offering periods either immediately or after consummation of the purchase of shares of Class A Common Stock under the ESPP (which may be adjusted to occur sooner than originally scheduled), or in accordance with their terms. If options are terminated prior to their expiration, then all amounts credited to participants that have not been used to purchase shares of Class A Common Stock will be returned, without interest (unless otherwise required under applicable law), as soon as administratively practicable.

Outstanding Equity Awards at 2020 Year End

The following table presents information regarding outstanding equity awards held by our named executive officers as of December 31, 2020.

| Name | Grant Date | Option Awards | | | | Stock Awards | |
|-------------------------|------------|--|---|-------------------------------|------------------------|---|---|
| | | Number of Securities Underlying Unexercised Options Exercisable (#)(1) | Number of Securities Underlying Unexercised Options Unexercisable (#) | Option Exercise Price (\$)(2) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested \$(3) |
| Jagdeep Singh(4)(6) | 04/08/2013 | 2,010,874 | — | 0.64 | 04/07/2023 | — | — |
| Jagdeep Singh(5)(6) | 08/19/2016 | 2,499,520 | — | 1.31 | 08/19/2026 | — | — |
| Jagdeep Singh(6)(7) | 03/15/2017 | 5,957,193 | 541,560 | 1.33 | 03/15/2027 | — | — |
| Jagdeep Singh(6)(8) | 08/07/2020 | — | — | — | — | 4,021,750 | 16,719,999 |
| Kevin Hettrich(6)(9) | 05/03/2016 | 265,680 | — | 1.31 | 05/03/2026 | — | — |
| Kevin Hettrich(6)(10) | 03/15/2017 | 420,631 | 46,920 | 1.33 | 03/15/2027 | — | — |
| Kevin Hettrich(6)(11) | 06/05/2019 | 150,816 | 251,358 | 2.38 | 06/05/2029 | — | — |
| Kevin Hettrich(6)(12) | 08/07/2020 | — | — | — | — | 804,350 | 3,344,000 |
| Michael McCarthy(6)(13) | 05/01/2013 | 124,673 | — | 0.64 | 04/30/2023 | — | — |
| Michael McCarthy(6)(14) | 09/18/2013 | 603,262 | — | 0.64 | 09/17/2023 | — | — |
| Michael McCarthy(6)(15) | 02/27/2015 | 333,804 | — | 1.05 | 02/26/2025 | — | — |
| Michael McCarthy(6)(16) | 05/03/2016 | 100,542 | — | 1.31 | 05/03/2026 | — | — |
| Michael McCarthy(6)(10) | 03/15/2017 | 611,977 | 55,632 | 1.33 | 03/15/2027 | — | — |
| Michael McCarthy(6)(11) | 06/05/2019 | 226,224 | 377,037 | 2.38 | 06/05/2029 | — | — |
| Michael McCarthy(6)(12) | 08/07/2020 | — | — | — | — | 603,262 | 2,507,998 |

- (1) All stock options were granted pursuant to the 2010 Plan.
- (2) This column represents the fair market value of a share of common stock on the date of the grant, as determined by our Board.
- (3) The amounts in this column represent the aggregate grant-date fair value of awards granted to each named executive officer, computed in accordance with the FASB ASC Topic 718. See Note 8 to the audited consolidated financial statements included elsewhere in this prospectus for a discussion of the assumptions made by us in determining the grant-date fair value of our equity awards.
- (4) 75% of these option shares vested on February 13, 2016, and the remainder were vested by February 13, 2017.
- (5) These option shares vested by December 10, 2018.
- (6) The equity award is eligible for accelerated vesting in the event the named executive officer's employment is terminated in a qualifying termination in connection with a change in control. The acceleration rights are described below under "Executive Compensation—Potential Payments upon Termination or Change in Control."
- (7) These option shares vested as to 1/48th of the total shares subject to the option on May 1, 2017, and the remainder vested and will vest on each monthly anniversary thereafter, subject to the optionee's continued service through each vesting date.
- (8) 1/8th of the restricted stock units vest on February 15, 2021 and 1/16th vest quarterly thereafter, subject to the holder's continued service through each vesting date.
- (9) These option shares vested on April 27, 2019.
- (10) These option shares vested as to 1/48th of the total shares subject to the option on May 1, 2017, and the remainder vested and will vest on each monthly anniversary thereafter, subject to the optionee's continued service through each vesting date.
- (11) These option shares vested as to 1/48th of the total shares subject to the option on June 5, 2019, and the remainder vested and will vest on each monthly anniversary thereafter, subject to the optionee's continued service through each vesting date.
- (12) 1/6th of the RSUs vest on February 15, 2021 and 1/12th vest quarterly thereafter, subject to the holder's continued service as of each vesting date.

- (13) 25% of these option shares vested on April 8, 2014, and the remainder were vested by April 8, 2017.
- (14) 25% of these option shares vested on September 18, 2014, and the remainder were vested by September 18, 2017.
- (15) These option shares vested on February 27, 2018.
- (16) These option shares vested on February 18, 2019.

Benefits and Perquisites

We provide benefits to our named executive officers on the same basis as provided to all of our employees, including health, dental and vision insurance; life insurance; accidental death and dismemberment insurance; critical illness insurance; short-and long-term disability insurance; a health savings account; a wellness incentive; and a tax-qualified Section 401(k) plan for which no match by us is provided. We do not maintain any executive-specific benefit or perquisite programs.

Executive Letter Agreements

Other than Mr. Hettrich and Mr. McCarthy, our named executive officers have not entered into employee agreements with us. Details of the current agreements for Mr. Hettrich and Mr. McCarthy are outlined below.

Agreements with Kevin Hettrich

On October 14, 2011, Kevin Hettrich entered into an offer letter with Legacy QuantumScape to initially serve as Product Marketing Manager (the "Hettrich Offer Letter"). The Hettrich Offer Letter has no specific term and provides that Mr. Hettrich is an at-will employee. The Hettrich Offer Letter contains customary confidentiality, non-solicitation and intellectual property assignment provisions.

Agreements with Michael McCarthy

On January 15, 2013, Michael McCarthy entered into an offer letter with Legacy QuantumScape to initially serve as General Counsel (the "McCarthy Offer Letter"). The McCarthy Offer Letter has no specific term and provides that Mr. McCarthy is an at-will employee. The McCarthy Offer Letter contains customary confidentiality, non-solicitation and intellectual property assignment provisions.

Retirement Benefits

We provide a tax-qualified Section 401(k) plan for all employees, including the named executive officers. We do not provide a match for participants' elective contributions to the 401(k) plan, nor do we provide to employees, including our named executive officers, any other retirement benefits, including but not limited to tax-qualified defined benefit plans, supplemental executive retirement plans and nonqualified defined contribution plans.

Potential Payments upon Termination or Change in Control

Prior to 2021, we did not have a formal plan with respect to severance benefits payable to our named executive officers and other key employees. From time to time, we granted equity awards to, or entered into offer letters with, certain key employees, including our named executive officers, that provide for accelerated vesting of equity awards in the event such key employee's employment was involuntarily terminated under certain circumstances related to a change in control.

In March 2021, the Board approved, and the Company entered into a change in control and severance agreements ("CIC Agreement") with each of the named executive officers, which require us to make specific payments and benefits in connection with the termination of such named executive officers' employment under certain circumstances. These change in control agreements superseded any other agreement or arrangement relating to severance benefits with these named executive officers or any terms of their option agreements related to vesting acceleration or other similar severance-related terms.

The CIC Agreements will remain in effect for an initial term of three years. At the end of the initial term, each agreement will automatically renew for an additional one-year period unless either party provides notice of nonrenewal within 90 days prior to the date of the automatic renewal. The change in control agreements also acknowledge that each of these named executive officers is an at-will employee, whose employment can be terminated at any time. In order to receive the severance benefits described below, each of these named executive officers is obligated to execute a release of claims against us.

In the event of a termination of employment without "cause" (as defined in the CIC Agreement) outside of the "change in control period" (as generally defined below), such named executive officer will receive the following:

- continued base salary for 12 months (or 6 months for named executive officers other than our Chief Executive Officer);
- up to 50% of each named executive officer's potential bonus, in the discretion of the Compensation Committee;
- paid COBRA benefits for up to 12 months (or 6 months for named executive officers other than our Chief Executive Officer); and
- no acceleration of equity awards.

In the event of a termination of employment without "cause" or a resignation for "good reason" (as defined in the CIC Agreement) during the "change in control period," such named executive officer will receive the following:

- a lump-sum payment of 12 months of base salary;
- a lump-sum payment equal to 100% of the potential bonus;
- paid COBRA benefits for up to 12 months; and
- 100% acceleration of equity awards.

In the event any payment to one of these named executive officers is subject to the excise tax imposed by Section 4999 of the Internal Revenue Code (as a result of a payment being classified as a "parachute payment" under Section 280G of the Internal Revenue Code), the named executive officer will be entitled to receive such payment as would entitle him or her to receive the greatest after-tax benefit of either the full payment or a lesser payment which would result in no portion of such severance benefits being subject to excise tax.

For the purpose of the change in control agreements, "change in control period" means generally the period beginning three months prior to, and ending 12 months following, a change in control of the company.

Director Compensation

Prior to 2021, we had no formal arrangements under which outside directors received compensation for their service on the Board or its committees. Our policy was to reimburse outside directors for reasonable and necessary out-of-pocket expenses incurred in connection with attending Board and committee meetings or performing other services in their capacities as outside directors, and occasionally grants stock options to our outside directors.

In March 2021, our Board adopted a new outside director compensation policy (the "Director Compensation Policy") for our outside directors that became effective retroactively to February 1, 2021. The Director Compensation Policy was developed with input from our independent compensation consultant, Compensia, regarding practices and compensation levels at comparable companies. The Director Compensation Policy is designed to attract, retain, and reward outside directors.

Under the Director Compensation Policy, each outside director will receive the cash and equity compensation for board services described below. We also will reimburse our outside directors for reasonable, customary, and documented travel expenses to meetings of our Board or its committees and other expenses.

Maximum Annual Compensation Limit

The Director Compensation Policy includes a maximum annual limit of \$750,000 of cash compensation and equity compensation awards that may be paid, issued, or granted to an outside director in any fiscal year (increased to \$1,000,000 in the outside director's initial year of service as an outside director). For purposes of this limitation, the grant date fair value is determined in accordance with GAAP. Any cash compensation or equity awards granted under the 2020 Plan to an outside director for his or her services as an employee, or for his or her services as a consultant (other than as an outside director), will not count for purposes of the limitation. The maximum limit does not reflect the intended size of any potential compensation or equity awards to our outside directors.

Cash Compensation

Outside directors are entitled to receive the following cash compensation for their service under the Director Compensation Policy:

- \$80,000 per year for service as a board member
- \$22,000 per year for service as lead independent director of the board;
- \$25,000 per year for service as chair of the audit committee;
- \$12,500 per year for service as member of the audit committee;
- \$18,000 per year for service as chair of the compensation committee;
- \$9,000 per year for service as member of the compensation committee;
- \$13,000 per year for service as chair of the nominating committee; and
- \$6,500 per year for service as member of the nominating committee.

Each outside director who serves as the chair of a committee will receive only the annual cash fee as the chair of the committee, and not the additional annual cash fee as a member of the committee. All cash payments to outside directors are paid quarterly in arrears on a pro-rated basis.

Equity Compensation

In the event of a "change in control" (as defined in our 2020 Plan), each outside director's outstanding awards will fully vest, provided that the outside director continues to be an outside director through the date of the change in control.

Initial Awards

Each person who first becomes a non-employee director following the effective date of the Director Compensation Policy will automatically receive an initial award of RSUs (the "Initial Award"). The Initial Award will cover a number of shares of our Class A Common Stock equal to \$320,000 divided by the twenty (20) trading day volume weighted average stock price for the twenty (20) trading days prior to the applicable grant date. The Initial Award will vest in equal monthly installments as to 1/12th quarterly over three years on our quarterly vesting dates, which are February 15, May 15, August 15 and November 15, beginning with the first quarterly vesting date to occur more than 3 months after such individual first becomes a non-employee director, subject to the non-employee director continuing to be a service provider through the applicable vesting date. If the person was a member of our Board and also an employee, becoming a non-employee director due to termination of employment will not entitle them to an Initial Award.

Annual Award

Each non-employee director will automatically receive, on the date of each annual meeting of our stockholders following the effective date of the Director Compensation Policy, an annual award of RSUs (an “Annual Award”) covering a number of shares of our Class A Common Stock equal to \$160,000 divided by the twenty (20) trading day volume weighted average stock price for the twenty (20) trading days prior to the applicable grant date. The Annual Award will vest on the first quarterly vesting date to occur following the one-year anniversary of the date the Annual Award was granted.

Any person who first becomes an outside director following the effective date of the Director Compensation Policy and on any date other than the date of an annual meeting of our stockholders will automatically receive the Annual Award, with such Annual Award prorated to reflect a partial year of service.

The table below summarizes the compensation of each person serving as an outside director for the year ended December 31, 2020. Jagdeep Singh, our Chief Executive Officer, did not receive any additional compensation for his service as a director in 2020. The compensation of Mr. Singh as a named executive officer is set forth above under “*Executive Compensation—Summary Compensation Table.*”

| Name | Fees Earned or Paid in Cash (\$) | Option Awards \$(1) | All Other Compensation (\$) | Total (\$) |
|--------------------------|---|------------------------------------|--|-----------------------|
| Frank Blome | — | — | — | — |
| Brad Buss | — | 4,540,863 | — | 4,540,863 |
| John Doerr | — | — | — | — |
| Vinod Khosla | — | — | — | — |
| Thomas LaSorda | — | — | — | — |
| Prof. Dr. Jürgen Leohold | 60,283 | — | — | 60,283 |
| Anders Pettersson | — | — | — | — |
| Prof. Fritz Prinz | 202,788 | — | — | 202,788 |
| Mitchell Quain | — | — | — | — |
| Donald Runkle | — | — | — | — |
| Dipender Saluja | — | — | — | — |
| Matthew Simoncini | — | — | — | — |
| J.B. Straubel | — | — | — | — |
| Jens Wiese | — | — | — | — |

(1) The amounts in this column represent the aggregate grant-date fair value of awards granted to each named executive officer, computed in accordance with the FASB’s ASC Topic 718. See Note 8 to the audited consolidated financial statements included elsewhere in this prospectus for a discussion of the assumptions made by us in determining the grant-date fair value of our equity awards.

The following lists all outstanding equity awards held by our outside directors as of December 31, 2020:

| Name | Aggregate Number of Shares Underlying Outstanding Options |
|--------------------------|--|
| Frank Blome | — |
| Brad Buss | 1,407,612 |
| John Doerr | — |
| Vinod Khosla | — |
| Thomas LaSorda | — |
| Prof. Dr. Jürgen Leohold | 804,350 |
| Anders Pettersson | — |
| Prof. Fritz Prinz | — |
| Mitchell Quain | — |
| Donald Runkle | — |
| Dipender Saluja | — |
| Matthew Simoncini | — |
| J.B. Straubel | 1,005,437 |
| Jens Wiese | — |

The Board expects to review director compensation periodically to ensure that director compensation remains competitive such that we are able to recruit and retain qualified directors. We intend to develop an outside director compensation program that is designed to align compensation with our business objectives and the creation of stockholder value, while enabling us to attract, retain, incentivize and reward directors who contribute to our long-term success.

CERTAIN RELATIONSHIPS, RELATED PARTY AND OTHER TRANSACTIONS

In April 2020, Kensington Capital Sponsor LLC, a Delaware limited liability company (the “Sponsor”) subscribed to purchase 5,031,250 shares of the 5,750,000 Class B Common Stock purchased by the Sponsor in a private placement prior to the initial public offering (the “Sponsor Shares”) for an aggregate purchase price of \$25,000 and fully paid for these shares on May 1, 2020. On June 25, 2020, Kensington effected a stock dividend of 718,750 shares with respect to Class B Common Stock, resulting in the Sponsor holding an aggregate of 5,750,000 Sponsor Shares. Prior to the initial investment in Kensington of \$25,000 by the Sponsor, Kensington had no assets, tangible or intangible. The number of Sponsor Shares issued was determined based on the expectation that such Sponsor Shares would represent 20% of the outstanding shares upon consummation of Kensington’s initial public offering. The Sponsor Shares (including the Class A Common Stock issuable upon exercise thereof) may not, subject to certain limited exceptions, be transferred, assigned or sold by the holder.

The Sponsor purchased 6,575,000 Private Placement Warrants simultaneously with the consummation of Kensington’s initial public offering. As such, the Sponsor’s interest in Kensington’s initial public offering was valued at \$6,575,000. Each Private Placement Warrant entitles the holder to purchase one share of Class A Common Stock at \$11.50 per share, subject to adjustment as provided herein. The Private Placement Warrants (including the warrants that may be issued upon conversion of working capital loans and the Class A Common Stock issuable upon exercise of such Private Placement Warrants) may not, subject to certain limited exceptions, be transferred, assigned or sold by the holder. There are no redemption rights or liquidating distributions with respect to the Sponsor Shares or Private Placement Warrants.

Other than a payment to DEHC LLC, an affiliate of Daniel Huber, the Chief Financial Officer of Kensington, of service and administrative fees of \$20,000 per month for up to 18 months, no compensation of any kind, including finder’s and consulting fees, were paid by Kensington to the Sponsor, executive officers and directors, or any of their respective affiliates, for services rendered prior to or in connection with the consummation the Business Combination.

On April 17, 2020, the Sponsor agreed to loan Kensington an aggregate of up to \$300,000 to cover expenses related to Kensington’s initial public offering pursuant to a note (the “Note”). This loan was non-interest bearing and payable upon the consummation of Kensington’s initial public offering. Kensington borrowed a total of \$75,000 under the Note and on November 25, 2020, the Sponsor converted the loan into 75,000 Working Capital Warrants on the same terms as the Private Placement Warrants (as contemplated by the warrant agreement pursuant to which the Private Placement Warrants were issued) upon the consummation of the Business Combination and such Working Capital Warrants were issued to Justin Mirro, who had advanced such amount to the Sponsor in order for the loan to be made.

Stockholder Support Agreements

On September 2, 2020, (i) Kensington and VGA entered into a stockholder support agreement (the “Volkswagen Support Agreement”), pursuant to which, among other things, VGA agreed, among other things, to vote its shares of preferred stock in favor of the Transactions, and (ii) Kensington and certain Legacy QuantumScape stockholders entered into a stockholder support agreement (the “Key Stockholder Support Agreement”), pursuant to which, among other things, the certain Legacy QuantumScape stockholders agreed, among other things, to vote their shares of common stock and preferred stock in favor of the Business Combination Agreement and the Transactions.

Registration Rights

On September 2, 2020, Kensington, Kensington Capital Sponsor LLC, a Delaware limited liability company (the “Sponsor”) and certain stockholders of Legacy QuantumScape (the “New Holders” and,

collectively with the Sponsor, the “Holders”) entered into a Registration Rights and Lock-Up Agreement, which was effective as of the Closing. Pursuant to the terms of the Registration Rights and Lock-Up Agreement, QuantumScape filed a registration statement to register the resale of certain shares of Common Stock held by the Holders after the Closing and subject to certain conditions, QuantumScape is separately required at all times to maintain an effective registration statement for the benefit of the Holders.

Lock-Up Agreements

The Registration Rights and Lock-Up Agreement included lock-up restrictions that prohibit the Holders from transferring the Company shares held by them as of the date of that agreement until 180 days after the Closing Date, subject to customary exceptions. These transfer restrictions are subject to earlier release on (i) the last consecutive trading day where the sale price of the Class A Common Stock equals or exceeds \$12.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after the Closing or (ii) such date on which QuantumScape completes a liquidation, merger, stock exchange or other similar transaction that results in all of QuantumScape’s stockholders having the right to exchange their shares of Class A Common Stock for cash, securities or other property.

In connection with the Transactions, on November 25, 2020, Legacy QuantumScape and certain stockholders of Legacy QuantumScape entered into a lock-up agreement, pursuant to which they agreed, subject to customary exceptions, not to transfer shares of Common Stock for a period of 180 days after the Closing Date. These transfer restrictions are also subject to earlier release on (i) the last consecutive trading day where the sale price of the Class A Common Stock equals or exceeds \$12.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after the Closing or (ii) such date on which QuantumScape completes a liquidation, merger, stock exchange or other similar transaction that results in all of QuantumScape’s stockholders having the right to exchange their shares of Class A Common Stock for cash, securities or other property.

In connection with this offering, (i) we have agreed that, without the prior written consent of Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC on behalf of the underwriters and subject to certain exceptions, we will not offer, sell, or agree to sell, directly or indirectly, any shares of Common Stock for a period of 90 days from the date of the final prospectus relating to this offering, and (ii) each of our directors and executive officers have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any shares of Common Stock or securities convertible into or exchangeable for shares of Common Stock during the period from the date of such agreement continuing through May 21, 2021, except with the prior written consent of Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC. See the section titled “*Shares Eligible for Future Sale—Lock-Up Agreements*” for additional information.

Senior Employee Lock-Up Agreements

On September 2, 2020, Kensington entered into separate Senior Employee Lock-Up Agreements with certain senior level employees of Legacy QuantumScape (the “Senior Employees”), including Legacy QuantumScape’s executive officers. The Senior Employee Lock-Up Agreements provide that the securities of QuantumScape owned of record or beneficially by the Senior Employees (including certain securities that may be granted or issued to a Senior Employee after the Closing) (collectively, the “Lock-Up Shares”) may generally not be transferred for at least 180 days after the Closing (the “Initial Lock-Up Period”) and up to four years after the Closing, subject to certain exceptions. Following the Initial Lock-Up Period, Senior Employees may transfer Lock-Up Shares without restriction as follows:

(i) during the first year after the Closing, up to 25% of the total number of Lock-Up Shares, (ii) following the first anniversary of the Closing until the earlier of four years after the Closing or the occurrence of an event described below, up to 50% of the total number of Lock-Up Shares (taking into account any transfers under clause (i) above), and (iii) up to an additional 50% of the total number of Lock-Up Shares following satisfaction of agreed delivery requirements between QuantumScape and VGA.

These transfer restrictions are subject to earlier release if (i) QuantumScape completes a liquidation, merger, stock exchange or other similar transaction after the Closing that results in all of QuantumScape's stockholders having the right to exchange their shares of common stock for cash, securities or other property; (ii) VGA terminates for any reason the Amended and Restated Joint Venture Agreement, dated as of May 14, 2020, by and among QuantumScape and VGA; (iii) VGA issues a critical or negative statement regarding QuantumScape and its technology unless such statement is required to be made by VGA under applicable law and is truthful and accurate; or (iv) VGA transfers certain QuantumScape securities in excess of the amounts set forth in the Senior Employee Lock-Up Agreements. Pursuant to the Senior Employee Lock-Up Agreements, upon the consummation of the Merger, QuantumScape paid to each Senior Employee a one-time cash bonus.

Indemnification Agreements

In connection with the Transactions, on November 25, 2020, QuantumScape entered into indemnification agreements with each of its directors and executive officers. Jens Wiese also entered into an indemnification agreement with QuantumScape upon his appointment in January 2021. These indemnification agreements provide the directors and executive officers with contractual rights to indemnification and advancement for certain expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by a director or executive officer in any action or proceeding arising out of their services as one of QuantumScape's directors or executive officers or as a director or executive officer of any other company or enterprise to which the person provides services at QuantumScape's request.

The limitation of liability and indemnification provisions in the Certificate of Incorporation and the Bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against directors and officers, even though an action, if successful, might benefit QuantumScape and its stockholders. A stockholder's investment may decline in value to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

First VGA Letter Agreement on Board Representation

On September 2, 2020, Kensington, Legacy QuantumScape and VGA entered into a letter agreement (the "First VGA Letter Agreement") pursuant to which, subject to the terms of such letter agreement, QuantumScape will cause to be nominated one designee of VGA for election to the Board as part of QuantumScape's slate and, from and after the First Closing (as defined under the Series F Preferred Stock Purchase Agreement between Legacy QuantumScape and VGA, dated May 14, 2020), a second designee of VGA.

Second VGA Letter Agreement on Board Representation

On December 7, 2020, QuantumScape, Legacy QuantumScape and VGA amended and restated the First VGA Letter Agreement to provide that (i) in connection with any annual or special meeting of stockholders of QuantumScape, QuantumScape nominate for election to the Board two designees of VGA (each, a "VW Director"), with such designation rights terminating upon certain circumstances and (ii) QuantumScape shall cause one VW Director to be appointed to the nominating and corporate governance committee of the Board, provided that such VW Director fulfills the independence requirements under applicable NYSE rules.

VGA Letter Agreement on Earmarked Funds

On September 2, 2020, Kensington, Legacy QuantumScape and VGA entered into a letter agreement pursuant to which, subject to the terms of such letter agreement, Kensington and Legacy QuantumScape covenant that QuantumScape will reserve a certain portion of the proceeds from the Series F Preferred Stock financing and the capital obtained through the Merger (including any concurrent “PIPE” financing) in a separate account to fund QuantumScape’s future contributions to QSV pursuant to Section 3.6 of the LLCA (as defined below). The parties agreed that the amount to be held in the separate account was \$134 million as of the date of the First VGA Letter Agreement.

Equity Financings

Series F Preferred Stock Financing

From May 14, 2020 through September 3, 2020, Legacy QuantumScape entered into several Series F Preferred Stock Purchase Agreements and related agreements and amendments thereto, pursuant to which it agreed to sell, and related persons, entities and their affiliates agreed to purchase, an aggregate of 14,684,843 shares of Legacy QuantumScape Series F Preferred Stock for an aggregate purchase price of \$371 million as set forth below, of which \$271 million closed in December 2020. The closing of the remaining commitment of \$100 million to be received from VGA under these Series F Stock Purchase Agreements is subject to the achievement of a specified technical milestone on or before March 31, 2021, as set forth in such agreements. The Series F Preferred Stock Purchase Agreement with VGA (as amended) contains provisions pursuant to which, if the relevant closing of such Series F Preferred Stock Purchase Agreement (in whole or in part) were to occur only after effectiveness of the Merger, VGA has agreed to purchase, and Kensington has agreed to issue, instead of the relevant number of shares of Legacy QuantumScape Series F Preferred Stock to be purchased at such closing, such number of shares of Class A Common Stock as would have been issued in the Merger in exchange for such shares of Legacy QuantumScape Series F Preferred Stock if they had been outstanding prior to the Merger. The descriptions of these issuances are historical and have not been adjusted to give effect to the Business Combination.

| <u>Stockholder</u> | <u>Shares of Legacy QuantumScape Series F Preferred Stock</u> | <u>Total Purchase Price Commitment</u> |
|--|---|--|
| Volkswagen Group of America Investments, LLC(1)(2) | 7,569,508 | \$ 200,000,026.48 |
| Al-Rayyan Holding LLC(3) | 3,557,668 | \$ 93,999,992.37 |
| 2011 Buss Family Trust(3)(4) | 75,695 | \$ 1,999,998.16 |
| J.B. Straubel(3)(5) | 54,572 | \$ 1,441,890.47 |
| TIGF Direct Strategies LLC – Series 3(3)(6) | 870,493 | \$ 22,999,991.95 |
| Technology Impact Growth Fund, L.P.(3)(6) | 264,933 | \$ 7,000,006.74 |
| Quantum Partners LP(3)(7) | 722,363 | \$ 19,086,130.72 |
| Palindrome Master Fund LP(3)(7) | 101,921 | \$ 2,692,936.28 |
| JS Capital LLC(3)(7) | 824,284 | \$ 21,779,067.00 |

- (1) Frank Blome was a member of the board of directors of Legacy QuantumScape and is a member of the Board and an affiliate of VGA. Jens Wiese is a member of the Board and an affiliate of VGA.
- (2) Includes 3,784,754 shares that were purchased after the Closing on December 1, 2020 and 3,784,754 shares to be purchased after the achievement of a specific technical milestone on or before March 31, 2021.
- (3) All such were purchased on or prior to the Closing.
- (4) Brad Buss was a member of the board of directors of Legacy QuantumScape and is a member of the Board and an affiliate of 2011 Buss Family Trust.

- (5) J.B. Straubel was a member of the board of directors of Legacy QuantumScape and is a member of the Board.
- (6) Dipender Saluja was a member of the board of directors of Legacy QuantumScape and is a member of the Board and an affiliate of TIGF Direct Strategies LLC – Series 3 and Technology Impact Growth Fund, L.P.
- (7) Affiliate of Soros Fund.

Series E Preferred Stock Financing

From September 11, 2018 through December 7, 2018, Legacy QuantumScape sold an aggregate of 4,806,296 shares of its Series E Preferred Stock for an aggregate purchase price of \$107 million to related persons, entities and their affiliates as set forth below.

| <u>Stockholder</u> | <u>Shares of Series E Preferred Stock</u> | <u>Total Purchase Price</u> |
|---|---|---------------------------------|
| Volkswagen Group of America Investments, LLC(1) | 4,475,534 | \$ 99,999,989.04 |
| SAIC Technologies Fund I, LLC | 97,138 | \$ 2,170,422.34 |
| Technology Impact Growth Fund, LP(2) | 233,624 | \$ 5,220,024.57 |

- (1) Frank Blome was a member of the board of directors of Legacy QuantumScape and is a member of the Board and an affiliate of VGA. Jens Wiese is a member of the Board and an affiliate of VGA.
- (2) Dipender Saluja was a member of the board of directors of Legacy QuantumScape and is a member of the Board and an affiliate of Technology Impact Growth Fund, L.P.

Commercial Agreements

Agreements with Volkswagen

Joint Venture Agreement

In June 2018, Legacy QuantumScape and VGA formed a 50-50 joint venture entity, QSV, to facilitate the commercialization of Legacy QuantumScape's solid-state battery technology and enable Volkswagen to be the first automotive OEM to utilize this technology. In 2018, the parties made an initial equity investment to the joint venture of approximately \$3 million in total. The joint venture agreements were amended in 2020 in connection with a further \$200 million investment commitment by VGA in Legacy QuantumScape Series F Preferred Stock.

Limited Liability Company Agreement

In June 2018, in connection with the joint venture, QSV was organized in connection with entry into a Limited Liability Agreement (the "LLCA"), with Legacy QuantumScape and VGA designated as the members of QSV. In May 2020, the parties amended and restated the LLCA in connection with the amendment to the joint venture agreement.

Phase 1 License Agreement

In May 2020, in connection with the joint venture, Legacy QuantumScape entered into a license agreement with QSV (which amended and restated a license agreement entered into in September 2018) to license its battery technology. The battery technology that is licensed to the joint venture does not include the right to manufacture Legacy QuantumScape's proprietary solid-state separator.

Common IP License Agreements

In May 2020, in connection with the joint venture, Legacy QuantumScape entered into a license agreement with Volkswagen Group of America, Inc. (which amended and restated a license agreement entered into in September 2018) to license certain intellectual property on a royalty free basis in connection with production and manufacturing of solid-state battery cells in the automotive space.

Mutual Non-Disclosure Agreement

In January 2017, Legacy QuantumScape entered into, and in April 2018 amended, a mutual non-disclosure agreement with Volkswagen Group of America, Inc. to provide to each other certain proprietary, confidential and trade secret information in connection with discussion and negotiations regarding potential cooperation in connection with the development and production of battery cells and related components, including research and development regarding production process.

Employment Agreements

Legacy QuantumScape entered into employment agreements and offer letter agreements with certain of its executive officers. See the section titled “*Executive Compensation—Executive Letter Agreements.*”

Related Person Transactions Policy Following the Business Combination

Upon the Closing, the Board adopted a written Related Person Transactions Policy that sets forth QuantumScape's policies and procedures regarding the identification, review, consideration and oversight of “related person transactions.” For purposes of QuantumScape's policy only, a “related person transaction” is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which QuantumScape or any of its subsidiaries are participants involving an amount that exceeds \$120,000, in which any “related person” has a material interest.

Transactions involving compensation for services provided to QuantumScape as an employee, consultant or director will not be considered related person transactions under this policy. A related person is any executive officer, director, nominee to become a director or a holder of more than 5% of any class of QuantumScape's voting securities (including Common Stock), including any of their immediate family members and affiliates, including entities owned or controlled by such persons.

Under the policy, the related person in question or, in the case of transactions with a holder of more than 5% of any class of QuantumScape's voting securities, an officer with knowledge of a proposed transaction, must present information regarding the proposed related person transaction to QuantumScape's audit committee (or, where review by QuantumScape's audit committee would be inappropriate, to another independent body of the Board) for review. To identify related person transactions in advance, QuantumScape will rely on information supplied by QuantumScape's executive officers, directors and certain significant stockholders. In considering related person transactions, QuantumScape's audit committee will take into account the relevant available facts and circumstances, which may include, but are not limited to:

- the risks, costs, and benefits to QuantumScape;
- the impact on a director's independence in the event the related person is a director, immediate family member of a director or an entity with which a director is affiliated;
- the terms of the transaction;
- the availability of other sources for comparable services or products; and

- the terms available to or from, as the case may be, unrelated third parties.

QuantumScape's audit committee will approve only those transactions that it determines are fair to us and in QuantumScape's best interests. All of the transactions described above were entered into prior to the adoption of such policy.

PRINCIPAL SECURITYHOLDERS

The following table sets forth information regarding beneficial ownership of our Common Stock as of March 8, 2021 (unless otherwise specified), and as adjusted to reflect the sale of Class A Common Stock in this offering, for:

- each person or group of affiliated persons known by us to be the beneficial owner of more than 5% of our Common Stock;
- each of our named executive officers;
- each of our directors; and
- all executive officers and directors as a group.

Beneficial ownership is determined according to the rules of the SEC, which generally provide that a person has beneficial ownership of a security if he, she or it possesses sole or shared voting or investment power over that security, including options and warrants that are currently exercisable or exercisable within 60 days.

We have based our calculation of the beneficial ownership percentages prior to this offering on 212,058,168 shares of our Class A Common Stock and 156,161,849 shares of our Class B Common Stock issued and outstanding as of March 8, 2021. We have based our calculation of the percentage of beneficial ownership after this offering on 225,058,168 shares of Class A Common Stock and 156,161,849 shares of our Class B Common Stock outstanding immediately after the completion of this offering (assuming no exercise of the underwriters' option to purchase up to 1,950,000 additional shares from us).

Unless otherwise noted in the footnotes to the following table, and subject to applicable community property laws, the persons and entities named in the table have sole voting and investment power with respect to their beneficially owned Common Stock.

Unless otherwise indicated, the address of each beneficial owner listed on the table below is c/o QuantumScape Corporation, 1730 Technology Drive, San Jose, California 95110.

| Name of Beneficial Owner | Shares Beneficially Owned Prior to the Offering | | | | | Shares Beneficially Owned After the Offering (Assumes No Exercise of the Option to Purchase Additional Shares) | | | | |
|---|---|---------------------------------------|--|---------------------------------------|----------------------|--|---------------------------------------|--|---------------------------------------|----------------------|
| | Number of Shares of Class A Common Stock | % Outstanding of Class A Common Stock | Number of Shares of Class B Common Stock | % Outstanding of Class B Common Stock | % Total Voting Power | Number of Shares of Class A Common Stock | % Outstanding of Class A Common Stock | Number of Shares of Class B Common Stock | % Outstanding of Class B Common Stock | % Total Voting Power |
| Five Percent Holders | | | | | | | | | | |
| Volkswagen Group of America Investments, LLC(1) | 53,014,769 | 25.00 | 17,980,436 | 11.51 | 13.13 | 53,014,769 | 23.56 | 17,980,436 | 11.51 | 13.03 |
| Khosla Ventures III, LP(2) | 4,830,503 | 2.28 | 30,609,901 | 19.60 | 17.53 | 4,830,503 | 2.15 | 30,609,901 | 19.60 | 17.40 |
| Capricorn-Libra Investment Group, LP(3) | 10,336,479 | 4.87 | 14,022,837 | 8.98 | 8.49 | 10,336,479 | 4.59 | 14,022,837 | 8.98 | 8.43 |
| KPCB Holdings, Inc., as nominee(4) | 1,932,201 | * | 18,349,929 | 11.75 | 10.45 | 1,932,201 | * | 18,349,929 | 11.75 | 10.38 |
| Al-Rayyan Holding LLC(5) | 14,308,051 | 6.75 | — | * | * | 14,308,051 | 6.36 | — | * | * |

| Name of Beneficial Owner | Shares Beneficially Owned Prior to the Offering | | | | | Shares Beneficially Owned After the Offering (Assumes No Exercise of the Option to Purchase Additional Shares) | | | | |
|--|---|---------------------------------------|--|---------------------------------------|----------------------|--|---------------------------------------|--|---------------------------------------|----------------------|
| | Number of Shares of Class A Common Stock | % Outstanding of Class A Common Stock | Number of Shares of Class B Common Stock | % Outstanding of Class B Common Stock | % Total Voting Power | Number of Shares of Class A Common Stock | % Outstanding of Class A Common Stock | Number of Shares of Class B Common Stock | % Outstanding of Class B Common Stock | % Total Voting Power |
| Dr. Timothy Holme(6) | 1,135,478 | * | 13,818,796 | 8.83 | 7.84 | 1,135,478 | * | 13,818,796 | 8.83 | 7.78 |
| Directors and Named Executive Officers | | | | | | | | | | |
| Jagdeep Singh(7) | 12,655,399 | 5.70 | 19,617,505 | 12.40 | 11.58 | 12,655,399 | 5.38 | 19,617,505 | 12.40 | 11.49 |
| Kevin Hettrich(8) | 1,229,959 | * | 422,283 | * | * | 1,229,959 | * | 422,283 | * | * |
| Michael McCarthy(9) | 2,054,875 | * | 945,108 | * | * | 2,054,875 | * | 945,108 | * | * |
| Prof. Fritz Prinz(10) | — | * | 13,484,541 | 8.63 | 7.60 | — | * | 13,484,541 | 8.63 | 7.55 |
| Frank Blome(11) | — | * | — | * | * | — | * | — | * | * |
| Brad Buss(12) | 304,426 | * | — | * | * | 304,426 | * | — | * | * |
| John Doerr(13) | — | * | — | * | * | — | * | — | * | * |
| Prof. Dr. Jürgen Leibold(14) | 375,376 | * | — | * | * | 375,376 | * | — | * | * |
| Justin Mirro(15) | 1,744,898 | * | — | * | * | 1,744,898 | * | — | * | * |
| J.B. Straubel(16) | 487,590 | * | 182,700 | * | * | 487,590 | * | 182,700 | * | * |
| Dipender Saluja(17) | — | * | — | * | * | — | * | — | * | * |
| Jens Wiese(18) | — | * | — | * | * | — | * | — | * | * |
| All Directors and Executive Officers as a Group (14 Individuals) (19) | 23,989,752 | 10.40 | 45,789,769 | 28.87 | 26.52 | 23,989,752 | 9.84 | 45,789,769 | 28.87 | 26.33 |

* Represents beneficial ownership of less than 1%.

- (1) Consists of 53,014,769 shares of Class A Common Stock and 17,980,436 shares of Class B Common Stock. The business address of Volkswagen Group of America Investments, LLC is 220 Ferdinand Porsche Dr. Herndon, VA 20171.
- (2) Consists of 4,830,503 shares of Class A Common Stock and 30,609,901 shares of Class B Common Stock. The business address of Khosla Ventures III, LP is 2128 Sand Hill Road Menlo Park, CA 94025.
- (3) Consists of 2,005,071 shares of Class A Common Stock held by Technology Impact Growth Fund, LP, 5,403,570 shares of Class A Common Stock held by TIGF Direct Strategies LLC – Series 3 and 2,927,838 shares of Class A Common Stock and 14,022,837 shares of Class B Common Stock held by Capricorn-Libra Investment Group, LP. TIGF Partners, LLC is the general partner of Technology Impact Growth Fund, LP and the manager of TIGF Direct Strategies LLC – Series 3. TIGF Partners, LLC is owned by Dipender Saluja (40%), Ion Yadigaroglu (40%) and Capricorn Investment Group, LLC (20%). The business address of each of these entities is 250 University Avenue Palo Alto, CA 94301.
- (4) Consists of 1,932,201 shares of Class A Common Stock and 18,349,929 shares of Class B Common Stock. The business address of KPCB Holdings, Inc., as nominee is 2750 Sand Hill Road, Menlo Park, CA 94025.
- (5) Consists of 14,308,051 shares of Class A Common Stock. The business address of Al-Rayyan Holding LLC is Ooredoo Tower (Building 14), Al Dafna Street (Street 801), Al Dafna (Zone 61), Doha, Qatar.
- (6) Consists of (a) options to purchase 1,001,414 shares of Class A Common Stock that are exercisable within 60 days of March 8, 2021, (b) options to purchase 333,804 shares of Class B Common Stock that are exercisable within 60 days of March 8, 2021, (c) 134,064 shares of Class A Common Stock issuable upon the vesting of restricted stock units within 60 days of March 8, 2021 and (d) 13,484,992 shares of Class B Common Stock held by Dr. Holme.
- (7) Consists of (a) options to purchase 8,998,273 shares of Class A Common Stock that are exercisable within 60 days of March 8, 2021, (b) options to purchase 2,010,874 shares of Class B Common Stock that are exercisable within 60 days of March 8, 2021, (c) 1,005,440 shares of Class A Common Stock issuable upon the vesting of restricted stock units within 60 days of March 8, 2021, (d) 1,340,582 shares of Class B Common Stock held by Mr. Singh, (e) 4,021,750 shares of Class B

Common Stock held in trust by Jagdeep Singh, Trustee of the Roshni Singh 2020 Annuity Trust A dated September 1, 2020, (f) 4,021,750 shares of Class B Common Stock held in trust by Jagdeep Singh, Trustee of the Jagdeep Singh 2020 Annuity Trust A dated September 1, 2020, (g) 966,100 shares of Class A Common Stock and 5,541,385 shares of Class B Common Stock held in trust by Jagdeep Singh & Roshni Singh, Trustees of the Singh Family Trust UDT dated October 3, 1996, (h) 561,862 shares of Class A Common Stock held in trust by Tejbir Singh Phool, Trustee of the Kismet Diya Singh 2013 Trust dated July 31, 2013, (i) 561,862 shares of Class A Common Stock held in trust by Tejbir Singh Phool, Trustee of the Nageena Singh 2013 Trust dated July 31, 2013 (j) 561,862 shares of Class A Common Stock held in trust by Tejbir Singh Phool, Trustee of the Noor Deepika Singh 2013 Trust dated July 31, 2013, (k) 1,340,582 shares of Class B Common Stock held in trust by Friedrich Prinz and Jagdeep Singh, Trustees of the Marie Helen Prinz 2019 Trust dated June 17, 2019 and (l) 1,340,582 shares of Class B Common Stock held in trust by Friedrich Prinz and Jagdeep Singh, Trustees of the Benedikt Prinz 2019 Trust dated June 17, 2019. Mr. Singh shares voting and dispositive power and is the trustee of each of Jagdeep Singh, Trustee of the Roshni Singh 2020 Annuity Trust A dated September 1, 2020, Jagdeep Singh, Trustee of the Jagdeep Singh 2020 Annuity Trust A dated September 1, 2020, Jagdeep Singh & Roshni Singh, Trustees of the Singh Family Trust UDT dated October 3, 1996, Tejbir Singh Phool, Trustee of the Kismet Diya Singh 2013 Trust dated July 31, 2013, Tejbir Singh Phool, Trustee of the Nageena Singh 2013 Trust dated July 31, 2013 and Tejbir Singh Phool, Trustee of the Noor Deepika Singh 2013 Trust dated July 31, 2013. Mr. Singh shares dispositive power and is the trustee of each of Friedrich Prinz and Jagdeep Singh, Trustees of the Marie Helen Prinz 2019 Trust dated June 17, 2019 and Friedrich Prinz and Jagdeep Singh, Trustees of the Benedikt Prinz 2019 Trust dated June 17, 2019. Mr. Singh disclaims voting power with respect to each of Friedrich Prinz and Jagdeep Singh, Trustees of the Marie Helen Prinz 2019 Trust dated June 17, 2019 and Friedrich Prinz and Jagdeep Singh, Trustees of the Benedikt Prinz 2019 Trust dated June 17, 2019.

- (8) Consists of (a) options to purchase 925,937 shares of Class A Common Stock that are exercisable within 60 days of March 8, 2021, (b) 304,022 shares of Class A Common Stock and (c) 422,283 shares of Class B Common Stock held by Mr. Hetttrich.
- (9) Consists of (a) options to purchase 1,995,801 shares of Class A Common Stock that are exercisable within 60 days of March 8, 2021, (b) options to purchase 124,673 shares of Class B Common Stock that are exercisable within 60 days of March 8, 2021, (c) 59,074 shares of Class A Common Stock and (d) 820,435 shares of Class B Common Stock held by Mr. McCarthy.
- (10) Consists of (a) 8,390,327 shares of Class B Common Stock held by Prof. Prinz, (b) 1,340,582 shares of Class B Common Stock held in trust by Friedrich Prinz and Jagdeep Singh, Trustees of the Marie Helen Prinz 2019 Trust dated June 17, 2019, (c) 1,340,582 shares of Class B Common Stock held in trust by Friedrich Prinz and Jagdeep Singh, Trustees of the Benedikt Prinz 2019 Trust dated June 17, 2019, (d) 1,206,525 shares of Class B Common Stock held in trust by Friedrich Prinz, Trustee of the Gertrude Prinz Annuity Trust dated August 31, 2020, and (e) 1,206,525 shares of Class B Common Stock held in trust by Friedrich Prinz, Trustee of the Friedrich Prinz Annuity Trust dated August 31, 2020. Prof. Prinz shares voting and dispositive power and is the trustee of each of Friedrich Prinz, Trustee of the Friedrich Prinz Annuity Trust dated August 31, 2020, Friedrich Prinz, Trustee of the Gertrude Prinz Annuity Trust dated August 31, 2020, Friedrich Prinz and Jagdeep Singh, Trustees of the Benedikt Prinz 2019 Trust dated June 17, 2019 and Friedrich Prinz and Jagdeep Singh, Trustees of the Marie Helen Prinz 2019 Trust dated June 17, 2019.
- (11) Mr. Blome, a member of our Board, is Head of Volkswagen's Battery Center of Excellence. Mr. Blome disclaims beneficial ownership of all shares held by Volkswagen Group of America Investments, LLC referred to in footnote (1) above.
- (12) Consists of 304,426 shares of Class A Common Stock held by Mr. Buss.
- (13) Mr. Doerr, a member of our Board, is the Chairman at Kleiner Perkins. Mr. Doerr disclaims beneficial ownership of all shares held by KPCB Holdings, Inc., as nominee referred to in footnote (4) above.
- (14) Consists of options to purchase 375,376 Class A Common Stock that are exercisable within 60 days of March 8, 2021.
- (15) Consists of (a) 1,144,898 shares of Class A Common Stock held by Kensington Capital Partners, LLC, (b) 300,000 shares of Class A Common Stock held by the Justin E. Mirro 2020 Qualified Annuity Trust under agreement dated June 27, 2020 and (c) 300,000 shares of Class A Common Stock held by the Kensington Capital Trust under an agreement dated June 27, 2020. Mr. Mirro is the managing member and sole owner of Kensington Capital Partners, LLC. Mr. Mirro is trustee of the Justin E. Mirro 2020 Qualified Annuity Trust under agreement dated June 27, 2020. Mr. Mirro disclaims any beneficial ownership of the shares held by the Justin E. Mirro 2020 Qualified Annuity Trust under agreement dated June 27, 2020 other than to the extent he may have a pecuniary interest therein, directly or indirectly. Mr. Mirro's spouse serves as the trustee of the Kensington Capital Trust under agreement dated June 27, 2020. Mr. Mirro disclaims any beneficial ownership of the shares held by the Kensington Capital Trust under agreement dated June 27, 2020 other than to the extent of any pecuniary interest he may have therein, directly or indirectly.
- (16) Consists of (a) options to purchase 268,116 shares of Class A Common Stock that are exercisable within 60 days of March 8, 2021, (b) 219,474 shares of Class A Common Stock and (c) 182,700 shares of Class B Common Stock held by Mr. Straubel.
- (17) Mr. Saluja, a member of our Board, is Managing Director of Capricorn-Libra Investment Group, LP. Mr. Saluja disclaims beneficial ownership of all shares held by Capricorn-Libra Investment Group, LP referred to in footnote (3) above.
- (18) Mr. Wiese, a member of our Board, is Head of Volkswagen Group M&A, Investment Advisory, and Partnerships. Mr. Wiese disclaims beneficial ownership of all shares held by Volkswagen Group of America Investments, LLC referred to in footnote (1) above.
- (19) Consists of (a) options to purchase 17,529,353 shares of Class A Common Stock that are exercisable within 60 days of March 8, 2021, (b) options to purchase 2,469,351 shares of Class B Common Stock that are exercisable within 60 days of March 8, 2021, (c) 1,139,504 shares of Class A Common Stock issuable upon the vesting of restricted stock units within 60 days of March 8, 2021, (d) 5,320,895 shares of Class A Common Stock and (e) 43,320,418 shares of Class B Common Stock.

DESCRIPTION OF CAPITAL STOCK

General

The following is a summary of the rights of our securities and certain provisions of our Certificate of Incorporation and Bylaws as currently in effect. This summary does not purport to be complete and is qualified in its entirety by the provisions of our Certificate of Incorporation and Bylaws, copies of which have been filed as exhibits to the registration statement of which this prospectus is a part, as well as to the applicable provisions of the Delaware General Corporation Law (the "DGCL"). We encourage you to read our Certificate of Incorporation, Bylaws and the applicable portions of the DGCL carefully.

Authorized and Outstanding Stock

The authorized capital stock of QuantumScape is 1,350,000,000 shares, \$0.0001 par value per share, of which:

- 1,000,000,000 shares will be designated as Class A Common Stock;
- 250,000,000 shares will be designated as Class B Common Stock; and
- 100,000,000 shares will be designated as Preferred Stock (the "Preferred Stock").

Common Stock

The Certificate of Incorporation authorizes two classes of Common Stock, Class A Common Stock and Class B Common Stock. The rights of the holders of Class A Common Stock and Class B Common Stock are identical, except with respect to voting and conversion. Some of the terms of these classes of Common Stock are discussed in greater detail below.

Dividend Rights

Subject to preferences that may apply to any shares of Preferred Stock outstanding at the time, the holders of Common Stock will be entitled to receive dividends out of funds legally available if the Board, in its discretion, determines to issue dividends and then only at the times and in the amounts that the Board may determine.

Voting Rights

Holders of Class A Common Stock are entitled to one vote for each share held as of the record date for the determination of the stockholders entitled to vote on such matters and holders of Class B Common Stock are entitled to ten votes for each share held at the record date for the determination of the stockholders entitled to vote on such matters, except as otherwise required by law. The holders of Class A Common Stock and Class B Common Stock will vote together as a single class, unless otherwise expressly provided in the certificate of incorporation or required by law.

The Certificate of Incorporation requires either holders of Class A Common Stock or of Class B Common Stock to vote separately as a single class in the following circumstances:

- if QuantumScape were to seek to amend the Certificate of Incorporation to increase or decrease the authorized number of shares of Class B Common Stock, then the holders of Class B Common Stock would be required to vote separately to approve the proposed amendment; and
- if QuantumScape were to seek to declare or pay any dividend or make certain other distributions and to treat the holders of Common Stock differently than is set forth in the

Certificate of Incorporation in connection with such dividend or other distribution, then the holders of Class A Common Stock and the holders of Class B Common Stock could be required to vote separately to approve such different treatment of the shares of Common Stock.

Delaware law could require either holders of Class A Common Stock or of Class B Common Stock to vote separately as a single class.

- if QuantumScape were to seek to amend the Certificate of Incorporation of QuantumScape in a manner that alters or changes the powers, preferences, or special rights of such type of Common Stock in a manner that affected such shares adversely but does not so affect the shares of the other type of Common Stock.

Subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, the number of directors that constitutes the Board will be fixed solely by resolution of the Board. Each director of the Board will be elected to hold office for a one-year term expiring at the next annual meeting of stockholders. There is no cumulative voting with respect to the election of directors.

Right to Receive Liquidation Distributions

If QuantumScape becomes subject to a liquidation, dissolution, or winding-up, the assets legally available for distribution to QuantumScape's stockholders would be distributable ratably among the holders of Common Stock and any participating series of Preferred Stock outstanding at that time, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights of and the payment of liquidation preferences, if any, on any outstanding shares of Preferred Stock.

Conversion of Class B Common Stock

Shares of Class A Common Stock will not be convertible into any other shares of capital stock of QuantumScape. Each share of Class B Common Stock will be convertible at any time at the option of the holder into one share of Class A Common Stock. In addition, shares of Class B Common Stock will automatically convert into shares of Class A Common Stock (i) upon the sale or transfer of such shares, but excluding certain transfers permitted by the Certificate of Incorporation, or (ii) upon the death of the holder of such shares or, solely with respect to shares of Class B Common Stock held by the Excluded Parties (defined as any of Timothy Holme, Prof. Fritz Prinz and Jagdeep Singh) or certain of their permitted entities, upon the death or disability of such Excluded Party, except that such shares held by an Excluded Party or such Excluded Party's permitted entities will automatically convert into shares of Class A Common Stock upon the earlier of (x) 9 months following the date of death or disability of such Excluded Party, and (y) the date upon which a voting trustee designated by such Excluded Party and approved by the Board ceases to hold exclusive voting control over such shares of Class B Common Stock.

Notwithstanding the foregoing, all outstanding shares of Class B Common Stock will convert into shares of Class A Common Stock upon the earliest to occur of: (i) the date fixed by the Board that is no less than 61 days and no more than 180 days following the date after the issuance of the Common Stock pursuant to the Business Combination Agreement that the total number of outstanding shares of Class B Common Stock held by the Excluded Parties and certain of their permitted entities and permitted transferees represents less than 20% of the number of shares of Class B Common Stock outstanding (as equitably adjusted for any stock dividend, stock split, combination of shares, reorganization, recapitalization, reclassification or other similar event); (A) if the applicable Excluded Party has designated a voting trustee, the date that is the earlier of (I) nine (9) months after the death or disability of the last to die or become disabled of the Excluded Parties and (II) the date upon which

such voting trustee ceases to hold exclusive voting control over such shares of Class B Common Stock; or (B) if the applicable Excluded Party has not designated a voting trustee, the death or disability of the last to die or become disabled of the Excluded Parties; or (iii) the date specified by the holders of a majority of the then outstanding shares of Class B Common Stock, which majority must include each of the Excluded Parties to the extent that he or she is then living and nondisabled and holds, together with his respective permitted transferees, at least 20% of the number of shares of Class B Common Stock held by them as of the date the Certificate of Incorporation becomes effective (the "Final Conversion Date").

Other Matters

All outstanding shares of the Common Stock are fully paid and nonassessable. Shares of Common Stock are not entitled to preemptive rights and are not subject to redemption or sinking fund provisions.

Preferred Stock

The Board is authorized, subject to limitations prescribed by the DGCL to issue Preferred Stock in one or more series, to establish from time to time the number of shares to be included in each series, and to fix the designation, powers, preferences, and rights of the shares of each series and any of its qualifications, limitations, or restrictions, in each case without further vote or action by the stockholders. The Board will be empowered to increase or decrease the number of shares of any series of Preferred Stock, but not below the number of shares of that series then outstanding, without any further vote or action by the stockholders. The Board will be able to authorize the issuance of Preferred Stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of the Common Stock. The issuance of Preferred Stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring, or preventing a change in control of QuantumScape and might adversely affect the market price of Common Stock and the voting and other rights of the holders of Common Stock. There are currently no plans to issue any shares of Preferred Stock.

Anti-Takeover Provisions

Certain provisions of Delaware law, the Certificate of Incorporation, and the Bylaws, which are summarized below, may have the effect of delaying, deferring, or discouraging another person from acquiring control of QuantumScape. They are also designed, in part, to encourage persons seeking to acquire control of QuantumScape to negotiate first with the Board.

Section 203 of the DGCL

QuantumScape is governed by the provisions of Section 203 of the DGCL. In general, Section 203 of the DGCL prohibits a public Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder was approved by the board of directors prior to the time that the stockholder became an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding shares owned by directors who are also officers of the corporation and shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- at or subsequent to the time the stockholder became an interested stockholder, the business combination was approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

In general, Section 203 defines a “business combination” to include mergers, asset sales, and other transactions resulting in financial benefit to a stockholder and an “interested stockholder” as a person who, together with affiliates and associates, owns, or, within the prior three years, did own, 15% or more of the corporation’s outstanding voting stock. These provisions may have the effect of delaying, deferring, or preventing changes in control of QuantumScape.

Certificate of Incorporation and Bylaws Provisions

The Certificate of Incorporation and the Bylaws include a number of provisions that could deter hostile takeovers or delay or prevent changes in control of the Board or management team, including the following:

Dual-class stock. As described above, the Class B Common Stock has 10 votes per share, while the Class A Common Stock, which is the only class of capital stock that is publicly traded, has 1 vote per share. As a result of this dual class structure, Legacy QuantumScape’s co-founders and certain QuantumScape’s investors, which include certain QuantumScape’s executive officers, employees, directors, and/or their affiliates, will have significant influence over matters requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of QuantumScape or its assets.

Board of Directors vacancies. The Certificate of Incorporation and Bylaws authorize only a majority of the remaining members of the Board, although less than a quorum, to fill vacant directorships, including newly created seats. In addition, subject to the rights of holders of any series of Preferred Stock, the number of directors constituting the Board will be permitted to be set only by a resolution of the Board. These provisions would prevent a stockholder from increasing the size of the Board and then gaining control of the Board by filling the resulting vacancies with its own nominees. This will make it more difficult to change the composition of the Board and will promote continuity of management.

Stockholder action: special meeting of stockholders. The Certificate of Incorporation and Bylaws provide that, from and after the Final Conversion Date, the stockholders may not take action by written consent but may only take action at annual or special meetings of the stockholders. As a result, following the Final Conversion Date, a holder controlling a majority of the QuantumScape capital stock would not be able to amend the Bylaws, amend the Certificate of Incorporation or remove directors without holding a meeting of stockholders called in accordance with the Certificate of Incorporation and Bylaws. The Certificate of Incorporation and Bylaws further provide that special meetings of stockholders may be called only by a majority of the Board, the chair of the Board, or the Chief Executive Officer of QuantumScape, thus prohibiting stockholder action to call a special meeting. These provisions might delay the ability of stockholders to force consideration of a proposal or for stockholders controlling a majority of QuantumScape’s capital stock to take any action, including the removal of directors.

Advance notice requirements for stockholder proposals and director nominations. The Bylaws provide advance notice procedures for stockholders seeking to bring business before the annual meeting of stockholders or to nominate candidates for election as directors at the annual meeting of stockholders. The Bylaws also specify certain requirements regarding the form and content of a stockholder’s notice. These provisions might preclude stockholders from bringing matters before the

annual meeting of stockholders or from making nominations for directors at the annual meeting of stockholders if the proper procedures are not followed. These provisions may also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of QuantumScape.

No cumulative voting. The DGCL provides that stockholders are not entitled to cumulate votes in the election of directors unless a corporation's certificate of incorporation provides otherwise. The Certificate of Incorporation does not provide for cumulative voting.

Amendment of charter and bylaws provisions. From and after the Final Conversion Date, any amendment of the above provisions in the Certificate of Incorporation and Bylaws will require approval by holders of at least two-thirds of the voting power of QuantumScape's then outstanding capital stock.

Issuance of undesignated preferred stock. The Certificate of Incorporation provides that the Board will have the authority, without further action by stockholders, to issue up to 100,000,000 shares of undesignated Preferred Stock with rights and preferences, including voting rights, designated from time to time by the Board. The existence of authorized but unissued shares of Preferred Stock would enable the Board to render more difficult or to discourage an attempt to obtain control of QuantumScape by means of a tender offer, proxy contest, or other means.

Exclusive forum. The Bylaws provide that, unless otherwise consented to by QuantumScape in writing, the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, another State court in Delaware or the federal district court for the District of Delaware) shall, to the fullest extent permitted by law be the sole and exclusive forum for the following types of actions or proceedings: (i) any derivative action or proceeding brought on behalf of QuantumScape; (ii) any action asserting a claim of breach of a fiduciary duty owed by, or otherwise wrongdoing by, any of QuantumScape's directors, officers, or other employees to QuantumScape or its stockholders; (iii) any action arising pursuant to any provision of the DGCL or the Certificate of Incorporation or the Bylaws; (iv) any action to interpret, apply, enforce or determine the validity of the Certificate of Incorporation or the Bylaws; or (v) any other action asserting a claim that is governed by the internal affairs doctrine, in all cases subject to the court having jurisdiction over indispensable parties named as defendants. This provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the U.S. federal courts have exclusive jurisdiction. The Bylaws further provide that, unless otherwise consented to by QuantumScape in writing, the federal district courts of the United States will be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. Any person or entity purchasing or otherwise acquiring any interest in QuantumScape's securities shall be deemed to have notice of and consented to this provision. These provisions may have the effect of discouraging lawsuits against QuantumScape or its directors and officers.

Rule 144

A person who has beneficially owned restricted shares of common stock for at least six months would be entitled to sell their shares provided that (1) such person is not deemed to have been one of QuantumScape's affiliates at the time of, or at any time during the three months preceding, a sale and (2) QuantumScape is subject to the Exchange Act periodic reporting requirements for at least three months before the sale. Persons who have beneficially owned restricted shares of common stock for at least six months but who are QuantumScape's affiliates at the time of, or any time during the three months preceding, a sale, would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period a number of shares that does not exceed the greater of either of the following:

- 1% of the number of shares then outstanding; and

- the average weekly trading volume of the shares of common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales under Rule 144 are also limited by manner of sale provisions and notice requirements and to the availability of current public information about the Company.

Restrictions on the Use of Rule 144 by Shell Companies or Former Shell Companies

Rule 144 is not available for the resale of securities initially issued by shell companies (other than business combination related shell companies) or issuers that have been at any time previously a shell company. However, Rule 144 also includes an important exception to this prohibition if the following conditions are met:

- the issuer of the securities that was formerly a shell company has ceased to be a shell company;
- the issuer of the securities is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act;
- the issuer of the securities has filed all Exchange Act reports and material required to be filed, as applicable, during the preceding 12 months (or such shorter period that the issuer was required to file such reports and materials), other than Form 8-K reports; and
- at least one year has elapsed from the time that the issuer filed current Form 10 type information with the SEC reflecting its status as an entity that is not a shell company.

Following the consummation of the business combination, we are no longer a shell company, and so, once the conditions set forth in the exceptions listed above are satisfied, Rule 144 will become available for the resale of the above noted restricted securities.

Exchange Listing

Our Class A Common Stock is listed on the NYSE under the symbol "QS".

Transfer Agent and Registrar

The transfer agent and registrar for our Common Stock is Continental Stock Transfer & Trust Company. The transfer agent's address is One State Street Plaza, 30th Floor, New York, NY 10004.

SHARES ELIGIBLE FOR FUTURE SALE

Future sales of our Class A Common Stock in the public market, or the availability of such shares for sale in the public market, could adversely affect market prices prevailing from time to time.

As of December 31, 2020, there were 207,769,091 shares of our Class A Common Stock and 156,224,614 shares of our Class B Common Stock issued and outstanding. Following the completion of this offering, based on the number of shares of our capital stock outstanding as of December 31, 2020, we will have a total of 220,769,091 shares of Class A Common Stock and 156,224,614 shares of Class B Common Stock outstanding.

Lock-Up Agreements

In connection with the Transactions, certain holders of the Company's securities entered into the Registration Rights and Lock-Up Agreement, Senior Employee Lock-Up Agreements and the Stockholder Lock-Up Agreements, pursuant to which they agreed to certain restrictions on the transfer of QuantumScape securities. See the sections titled "*Certain Relationships, Related Party and Other Transactions—Registration Rights*," "*Senior Employee Lock-Up Agreements*", and "*Lock-Up Agreements*" for a description of these restrictions.

In addition, in connection with this offering, (i) we have agreed that, without the prior written consent of Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC on behalf of the underwriters and subject to certain exceptions as described below, we will not offer, sell, or agree to sell, directly or indirectly, any shares of Common Stock for a period of 90 days from the date of the final prospectus relating to this offering, and (ii) each of our directors and executive officers have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any shares of Common Stock or securities convertible into or exchangeable for shares of Common Stock during the period from the date of such agreement continuing through May 21, 2021, except with the prior written consent of Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC.

With respect to the lock-up agreement to be entered into by us, the restrictions described in the preceding paragraph will not apply to the sale or issuance of any of our securities as a result of the satisfaction of the technical milestone related to QSV as described elsewhere in this prospectus. With respect to the lock-up agreements entered into by our directors and executive officers, the restrictions described in the preceding paragraph will not apply to (i) bona fide gifts; (ii) transfers to any trust for the direct or indirect benefit of such person or the immediate family of such person; (iii) transfers upon death or by will or intestacy; (iv) transfers pursuant to a qualified domestic order or divorce settlement; (v) if such person is an entity, transfers to such person's affiliates, including distributions to such person's members, partners or stockholders; (vi) the establishment of a trading plan pursuant to Rule 10b5-1 promulgated under the Exchange Act; provided, however, that such plan does not provide for the transfer of shares of Common Stock or any securities convertible into or exercisable or exchangeable for shares of Common Stock during the lock-up period; and (vii) transfers to satisfy tax withholding obligations in connection with the vesting of stock-based awards, but only with respect to stock-based awards granted pursuant to employee benefit plans or arrangements described in this prospectus. Further, in the case of any transfer pursuant to clauses (i), (ii), (iii) and (v) of the previous sentence, such transfer cannot be for value, and, in the case of any transfer pursuant to clauses (i) through (v) of the previous sentence, the transferee must agree in writing to be bound by the lock-up restrictions.

On April 2, 2021, 569,747 vested RSUs held by certain of our directors and executive officers will be settled (subject to certain regulatory approvals) and on May 15, 2021, 435,694 RSUs held by

certain of our directors and executive officers will vest. Pursuant to the lock-up agreements entered into by our directors and executive officers, to the extent necessary, shares of our Common Stock underlying those RSUs may be sold on or after such dates into the open market to satisfy tax withholding obligations.

Rule 144

In general, under Rule 144 as currently in effect, once we have been subject to the public company reporting requirements of Section 13 or Section 15(d) of the Exchange Act for at least 90 days, a person who is not deemed to have been one of our affiliates for purposes of the Securities Act at any time during the 90 days preceding a sale and who has beneficially owned the shares of our Common Stock proposed to be sold for at least six months is entitled to sell those shares without complying with the manner of sale, volume limitation or notice provisions of Rule 144, subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than our affiliates, then that person would be entitled to sell those shares without complying with any of the requirements of Rule 144.

In general, under Rule 144, as currently in effect, our affiliates or persons selling shares of our Common Stock on behalf of our affiliates are entitled to sell upon expiration of the market-standoff agreements and lock-up agreements described above, within any three-month period, a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal 3,769,937 shares immediately after this offering; or
- the average weekly trading volume of our common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to that sale.

Sales under Rule 144 by our affiliates or persons selling shares of our Common Stock on behalf of our affiliates are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us.

Rule 144 is not available for the resale of securities initially issued by shell companies (other than business combination related shell companies) or issuers that have been at any time previously a shell company. However, Rule 144 also includes an important exception to this prohibition if the following conditions are met:

- the issuer of the securities that was formerly a shell company has ceased to be a shell company;
- the issuer of the securities is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act;
- the issuer of the securities has filed all Exchange Act reports and material required to be filed, as applicable, during the preceding 12 months (or such shorter period that the issuer was required to file such reports and materials), other than Form 8-K reports; and
- at least one year has elapsed from the time that the issuer filed current Form 10 type information with the SEC reflecting its status as an entity that is not a shell company.

Following the consummation of the business combination, we are no longer a shell company, and so, once the conditions set forth in the exceptions listed above are satisfied, Rule 144 will become available for the resale of the above noted restricted securities.

Rule 701

Rule 701 generally allows a stockholder who purchased shares of our capital stock pursuant to a written compensatory plan or contract and who is not deemed to have been an affiliate of our company during the immediately preceding 90 days to sell these shares in reliance upon Rule 144, but without being required to comply with the public information, holding period, volume limitation or notice provisions of Rule 144. Rule 701 also permits affiliates of our company to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144.

Registration Rights

Certain holders of shares of our common stock, or their transferees, are entitled to certain rights with respect to the registration of the offer and sale of those shares under the Securities Act. See the section titled "*Certain Relationships, Related Party and Other Transactions — Registration Rights*" for a description of these registration rights. If the offer and sale of these shares is registered, the shares will be freely tradable without restriction under the Securities Act, and a large number of shares may be sold into the public market.

Registration Statement on Form S-8

We filed a registration statement on Form S-8 under the Securities Act promptly after the completion of the Transactions to register shares of our Class A Common Stock subject to RSUs and options outstanding, as well as reserved for future issuance, under our equity compensation plans. The registration statement on Form S-8 became effective immediately upon filing, and shares covered by the registration statement became eligible for sale in the public market, subject to the Rule 144 limitations applicable to affiliates, vesting restrictions and any applicable market standoff agreements and lock-up agreements. See the section titled "*Executive Compensation*" for a description of our equity compensation plans.

**MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO
NON-U.S. HOLDERS OF OUR CLASS A COMMON STOCK**

The following is a summary of the material U.S. federal income tax consequences to certain non-U.S. holders (as defined below) of the ownership and disposition of our Class A Common Stock but does not purport to be a complete analysis of all the potential tax considerations relating thereto. This summary is based upon the provisions of the Code, Treasury Regulations promulgated thereunder, administrative rulings and judicial decisions, all as of the date hereof. These authorities may be changed, possibly retroactively, so as to result in U.S. federal income tax consequences different from those set forth below. No ruling from the United States Internal Revenue Service, or IRS, has been, or will be, sought with respect to the tax consequences discussed herein, and there can be no assurance that the IRS will not take a position contrary to the tax consequences discussed below or that any position taken by the IRS would not be sustained.

This summary applies only to Class A Common Stock acquired in this offering by certain non-U.S. holders. It does not address the tax considerations arising under the laws of any non-U.S., state or local jurisdiction, or under U.S. federal gift and estate tax laws. In addition, this discussion does not address the application of the Medicare contribution tax on net investment income or any tax considerations applicable to a non-U.S. holder's particular circumstances or to non-U.S. holders that may be subject to special tax rules, including, without limitation:

- banks, insurance companies or other financial institutions (except to the extent specifically set forth below), regulated investment companies or real estate investment trusts;
- persons subject to the alternative minimum tax;
- tax-exempt organizations or governmental organizations;
- tax-qualified retirement plans;
- controlled foreign corporations, passive foreign investment companies or corporations that accumulate earnings to avoid U.S. federal income tax;
- brokers or dealers in securities or currencies;
- traders in securities or other persons that elect to use a mark-to-market method of accounting for their holdings in our Class A Common Stock;
- U.S. expatriates or certain former citizens or long-term residents of the United States;
- partnerships or entities classified as partnerships for U.S. federal income tax purposes or other pass-through entities (and investors therein);
- persons who hold our Class A Common Stock as a position in a hedging transaction, "straddle," "conversion transaction," or other risk reduction transaction or integrated investment;
- persons who do not hold our Class A Common Stock as a capital asset within the meaning of Section 1221 of the Code;
- persons that own or have owned (actually or constructively) more than five percent of our Class A Common Stock (except to the extent specifically set forth below);
- persons subject to special tax accounting rules as a result of any item of gross income with respect to the common stock being taken into account in an "applicable financial statement" (as defined in Section 451(b)(3) of the Code); or
- persons deemed to sell our Class A Common Stock under the constructive sale provisions of the Code.

In addition, if a partnership or entity classified as a partnership for U.S. federal income tax purposes holds our Class A Common Stock, the tax treatment of a partner generally will depend on the status of the partner and upon the activities of the partnership. Accordingly, partnerships that hold our Class A Common Stock, and partners in such partnerships, should consult their tax advisors about the particular U.S. federal income tax consequences to them of acquiring, holding and disposing of our Class A Common Stock.

You are urged to consult your tax advisor with respect to the application of the U.S. federal income tax laws to your particular situation, as well as any tax consequences of the acquisition, ownership and disposition of our Class A Common Stock arising under the U.S. federal estate or gift tax rules or under the laws of any state, local, non-U.S., or other taxing jurisdiction or under any applicable tax treaty.

Non-U.S. Holder Defined

For purposes of this discussion, you are a non-U.S. holder if you are a holder of our Class A Common Stock that is not a partnership (or entity or arrangement treated as a partnership for U.S. federal income tax purposes) and is not any of the following:

- an individual who is a citizen or resident of the United States (for U.S. federal income tax purposes);
- a corporation or other entity taxable as a corporation created or organized in the United States or under the laws of the United States or any political subdivision thereof or other entity treated as such for U.S. federal income tax purposes;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust (x) whose administration is subject to the primary supervision of a U.S. court and which has one or more “United States persons” (within the meaning of Section 7701(a)(30) of the Code) who have the authority to control all substantial decisions of the trust or (y) which has made a valid election to be treated as a “United States person.”

Distributions

As described in the section “Dividend Policy,” we have never declared or paid cash dividends on our capital stock and do not anticipate paying any dividends on our capital stock in the foreseeable future. However, if we do make distributions on our Class A Common Stock, those payments will constitute dividends for U.S. tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent those distributions exceed both our current and our accumulated earnings and profits, they will constitute a return of capital and will first reduce your basis in our Class A Common Stock, but not below zero, and then will be treated as gain from the sale of stock as described below under “—Gain on Disposition of Our Class A Common Stock.”

Except as otherwise described below in the discussions of effectively connected income (in the next paragraph), backup withholding and FATCA, any dividend paid to you generally will be subject to U.S. withholding tax either at a rate of 30% of the gross amount of the dividend or such lower rate as may be specified by an applicable income tax treaty. In order to receive a reduced treaty rate, you must provide us, or our paying agent, with an IRS Form W-8BEN, IRS Form W-8BEN-E or other appropriate version of IRS Form W-8, including any required attachments and your taxpayer identification number, certifying qualification for the reduced rate; additionally you will be required to update such forms and certifications from time to time as required by law. If you are a non-U.S. holder of shares of our Class A Common Stock eligible for a reduced rate of U.S. withholding tax pursuant to

an income tax treaty, you may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. If you hold the stock through a financial institution or other agent acting on your behalf, you will be required to provide appropriate documentation to the agent, which then will be required to provide certification to us or our paying agent, either directly or through other intermediaries. You should consult your own tax advisors regarding your entitlement to benefits under an applicable income tax treaty.

Dividends received by you that are effectively connected with your conduct of a U.S. trade or business (and, if required by an applicable income tax treaty, attributable to a permanent establishment maintained by you in the United States) are generally exempt from the 30% withholding tax if you satisfy applicable certification and disclosure requirements. In order to obtain this exemption, you must provide us, or our paying agent, with an IRS Form W-8ECI or other applicable IRS Form W-8, including any required attachments and your U.S. taxpayer identification number; additionally you will be required to update such forms and certifications from time to time as required by law. Such effectively connected dividends, although not subject to withholding tax, are includable on your U.S. income tax return and generally taxed to you at the same graduated rates applicable to U.S. persons, net of certain deductions and credits. If you are a corporate non-U.S. holder, earnings and profits (including any dividends you receive) which are attributable to income which is effectively connected with your conduct of a U.S. trade or business may also be subject to a branch profits tax at a rate of 30% or such lower rate as may be specified by an applicable income tax treaty. You should consult your tax advisor regarding any applicable tax treaties that may provide for different rules.

Gain on Disposition of Our Class A Common Stock

Except as otherwise described below in the discussions of backup withholding and FATCA, you generally will not be subject to U.S. federal income tax on any gain realized upon the sale or other disposition of our Class A Common Stock unless:

- the gain is effectively connected with your conduct of a U.S. trade or business (and, if required by an applicable income tax treaty, the gain is attributable to a permanent establishment maintained by you in the United States);
- you are a non-resident alien individual who is present in the United States for a period or periods aggregating 183 days or more during the calendar year in which the sale or disposition occurs, and other conditions are met; or
- our Class A Common Stock constitutes a United States real property interest by reason of our status as a “United States real property holding corporation,” or USRPHC, for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding your disposition of, or your holding period for, our Class A Common Stock, and, in the case where shares of our Class A Common Stock are regularly traded on an established securities market, you own (actually or constructively) more than 5% of our Class A Common Stock at any time during the foregoing period.

Generally, a corporation is a “United States real property holding corporation” if the fair market value of its United States real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business (all as determined for United States federal income tax purposes). We believe that we are not currently and will not become a USRPHC for U.S. federal income tax purposes, and the remainder of this discussion assumes this is the case. However, because the determination of whether we are a USRPHC depends on the fair market value of our United States real property interests relative to the fair market value of our other business assets, there can be no assurance that we will not become a USRPHC in the future. Even if we become a USRPHC, however, as long as our Class A Common

Stock is regularly traded on an established securities market, such Class A Common Stock will be treated as United States real property interests only if you actually or constructively hold more than 5% of such regularly traded Class A Common Stock at any time during the shorter of the five-year period preceding your disposition of, or your holding period for, our Class A Common Stock. No assurance can be provided that our Class A Common Stock will be regularly traded on an established securities market at all times for purposes of the rules described above. Prospective investors are encouraged to consult their own tax advisors regarding the possible consequences to them if we are, or were to become, a USRPHC. If you are a non-U.S. holder described in the first bullet above, you will generally be required to pay tax on the net gain derived from the sale under regular graduated U.S. federal income tax rates (and a corporate non-U.S. holder described in the first bullet above also may be subject to the branch profits tax at a 30% rate), unless otherwise provided by an applicable income tax treaty. If you are a non-U.S. holder described in the second bullet above, you will generally be required to pay a flat 30% tax (or such lower rate specified by an applicable income tax treaty) on the gain derived from the sale, which gain may be offset by U.S. source capital losses for the year (provided you have timely filed U.S. federal income tax returns with respect to such losses). You should consult your tax advisor with respect to whether any applicable income tax or other treaties may provide for different rules.

Backup Withholding and Information Reporting

Generally, we must report annually to the IRS the amount of distributions paid to you, your name and address and the amount of tax withheld, if any. A similar report will be sent to you. Pursuant to applicable income tax treaties or other agreements, the IRS may make these reports available to tax authorities in your country of residence.

Payments of distributions or of proceeds on the disposition of stock made to you may be subject to information reporting and backup withholding at a current rate of 24% unless you establish an exemption, for example, by properly certifying your non-U.S. status on an IRS Form W-8BEN, IRS Form W-8BEN-E or another appropriate version of IRS Form W-8. Notwithstanding the foregoing, backup withholding and information reporting may apply if either we or our paying agent has actual knowledge, or reason to know, that you are a United States person as defined under the Code.

Backup withholding is not an additional tax; rather, the U.S. federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, you may generally obtain a refund or credit from the IRS, provided you furnish the required information to the IRS in a timely manner.

FATCA

The Foreign Account Tax Compliance Act and the rules and regulations promulgated thereunder, collectively, FATCA, generally imposes withholding tax at a rate of 30% on dividends on, and, subject to the discussion of certain proposed Treasury Regulations below, gross proceeds from the sale or other disposition of our Class A Common Stock paid to a foreign entity unless (i) if the foreign entity is a "foreign financial institution" (as specially defined under these rules), such foreign entity undertakes certain due diligence, reporting, withholding and certification obligations, (ii) if the foreign entity is not a "foreign financial institution," such foreign entity identifies and provides certain information with respect to its direct or indirect "substantial United States owners" (as specially defined under these rules) or certifies that there are none, or (iii) the foreign entity otherwise establishes an exemption from FATCA. The withholding provisions under FATCA generally apply to dividends on our Class A Common Stock. The Treasury Secretary has issued proposed regulations which, if finalized in their present form, would eliminate the withholding provisions under FATCA with respect to gross proceeds from a sale or other disposition of our Class A Common Stock; the U.S. Treasury has provided that such proposed

regulations may be relied upon by taxpayers until final regulations are issued. An intergovernmental agreement between the United States and your country of tax residence may modify the requirements described in this paragraph. You should consult your own tax advisors regarding the possible implications of FATCA on your investment in our Class A Common Stock.

You should consult your own tax advisor regarding the particular U.S. federal, state and local and non-U.S. tax consequences of purchasing, holding and disposing of our Class A Common Stock, including the consequences of any proposed change in applicable laws.

UNDERWRITING

We and the underwriters named below will enter into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each underwriter will severally agree to purchase the number of shares indicated in the following table. Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC are acting as the representatives of the underwriters.

| <u>Underwriters</u> | <u>Number of Shares</u> |
|-------------------------------|-------------------------|
| Goldman Sachs & Co. LLC | |
| Morgan Stanley & Co. LLC | |
| Deutsche Bank Securities Inc. | |
| Total | <u>13,000,000</u> |

The underwriters will be committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below unless and until this option is exercised.

The underwriters will have an option to purchase up to an additional 1,950,000 shares from us. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by us in connection with this offering. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase 1,950,000 additional shares.

| | <u>No Exercise</u> | <u>Full Exercise</u> |
|-----------|--------------------|----------------------|
| Per Share | \$ | \$ |
| Total | \$ | \$ |

Shares sold by the underwriters to the public will initially be offered at the public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to \$ per share from the public offering price. After the offering of the shares, the representatives may change the offering price and the other selling terms. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

We have agreed that, without the prior written consent of Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC on behalf of the underwriters and subject to certain exceptions, we will not offer, sell, or agree to sell, directly or indirectly, any shares of Common Stock for a period of 90 days from the date of the final prospectus relating to this offering, and each of our directors and executive officers have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any shares of Common Stock or securities convertible into or exchangeable for shares of Common Stock during the period from the date of such agreement continuing through May 21, 2021, except with the prior written consent of Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC. With respect to the lock-up agreement to be entered into by us, the restrictions described in the preceding sentence will not apply to the sale or issuance of any of our securities as a result of the satisfaction of the technical milestone related to QSV as described elsewhere in this prospectus. With respect to the lock-up agreements entered into by our directors and officers, the restrictions described in the second preceding sentence will not apply to (i) bona fide gifts; (ii) transfers to any trust for the direct or indirect benefit of such person or the immediate family of such person; (iii) transfers upon death or by will or intestacy; (iv) transfers pursuant to a qualified domestic order or divorce settlement; (v) if such person

is an entity, transfers to such person's affiliates, including distributions to such person's members, partners or stockholders; (vi) the establishment of a trading plan pursuant to Rule 10b5-1 promulgated under the Exchange Act; provided, however, that such plan does not provide for the transfer of shares of Common Stock or any securities convertible into or exercisable or exchangeable for shares of Common Stock during the lock-up period; and (vii) transfers to satisfy tax withholding obligations in connection with the vesting of stock-based awards, but only with respect to stock-based awards granted pursuant to employee benefit plans or arrangements described in this prospectus. Further, in the case of any transfer pursuant to clauses (i), (ii), (iii) and (v) of the previous sentence, such transfer cannot be for value, and, in the case of any transfer pursuant to clauses (i) through (v) of the previous sentence, the transferee must agree in writing to be bound by the lock-up restrictions. See the section titled "*Shares Eligible for Future Sale—Lock-Up Agreements*" for additional information.

Our Class A Common Stock is listed on the NYSE under the symbol "QS".

In connection with this offering, the underwriters may purchase and sell shares of Class A Common Stock in the open market. These transactions may include short sales, stabilizing transactions, and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in this offering, and a short position represents the amount of such sales that have not been covered by subsequent purchases. A "covered short position" is a short position that is not greater than the number of additional shares for which the underwriters' option described above may be exercised. The underwriters may cover any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to cover the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option described above. "Naked" short sales are any short sales that create a short position greater than the number of additional shares for which the option described above may be exercised. The underwriters must cover any such naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in this offering. Stabilizing transactions consist of various bids for or purchases of common stock made by the underwriters in the open market prior to the closing of this offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of our stock, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. The underwriters are not required to engage in these activities and may end any of these activities at any time. These transactions may be effected on the NYSE, in the over-the-counter market, or otherwise.

We estimate that our share of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately \$1 million.

We will also agree to reimburse the underwriters for expenses relating to clearance of this offering with the Financial Industry Regulatory Authority up to \$35,000.

We will also agree to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act. In addition, we have agreed to reimburse the underwriters for certain expenses in connection with this offering.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to us and to persons and entities with relationships with us, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

European Economic Area

In relation to each Member State of the European Economic Area (each a Member State), no common stock has been offered or will be offered pursuant to the offering to the public in that Member State prior to the publication of a prospectus in relation to our common stock which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, all in accordance with the Prospectus Regulation, except that offers of shares may be made to the public in that Member State at any time under the following exemptions under the Prospectus Regulation:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) by the underwriters to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior written consent of the representatives for any such offer; or
- (c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation, provided that no such offer of common stock shall result in a requirement for us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

Each person in a Member State who initially acquires any common stock or to whom any offer is made will be deemed to have represented, acknowledged and agreed with us and the representatives that it is a qualified investor within the meaning of the Prospectus Regulation.

In the case of any common stock being offered to a financial intermediary as that term is used in Article 5(1) of the Prospectus Regulation, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the common stock acquired by it in the offer have not

been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer to the public other than their offer or resale in a Member State to qualified investors, in circumstances in which the prior written consent of the representatives has been obtained to each such proposed offer or resale.

We, the underwriters and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgments and agreements.

For the purposes of this provision, the expression an “offer to the public” in relation to any common stock in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any common stock to be offered so as to enable an investor to decide to purchase or subscribe for our common stock, and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129.

United Kingdom

No common stock has been offered or will be offered pursuant to the offering to the public in the United Kingdom prior to the publication of a prospectus in relation to our common stock which has been approved by the Financial Conduct Authority, except that our common stock may be offered to the public in the United Kingdom at any time:

- (a) to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the representatives for any such offer; or
- (c) in any other circumstances falling within Section 86 of the FSMA;

provided that no such offer of the shares shall require us or any underwriter to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

Each person in the United Kingdom who initially acquires any common stock or to whom any offer is made will be deemed to have represented, acknowledged and agreed with us and the representatives that it is a qualified investor within the meaning of the UK Prospectus Regulation.

In the case of any common stock being offered to a financial intermediary as that term is used in Article 5(1) of the UK Prospectus Regulation, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the common stock acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer to the public other than their offer or resale in the United Kingdom to qualified investors, in circumstances in which the prior written consent of the representatives has been obtained to each such proposed offer or resale.

We, the underwriters and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgments and agreements.

For the purposes of this provision, the expression an “offer to the public” in relation to the shares in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase or subscribe for any shares, the expression “UK Prospectus Regulation” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, and the expression “FSMA” means the Financial Services and Markets Act 2000, as amended.

Canada

The securities may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions, and Ongoing Registrant Obligations. Any resale of the securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Hong Kong

Our common stock may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) (Companies (Winding Up and Miscellaneous Provisions) Ordinance) or which do not constitute an invitation to the public within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (Securities and Futures Ordinance), or (ii) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and no advertisement, invitation or document relating to our common stock may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" in Hong Kong as defined in the Securities and Futures Ordinance and any rules made thereunder.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of our common stock may not be circulated or distributed, nor may our common stock be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined under Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the SFA)) under Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to conditions set forth in the SFA.

Where our common stock is subscribed or purchased under Section 275 of the SFA by a relevant person which is a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, the securities (as defined in Section 239(1) of the SFA) of that corporation shall not be transferable for 6 months after that corporation has acquired our common stock under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), (2) where such transfer arises from an offer in that corporation's securities pursuant to Section 275(1A) of the SFA, (3) where no consideration is or will be given for the transfer, (4) where the transfer is by operation of law, (5) as specified in Section 276(7) of the SFA, or (6) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore (Regulation 32).

Where our common stock is subscribed or purchased under Section 275 of the SFA by a relevant person which is a trust (where the trustee is not an accredited investor (as defined in Section 4A of the SFA)) whose sole purpose is to hold investments and each beneficiary of the trust is an accredited investor, the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for 6 months after that trust has acquired our common stock under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), (2) where such transfer arises from an offer that is made on terms that such rights or interest are acquired at a consideration of not less than \$200,000 (or its equivalent in a foreign currency) for each transaction (whether such amount is to be paid for in cash or by exchange of securities or other assets), (3) where no consideration is or will be given for the transfer, (4) where the transfer is by operation of law, (5) as specified in Section 276(7) of the SFA or (6) as specified in Regulation 32.

Japan

The securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, or the FIEA). The securities may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan (including any person resident in Japan or any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of the FIEA and otherwise in compliance with any relevant laws and regulations of Japan.

Dubai International Financial Centre

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority, or DFSA. This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The shares of common stock to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares of our common stock should conduct their own due diligence on such shares. If you do not understand the contents of this prospectus, you should consult an authorized financial advisor.

Switzerland

The common stock may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (SIX) or on any other stock exchange or regulated trading facility in Switzerland. This document does not constitute a prospectus within the meaning of, and has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the common stock or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, our company or our common stock has been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of common stock will not be supervised by, the Swiss Financial Market Supervisory Authority and the offer of common stock has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (CISA). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of common stock.

Australia

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission, or ASIC, in relation to the offering. This prospectus does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001, or the Corporations Act, and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of our common stock may only be made to persons, or Exempt Investors, who are “sophisticated investors” (within the meaning of section 708(8) of the Corporations Act), “professional investors” (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer our common stock without disclosure to investors under Chapter 6D of the Corporations Act.

The shares of our common stock applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring shares of our common stock must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

VALIDITY OF CLASS A COMMON STOCK

The validity of the shares of Class A Common Stock offered by this prospectus will be passed upon for us by Wilson Sonsini Goodrich & Rosati, Professional Corporation, Palo Alto, California. The validity of the shares of Class A Common Stock offered by this prospectus will be passed upon for the underwriters by Sullivan & Cromwell LLP, Palo Alto, California.

EXPERTS

The consolidated financial statements of QuantumScape Corporation at December 31, 2020 and 2019, and for each of the two years in the period ended December 31, 2020, appearing in this prospectus and Registration Statement, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act that registers the shares of our Class A Common Stock to be sold in this offering. The registration statement, including the attached exhibits and schedules, contains additional relevant information about us and our capital stock. The rules and regulations of the SEC allow us to omit from this prospectus certain information included in the registration statement. For further information about us and our Class A Common Stock, you should refer to the registration statement and the exhibits and schedules filed with the registration statement. With respect to the statements contained in this prospectus regarding the contents of any agreement or any other document, in each instance, the statement is qualified in all respects by the complete text of the agreement or document, a copy of which has been filed as an exhibit to the registration statement.

We are subject to the informational reporting requirements of the Exchange Act. We file reports, proxy statements and other information with the SEC under the Exchange Act. Our SEC filings are available over the Internet at the SEC's website at <http://www.sec.gov>. Our website address is www.quantumscape.com, at which you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. The information on, or that can be accessed through, our website is not part of this prospectus.

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of QuantumScape Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of QuantumScape Corporation (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations and comprehensive loss, redeemable non-controlling interest and stockholders' equity and cash flows for each of the two years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2012.

Redwood City, California

February 23, 2021

QuantumScape Corporation
Consolidated Balance Sheets

(In Thousands, Except Share and per Share Amounts)

| | December 31, | |
|---|---------------------|-------------------|
| | 2020 | 2019 |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents (\$3,406 and \$3,409 as of December 31, 2020 and 2019, respectively, for joint venture) | \$ 113,216 | \$ 22,822 |
| Marketable securities | 884,336 | 107,099 |
| Prepaid expenses and other current assets | 11,616 | 1,255 |
| Total current assets | 1,009,168 | 131,176 |
| Property and equipment, net | 43,696 | 25,492 |
| Right-of-use lease asset | 11,712 | 12,942 |
| Other assets | 2,193 | 2,774 |
| Total assets | <u>\$ 1,066,769</u> | <u>\$ 172,384</u> |
| Liabilities, redeemable non-controlling interest and stockholders' equity | | |
| Current liabilities | | |
| Accounts payable | \$ 5,383 | \$ 2,851 |
| Accrued liabilities | 2,701 | 1,307 |
| Accrued compensation | 2,391 | 1,112 |
| Operating lease liability, short-term | 1,220 | 1,080 |
| Strategic premium, short-term | 655 | 873 |
| Total current liabilities | 12,350 | 7,223 |
| Operating lease liability, long-term | 11,244 | 12,463 |
| Convertible preferred stock warrant liabilities | — | 1,860 |
| Strategic premium, long-term and other liabilities | — | 436 |
| Total liabilities | <u>23,594</u> | <u>21,982</u> |
| Commitment and contingencies (see Note 8) | | |
| Redeemable non-controlling interest | | |
| Stockholders' equity | 1,704 | 1,710 |
| Preferred stock - \$0.0001 par value; 100,000,000 shares authorized, none issued and outstanding at December 31, 2020 and 2019 | — | — |
| Common stock - \$0.0001 par value; 1,250,000,000 shares authorized (1,000,000,000 Class A and 250,000,000 Class B); 207,769,091 Class A and 156,224,614 Class B shares issued and outstanding at December 31, 2020, 81,720,530 Class A and 158,056,527 Class B shares issued and outstanding at December 31, 2019 | 36 | 24 |
| Additional paid-in-capital | 2,437,242 | 444,440 |
| Accumulated other comprehensive (loss) income | (31) | 90 |
| Accumulated deficit | (1,395,776) | (295,862) |
| Total stockholders' equity | <u>1,041,471</u> | <u>148,692</u> |
| Total liabilities, redeemable non-controlling interest and stockholders' equity | <u>\$ 1,066,769</u> | <u>\$ 172,384</u> |

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

QuantumScape Corporation
Consolidated Statements of Operations and Comprehensive Loss

(In Thousands, Except Share and per Share Amounts)

| | <u>Year Ended December 31,</u> | |
|--|--------------------------------|--------------------|
| | <u>2020</u> | <u>2019</u> |
| Operating expenses: | | |
| Research and development | \$ 65,103 | \$ 45,944 |
| General and administrative | 15,918 | 9,874 |
| Total operating expenses | <u>81,021</u> | <u>55,818</u> |
| Loss from operations | (81,021) | (55,818) |
| Other (expense) income: | | |
| Interest expense | (20,765) | (94) |
| Interest income | 1,093 | 3,608 |
| Other income | 760 | 1,041 |
| Other expense | (999,987) | — |
| Total other (expense) income | <u>(1,018,899)</u> | <u>4,555</u> |
| Net loss | (1,099,920) | (51,263) |
| Less: Net (loss) income attributable to non-controlling interest, net of tax of \$0 for the years ended December 31, 2020 and 2019 | (6) | 20 |
| Net loss attributable to common stockholders | <u>\$ (1,099,914)</u> | <u>\$ (51,283)</u> |
| Net loss | <u>\$ (1,099,920)</u> | <u>\$ (51,263)</u> |
| Other comprehensive (loss) income: | | |
| Unrealized (loss) gain on marketable securities | (121) | 121 |
| Total comprehensive loss | (1,100,041) | (51,142) |
| Less: Comprehensive (loss) income attributable to non-controlling interest | (6) | 20 |
| Comprehensive loss attributable to common stockholders | <u>\$ (1,100,035)</u> | <u>\$ (51,162)</u> |
| Basic and Diluted net loss per share | <u>\$ (4.36)</u> | <u>\$ (0.21)</u> |
| Basic and Diluted weighted-average common shares outstanding | 252,143,509 | 239,636,062 |

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

QuantumScape Corporation
Consolidated Statements of Redeemable Non-Controlling Interest and Stockholders' Equity

(In Thousands, Except Share and per Share Amounts)

| | Redeemable Convertible Preferred Stock | | Redeemable Non-Controlling interest | Common Stock | | Treasury Stock | | Additional Paid-In Capital | Accumulated Deficit | Accumulated other Comprehensive gain (loss) | Stock (c) |
|---|--|-------------------|-------------------------------------|--------------------|--------------|----------------|-------------------|----------------------------|---------------------|---|-----------|
| | Shares | Amount | | Shares | Amount | Shares | Amount | | | | |
| Balance at December 31, 2018 (as previously reported) | 48,390,851 | \$ 405,575 | \$ 1,690 | 11,075,476 | \$ 1 | 438,191 | \$ (4,189) | \$ 35,957 | \$ (246,083) | \$ (31) | \$ |
| Retroactive application of recapitalization | (48,390,851) | \$(405,575) | — | 228,083,177 | 23 | (438,191) | \$ 4,189 | 401,363 | — | — | — |
| Balance at December 31, 2018, effect of reverse acquisition (Note 4) | — | \$ — | \$ 1,690 | 239,158,653 | \$ 24 | — | \$ — | \$ 437,320 | \$ (246,083) | \$ (31) | \$ |
| Exercise of stock option | — | — | — | 618,404 | — | — | — | 394 | — | — | — |
| Stock-based compensation | — | — | — | — | — | — | — | 6,726 | 85 | — | — |
| Adoption of ASC 842 | — | — | — | — | — | — | — | — | 1,419 | — | — |
| Net loss | — | — | 20 | — | — | — | — | — | (51,283) | — | — |
| Unrealized gain on marketable securities | — | — | — | — | — | — | — | — | — | 121 | — |
| Balance at December 31, 2019 | — | \$ — | \$ 1,710 | 239,777,057 | \$ 24 | \$ — | \$ — | \$ 444,440 | \$ (295,862) | \$ 90 | \$ |
| Issuance of Series F preferred stock, net of issuance costs of \$11.5 million, and settlement of associated convertible preferred stock tranche liability | — | — | — | 28,616,093 | 3 | — | — | 660,930 | — | — | — |
| Issuance of Class A Common Stock pursuant to Legacy QuantumScape Series F Preferred Stock Purchase Agreement, net of issuance costs of \$0.2 million | — | — | — | 15,221,334 | 1 | — | — | 99,799 | — | — | — |
| Business Combination, net of redemptions and equity issuance costs of \$54.3 million | — | — | — | 78,734,745 | 8 | — | — | 676,431 | — | — | — |

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| | Redeemable Convertible Preferred Stock | | Redeemable Non-Controlling interest | Common Stock | | Treasury Stock | | Additional Paid-In Capital | Accumulated Deficit | Accumulated other Comprehensive gain (loss) | Total Stockholders' (deficit) equity |
|---|--|-------------|-------------------------------------|--------------------|--------------|----------------|-------------|----------------------------|-----------------------|---|--------------------------------------|
| | Shares | Amount | | Shares | Amount | Shares | Amount | | | | |
| Reclassification of Legacy QuantumScape convertible preferred stock tranche liability | — | — | — | — | — | — | — | 515,394 | — | — | 515,394 |
| Reclassification of Legacy QuantumScape convertible preferred stock warrants | — | — | — | — | — | — | — | 22,625 | — | — | 22,625 |
| Exercise of stock option | — | — | — | 646,016 | — | — | — | 599 | — | — | 599 |
| Exercise of warrants | — | — | — | 998,460 | — | — | — | — | — | — | — |
| Stock-based compensation | — | — | — | — | — | — | — | 17,024 | — | — | 17,024 |
| Net loss | — | — | (6) | — | — | — | — | — | (1,099,914) | — | (1,099,914) |
| Unrealized loss on marketable securities | — | — | — | — | — | — | — | — | — | (121) | (121) |
| Balance at December 31, 2020 | — | \$ — | \$ 1,704 | 363,993,705 | \$ 36 | \$ — | \$ — | \$2,437,242 | \$ (1,395,776) | \$ (31) | \$ 1,041,471 |

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

QuantumScape Corporation
Consolidated Statements of Cash Flows

(In Thousands)

| | <u>Year Ended December 31,</u> | |
|---|--------------------------------|------------------|
| | <u>2020</u> | <u>2019</u> |
| Operating activities | | |
| Net loss | \$(1,099,920) | \$ (51,263) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 7,506 | 5,577 |
| Amortization of right-of-use assets | 1,229 | 1,159 |
| Amortization of premiums and accretion of discounts on marketable securities | 1,201 | (1,964) |
| Amortization of strategic premium | (655) | (873) |
| Gain on property and equipment disposals | 3 | (90) |
| Stock-based compensation expense | 17,024 | 6,811 |
| Change in fair value of convertible preferred stock warrant liabilities | 20,765 | 94 |
| Change in fair value of convertible preferred stock tranche liabilities | 999,865 | — |
| Changes in operating assets and liabilities: | | |
| Prepaid expenses and other current assets | (9,648) | (550) |
| Accounts payable, accrued liabilities and accrued compensation | 2,447 | 319 |
| Operating lease liability | (1,080) | (951) |
| Net cash used in operating activities | (61,263) | (41,731) |
| Investing activities | | |
| Purchases of property and equipment | (24,093) | (9,846) |
| Proceeds from maturities of marketable securities | 113,006 | 239,500 |
| Purchases of marketable securities | (891,561) | (196,353) |
| Net cash (used in) provided by investing activities | (802,648) | 33,301 |
| Financing activities | | |
| Proceeds from exercise of stock options | 599 | 394 |
| Proceeds from issuance of Series F preferred stock, net of issuance costs | 176,462 | — |
| Proceeds from issuance of Class A Common Stock pursuant to Legacy QuantumScape Series F Preferred Stock Purchase Agreement, net of issuance costs | 99,800 | — |
| Business Combination, net of issuance costs paid | 676,863 | — |
| Net cash provided by financing activities | 953,724 | 394 |
| Net increase (decrease) in cash, cash equivalents and restricted cash | 89,813 | (8,036) |
| Cash, cash equivalents and restricted cash at beginning of period | 25,596 | 33,632 |
| Cash, cash equivalents and restricted cash at end of period | \$ 115,409 | \$ 25,596 |
| Supplemental disclosure of cash flow information | | |
| Purchases of property and equipment, accrued but not paid | \$ 4,170 | \$ 2,547 |
| Business Combination transaction costs, accrued but not paid | \$ 1,016 | \$ — |
| Net assets assumed from Business Combination | \$ 592 | \$ — |

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The following table presents the Company's cash, cash equivalents and restricted cash by category in the Company's Consolidated Balance Sheets:

| | December 31, | |
|---|-------------------|------------------|
| | 2020 | 2019 |
| Cash and cash equivalents | \$ 113,216 | \$ 22,822 |
| Other assets | 2,193 | 2,774 |
| Total cash, cash equivalents and restricted cash | \$ 115,409 | \$ 25,596 |

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

QuantumScape Corporation
Notes to Consolidated Financial Statements

December 31, 2020

1. Nature of Business

Organization

On November 25, 2020 (the "Closing Date"), Kensington Capital Acquisition Corp. ("Kensington"), a special purpose acquisition company, consummated the Business Combination Agreement (the "Business Combination Agreement") dated September 2, 2020, by and among Kensington, Kensington Merger Sub Corp., a Delaware corporation and wholly owned subsidiary of Kensington ("Merger Sub"), and QuantumScape Battery, Inc., a Delaware corporation (f/k/a QuantumScape Corporation and f/k/a QuantumScape Subsidiary, Inc.) ("Legacy QuantumScape").

Pursuant to the terms of the Business Combination Agreement, a business combination between Kensington and Legacy QuantumScape was effected through the merger of Merger Sub with and into Legacy QuantumScape, with Legacy QuantumScape surviving as the surviving company and as a wholly-owned subsidiary of Kensington (the "Merger" and, collectively with the other transactions described in the Business Combination Agreement, the "Business Combination"). On the closing date, Kensington changed its name to QuantumScape Corporation, (the "Company").

The Company is focused on the development and commercialization of its solid-state lithium-metal batteries. Planned principal operations have not yet commenced. As of December 31, 2020, the Company has not derived revenue from its principal business activities.

Beginning in March 2020, the COVID-19 pandemic and the measures imposed to contain this pandemic have disrupted and are expected to continue to impact the Company's business. The magnitude of the impact of the COVID-19 pandemic on the Company's productivity, results of operations and financial position, and its disruption to the Company's business and battery development and timeline, will depend in part, on the length and severity of these restrictions and on the Company's ability to conduct business in the ordinary course.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company's consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") and pursuant to the regulations of the U.S. Securities and Exchange Commission ("SEC").

Pursuant to the Business Combination Agreement, the merger between Merger Sub and Legacy QuantumScape was accounted for as a reverse recapitalization in accordance with U.S. GAAP (the "Reverse Recapitalization"). Under this method of accounting, Kensington was treated as the "acquired" company and Legacy QuantumScape is treated as the acquirer for financial reporting purposes.

Accordingly, for accounting purposes, the Reverse Recapitalization was treated as the equivalent of Legacy QuantumScape issuing stock for the net assets of Kensington, accompanied by a recapitalization. The net assets of Kensington are stated at historical cost, with no goodwill or other intangible assets recorded.

Legacy QuantumScape was determined to be the accounting acquirer based on the following predominant factors:

- Legacy QuantumScape's shareholders have the largest portion of voting rights in the Company;
- the Board and Management are primarily composed of individuals associated with Legacy QuantumScape; and
- Legacy QuantumScape was the larger entity based on historical operating activity and Legacy QuantumScape has the larger employee base at the time of the Business Combination.

The consolidated assets, liabilities and results of operations prior to the Reverse Recapitalization are those of Legacy QuantumScape. The shares and corresponding capital amounts and losses per share, prior to the Business Combination, have been retroactively restated based on shares reflecting the exchange ratio established in the Business Combination.

Immaterial Adjustments

The Company made an immaterial correcting adjustment (the "correcting adjustment") to its Consolidated Balance Sheet and Consolidated Statement of Redeemable Non-controlling Interest and Stockholders' Equity as of and for the year ended December 31, 2019 to reclassify the non-controlling interest of \$1.7 million from total stockholders' equity to temporary equity. This adjustment was made due to an option of the non-controlling interest holders that may require the Company to purchase their interest. The correcting adjustment has no effect on the Company's Consolidated Statement of Operations and Comprehensive Loss or the Consolidated Statement of Cash flows for the period ended December 31, 2019.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of commitments and contingencies at the date of the financial statements as well as reported amounts of expenses during the reporting periods. Estimates made by the Company include, but are not limited to, those related to the valuation of common stock prior to the Business Combination, valuation of convertible preferred stock warrants, and valuation of convertible preferred stock tranche liabilities, among others. The Company bases these estimates on historical experience and on various other assumptions that it believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results could differ materially from those estimates.

Principles of Consolidation

The Company's policy is to consolidate all entities that it controls by ownership of a majority of the outstanding voting stock. In addition, the Company consolidates entities that meet the definition of a variable interest entity ("VIE") for which the Company is the related party most closely associated with and is the primary beneficiary. The primary beneficiary is the party who has the power to direct the activities of a VIE that most significantly impact the entity's economic performance and who has an obligation to absorb losses of the entity or a right to receive benefits from the entity that could potentially be significant to the entity. For consolidated entities that are less than wholly owned, the third party's holding of an equity interest is presented as Redeemable non-controlling interests in the Company's Consolidated Balance Sheets and Consolidated Statements of Redeemable Non-Controlling Interest and Stockholders' Equity. The portion of net earnings attributable to the redeemable non-controlling interests is presented as Net income (loss) attributable to non-controlling interests in the Company's Consolidated Statements of Operations and Comprehensive Loss.

The Company was a single-legal entity prior to becoming a partner with Volkswagen in QSV Operations LLC (the "JV entity"). As noted in "Joint Venture" discussion, the Company determined the JV entity was a VIE for which it was required to consolidate the operations upon its formation in 2018. The Company continued to consolidate the operations of the JV entity in 2020 as the determination of the variable interest entity has not changed.

Joint Venture and Redeemable Non-Controlling Interest

On June 18, 2018, the JV entity was incorporated as a limited liability company. Volkswagen Group of America, Inc. ("VWGoA"), Volkswagen Group of America Investments, LLC ("VGA") and QuantumScape executed a Joint Venture Agreement ("JVA"), effective September 2018, with the goal of jointly establishing a manufacturing facility in the United States to produce the pilot line of the Company's product through the JV entity. Volkswagen is a related party stockholder (13.2% and 13.1% voting interest holder of the Company as of December 31, 2020 and December 31, 2019, respectively). Upon the effectiveness of the JVA, each party contributed \$1.7 million in cash to capitalize the JV entity in exchange for 50% equity interests.

The joint venture is considered a variable interest entity with a related party and therefore the related party whose business is more closely related to the planned operations of the joint venture is required to consolidate the operations.

The Company determined its operations were most closely aligned with the operations of the joint venture and therefore has consolidated the results of the JV entity's operations in its Consolidated Balance Sheets, Consolidated Statements of Operations and Comprehensive Loss and Consolidated Statements of Redeemable Non-Controlling Interest and Stockholders' Equity. The JV entity had minimal operations through December 31, 2020.

The Company classifies non-controlling interests with redemptions features that are not solely within the control of the Company within temporary equity on the Company's Consolidated Balance Sheet in accordance with ASC 480-10-S99-3A, SEC Staff Announcement: Classification and Measurement of Redeemable Securities ("ASC 480-10-S99-3A"). The non-controlling interest was recorded outside of stockholders' equity because the non-controlling interest provides the holder with put rights in the event of, amongst others, (a) the failure by the Company to meet specified development milestones within certain timeframes, (b) the parties to the JVA cannot agree to certain commercial terms within certain timeframes, or (c) a change of control of the Company, which such events are considered not solely within the Company's control. The Company adjusts redeemable non-controlling interests for the portion of net earnings attributable to the redeemable non-controlling interests.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to credit risk consist principally of cash and cash equivalents, of which \$12.2 million is held in a US government Money Market fund and marketable securities, of which \$977.3 million is invested in US government and agency securities. The Company seeks to mitigate its credit risk with respect to cash and cash equivalents and marketable securities by making deposits with large, reputable financial institutions and investing in high credit rated shorter-term instruments.

Cash and Cash Equivalents and Restricted Cash

Management considers all highly liquid investments with an insignificant interest rate risk and original maturities of three months or less to be cash equivalents.

Restricted cash, if the date of availability or disbursement is longer than one year and the balances are maintained under an agreement that legally restricts the use of such funds, is not included within cash and cash equivalents and is reported within other assets.

Restricted cash is comprised of \$2.2 million, of which \$2.0 million is pledged as a form of security for the Company's facility lease agreement and \$0.2 million as collateral for a commercial letter of credit issued to an equipment supplier as of December 31, 2020. As of December 31, 2019, restricted cash was \$2.8 million.

Marketable Securities

The Company's investment policy is consistent with the definition of available-for-sale securities. The Company does not buy and hold securities principally for the purpose of selling them in the near future. The Company's policy is focused on the preservation of capital, liquidity, and return. From time to time, the Company may sell certain securities, but the objectives are generally not to generate profits on short-term differences in price.

These debt securities are carried at estimated fair value with unrealized holding gains and losses included in other comprehensive loss in stockholders' deficit until realized. Gains and losses on marketable security transactions are reported on the specific-identification method. Dividend and interest income are recognized when earned.

Fair Value Measurement

The Company applies fair value accounting for all financial assets and liabilities measured on a recurring and nonrecurring basis. Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. The accounting guidance established a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, used to determine the fair value of its financial instruments. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

- Level 1 – Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets and liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the related asset. The estimated useful lives of assets are as follows:

| | |
|---------------------------|----------|
| Computers and hardware | 3 years |
| Furniture and fixtures | 7 years |
| Lab equipment | 5 years |
| Building and improvements | 25 years |

Leasehold improvements

Shorter of the lease term (including estimated renewals) or the estimated useful lives of the improvements

Maintenance and repairs are charged to expense as incurred, and improvements are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the accompanying statements of operations and comprehensive loss in the period realized.

Impairment of Long-Lived Assets

The Company evaluates the carrying value of long-lived assets when indicators of impairment exist. The carrying value of a long-lived asset is considered impaired when the estimated separately identifiable, undiscounted cash flows from such an asset are less than the carrying value of the asset. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. Fair value is determined primarily using the estimated cash flows discounted at a rate commensurate with the risk involved. There were no material impairment charges in any of the periods presented.

Leases

The Company accounts for its leases under ASC 842, Leases. Under this guidance, lessees classify arrangements meeting the definition of a lease as operating or financing leases, and leases are recorded on the Consolidated Balance Sheet as both a right-of-use asset and lease liability, calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease or the Company's incremental borrowing rate. Lease liabilities are increased by interest and reduced by payments each period, and the right of use asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right-of-use asset result in straight-line rent expense over the lease term. For finance leases, interest on the lease liability and the amortization of the right-of-use asset results in front-loaded expense over the lease term. Variable lease expenses, including common maintenance fees, insurance and property tax, are recorded when incurred.

In calculating the right-of-use asset and lease liability, the Company elects to combine lease and non-lease components for all classes of assets. The Company excludes short-term leases having initial terms of 12 months or less as an accounting policy election, and instead recognizes rent expense on a straight-line basis over the lease term.

Convertible Preferred Stock

Prior to the Business Combination, the Company recorded shares of convertible preferred stock at their respective fair values on the dates of issuance, net of issuance costs. The Company applied the guidance in ASC 480-10-S99-3A and therefore classified all of its outstanding convertible preferred stock as temporary equity. The convertible preferred stock was recorded outside of stockholders' deficit because, in the event of certain deemed liquidation events considered not solely within the Company's control, such as a merger, acquisition and sale of all or substantially all of the Company's assets, the convertible preferred stock would become redeemable at the option of the holders. In the event of a change of control of the Company, proceeds received from the sale of such shares would be distributed in accordance with the liquidation preferences set forth in the Company's Amended and Restated Certificate of Incorporation.

All convertible preferred stock previously classified as temporary equity was retroactively adjusted, converted into Class A and Class B common stock, and reclassified to permanent as a result

of the Business Combination. Convertible preferred stock converted into shares of Legacy QuantumScape Class A and Class B common stock and were immediately exchanged for Class A and Class B common stock of the Company, see Note 4.

In March 2016 and March 2017, Legacy QuantumScape issued shares of Legacy QuantumScape Series D convertible preferred stock to two new strategic investors and to an existing strategic investor for net proceeds of \$59.7 million.

Legacy QuantumScape determined that the Legacy QuantumScape Series D convertible preferred stock share purchase agreements with these investors contained strategic terms as all of these investors had strategic interests in the Company's technology and negotiated specific strategic terms expected to benefit these new investors, over and above the value that would be expected to be realized from the equity investment itself. Thus, the sale of the Legacy QuantumScape Series D convertible preferred stock to these investors reflected a higher price ("strategic premium") than what a market participant who did not receive these strategic benefits would be willing to pay. Legacy QuantumScape allocated the net proceeds from these investors between the Legacy QuantumScape Series D convertible preferred stock and the strategic premium resulting in a strategic premium of \$7.9 million which it recorded as a deferred liability on the balance sheet.

The strategic premium is considered akin to payment for research and development efforts. Legacy QuantumScape's accounting policy is to record research and development effort payments as contra research and development and recorded the benefits (amortization of the strategic premium) over the estimated period of the development agreements with the investors which is re-assessed annually.

For the years ended December 31, 2020 and December 31, 2019, the Company recorded amortization of \$0.7 million and \$0.9 million, respectively.

Free-Standing Convertible Preferred Stock Warrants Liability

Free-standing warrants issued by Legacy QuantumScape for the purchase of shares of its convertible preferred stock were classified as liabilities on the accompanying balance sheets at fair value using an Option-Pricing Model ("OPM"). Prior to the Business Combination, the liability recorded was adjusted for changes in the fair value at each reporting date and recorded as interest expense in the accompanying Consolidated Statements of Operations and Comprehensive Loss. As a result of the Business Combination, the Legacy QuantumScape warrants converted into a warrant to purchase shares of the Company's common stock converted at the Exchange Ratio. The Company determined the warrants to be equity classified and the fair value of the warrants upon consummation of the Business Combination, as adjusted based on the price of the underlying common stock, was reclassified to additional paid-in capital.

Segments

Operating segments are defined as components of an entity for which separate financial information is available and that is regularly reviewed by the Chief Operating Decision Maker ("CODM") in deciding how to allocate resources to an individual segment and in assessing performance. The Company's CODM is its Chief Executive Officer. The Company has determined that it operates in one operating segment and one reportable segment, as the CODM reviews financial information presented on a consolidated basis for purposes of making operating decisions, allocating resources, and evaluating financial performance.

Research and Development Cost

Costs related to research and development are expensed as incurred.

Stock-Based Compensation

The Company measures and recognizes compensation expense for all stock-based awards made to employees, directors, and non-employees, including stock options, restricted share units and restricted shares, based on estimated fair values recognized over the requisite service period.

The fair value of options granted is estimated on the grant date using the Black-Scholes option valuation model. This valuation model for stock-based compensation expense requires the Company to make assumptions and judgments about the variables used in the calculation, including the expected term (weighted-average period of time that the options granted are expected to be outstanding), the volatility of the Company's common stock, and an assumed risk-free interest rate. The Company accounts for forfeitures when they occur. The Company uses the simplified calculation of the expected life, which takes into consideration the grant's contractual life and vesting period and assumes that all options will be exercised between the vesting date and the contractual term of the option. No awards have been issued with a market condition or other non-standard terms.

Given the lack of public market for the Company's stock prior to the Business Combination and minimal history as a public company subsequent to the Business Combination, the estimate for volatility is based on an average of the historical volatilities of the common stock of several entities with characteristics similar to those of the Company. Since these comparable companies operate in the same industry segment, the Company expects that it would share similar characteristics, such as risks profiles, volatility, capital intensity, clientele, and market growth patterns and drivers.

The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option.

Income Taxes

The Company accounts for income taxes under an asset and liability approach. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and operating loss carryforwards, measured by applying currently enacted tax laws. Valuation allowances are provided when necessary to reduce net deferred tax assets to an amount that is more likely than not to be realized.

The Company recognizes tax liabilities based upon its estimate of whether, and the extent to which, additional taxes will be due when such estimates are more likely than not to be sustained. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained.

Comprehensive Income or Loss

The Company's comprehensive income or loss consists of net income or loss and other comprehensive loss. Unrealized gains or losses on available-for-sale investments are included in the Company's other comprehensive income or loss.

Net Loss per Share of Common Stock

Basic net loss per share is computed by dividing the net loss by the weighted-average number of shares of common stock outstanding during the period.

Diluted earnings per share adjusts basic earnings per share for the potentially dilutive impact of stock options and warrants. As the Company has reported losses for all periods presented, all potentially dilutive securities including stock options and warrants, are antidilutive and accordingly, basic net loss per share equals diluted net loss per share.

3. Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This guidance introduces a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses. ASU 2016-13 also provides updated guidance regarding the impairment of available-for-sale debt securities and includes additional disclosure requirements. The Company adopted this guidance as of January 1, 2020 with no impact upon adoption.

In November 2018, the FASB issued ASU 2018-18, *Collaborative Arrangement (Topic 808): clarifying the Interaction between Topic 808 and Topic 606*, which clarifies that certain transactions between participants in a collaborative arrangement should be accounted for under ASC Topic 606 when the counterparty is a customer. In addition, Topic 808 precludes an entity from presenting consideration from a transaction in a collaborative arrangement as revenue from contracts with customers if the counterparty is not a customer for that transaction. The Company adopted this guidance as of January 1, 2020 with no impact upon adoption.

In December 2019, the FASB issued 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. ASU 2019-12 removes certain exceptions to the general principles in ASC 740 and also clarifies and amends existing guidance to improve consistent application. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity*, which simplifies accounting for convertible instruments by removing major separation models required under current GAAP. The ASU removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception and it also simplifies the diluted earnings per share calculation in certain areas. The ASU is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2021 and adoption must be as of the beginning of the Company’s annual fiscal year. The Company is currently evaluating the impact of this standard on its consolidated financial statements and related disclosures.

4. Business Combination

As discussed in Note 1, on November 25, 2020, the Company consummated the Business Combination Agreement dated September 2, 2020, with Legacy QuantumScape surviving the merger as a wholly owned subsidiary of the Company.

At the effective time of the Merger (the “Effective Time”), and subject to the terms and conditions of the Business Combination Agreement, each share of Legacy QuantumScape Class A common stock, par value \$0.0001 per share, and each share of the Legacy QuantumScape Preferred Stock that was convertible into a share of Legacy QuantumScape Class A common stock, was canceled and converted into the right to receive the number of shares of the Company’s Class A Common Stock, \$0.0001 par value per share (the “Class A Common Stock”) equal to 4.02175014920 (the “Exchange Ratio”), and each share of Legacy QuantumScape Class B common stock, par value \$0.0001 per share, and each share of the Legacy QuantumScape Preferred Stock that was convertible into a share of Legacy QuantumScape Class B common stock was canceled and converted into the right to receive the number of shares of the Company’s Class B Common Stock, \$0.0001 par value per share (the “Class B Common Stock,” and, together with the Class A Common Stock, the “Common Stock”) equal to the Exchange Ratio.

Upon the closing of the Business Combination, the Company's certificate of incorporation was amended and restated to, among other things, increase the total number of authorized shares of all classes of capital stock to 1,350,000,000 shares, \$0.0001 par value per share, of which, 1,000,000,000 shares are designated as Class A Common Stock, 250,000,000 shares are designated as Class B Common Stock, and 100,000,000 shares are designated as Preferred Stock. The holder of each share of Class A common stock is entitled to one vote, and the holder of each share of Class B common stock is entitled to ten votes.

In connection with the Business Combination, a number of subscribers (each, a "Subscriber") purchased from the Company an aggregate of 50,000,000 shares of Class A Common Stock (the "PIPE"), for a purchase price of \$10.00 per share and an aggregate purchase price of \$500.0 million (the "PIPE Shares"), pursuant to separate subscription agreements (each, a "Subscription Agreement") entered into effective as of September 2, 2020.

The Business Combination is accounted for as a reverse recapitalization in accordance with U.S. GAAP. Under this method of accounting, Kensington was treated as the "acquired" company and Legacy QuantumScape is treated as the acquirer for financial reporting purposes. Accordingly, for accounting purposes, the Business Combination was treated as the equivalent of Legacy QuantumScape issuing stock for the net assets of Kensington, accompanied by a recapitalization. The net assets of Kensington were stated at historical cost, with no goodwill or other intangible assets recorded.

The following table reconciles the elements of the Business Combination to the Consolidated Statement of Cash Flows and the Consolidated Statement of Redeemable Non-Controlling Interest and Stockholders' Equity for the year ended December 31, 2020 (amounts in thousands):

| | Recapitalization |
|---|-------------------------|
| Cash- Kensington trust and cash, net of redemptions | \$ 230,128 |
| Cash- PIPE Financing | 500,000 |
| Non-cash net assets assumed from Kensington | 592 |
| Less: transaction costs and advisory fees | 54,281 |
| Net Business Combination | <u>\$ 676,439</u> |
| Less: non-cash net assets assumed from Kensington | 592 |
| Add: accrued transaction costs and advisor fees | 1,016 |
| Net cash contributions from Business Combination | <u>\$ 676,863</u> |

The number of shares of common stock issued immediately following the consummation of the Business Combination:

| | Number of Shares |
|---|-----------------------------|
| Common stock, outstanding prior to Business Combination | 23,000,000 |
| Less: redemption of Kensington shares | 15,255 |
| Common stock of Kensington | 22,984,745 |
| Kensington Founder Shares | 5,750,000 |
| Shares issued in PIPE Financing | 50,000,000 |
| Business Combination and PIPE Financing shares - Class A common stock | 78,734,745 |
| Legacy QuantumScape shares - Class A common stock(1) | 110,734,478 |
| Legacy QuantumScape shares - Class B common stock(1) | 158,301,450 |
| Total shares of common stock immediately after Business Combination | <u>347,770,673</u> |

(1) The number of Legacy QuantumScape Class A common stock was determined from the 27,533,913 shares of Legacy QuantumScape Class A common stock outstanding immediately

- prior to the closing of the Business Combination converted at the Exchange Ratio. All fractional shares were rounded down.
- (2) The number of Legacy QuantumScape Class B common stock was determined from the 39,361,342 shares of Legacy QuantumScape Class B common stock outstanding immediately prior to the closing of the Business Combination converted at the Exchange Ratio. All fractional shares were rounded down.

5. Fair Value Measurement

The Company's financial assets and liabilities subject to fair value measurements on a recurring basis and the level of inputs used for such measurements were as follows (amounts in thousands):

| | Fair Value Measured as of December 31, 2020 | | | Total |
|---|--|-------------------|-----------------|-------------------|
| | Level 1 | Level 2 | Level 3 | |
| Assets included in: | | | | |
| Money market fund(1) | \$ 12,235 | \$ — | \$ — | \$ 12,235 |
| Marketable securities(2) | — | 977,326 | — | 977,326 |
| Total fair value | <u>\$ 12,235</u> | <u>\$ 977,326</u> | <u>\$ —</u> | <u>\$ 989,561</u> |
| | | | | |
| | Fair Value Measured as of December 31, 2019 | | | Total |
| | Level 1 | Level 2 | Level 3 | |
| Assets included in: | | | | |
| Money market fund(1) | \$ 5,163 | \$ — | \$ — | \$ 5,163 |
| Marketable securities(2) | — | 120,599 | — | 120,599 |
| Total fair value | <u>\$ 5,163</u> | <u>\$ 120,599</u> | <u>\$ —</u> | <u>\$ 125,762</u> |
| Liabilities included in: | | | | |
| Convertible preferred stock warrant liabilities | \$ — | \$ — | \$ 1,860 | \$ 1,860 |
| Total fair value | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 1,860</u> | <u>\$ 1,860</u> |

- (1) Money market funds are included in Cash and cash equivalents on the Consolidated Balance Sheet.
- (2) Marketable securities with original maturities of three months or less, in the amount of \$105.2 million and \$18.7 million, are included in Cash and cash equivalents on the Consolidated Balance Sheet as of December 31, 2020 and December 31, 2019, respectively.

As of December 31, 2019 and 2020, the carrying values of cash and cash equivalents, accounts payable and accrued liabilities approximate their respective fair values due to their short-term nature.

Marketable Securities

The following table summarizes, by major security type, the Company's assets that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. Amortized cost net of unrealized gain (loss) is equal to fair value as of December 31, 2020. The fair value as of December 31, 2020 and 2019, are as follows (amounts in thousands):

| | December 31, 2020 | | | Fair Value |
|--------------------------|-------------------|-----------------|-----------------|------------------|
| | Amortized Cost | Unrealized Gain | Unrealized Loss | |
| Level 1 securities | | | | |
| Money market fund | \$ 12,235 | \$ — | \$ — | \$ 12,235 |
| Level 2 securities | | | | |
| US government securities | 977,357 | 24 | (55) | 977,326 |
| Total | \$989,592 | \$ 24 | \$ (55) | \$989,561 |

| | December 31, 2019 | | | Fair Value |
|--------------------------|-------------------|-----------------|-----------------|------------------|
| | Amortized Cost | Unrealized Gain | Unrealized Loss | |
| Level 1 securities | | | | |
| Money market fund | \$ 5,163 | \$ — | \$ — | \$ 5,163 |
| Level 2 securities | | | | |
| Repurchase agreement | 13,500 | — | — | 13,500 |
| US government securities | 107,009 | 90 | — | 107,099 |
| Total Level 2 securities | 120,509 | 90 | — | 120,599 |
| Total | \$125,672 | \$ 90 | \$ — | \$125,762 |

Any realized gains and losses and interest income are included in interest income.

We regularly review our available-for-sale marketable securities in an unrealized loss position and evaluate the current expected credit loss by considering factors such as historical experience, market data, issuer-specific factors, and current economic conditions. The aggregate fair value of the 12 marketable securities in unrealized loss position was \$419.2 million as of December 31, 2020, none of which have been in the continuous unrealized loss for more than twelve months. The unrealized losses were attributable to changes in interest rates that impacted the value of the investments, and not increased credit risk. Accordingly, we have not recorded an allowance for credit losses associated with these investments. As of December 31, 2019, the Company did not have any available-for-sale securities in an unrealized loss position.

The estimated amortized cost and fair value of available-for-sale securities by contractual maturity as of December 31, 2020, are as follows (amounts in thousands):

| | December 31, 2020 | |
|---|-------------------|-------------------|
| | Amortized Cost | Fair Value |
| Due within one year | \$ 895,867 | \$ 895,830 |
| Due after one year and through five years | 93,725 | 93,731 |
| Total | \$ 989,592 | \$ 989,561 |

Warrants

In 2011 through 2013, in connection with an equipment and loan security agreement with TriplePoint Capital, the Company issued warrants to purchase 124,586 shares of Legacy QuantumScape Series A convertible preferred stock at \$2.20131 per share (“the TPC1 warrants”). The TPC1 warrants were set to expire at the later of 7 years from effective date or five years after an initial public offering or acquisition.

In January 2015, the Company entered into another equipment loan and security agreement with TriplePoint Capital. In connection with the borrowing of funds per the agreement, the Company issued warrants to purchase 129,718 shares of Legacy QuantumScape Series C convertible preferred stock at \$10.40717 per share (“TPC2 warrants”). The TPC2 warrants were set to expire at the later of 2022 or five years after an initial public offering or acquisition.

In connection with the Business Combination, each outstanding and unexercised warrant (“Legacy QuantumScape Warrant”) to purchase shares of Legacy QuantumScape capital stock was automatically converted into a warrant to purchase a number of shares of the applicable class of Common Stock (such warrant, the “Exchanged Warrant”) equal to the product (rounded down to the nearest whole number) of (i) the number of shares of Legacy QuantumScape common stock subject to such Legacy QuantumScape Warrant immediately prior to the Effective Time multiplied by (ii) the Exchange Ratio, at an exercise price per share (rounded up to the nearest whole cent) equal to (A) the exercise price per share of such Legacy QuantumScape Warrant immediately prior to the Effective Time divided by (B) the Exchange Ratio. Accordingly, upon the closing of the Business Combination, the TPC1 warrants became warrants to purchase 501,047 shares of the Company’s Class A common stock at \$0.5473 per share and the TPC2 warrants became warrants to purchase 521,693 shares of the Company’s Class A common stock at \$2.5877 per share with an estimated fair value of \$22.6 million. Upon the closing the Business Combination and conversion to warrants for the purchase of Class A common stock, the fair value of the TPC1 and TPC2 warrants were determined using the OPM with the following assumptions:

| | At Conversion | |
|------------------------------------|---------------|---------------|
| | TPC1 Warrants | TPC2 Warrants |
| Option term (in years) | 5 | 5 |
| Volatility | 70.0% | 70.0% |
| Risk-free interest rate | 0.39% | 0.39% |
| Expected dividends | — | — |
| Discount for lack of marketability | — | — |

In December 2020, all outstanding TPC1 and TPC2 warrants were net exercised in exchange for 998,460 shares of Class A Common stock.

As of December 31, 2019, the fair value of the TPC1 and TPC2 warrants were re-measured using the OPM with the following assumptions:

| | As of December 31, 2019 | |
|------------------------------------|-------------------------|---------------|
| | TPC1 Warrants | TPC2 Warrants |
| Option term (in years) | 5 | 5 |
| Volatility | 58.5% | 45.0% |
| Risk-free interest rate | 1.69% | 1.69% |
| Expected dividends | — | — |
| Discount for lack of marketability | 35.0% | 35.0% |

The 5-year term was derived based on the Company's estimation of the timing of the exercise of the warrants. Significant changes in the option term and volatility would result in a significantly higher or lower fair value measurement, respectively. As of December 31, 2019, the fair value of the TPC warrants were reported on the Company's balance sheets as a long-term liability.

The following table presents the reconciliation of the TPC warrants measured and recorded at fair value on a recurring basis using the significant unobservable inputs described above (amounts in thousands):

| | TPC1 Warrants | TPC2 Warrants | Fair Value |
|--|------------------|------------------|---------------|
| Balance at December 31, 2018 | \$ 984 | \$ 782 | \$ 1,766 |
| Re-measurement loss included in interest expense | 52 | 42 | 94 |
| Balance at December 31, 2019 | 1,036 | 824 | 1,860 |
| Re-measurement loss included in interest expense | 10,475 | 10,290 | 20,765 |
| Reclassification to additional paid-in capital upon recapitalization | (11,511) | (11,114) | (22,625) |
| Balance at December 31, 2020 | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> |

Convertible Preferred Stock Tranche Liabilities

In May 2020 and September 2020, Legacy QuantumScape executed a stock purchase agreement and related agreements and amendments thereto, with VGA for an investment of \$200 million in Legacy QuantumScape's Series F convertible preferred stock.

The terms of the Series F Preferred Stock Purchase Agreement with VGA obligated Legacy QuantumScape to issue and sell, and VGA to purchase, up to a total of 7,569,508 shares of Series F convertible preferred stock (the "tranche shares") at \$26.4218 per share, to be funded in two tranches: (1) 3,784,754 shares of Legacy QuantumScape Series F Preferred Stock issued for \$100 million on December 1, 2020 (the time-based portion of the agreement, "tranche shares 1"), and (2) 3,784,754 shares of Legacy QuantumScape Series F Preferred Stock will be issued for \$100 million subject to certain conditions including the achievement of a specified technical milestone by March 31, 2021, as set forth in such agreements ("tranche shares 2"). The Company concluded that the firm commitment to issue the tranche shares met the definition of a freestanding financial instrument. As the underlying convertible preferred shares of the outstanding tranche liabilities were redeemable outside the control of the Company, the fair value of the tranche liabilities was reported on the Company's balance sheets as a long-term liability, and the fair value change was recorded in other expense in the Consolidated Statements of Operations and Comprehensive Loss, as noted in the table below.

The Series F Preferred Stock Purchase Agreement with VGA, as amended, contains provisions pursuant to which, if the relevant closing of such Series F Preferred Stock Purchase Agreement (in whole or in part) occur only after effectiveness of the Merger, VGA agreed to purchase, and the Company agreed to issue, instead of the relevant number of shares of Legacy QuantumScape Series F Preferred Stock to be purchased at such closing, such number of shares of Class A Common Stock as would have been issued in the Merger in exchange for such shares of Legacy QuantumScape Series F Preferred Stock if they had been outstanding prior to the Merger. As a result of these provisions to issue shares of Class A Common Stock, and upon consummation of the Business Combination, the Company determine its obligation to issue Class A Common Stock pursuant to the Series F Preferred Stock Purchase Agreement was equity classified and the fair value of the tranche liabilities was reclassified to additional paid-in capital.

In August 2020, Legacy QuantumScape entered into Series F Preferred Stock Purchase Agreements and related agreements thereto with several new and existing investors, pursuant to which it agreed to sell, and the investors agreed to purchase, an aggregate of 7,115,335 shares of Legacy QuantumScape Series F Preferred Stock at \$26.4218 per share for an aggregate purchase price of \$188 million (tranche shares 3 and 4), of which: (1) \$94.0 million was to be funded at the earlier of December 1, 2020 or a SPAC business combination (“tranche shares 3”), and (2) the remaining \$94.0 million tranche (“tranche shares 4”) was to be funded at the earlier of a SPAC business combination closing or March 2021. Similar to the tranche shares to VGA, the Company concluded that the firm commitment to issue the incremental tranche shares 3 and 4 met the definition of a freestanding financial instrument.

Pursuant to the terms of these Series F Preferred Stock Purchase Agreements, funding of the tranche shares 3 and 4 occurred concurrent with the closing of the Business Combination. Upon funding and issuance of the 7,115,335 shares of Legacy QuantumScape Series F Preferred Stock, the convertible preferred stock tranche liability associated with tranche shares 3 and 4 was settled and the fair value of the tranche liability was recorded as redeemable convertible preferred stock.

The Company remeasured all tranche share liabilities as of closing date of the Business Combination based on the closing market price of Kensington immediately prior to the Business Combination. The fair value of the Legacy QuantumScape’s Series F convertible preferred stock tranches was calculated based on the traded stock price of Kensington at November 25, 2020 of \$23.50, adjusted for the Exchange Ratio, less the Series F exercise price of \$26.42.

The following table presents the reconciliation of the Series F convertible preferred tranche liabilities measured and recorded at fair value on a recurring basis using the significant unobservable inputs described above (amounts in thousands):

| | Fair Value |
|--|-------------------|
| Balance at December 31, 2019 | \$ — |
| Issuance and re-measurement loss recorded in other expense | 999,865 |
| Issuance of Legacy QuantumScape Series F Preferred Stock—tranche shares 3 and 4 | (484,471) |
| Reclassification to additional paid-in capital upon Closing of the Business Combination - tranche shares 1 and 2 | (515,394) |
| Balance at December 31, 2020 | <u>\$ —</u> |

6. Property and Equipment

Property and equipment at December 31, 2020 and 2019, consisted of the following (amounts in thousands):

| | December 31, | |
|---|---------------------|------------------|
| | 2020 | 2019 |
| Computers and hardware | \$ 624 | \$ 598 |
| Furniture and fixtures | 10,099 | 4,755 |
| Lab equipment | 37,051 | 25,919 |
| Leasehold improvements | 12,154 | 12,005 |
| Construction-in-progress | <u>16,078</u> | <u>8,610</u> |
| | 76,006 | 51,887 |
| Accumulated depreciation and amortization | <u>(32,310)</u> | <u>(26,395)</u> |
| Property and equipment, net | <u>\$ 43,696</u> | <u>\$ 25,492</u> |

Depreciation and amortization expense related to property and equipment was \$7.5 million and \$5.6 million for the years ended December 31, 2020 and 2019, respectively.

7. Leases

The Company currently leases its headquarters under a single lease classified as an operating lease expiring in January 2023. Fixed rent escalates each year and the Company is responsible for a portion of the landlord's operating expenses such as property tax, insurance and common area maintenance. Under the lease, the Company has one 60-month renewal option, which has been included in the calculation of lease liabilities and right of use assets at the adoption date of the lease accounting standard on January 1, 2019, as the exercise of the option was reasonably certain. As the renewal rent has not been negotiated, the Company used an estimated rent rate which approximated the fair market rent at adoption for the extension period. This lease does not have any contingent rent payments and does not contain residual value guarantees.

The Company does not have any leases classified as financing leases during the years ended December 31, 2020 and 2019.

The components of lease related expense are as follows (amounts in thousands):

| | Operating leases | Year Ended December 31, | |
|-------------------------|------------------|----------------------------|----------------|
| | | 2020 | 2019 |
| Operating lease cost | | \$2,143 | \$2,143 |
| Variable lease cost | | 409 | 425 |
| Operating lease expense | | <u>\$2,552</u> | <u>\$2,568</u> |

The components of supplemental cash flow information related to leases are as follows (amounts in thousands):

| | Year Ended December 31, | |
|--|----------------------------|----------|
| | 2020 | 2019 |
| Operating cash flows—operating leases | \$1,994 | \$1,936 |
| Right-of-use assets obtained in exchange for operating lease liabilities | \$ — | \$14,100 |

| | Year Ended December 31, | |
|---|----------------------------|-------|
| | 2020 | 2019 |
| Weighted-average remaining lease term—operating leases (in years) | 7.1 | 8.1 |
| Weighted-average discount rate—operating leases | 7.00% | 7.00% |

As of December 31, 2020, future minimum payments during the next five years and thereafter are as follows (amounts in thousands):

| | Operating Leases |
|------------------------------|-----------------------------|
| Year Ended December 31, 2021 | \$ 2,053 |
| Year Ended December 31, 2022 | 2,115 |
| Year Ended December 31, 2023 | 2,301 |
| Year Ended December 31, 2024 | 2,318 |
| Year Ended December 31, 2025 | 2,318 |
| Thereafter | 4,828 |
| Total | 15,933 |
| Less present value discount | (3,469) |
| Operating lease liabilities | <u>\$ 12,464</u> |

The Company's lease agreement does not provide an implicit rate, so the Company used an estimated incremental borrowing rate, which was derived from third-party information available at the time the Company adopted ASC 842, *Leases*, in determining the present value of lease payments. The rate used is for a secured borrowing of a similar term as the lease.

Sublease

In May 2017, the Company entered into an agreement to sublet approximately 15,000 square feet of the Company's leased space for the sublease term of 3 years. In March 2018, the sublease agreement was amended to add approximately another 11,000 square feet to the sublease. The Company received \$0.9 million for the years ended December 31, 2019 in sublease income and the amounts have been recorded in other income (expense). The sublease was terminated at the end of 2019.

8. Commitments and Contingencies

From time to time, and in the ordinary course of business, the Company may be subject to certain claims, charges and litigation concerning matters arising in connection with the conduct of the Company's business activities.

On December 11, 2020, a putative class action lawsuit was filed by a purported QuantumScape warrant holder (Index No. 656963/2020 (Sup. Ct. N.Y. Cnty.)) against the Company and Continental Stock Transfer & Trust Company. The complaint alleges, among other things, that the plaintiff is entitled to exercise warrants within 30 days of Closing. The complaint also alleges that the proxy statement/prospectus/information statement dated September 21, 2020 and November 12, 2020 is misleading and/or omits material information concerning the exercise of the warrants. The complaint generally seeks, among other things, the ability to exercise the warrants within 30 days of Closing. QuantumScape removed the case to federal court, Case No. 1:20-cv-10842 (S.D.N.Y.).

On December 24, 2020, a lawsuit was filed by three purported QuantumScape warrant holders (Index No. 657256/2020 (Sup. Ct. N.Y. Cnty.)) against the Company. The complaint alleges, among other things, that the plaintiffs are entitled to exercise warrants within 30 days of Closing. The complaint also alleges that the proxy statement/prospectus/information statement dated September 21, 2020 and November 12, 2020 is misleading and/or omits material information concerning the exercise of the warrants. The complaint generally seeks, among other things, the ability to exercise the warrants within 30 days of Closing.

Between January 5 and January 8, 2021, three putative class action lawsuits were filed by purported purchasers of QuantumScape securities. (Case No. 3:21-cv-00058-WHO (N.D. Cal. filed January 5, 2021); Case No. 4:21-cv-00070-JST (N.D. Cal. filed January 6, 2021); and Case No. 3:21-cv-00150-VC (N.D. Cal. filed January 8, 2021)) against the Company and its Chief Executive Officer or against the Company and certain members of management and the Board of Directors, and VGA.

All three complaints allege that the defendants purportedly made false and/or misleading statements and failed to disclose material adverse facts about QuantumScape's business, operations, and prospects, including information regarding the Company's battery technology. The complaints allege a purported class that includes persons who purchased or acquired QuantumScape securities on certain dates.

A shareholder derivative suit was also filed against 11 officers and directors of the Company: Case No. 3:21-cv-00989 (N.D. Cal. filed February 8, 2021). QuantumScape is the nominal defendant. The suit alleges that the individual defendants breached various duties to the Company and contains additional similar allegations based on the same general allegations in the class action complaints described immediately above. VGA was also named as a defendant in the derivative suit.

For many legal matters, particularly those in early stages, the Company cannot reasonably estimate the possible loss (or range of loss), if any. The Company records an accrual for legal matters at the time or times it determines that a loss is both probable and reasonably estimable. Amounts accrued as of December 31, 2020 were not material. Regarding matters for which no accrual has been made (including the potential for losses in excess of amounts accrued), the Company currently believes, based on its own investigations, that any losses (or ranges of losses) that are reasonably possible and estimable will not, in the aggregate, have a material adverse effect on its financial position, results of operations, or cash flows. However, the ultimate outcome of legal proceedings involves judgments, estimates, and inherent uncertainties and cannot be predicted with certainty. Should the ultimate outcome of any legal matter be unfavorable, the Company's business, financial condition, results of operations, or cash flows could be materially and adversely affected. The Company may also incur substantial legal fees, which are expensed as incurred, in defending against legal claims.

9. Stockholders' Equity

As of December 31, 2020, 1,350,000,000 shares, \$0.0001 par value per share are authorized, of which, 1,000,000,000 shares are designated as Class A Common Stock, 250,000,000 shares are designated as Class B Common Stock, and 100,000,000 shares are designated as Preferred Stock.

Common Stock

Holders of the common stock are entitled to dividends when, as, and if, declared by the Company's Board of Directors, subject to the rights of the holders of all classes of stock outstanding having priority rights to dividends. As of December 31, 2020, the Company had not declared any dividends. The holder of each share of Class A common stock is entitled to one vote, and the holder of each share of Class B common stock is entitled to ten votes. All common stock outstanding as of December 31, 2020 consists of 207,769,091 Class A common stock and 156,224,614 Class B common stock.

Warrants

At December 31, 2020, there are 18,149,989 warrants outstanding.

As part of Kensington's initial public offering, 11,499,989 warrants were sold (the "Public Warrants"). The Public Warrants entitle the holder thereof to purchase one share of Class A Common Stock at a price of \$11.50 per share, subject to adjustments. The Public Warrants may be exercised only for a whole number of shares of Class A Common Stock. No fractional shares will be issued upon exercise of the warrants. The Public Warrants will expire at 5:00 p.m. New York City time on November 25, 2025, or earlier upon redemption or liquidation. The Public Warrants are listed on the NYSE under the symbol "QS.WS."

The Company may call the Public Warrants for redemption starting July 30, 2021, in whole and not in part, at a price of \$0.01 per warrant, so long as the Company provides not less than 30 days' prior written notice of redemption to each warrant holder, and if, and only if, the reported last sale price of Common Stock equals or exceeds \$18.00 per share for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date the Company sends the notice of redemption to the warrant holders.

Simultaneously with Kensington's initial public offering, Kensington consummated a private placement of 6,650,000 warrants (the "Private Placement Warrants and Working Capital Warrants") with Kensington's sponsor. Each Private Placement Warrant and Working Capital Warrant is exercisable for one share of Class A common stock at a price of \$11.50 per share, subject to adjustment. The Private Placement Warrants and Working Capital Warrants are identical to the Public Warrants, except that:

(1) the Private Placement Warrants and Working Capital Warrants and the shares of Class A common stock issuable upon exercise of the Private Placement Warrants and Working Capital Warrants are not transferable, assignable or salable until 30 days after the completion of a Business Combination, subject to certain limited exceptions,

(2) the Private Placement Warrants and Working Capital Warrants are non-redeemable (except as described below) so long as they are held by the sponsor or its permitted transferees. Commencing September 28, 2021, the Company may redeem the outstanding warrants:

- in whole and not in part;
- at \$0.10 per warrant upon a minimum of 30 days' prior written notice of redemption provided that holders will be able to exercise their warrants on a cashless basis prior to redemption and receive that number of shares of Class A common stock to be determined by reference to a table in the warrant agreement;
- if, and only if, the last reported sale price of the Company's Class A common stock equals or exceeds \$10.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) on the trading day prior to the date on which the Company sends the notice of redemption to the warrant holders;
- if, and only if, the Private Placement Warrants and Working Capital Warrants are also concurrently called for redemption at the same price (equal to a number of shares of Class A common stock) as the outstanding Public Warrants, as described above; and
- if, and only if, there is an effective registration statement covering the shares of Class A common stock (or a security other than the Class A common stock into which the Class A common stock has been converted or exchanged for in the event the Company is not the surviving company in the initial Business Combination) issuable upon exercise of the warrants and a current prospectus relating thereto available throughout the 30-day period after written notice of redemption is given.

(3) the Private Placement Warrants and Working Capital Warrants may be exercised by the holders on a cashless basis, and

(4) the holders of the Private Placement Warrants and Working Capital Warrants (including with respect to the shares of common stock issuable upon exercise of the Private Placement Warrants and Working Capital Warrants) are entitled to registration rights. If the Private Placement Warrants and Working Capital Warrants are held by someone other than the Sponsor or its permitted transferees, the Private Placement Warrants and Working Capital Warrants will be redeemable by the Company in all redemption scenarios and exercisable by such holders on the same basis as the Public Warrants.

The Public Warrants and Private Placement Warrants were determined to be equity classified in accordance with ASC 815, *Derivatives and Hedging*.

On February 13, 2021 the Warrant Agreement, dated June 25, 2020, by and between the Company and Continental Stock Transfer & Trust Company, was amended to allow for earlier exercise of the Public Warrants. Prior to the amendment, the Public Warrants were exercisable starting on June 30, 2021. Following the amendment, the Public Warrants are now exercisable starting on March 5, 2021, at which time holders of Public Warrants may exercise their right to purchase one share of the Company's Class A common stock for \$11.50 for each Public Warrant. All other terms, including the redemption terms, for the Public Warrants remain unchanged; the Company may not redeem Public Warrants before July 30, 2021. The terms for the Private Placement Warrants and Working Capital Warrants remain unchanged.

Legacy QuantumScape Series F Convertible Preferred Stock

As further described in Note 5 (Fair Value), in May 2020 and September 2020, Legacy QuantumScape and VGA entered into a Series F Preferred Stock Purchase Agreement and related agreements and amendments thereto, and in August 2020, Legacy QuantumScape and several new and existing investors entered into Series F Preferred Stock Purchase Agreements and related agreements thereto, pursuant to which Legacy QuantumScape agreed to sell, and VGA and other investors agreed to purchase, up to an aggregate 14,684,843 shares of Legacy QuantumScape Series F Preferred Stock at \$26.4218 per share for an aggregate purchase price of \$388 million (the "Series F Preferred Stock Purchase Agreements"). As previously mentioned, the Series F Preferred Stock Purchase Agreement with VGA, as amended, contains provisions pursuant to which, if the relevant closing of such Series F Preferred Stock Purchase Agreement (in whole or in part) occur only after effectiveness of the Business Combination, VGA agreed to purchase, and Kensington agreed to issue, instead of the relevant number of shares of Legacy QuantumScape Series F Preferred Stock to be purchased at such closing, such number of shares of Class A Common Stock as would have been issued in the Business Combination in exchange for such shares of Legacy QuantumScape Series F Preferred Stock if they had been outstanding prior to the Business Combination.

Pursuant to the terms of the Series F Preferred Stock Purchase Agreements Legacy QuantumScape issued 7,115,335 shares of Series F Preferred Stock for an aggregate purchase price of \$188.0 million, net of issuance costs of \$11.5 million, concurrent with the closing of the Business Combination, and the Company issued 15,221,334 shares of Class A Common stock to VGA for \$100.0 million on December 1, 2020. As of December 31, 2020, VGA's commitment to purchase 15,221,334 shares of Class A Common Stock for \$100.0 million subject to certain conditions including the achievement of a specified technical milestone by March 31, 2020, is outstanding.

The Company concluded that the firm commitment to issue the tranche shares to VGA and the other investors met the definition of a freestanding financial instrument (as described in Note 5). Prior to the Business Combination, as the underlying convertible preferred shares of the outstanding tranche liabilities were redeemable outside the control of the Company, the fair value of the tranche liabilities was reported on the Legacy QuantumScape's balance sheets as a long-term liability, and the change in fair value was recorded in other expense in the Consolidated Statements of Operations and

Comprehensive Loss. Upon consummation of the Business Combination, the tranche liabilities were reclassified to additional paid-in capital.

Equity Incentive Plans

Prior to the Business Combination, the Company maintained its 2010 Equity Incentive Plan (the 2010 Plan), under which the Company granted options and restricted share units to purchase or directly issue shares of common stock to employees, directors, and non-employees.

Upon closing of the Business Combination, awards under the 2010 Plan were converted at the Exchange Ratio and assumed into the 2020 Equity Incentive Award Plan (the 2020 Plan). The 2020 Plan permits the granting of awards in the form of incentive stock options, nonqualified stock options, stock appreciation rights, restricted shares, restricted share units and performance awards to employees, directors, and non-employees.

As of December 31, 2020, 41,500,000 shares of Class A Common Stock are authorized for issuance pursuant to awards under the 2020 Plan, plus any shares of Class A Common Stock subject to stock options, restricted stock units or other awards that were assumed in the Business Combination and terminate as a result of being unexercised or are forfeited or repurchased by the Company, with the maximum number of shares to be added to the 2020 Plan equal to 69,846,580 shares of Class A Common Stock. As of December 31, 2020, 59,625,395 shares of Class A Common Stock are available for future issuance under the 2020 Plan.

Options may be granted at a price per share not less than 100% of the fair market value at the date of grant. If the option is granted to a 10% stockholder, then the purchase or exercise price per share shall not be less than 110% of the fair market value per share of the common stock on the grant date. Options granted generally vest over a period of four years and have ten-year contractual terms.

Stock Options

Stock option activity under the Plans are as follows:

| | Number of Shares Outstanding | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (Years) | Intrinsic value (in thousands) |
|---|------------------------------------|--|--|---|
| Balance at December 31, 2018 (as previously reported) | 11,112,466 | \$ 4.15 | 6.44 | |
| Conversion of awards due to recapitalization | 33,578,834 | (3.12) | | |
| Balance at December 31, 2018, effect of reverse acquisition | 44,691,300 | 1.03 | 6.44 | |
| Granted | 11,955,658 | 2.38 | | |
| Cancelled and forfeited | (571,664) | 1.43 | | |
| Exercised | (618,404) | 0.64 | | |
| Balance at December 31, 2019 | 55,456,890 | \$ 1.32 | 6.32 | |
| Granted | 3,866,992 | 5.08 | | |
| Cancelled and forfeited | (3,361,530) | 0.85 | | |
| Exercised | (646,016) | 0.93 | | |
| Balance at December 31, 2020 | <u>55,316,336</u> | <u>\$ 1.62</u> | <u>5.77</u> | <u>\$4,582,001</u> |
| Vested and exercisable - December 31, 2020 | <u>41,944,514</u> | <u>\$ 1.17</u> | <u>4.88</u> | <u>\$3,493,198</u> |

There were 646,016 options exercised during the year ended December 31, 2020 at the aggregate intrinsic value of \$3.5 million.

Options with a fair value of \$9.1 million and \$6.8 million vested in 2020 and 2019, respectively.

Additional information regarding options outstanding at December 31, 2020, is as follows:

| Range of Exercise Price per Share | Number of Options Outstanding | | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (Years) |
|-----------------------------------|-------------------------------|-------------------|---------------------------------|---|
| | | | | |
| | 0.11— | | | |
| | \$ 0.64 | 10,380,188 | \$ 0.40 | 1.56 |
| | 1.05— | | | |
| | \$ 1.35 | 28,295,781 | 1.25 | 5.57 |
| | \$ 2.38 | 13,953,743 | 2.38 | 8.56 |
| | \$ 6.23 | 2,686,624 | 6.23 | 9.68 |
| | | <u>55,316,336</u> | <u>\$ 1.62</u> | <u>5.77</u> |

Stock-based compensation expense is based on the grant-date fair value. The Company recognizes compensation expense for all stock-based awards on a straight-line basis over the requisite service period of the awards, which is generally the option vesting term of four years.

As of December 31, 2020, the Company had stock-based compensation of \$22.0 million related to unvested stock options not yet recognized that are expected to be recognized over an estimated weighted average period of 3.1 years.

The following weighted average assumptions were used as inputs to the Black-Scholes OPM in determining the estimated grant-date fair value of the Company's stock options to employees:

| | Year Ended December 31, | |
|---|-------------------------|---------|
| | 2020 | 2019 |
| Volatility | 70.00% | 70.00% |
| Risk-free interest rate | 0.39% | 1.92% |
| Expected term (in years) | 6.08 | 6.02 |
| Expected dividend | — | — |
| Weighted average fair value at grant date | \$ 2.67 | \$ 1.50 |

Restricted Stock Units

Restricted stock unit activity under the Plans are as follows:

| | Number of Restricted Stock Units | Weighted Average grant date fair value |
|------------------------------|----------------------------------|--|
| Balance at December 31, 2019 | — | \$ — |
| Granted | 13,913,076 | 8.94 |
| Balance at December 31, 2020 | <u>13,913,076</u> | <u>\$ 8.94</u> |
| Vested—December 31, 2020 | — | — |

As of December 31, 2020, unrecognized compensation costs related to Restricted Stock Units granted were \$116.8 million and are expected to be recognized over a weighted average period of 3.5 years.

Total stock-based compensation expense recognized in the accompanying Consolidated Statements of Operations and Comprehensive Loss for all equity awards is as follows (amounts in thousands):

| | Year Ended December 31, | |
|--|----------------------------|----------------|
| | 2020 | 2019 |
| Research and development | \$ 9,889 | \$ 4,115 |
| General and administrative | 7,135 | 2,696 |
| Total stock-based compensation expense | <u>\$17,024</u> | <u>\$6,811</u> |

10. Earnings (Loss) Per Share

Basic and diluted earnings per share are the same for each class of common stock because they are entitled to the same liquidation and dividend rights. The following table sets forth the computation of basic and diluted loss per Class A common stock and Class B common stock (amounts in thousands, except share and per share amounts):

| | Year Ended December 31, | |
|--|-------------------------|--------------------|
| | 2020 | 2019 |
| Numerator: | | |
| Net loss attributable to common stockholders | \$ (1,099,914) | \$ (51,283) |
| Denominator: | | |
| Weighted average Class A and Class B common shares outstanding—Basic and Diluted | <u>252,143,509</u> | <u>239,636,062</u> |
| Net loss per share attributable to Class A and Class B Common stockholders—Basic and Diluted | <u>\$ (4.36)</u> | <u>\$ (0.21)</u> |

Basic and diluted earnings per share was the same for each period presented as the inclusion of all potential Class A common stock and Class B common stock outstanding would have been anti-dilutive.

The following table presents the potential common stock outstanding that was excluded from the computation of diluted net loss per share of common stock as of the periods presented because including them would have been antidilutive:

| | Year Ended December 31, | |
|--|-------------------------|-------------------|
| | 2020 | 2019 |
| Warrants | 18,149,989 | 1,022,740 |
| Options outstanding | 55,316,336 | 55,456,890 |
| Restricted stock units | 13,913,076 | — |
| VGA contingent purchase commitment (1) | 15,221,334 | — |
| Total | <u>102,600,735</u> | <u>56,479,630</u> |

(1) This refers to VGA's commitment to purchase 15,221,334 shares of Class A Common Stock for \$100.0 million subject to certain conditions including the achievement of a specified technical milestone by March 31, 2020. See Note 9 for more information.

11. Joint Venture and Redeemable Non-Controlling Interest

As described in Note 2, on September 11, 2018, the Company entered into a JVA with VWGoA and VGA and formed the JV entity. The Company determined the entity was a variable interest entity

with a related party, and the Company's operations were more closely associated with the JV entity. As such, the Company consolidates the JV entity for financial reporting purposes, and a non-controlling interest is recorded for VGA's interest in the net assets and operations of QSV operations to the extent of the VGA investment. The Company's Consolidated Balance Sheet includes \$3.4 million cash and cash equivalents and less than \$0.1 million of prepaid expenses of the JV entity at December 31, 2020 (\$3.4 million and less than \$0.1 million, respectively at December 31, 2019). Although the Company has consolidated the net assets of the JV entity, it has no right to the use of those assets for its standalone operations.

The following table sets forth the change in redeemable non-controlling interest for years ended December 31, 2020 and 2019 (amounts in thousands):

| | Redeemable Non-Controlling Interest |
|---|--|
| Balance at December 31, 2018 | \$ 1,690 |
| Net income attributable to redeemable non-controlling interest in consolidated JV | 20 |
| Balance at December 31, 2019 | \$ 1,710 |
| Net loss attributable to redeemable non-controlling interest in consolidated JV | (6) |
| Balance at December 31, 2020 | <u>\$ 1,704</u> |

On May 14, 2020, the Company amended the JVA and other related agreements regarding the JV entity in connection with VGA's investment of \$200.0 million in the Company's Series F convertible preferred stock as described in Note 9. The Company determined the amendments represented a reconsideration event and determined that the JV entity is still a variable interest entity. As the significance and nature of the business of the JV entity continues to be more aligned with the core business of the Company and the Company continues to absorb a majority of the variability associated with the JV entity's anticipated economic performance, the Company continues to be the related party most closely associated with the JV entity.

In September 2020, the Company entered into an agreement with VWGoA under which the Company agreed to reserve \$134.0 million from the aggregate proceeds of the Series F Preferred Stock financings and the Business Combination to fund its expected equity contributions to the JV entity, which amounts are included in Marketable securities in the accompanying Consolidated Balance Sheet as of December 31, 2020.

12. Income Taxes

The Company has no provision for income taxes for the years ended December 31, 2020 and 2019. The Company has no current tax expense from losses and no deferred expense from the valuation allowance.

A reconciliation from U.S. statutory rate of 21% to the effective rate is as follows:

| | Year Ended December 31, | |
|--|----------------------------|---------|
| | 2020 | 2019 |
| Federal Statutory rate | 21.0% | 21.0% |
| State tax expense | 0.0% | 7.0% |
| Permanent tax items | (0.3%) | (2.2%) |
| R&D tax credit | 0.4% | 4.5% |
| Other | (0.3%) | 0.0% |
| Change to valuation allowance | (1.7%) | (30.4%) |
| Change in fair value of Series F tranche liabilities | (19.1%) | 0.0% |
| Effective tax rate | 0.0% | 0.0% |

Significant components of the Company's net deferred tax assets as of December 31, 2020 and 2019, are as follows (amounts in thousands):

| | Year Ended December 31, | |
|---------------------------------------|----------------------------|-----------|
| | 2020 | 2019 |
| Deferred tax assets: | | |
| Net operating losses | \$ 88,392 | \$ 71,374 |
| Tax credits | 16,314 | 10,219 |
| Accruals and stock-based compensation | 3,313 | 4,671 |
| Lease liability | 2,621 | 3,796 |
| Intangibles | 1,413 | 90 |
| Gross deferred tax assets | 112,053 | 90,150 |
| Valuation allowance | (105,781) | (85,677) |
| Total deferred tax assets | \$ 6,272 | \$ 4,473 |
| Deferred tax liabilities: | | |
| Right of use assets | \$ (2,463) | (3,627) |
| Fixed assets | (3,809) | (846) |
| Total deferred tax liabilities | (6,272) | (4,473) |
| Total net deferred tax assets | \$ — | \$ — |

Recognition of deferred tax assets is appropriate when realization of such assets is more likely than not. Based upon the weight of available evidence, which includes the Company's historical operating performance, cumulative net losses, and projected future losses, the Company has provided a full valuation allowance against its deferred tax assets. The Company's valuation allowance increased by \$20.1 million and \$14.3 million for the years ended December 31, 2020 and 2019, respectively. A reconciliation of the beginning and ending balances of the valuation allowance is as follows (amounts in thousands):

| | Year Ended December 31, | |
|-----------------------|----------------------------|-------------|
| | 2020 | 2019 |
| Beginning of the year | \$ (85,677) | \$ (71,340) |
| Increase | (20,104) | (14,337) |
| End of the year | \$ (105,781) | \$ (85,677) |

At December 31, 2020, the Company had federal and state net operating loss carryforwards of approximately \$340.7 million and \$231.2 million, respectively. The federal net operating loss carryforwards of \$170.3 million generated prior to 2018 will expire at various dates beginning in 2030, if not utilized. We have federal net operating loss carryforwards of \$170.4 million, which can be carried forward indefinitely. The state net operating loss carryforwards of \$231.2 million will expire at various dates beginning in 2030, if not utilized.

Section 382 and Section 383 of the Internal Revenue Code and similar provisions under state law has limitations on federal and state net operating loss carryforwards and research and development credit carryforwards. The Tax Reform Act contains provisions that limit the federal net operating loss carryforwards that may be used in any given year in the event of special occurrences, including significant ownership changes. A Section 382 "ownership change" generally occurs if one or more stockholders or groups of stockholders, who own at least 5% of the Company's stock, increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. The Company performed the analysis and determined that it has experienced an ownership change in December 2010 and in August 2012 as a result of the preferred stock financing rounds. The federal and state net operating loss carryforwards and research and development credit carryforwards are not subject to significant limitations under Section 382 and Section 383 of the Internal Revenue Code and similar provisions under state law.

On September 9, 2019, the Treasury Department and the IRS issued proposed regulations under Section 382 of the Internal Revenue Code which, if finalized, will severely limit the ability of corporations to avail themselves of NOLs following an ownership change. Specifically, the regulations would eliminate a safe harbor established in Notice 2003-65 that allows corporations to increase their Section 382 limitation by the gain inherent in their assets, even if those assets were not actually sold. The Company performed the analysis and determined that it has experienced an ownership change in December 2010 and in August 2012 as a result of the preferred stock financing rounds.

As of December 31, 2020, the Company also has Federal and California research and development credits of \$13.4 million and \$11.3 million, respectively. The federal tax credit carryforwards will expire beginning in 2031, if not utilized. The state tax credit carryforwards do not expire.

The Company records unrecognized tax benefits in accordance with ASC 740-10, *Income Taxes*. ASC 740-10 which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of uncertain tax positions taken or expected to be taken in the Company's income tax return and also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company had total unrecognized tax benefits of \$6.6 million and \$7.1 million as of December 31, 2020 and 2019, respectively.

A reconciliation of the beginning and ending balances of unrecognized tax benefits is as follows (amounts in thousands):

| | Year Ended December 31, | |
|---------------------------------|----------------------------|-----------------|
| | 2020 | 2019 |
| Beginning of the year | \$ 7,076 | \$ 5,372 |
| Increase—current year positions | 1,553 | 1,704 |
| Increase—prior year positions | 193 | — |
| Decrease—prior year positions | (2,247) | — |
| End of the year | <u>\$ 6,575</u> | <u>\$ 7,076</u> |

Due to the Company's full valuation allowance, the unrecognized tax benefits would not materially impact the Company's effective tax rate when recognized. The Company does not anticipate the total amounts of unrecognized tax benefits will significantly increase or decrease in the next 12 months.

The Company's policy is to classify interest and penalties associated with uncertain tax positions, if any, as a component of its income tax provision. For the years ended December 31, 2020 and 2019, the Company had no interest or penalties related to unrecognized tax benefits.

The federal and state income tax returns are open under the statute of limitations subject to tax examinations for the tax years ended December 31, 2017 through December 31, 2019 and December 31, 2016 through December 31, 2019, respectively. To the extent the Company has tax attribute carryforwards, the tax year in which the attribute was generated may still be adjusted upon examination by the IRS or state tax authorities to the extent utilized in a future period.

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") signed in to law on March 27, 2020, provided that net operating losses ("NOLs") generated in a taxable year beginning in 2018, 2019, or 2020, may now be carried back five years and forward indefinitely. In addition, the 80% taxable income limitation is temporarily removed, allowing NOLs to fully offset net taxable income. The CARES Act did not materially impact the Company's tax position.

Section 2301 of the CARES Act provides Employee Retention Credit, a fully refundable tax credit for employers equal to 50 percent of qualified wages that Eligible Employers pay their employees. In 2020, the Company claimed \$0.9 million of employee retention credit that reduces the payroll tax expense.

13. Related Party Agreements

Joint Venture Agreement

In September 11, 2018, the Company entered into a JVA with VWGoA and VGA as described in Note 2. In connection with this agreement, the parties also have entered into two operating agreements: (i) the Limited Liability Company Agreement of the JV entity to govern the respective rights and obligations as Members of the JV entity and (ii) the Common IP License Agreement for the Company to license certain intellectual property rights pertaining to automotive battery cells as defined in the JVA to VWGoA, VGA and the JV Entity.

13,000,000 Shares

QuantumScape Corporation

Class A Common Stock



Goldman Sachs & Co. LLC

Morgan Stanley

Deutsche Bank Securities

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth all expenses to be paid by the Registrant, other than underwriting discounts and commissions, in connection with this offering. All amounts shown are estimates except for the SEC registration fee and FINRA filing fee.

| | |
|-----------------------------------|---------------------|
| SEC registration fee | \$ 93,916 |
| FINRA filing fee | 129,624 |
| Exchange listing fee | 56,000 |
| Printing and engraving | 100,000 |
| Legal fees and expenses | 500,000 |
| Accounting fees and expenses | 225,000 |
| Transfer agent and registrar fees | 15,000 |
| Miscellaneous | 130,460 |
| Total | <u>\$ 1,250,000</u> |

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

As permitted by Section 102 of the Delaware General Corporation Law, our amended and restated certificate of incorporation provides that our officers and directors will be indemnified by us to the fullest extent authorized by Delaware law, as it now exists or may in the future be amended. In addition, our amended and restated certificate of incorporation provides that our directors will not be personally liable for monetary damages to us or our stockholders for breaches of their fiduciary duty as directors, unless they violated their duty of loyalty to us or our stockholders, acted in bad faith, knowingly or intentionally violated the law, authorized unlawful payments of dividends, unlawful stock purchases or unlawful redemptions, or derived an improper personal benefit from their actions as directors. Our amended and restated certificate of incorporation also authorizes us to indemnify our officers, directors and other agents to the fullest extent permitted under Delaware law.

As permitted by Section 145 of the Delaware General Corporation Law, our amended and restated bylaws provide that:

- we may indemnify our directors, officers and employees to the fullest extent permitted by the Delaware General Corporation Law, subject to limited exceptions;
- we may advance expenses to our directors, officers and employees in connection with a legal proceeding to the fullest extent permitted by the Delaware General Corporation Law, subject to limited exceptions; and
- the rights provided in our amended and restated bylaws are not exclusive.

Our amended and restated certificate of incorporation and our amended and restated bylaws provide for the indemnification provisions described above and elsewhere herein. We have entered into separate indemnification agreements with our directors and officers that may be broader than the specific indemnification provisions contained in the Delaware General Corporation Law. We have entered into agreements with our officers and directors to provide contractual indemnification in addition to the indemnification provided for in our amended and restated certificate of incorporation. Our amended and restated bylaws also permit us to maintain insurance on behalf of any officer,

director or employee for any liability arising out of his or her actions, regardless of whether Delaware law would permit such indemnification. We have obtained a policy of director's and officer's liability insurance that insures our officers and directors against the cost of defense, settlement or payment of a judgment in some circumstances and insures us against our obligations to indemnify our officers and directors. These indemnification provisions and the indemnification agreements may be sufficiently broad to permit indemnification of directors and officers for liabilities, including reimbursement of expenses incurred, arising under the Securities Act of 1933, as amended, or the Securities Act.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

The following list sets forth information as to all QuantumScape Corporation and our securities sold in the last three years which were not registered under the Securities Act. The descriptions of these issuances are historical and have not been adjusted to give effect to the Business Combination.

Working Capital Warrants

On November 25, 2020, the Company issued 75,000 "working capital" warrants (the "Working Capital Warrants") to an affiliate of Kensington Capital Sponsor LLC in consideration of the conversion of a working capital loan in the aggregate amount of \$75,000. The Working Capital Warrants are substantially the same as those issued in a private placement at the time of the Registrant's initial public offering.

Issuance and Sale of Class A Common Stock to PIPE Subscribers

On November 25, 2020, Subscribers purchased from the Company an aggregate of 50,000,000 shares of Class A Common Stock, for a purchase price of \$10.00 per share and an aggregate purchase price of \$500.0 million, pursuant to Subscription Agreements entered into effective as of September 2, 2020. Pursuant to the Subscription Agreements, QuantumScape gave certain registration rights to the Subscribers with respect to the PIPE Shares. The sale of PIPE Shares was consummated concurrently with the Closing.

Issuance and Sale of Class A Common Stock to Volkswagen Group of America Investments, LLC

In connection with the business combination between Kensington Capital Acquisition Corp. ("Kensington") and QuantumScape Subsidiary, Inc., a Delaware corporation (f/k/a QuantumScape Corporation) ("Legacy QuantumScape") and pursuant to that certain Series F Preferred Stock Purchase Agreement (the "Purchase Agreement") dated May 14, 2020, by and between Legacy QuantumScape and Volkswagen Group of America Investments, LLC ("VGA"), as amended by that certain Amendment No. 1 to Purchase Agreement, dated September 3, 2020, by and among Kensington, Legacy QuantumScape and VGA, the Registrant issued 15,221,334 shares of its Class A Common Stock to VGA on December 1, 2020 for proceeds of \$100 million.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering. The Registrant believes these transactions were exempt from registration under the Securities Act in reliance upon Section 4(2) of the Securities Act (or Regulation D or Regulation S promulgated thereunder), or Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed upon the stock certificates issued in these transactions. All recipients had adequate access, through their relationships with us, to information about the Registrant.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) **Exhibits.** We have filed the exhibits listed on the accompanying Exhibit Index of this Registration Statement.

| Exhibit Number | Description | Incorporated by Reference | | | |
|----------------|---|---------------------------|------------|---------|-------------------|
| | | Form | File No. | Exhibit | Filing Date |
| 1.1 | Form of Underwriting Agreement. | | | | |
| 2.1 | Business Combination Agreement, dated as of September 2, 2020, by and among Kensington Capital Acquisition Corp., Kensington Capital Merger Sub Corp. and QuantumScape Corporation. | S-4/A | 333-248930 | 2.1 | November 12, 2020 |
| 2.2 | Amendment No. 1 to Business Combination Agreement, dated as of September 21, 2020, by and among Kensington Capital Acquisition Corp., Kensington Capital Merger Sub Corp. and QuantumScape Corporation. | S-4/A | 333-248930 | 2.2 | November 12, 2020 |
| 3.1 | Amended and Restated Certificate of Incorporation of the Company. | 8-K | 001-39345 | 3.1 | December 2, 2020 |
| 3.2 | Amended and Restated Bylaws of the Company. | 8-K | 001-39345 | 3.2 | December 2, 2020 |
| 4.1 | Specimen Common Stock Certificate. | 8-K | 001-39345 | 4.1 | December 2, 2020 |
| 4.2 | Warrant Agreement, dated June 25, 2020, by and between the Registrant and Continental Stock Transfer & Trust Company. | 8-K | 001-39345 | 4.1 | June 30, 2020 |
| 4.3 | Amendment No. 1 to Warrant Agreement, dated February 13, 2021, by and between the Registrant and Continental Stock Transfer & Trust Company. | 8-K | 001-39345 | 4.1 | February 16, 2021 |
| 4.4 | Description of Securities. | 10-K | 001-39345 | 4.4 | February 23, 2021 |
| 5.1 | Opinion of Wilson Sonsini Goodrich & Rosati, P.C. | | | | |
| 10.1 | Registration Rights and Lock-up Agreement, dated as of September 2, 2020, by and among Kensington Capital Acquisition Corp. and the persons named therein. | 8-K | 001-39345 | 10.3 | September 3, 2020 |
| 10.2 | Form of Senior Employee Lock-Up Agreement. | 8-K | 001-39345 | 10.5 | September 3, 2020 |
| 10.3 | Form of Lock-Up Agreement. | 8-K | 001-39345 | 10.3 | December 2, 2020 |

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| Exhibit Number | Description | Incorporated by Reference | | | |
|----------------|--|---------------------------|-----------|---------|-------------------|
| | | Form | File No. | Exhibit | Filing Date |
| 10.4 | Form of Subscription Agreement. | 8-K | 001-39345 | 10.4 | September 3, 2020 |
| 10.5 | Stockholder Support Agreement, dated as of September 2, 2020, by and between Kensington Capital Acquisition Corp. and Volkswagen Group of America Investments, LLC. | 8-K | 001-39345 | 10.1 | September 3, 2020 |
| 10.6 | Stockholder Support Agreement, dated as of September 2, 2020, by and among Kensington Capital Acquisition Corp. and the persons named therein. | 8-K | 001-39345 | 10.2 | September 3, 2020 |
| 10.7+ | Form of Indemnification Agreement by and between the Company and its directors and officers. | 8-K | 001-39345 | 10.7 | December 2, 2020 |
| 10.8+ | QuantumScape Corporation 2020 Equity Incentive Plan. | 8-K | 001-39345 | 10.8 | December 2, 2020 |
| 10.9+ | QuantumScape Corporation 2020 Equity Incentive Plan — Form of Stock Option Agreement. | 8-K | 001-39345 | 10.9 | December 2, 2020 |
| 10.10+ | QuantumScape Corporation 2020 Equity Incentive Plan — Form of Restricted Stock Unit Agreement. | 8-K | 001-39345 | 10.10 | December 2, 2020 |
| 10.11+ | QuantumScape Corporation 2020 Equity Incentive Plan — Form of Restricted Stock Agreement. | 8-K | 001-39345 | 10.11 | December 2, 2020 |
| 10.12+ | QuantumScape Corporation 2020 Employee Stock Purchase Plan. | 8-K | 001-39345 | 10.12 | December 2, 2020 |
| 10.13 | First Letter Agreement, dated as of September 2, 2020, by and among Kensington Capital Acquisition Corp., QuantumScape Corporation, and Volkswagen Group of America Investments, LLC. | 8-K | 001-39345 | 10.6 | September 3, 2020 |
| 10.14 | Second Letter Agreement, dated as of September 2, 2020, by and among Kensington Capital Acquisition Corp., QuantumScape Corporation, and Volkswagen Group of America Investments, LLC. | 8-K | 001-39345 | 10.7 | September 3, 2020 |
| 10.15 | Third Letter Agreement, dated as of September 2, 2020, by and among Kensington Capital Acquisition Corp., QuantumScape Corporation, and Volkswagen Group of America Investments, LLC. | 8-K | 001-39345 | 10.8 | September 3, 2020 |

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| Exhibit Number | Description | Incorporated by Reference | | | |
|----------------|---|---------------------------|------------|---------|-------------------|
| | | Form | File No. | Exhibit | Filing Date |
| 10.16 | Services Agreement, dated as of September 1, 2020, by and between Kensington Capital Acquisition Corp. and DEHC LLC. | 8-K | 001-39345 | 10.9 | September 3, 2020 |
| 10.17 | Services Agreement, dated as of September 1, 2020, by and between Kensington Capital Acquisition Corp. and Simon Boag. | 8-K | 001-39345 | 10.10 | September 3, 2020 |
| 10.18+ | Offer Letter from QuantumScape Corporation to Timothy Holme, dated January 1, 2011. | S-4/A | 333-248930 | 10.13 | November 12, 2020 |
| 10.19+ | Offer Letter from QuantumScape Corporation to Kevin Hettrich, dated October 11, 2011. | S-4/A | 333-248930 | 10.14 | November 12, 2020 |
| 10.20+ | Offer Letter from QuantumScape Corporation to Michael McCarthy, dated December 21, 2012. | S-4/A | 333-248930 | 10.16 | November 12, 2020 |
| 10.21+ | Offer Letter from QuantumScape Corporation to Mohit Singh, dated April 3, 2013. | S-4/A | 333-248930 | 10.17 | November 12, 2020 |
| 10.22 | Lease, dated May 31, 2013, by and between SI 55, LLC and QuantumScape Corporation. | S-4/A | 333-248930 | 10.18 | November 12, 2020 |
| 10.23 | Amendment to Lease, dated May 19, 2014, by and between SI 55, LLC and QuantumScape Corporation. | S-4/A | 333-248930 | 10.19 | November 12, 2020 |
| 10.24# | Amended and Restated Limited Liability Company Agreement of QSV Operations LLC, dated May 14, 2020, by and between QuantumScape Corporation and Volkswagen Group of America Investments, LLC. | S-4/A | 333-248930 | 10.20 | November 12, 2020 |
| 10.25# | Amended and Restated Joint Venture Agreement, dated May 14, 2020, by and among QuantumScape Corporation and the persons named therein. | S-4/A | 333-248930 | 10.21 | November 12, 2020 |
| 10.26 | First Amendment to Amended and Restated Joint Venture Agreement, dated September 21, 2020, by and among QuantumScape Corporation and the persons named therein. | S-4/A | 333-248930 | 10.22 | November 12, 2020 |

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| Exhibit Number | Description | Incorporated by Reference | | | |
|----------------|--|---------------------------|------------|---------|-------------------|
| | | Form | File No. | Exhibit | Filing Date |
| 10.27# | Series F Preferred Stock Purchase Agreement, dated May 14, 2020, by and between QuantumScape Corporation and Volkswagen Group of America Investments, LLC. | S-4/A | 333-248930 | 10.23 | November 12, 2020 |
| 10.28 | Amendment No. 1 to Series F Preferred Stock Purchase Agreement, dated September 3, 2020, by and among Kensington Capital Acquisition Corp., QuantumScape Corporation and Volkswagen Group of America Investments, LLC. | S-4/A | 333-248930 | 10.24 | November 12, 2020 |
| 10.29 | Letter Agreement, dated as of December 7, 2020, by and among QuantumScape Subsidiary, Inc., QuantumScape Corporation and Volkswagen Group of America Investments, LLC. | S-1/A | 333-251433 | 10.30 | December 28, 2020 |
| 10.30+ | Form Change in Control and Severance Agreement | 8-K | 001-39345 | 10.2 | March 15, 2021 |
| 10.31+ | Employee Incentive Compensation Plan | 8-K | 001-39345 | 10.1 | March 15, 2021 |
| 16.1 | Letter from Marcum LLP regarding Change in Independent Registered Public Accounting Firm dated December 14, 2020. | 8-K | 001-39345 | 16.1 | December 14, 2020 |
| 21.1 | List of Subsidiaries of the Registrant | 10-K | 001-39345 | 21.1 | February 23, 2021 |
| 23.1 | Consent of Independent Registered Accounting Firm, Ernst & Young LLP. | | | | |
| 23.2 | Consent of Wilson Sonsini Goodrich & Rosati, P.C. (included in Exhibit 5.1). | | | | |
| 24.1 | Power of Attorney (included on signature page). | | | | |
| 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 | | | | |

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| <u>Exhibit Number</u> | <u>Description</u> | <u>Incorporated by Reference</u> | | | |
|-----------------------|--|----------------------------------|-----------------|----------------|--------------------|
| | | <u>Form</u> | <u>File No.</u> | <u>Exhibit</u> | <u>Filing Date</u> |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document | | | | |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document | | | | |

Portions of this exhibit have been omitted in accordance with Item 601 of Regulation S-K.
+ Indicates a management or compensatory plan.

(b) **Financial Statement Schedules.** All financial statement schedules are omitted because the information called for is not required or is shown either in the consolidated financial statements or in the notes thereto.

ITEM 17. UNDERTAKINGS.

- (a) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.
- (b) The undersigned registrant hereby undertakes that:
- (1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.
 - (2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Jose, State of California, on March 22, 2021.

QUANTUMSCAPE CORPORATION

By: /s/ Jagdeep Singh
Jagdeep Singh
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Jagdeep Singh and Kevin Hettrich, and each of them, as his or her true and lawful attorney-in-fact and agent with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this registration statement (including post-effective amendments or any abbreviated registration statement and any amendments thereto filed pursuant to Rule 462(b) under the Securities Act of 1933 increasing the number of securities for which registration is sought), and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact, proxy and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact, proxy and agent, or his or her substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this Registration Statement on Form S-1 has been signed by the following persons in the capacities and on the dates indicated:

| <u>Name</u> | <u>Title</u> | <u>Date</u> |
|---|---|----------------|
| <u>/s/ Jagdeep Singh</u> Jagdeep Singh | Chief Executive Officer and Chairman (Principal Executive Officer) | March 22, 2021 |
| <u>/s/ Kevin Hettrich</u> Kevin Hettrich | Chief Financial Officer (Principal Financial and Accounting Officer) | March 22, 2021 |
| <u>/s/ Frank Blome</u> Frank Blome | Director | March 22, 2021 |
| <u>/s/ Brad Buss</u> Brad Buss | Director | March 22, 2021 |
| <u>/s/ John Doerr</u> John Doerr | Director | March 22, 2021 |
| <u>/s/ Jürgen Leohold</u> Jürgen Leohold | Director | March 22, 2021 |

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| <u>Name</u> | <u>Title</u> | <u>Date</u> |
|---|--------------|----------------|
| <u>/s/ Fritz Prinz</u> Fritz Prinz | Director | March 22, 2021 |
| <u>/s/ Justin Mirro</u> Justin Mirro | Director | March 22, 2021 |
| <u>/s/ J.B. Straubel</u> J.B. Straubel | Director | March 22, 2021 |
| <u>/s/ Dipender Saluja</u> Dipender Saluja | Director | March 22, 2021 |
| <u>/s/ Jens Wiese</u> Jens Wiese | Director | March 22, 2021 |

QuantumScape Corporation

Class A Common Stock, par value \$0.0001 per share

Underwriting Agreement

[•], 2021

Goldman Sachs & Co. LLC
Morgan Stanley & Co. LLC
As representatives (the “Representatives”) of the several Underwriters
named in Schedule I hereto

c/o Goldman Sachs & Co. LLC,
200 West Street,
New York, New York 10282-2198.

c/o Morgan Stanley & Co. LLC,
1585 Broadway,
New York, New York 10036.

Ladies and Gentlemen:

QuantumScape Corporation, a Delaware corporation (the “Company”), proposes, subject to the terms and conditions stated in this agreement (this “Agreement”), to issue and sell to the Underwriters named in Schedule I hereto (the “Underwriters”) an aggregate of [•] shares (the “Firm Shares”) and, at the election of the Underwriters, up to [•] additional shares (the “Optional Shares”) of Class A Common Stock, par value \$0.0001 per share (“Stock”) of the Company (the Firm Shares and the Optional Shares that the Underwriters elect to purchase pursuant to Section 2 hereof being collectively called the “Shares”).

1. The Company represents and warrants to, and agrees with, each of the Underwriters that:

(a) A registration statement on Form S-1 (File No. 333-[•]) (the “Initial Registration Statement”) in respect of the Shares has been filed with the Securities and Exchange Commission (the “Commission”); the Initial Registration Statement and any post-effective amendment thereto, each in the form heretofore delivered to you, have been declared effective by the Commission in such form; other than a registration statement, if any, increasing the size of the offering (a “Rule 462(b) Registration Statement”), filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended (the “Act”), which became effective upon filing, no other document with respect to the Initial Registration Statement has been filed with the Commission; and no stop order suspending the effectiveness of the Initial Registration Statement, any post-effective amendment thereto or the Rule 462(b) Registration Statement, if any, has been issued and no proceeding for that purpose or pursuant to Section 8A of the Act has been initiated, or to the Company’s knowledge, threatened by the Commission (any preliminary prospectus included in the Initial Registration Statement or filed with the Commission pursuant to Rule 424(a) of the rules and regulations of the Commission under the Act is hereinafter called a “Preliminary Prospectus”; the various parts of the Initial Registration Statement and the Rule 462(b) Registration Statement, if any, including all exhibits thereto and including the information contained in the form of final prospectus filed with the Commission pursuant to Rule 424(b) under the Act in accordance with Section 5(a) hereof and deemed by virtue of Rule 430A under the Act to be part of the Initial Registration Statement at the time it was declared effective, each as amended at the time such part of the Initial Registration Statement became effective or such part of the Rule 462(b) Registration Statement, if any, became or hereafter becomes effective, are hereinafter collectively called the “Registration Statement”; the Preliminary Prospectus relating to the Shares that was included in the Registration Statement immediately prior to the Applicable Time (as defined in Section 1(c) hereof) is hereinafter called the “Pricing Prospectus”; such final prospectus, in the form first filed pursuant to Rule 424(b) under the Act, is hereinafter called the “Prospectus”; any road show as defined in Rule 433(h) under the Act, including any presentation or other visual aids used in connection therewith and irrespective of whether or not such road show is a “written communication” as defined in Rule 405 under the Act, is hereinafter called a “road show”; any oral or written communication with potential investors undertaken in reliance on Section 5(d) of the Act or Rule 163B under the Act is hereinafter called a “Testing-the-Waters Communication”; any Testing-the-Waters Communication that is a written communication within the meaning of Rule 405 under the Act is hereinafter called a “Written Testing-the-Waters Communication”; and any “issuer free writing prospectus” as defined in Rule 433 under the Act relating to the Shares is hereinafter called an “Issuer Free Writing Prospectus”);

(b) (A) No order preventing or suspending the use of any Preliminary Prospectus or any Issuer Free Writing Prospectus has been issued by the Commission, and (B) each Preliminary Prospectus, at the time of filing thereof, conformed in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder, and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided, however*, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with the Underwriter Information (as defined in Section 9(b) of this Agreement);

(c) For the purposes of this Agreement, the “Applicable Time” is [•:•] [a.m./p.m.] (New York City time) on the date of this Agreement. The Pricing Prospectus, as supplemented by the information listed on Schedule II(c) hereto, taken together (collectively, the “Pricing Disclosure Package”), as of the Applicable Time, did not, and as of each Time of Delivery (as defined in Section 4(a) of this Agreement) will not, include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; each road show, each Issuer Free Writing Prospectus and each Written Testing-the-Waters Communication does not conflict with the information contained in the Registration Statement, the Pricing Prospectus or the Prospectus and each road show, each Issuer Free Writing Prospectus and each Written Testing-the-Waters Communication, as supplemented by and taken together with the Pricing Disclosure Package, as of the Applicable Time, did not, and as of each Time of Delivery will not, include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided, however*, that this representation and warranty shall not apply to statements or omissions made in reliance upon and in conformity with the Underwriter Information;

(d) No documents were filed with the Commission since the Commission’s close of business on the business day immediately prior to the date of this Agreement and prior to the execution of this Agreement, except as set forth on Schedule II(b) hereto;

(e) (i) The Registration Statement conforms, and the Prospectus and any further amendments or supplements to the Registration Statement and the Prospectus will conform, in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder and (ii) the Registration Statement and the Prospectus and any further amendments or supplements to the Registration Statement and the Prospectus do not and will not, as of the applicable effective date as to each part of the Registration Statement, as of the applicable filing date as to the Prospectus and any amendment or supplement thereto, and as of each Time of Delivery, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; *provided, however*, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with the Underwriter Information;

(f) Neither the Company nor its subsidiary QuantumScape Battery, Inc. (“Subsidiary”) has, since the date of the latest audited financial statements included in the Pricing Prospectus, (i) sustained any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree or (ii) entered into any transaction or agreement (whether or not in the ordinary course of business) that is material to the Company and its subsidiaries taken as a whole or incurred any liability or obligation, direct or contingent, that is material to the Company and its subsidiaries taken as a whole, in each case otherwise than as set forth or contemplated in the Pricing Prospectus; and, since the respective dates as of which information is given in the Registration Statement and the Pricing Prospectus, there has not been (x) any change in the capital stock (other than as a result of (i) the exercise or settlement (including any “net” or “cashless” exercises or settlements) of stock options or restricted stock units, or the award of stock options or restricted stock units in the ordinary course of business pursuant to the Company’s equity plans that are described in the Pricing Prospectus and the Prospectus, (ii) the issuance of shares of capital stock upon the exercise of warrants to purchase shares of the Company’s capital stock that are described in the Pricing Prospectus and the Prospectus, (iii) the repurchase of shares of capital stock upon termination of the holder’s employment or other service relationship with the Company pursuant to equity-incentive agreements or other arrangements providing for an option to repurchase or a right of first refusal on behalf of the Company pursuant to the Company’s repurchase, or (iv) the issuance of shares of capital stock upon conversion of Company securities as described in the Pricing Prospectus and the Prospectus) or long-term debt of the Company or its Subsidiary or (y) any Material Adverse Effect (as defined below); as used in this Agreement, “Material Adverse Effect” shall mean any material adverse change or effect, or any development involving a prospective material adverse change or effect, in or affecting (i) the business, general affairs, management, financial position, stockholders’ equity or results of operations of the Company and its Subsidiary, taken as a whole, except as set forth or contemplated in the Pricing Prospectus, or (ii) the ability of the Company to perform its obligations under this Agreement, including the issuance and sale of the Shares, or to consummate the transactions contemplated in the Pricing Prospectus and the Prospectus;

(g) The Company and its Subsidiary do not own any real property. The Company and its Subsidiary have good and marketable title to all personal property owned by them (other than with respect to Intellectual Property, title to which is addressed exclusively in subsection (x)), in each case free and clear of all liens, encumbrances and defects except such as are described in the Pricing Prospectus or such as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and its Subsidiary; and any real property and buildings held under lease by the Company and its Subsidiary are held by them under valid, subsisting and enforceable leases (subject to the effects of (i) bankruptcy, insolvency, fraudulent conveyance, fraudulent transfer, reorganization, moratorium or other similar laws relating to or affecting the rights or remedies of creditors generally; (ii) the application of general principles of equity (including without limitation, concepts of materiality, reasonableness, good faith and fair dealing, regardless of whether enforcement is considered in proceedings at law or in equity); and (iii) applicable law and public policy with respect to rights to indemnity and contribution) with such exceptions as are not material and do not materially interfere with the use made and proposed to be made of such property and buildings by the Company and its Subsidiary;

(h) Each of the Company, its Subsidiary and QSV Operations LLC, the Company's joint venture with Volkswagen Group of America, Inc. (the "Joint Venture"), has been (i) duly incorporated or organized, as applicable, and is validly existing and in good standing under the laws of its jurisdiction of organization, with power and authority (corporate and other) to own its properties and conduct its business as described in the Pricing Prospectus, and (ii) duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, except, in the case of this clause (ii), where the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, and the Subsidiary has (i) been listed in the Registration Statement and (ii) is the only subsidiary of the Company;

(i) (i) The Joint Venture has not commenced operations, does not have any employees and has not entered into any agreements, other than that certain Amended and Restated Joint Venture Agreement, dated May 14, 2020, between Volkswagen Group of America, Inc., QuantumScape Corporation and the Joint Venture and related ancillary agreements entered into as of such date; (ii) the Joint Venture has incurred no liabilities, is not subject to any legal actions or claims and has not violated and is not in violation of any laws, and (iii) except as disclosed in the Pricing Prospectus and the Prospectus, no event or series of events has occurred relating to the Joint Venture that, individually or in the aggregate, would reasonably be expected to materially impair the conduct of the Company's or its subsidiaries' businesses as currently conducted and as proposed to be conducted;

(j) The Company has an authorized capitalization as set forth in the Pricing Prospectus and all of the issued shares of capital stock of the Company have been duly and validly authorized and issued and are fully paid and non-assessable and conform to the description of the Stock contained in the Pricing Disclosure Package and the Prospectus; and all of the issued shares of capital stock and equity interests of the Subsidiary and the Joint Venture have been duly and validly authorized and issued, are fully paid and non-assessable and (except, in the case of any foreign subsidiary, for directors' qualifying shares and with respect to any equity interests of the Joint Venture owned by Volkswagen Group of America, Inc.) are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims, except for such liens or encumbrances described in the Pricing Prospectus and the Prospectus;

(k) The Shares have been duly and validly authorized and, when issued and delivered against payment therefor as provided herein, will be duly and validly issued and fully paid and non-assessable and will conform to the description of the Stock contained in the Pricing Disclosure Package and the Prospectus; and the issuance of the Shares is not subject to any preemptive or similar rights other than registration rights, which have been validly and effectively waived in writing;

(l) The issue and sale of the Shares and the compliance by the Company with this Agreement and the consummation of the transactions contemplated in this Agreement and the Pricing Prospectus will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, (A) any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which the Company or its Subsidiary is a party or by which the Company or its Subsidiary is bound or to which any of the property or assets of the Company or its Subsidiary is subject, (B) the certificate of incorporation or by-laws (or other applicable organizational document) of the Company or its Subsidiary, or (C) any statute or any judgment, order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or its Subsidiary or any of their properties; except, in the case of clauses (A) and (C) for such defaults, breaches, or violations that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or regulatory body is required for the issue and sale of the Shares or the consummation by the Company of the transactions contemplated by this Agreement, except such as have been obtained under the Act, the approval by the Financial Industry Regulatory Authority ("FINRA") of the underwriting terms and arrangements, the approval for listing on the New York Stock Exchange (the "Exchange") and such consents, approvals, authorizations, orders, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters;

(m) Neither the Company nor its Subsidiary, nor to the Company's knowledge, the Joint Venture is (i) in violation of its certificate of incorporation or by-laws (or other applicable organizational document), (ii) in violation of any statute or any judgment, order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or its Subsidiary or any of their properties, or (iii) in default in the performance or observance of any obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or by which it or any of its properties may be bound, except, in the case of the foregoing clauses (ii) and (iii), for such violations or defaults as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(n) The statements set forth in the Pricing Prospectus and the Prospectus under the caption "Description of Capital Stock", insofar as they purport to constitute a summary of the terms of the Stock, and under the captions "Material U.S. Federal Income Tax Considerations to Non-U.S. Holders of our Class A Common Stock," "Underwriting" and "Business—Partnerships", insofar as they purport to describe the provisions of the laws and documents referred to therein, are accurate, complete and fair in all material respects;

(o) Other than as set forth in the Pricing Prospectus, there are no legal or governmental proceedings pending to which the Company or its Subsidiary or, to the Company's knowledge, any officer or director of the Company is a party or of which any property or assets of the Company or its Subsidiary or, to the Company's knowledge, any officer or director of the Company is the subject which, if determined adversely to the Company or its Subsidiary (or such officer or director), would individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and, to the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or others; there are no pending or threatened legal or governmental proceedings that are required to be described in the Registration Statement, the Pricing Prospectus or the Prospectus and are not so described; and there are no statutes, regulations, contracts or other documents that are required to be described in the Registration Statement, the Pricing Prospectus or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required;

(p) The Company is not and, after giving effect to the offering and sale of the Shares and the application of the proceeds thereof, the Company will not be an "investment company", as such term is defined in the Investment Company Act of 1940, as amended (the "Investment Company Act");

(q) At the time of filing the Initial Registration Statement and any post-effective amendment thereto, at the earliest time thereafter that the Company or any offering participant made a bona fide offer (within the meaning of Rule 164(h)(2) under the Act) of the Shares, and at the date hereof, the Company was not and is not an "ineligible issuer," as defined in Rule 405 under the Act, other than pursuant to subsection (1)(ii)(A) of such definition by reason of the Company having been a blank check company during the past three years;

(r) Ernst & Young LLP, who has certified certain financial statements of the Company and its subsidiaries, is an independent registered public accounting firm as required by the Act and the rules and regulations of the Commission thereunder;

(s) The Company maintains a system of internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that (i) complies with the requirements of the Exchange Act, (ii) has been designed by the Company's principal executive officer and principal financial officer, or under their 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 and (iii) is sufficient to provide reasonable assurance that (A) transactions are executed in accordance with management's general or specific authorization, (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets, (C) access to assets is permitted only in accordance with management's general or specific authorization and (D) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences; and the Company's internal control over financial reporting is effective and the Company is not aware of any material weaknesses in its internal control over financial reporting (it being understood that this subsection shall not require the Company to comply with Section 404 of the Sarbanes-Oxley Act of 2002 as of an earlier date than it would otherwise be required to so comply under applicable law);

(t) Since the date of the latest audited financial statements included in the Pricing Prospectus, there has been no change in the Company's internal control over financial reporting that has materially and adversely affected, or is reasonably likely to materially and adversely affect, the Company's internal control over financial reporting;

(u) The Company maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) that comply with the requirements of the Exchange Act; such disclosure controls and procedures have been designed to ensure that material information relating to the Company and its Subsidiary is made known to the Company's principal executive officer and principal financial officer by others within those entities; and such disclosure controls and procedures are effective;

(v) This Agreement has been duly authorized, executed and delivered by the Company;

(w) There are no persons with registration rights or other similar rights to have any of securities registered pursuant to the Registration Statement or otherwise registered by the Company under the Act except as have been validly waived or complied with;

(x)

(i) The Company, its Subsidiary and, to the Company's knowledge, the Joint Venture, own or possess adequate rights to use all: patents (together with any reissues, continuations, continuations-in-part, divisions, renewals, extensions, counterparts and reexaminations thereof), patent applications (including provisional applications), discoveries and inventions; trademarks, service marks, trade names, logos, Internet domain names and other indicia of origin and all registrations and applications therefor; rights in published and unpublished works of authorship, whether copyrightable or not (including software, website content and related documentation), and copyrights and all registrations and applications therefor; licenses; trade secrets, know-how and other confidential or proprietary information, including systems, procedures, methods, technologies, algorithms, designs, data, unpatentable discoveries and inventions and any other information meeting the definition of a trade secret under the Uniform Trade Secrets Act or similar laws ("Trade Secrets") and other technology and intellectual property rights, including the right to sue for past, present and future infringement, misappropriation or dilution of any of the same (collectively, "Intellectual Property"), owned or used by the Company, its Subsidiary or the Joint Venture or necessary for the conduct of their respective businesses as currently conducted and as proposed to be conducted (the "Company Intellectual Property"). The Company or its subsidiaries exclusively own all Company Intellectual Property purported to be owned by the Company or its subsidiaries that is material to their respective businesses as currently conducted or proposed to be conducted.

(ii) To the best of the Company's knowledge, the conduct of the Company's and its Subsidiary's respective businesses has not violated, infringed, misappropriated or conflicted with, and will not violate, infringe, misappropriate or conflict with, in any material respect, any Intellectual Property rights of others. The Company, its Subsidiary and, to the Company's knowledge, the Joint Venture have not received any notice of any claim of infringement, misappropriation or conflict with any such rights of others, except as described in the Registration Statement, the Pricing Prospectus and the Prospectus. To the best of the Company's knowledge, there are no third parties who have or will be able to establish ownership rights or rights to use any Company Intellectual Property owned or purported to be owned by the Company, its Subsidiary or the Joint Venture, except for (A) any retained rights of the owners of Intellectual Property that is licensed to the Company, its Subsidiary or the Joint Venture and (B) the non-exclusive rights of customers and strategic and channel partners to use the Company Intellectual Property, under which the Company, its Subsidiary or the Joint Ventures have granted valid licenses to such customers and partners, in the ordinary course, consistent with past practice. There is no pending (in the case of the Joint Venture, to the Company's knowledge) or, to the Company's knowledge, threatened action, suit, proceeding or claim by others challenging the Company's rights, its Subsidiary's or the Joint Venture's rights in or to any of the Company Intellectual Property. There is no pending (in the case of the Joint Venture, to the Company's knowledge) or, to the Company's knowledge, threatened action, suit, proceeding or claim by others challenging the validity, enforceability or scope of any of the Company Intellectual Property. There is no pending (in the case of the Joint Venture, to the Company's knowledge) or, to the Company's knowledge, threatened action, suit, proceeding or claim by others that the Company, its Subsidiary or the Joint Venture infringes or misappropriates any Intellectual Property or other proprietary rights of others. There is no pending or threatened action, suit, proceeding or claim by the Company, its Subsidiary or the Joint Venture that a third party infringes or misappropriates any of the Company Intellectual Property. To the Company's knowledge, no Intellectual Property has been obtained or is being used by the Company, its Subsidiary or the Joint Venture in violation of any contractual obligation binding on the Company, its Subsidiary or the Joint Venture, or otherwise in violation of the rights of any persons;

(iii) The Company, its Subsidiary and, the Joint Venture have taken reasonable steps necessary to secure interests in the Intellectual Property developed by their employees, consultants, agents and contractors in the course of their service to the Company, including the execution of valid Intellectual Property assignment and non-disclosure agreements for the benefit of the Company and its Subsidiary or the Joint Venture, as applicable, by such employees, consultants, agents and contractors. There are no outstanding options, licenses or binding agreements of any kind relating to the Company Intellectual Property owned or purported to be owned by the Company, its Subsidiary and, to the Company's knowledge, the Joint Venture that are required to be described in the Registration Statement, the Pricing Prospectus and the Prospectus and are not so described. The Company, its Subsidiary and, to the Company's knowledge, the Joint Venture are not a party to or bound by any options, licenses or binding agreements with respect to any Intellectual Property of any other person or entity that are required to be set forth in the Registration Statement and the Prospectus and are not so described. No government funding, facilities or resources of a university, college, other educational institution or research center or funding from third parties was used in the development of any Intellectual Property that is owned or purported to be owned by the Company, its Subsidiary and, to the Company's knowledge, the Joint Venture and that is material to their respective businesses as currently conducted or proposed to be conducted. No governmental agency or body, university, college, other educational institution or research center has any claim or right in or to any Intellectual Property that is owned or purported to be owned by the Company, its Subsidiary and, to the Company's knowledge, the Joint Venture, and that is material to their respective businesses as currently conducted or proposed to be conducted. The Company, its Subsidiaries and, to the Company's knowledge, the Joint Venture have taken reasonable steps in accordance with normal industry practice to maintain the confidentiality of all material Trade Secrets and other confidential information owned, used or held for use by the Company, its Subsidiary and, to the Company's knowledge, the Joint Venture;

(y) The Company and its Subsidiary have (A) operated and currently operate their respective businesses in a manner compliant in all material respects with all applicable foreign, federal, state and local laws and regulations, all contractual obligations and all Company policies (internal and posted) related to privacy and data security applicable to the Company's, and its Subsidiary's, collection, use, processing, handling, transfer, transmission, storage, disclosure and/or disposal of the data of their respective customers, employees and other third parties (the "Privacy and Data Security Requirements") and (B) implemented, monitored and have been and are in material compliance with, applicable administrative, technical and physical safeguards and policies and procedures designed to ensure compliance with Privacy and Data Security Requirements and (ii) except as described in the Pricing Prospectus, there has been no material loss or unauthorized access, use, disclosure, modification or breach of security of customer, employee or third party data maintained by or on behalf of the Company and its Subsidiary, and neither the Company nor its Subsidiary has notified, has been required to notify pursuant to its Privacy and Data Security Requirements, nor has the current intention to notify, any customer, governmental entity or the media of any such event with regard to any material data breach;

(z) The Company and its Subsidiary's information technology assets and equipment, computers, systems, networks, hardware, software, websites, applications, and databases (collectively, "IT Systems") are adequate for, and operate and perform in all material respects as required in connection with the operation of the business of the Company and its Subsidiary as currently conducted. To the best of the Company's knowledge, such IT Systems are free and clear of all material bugs, errors, defects, Trojan horses, time bombs, malware and other corruptants. The Company and its Subsidiary have implemented and maintained commercially reasonable controls, policies, procedures, and safeguards to maintain and protect their material confidential information and the integrity, continuous operation, redundancy and security of all IT Systems, and there have been (i) no breaches, violations, outages or unauthorized uses of or access to same, except for those that have been remedied without material cost or liability, and (ii) no material incidents under internal review or investigations relating to the same;

(aa) (i) None of the Company, its Subsidiary, the Joint Venture or controlled affiliates, or any director, officer or employee of the Company or its Subsidiary or controlled affiliates nor, to the knowledge of the Company, any affiliate, agent or other person while "associated with" (as that term is defined in the Bribery Act 2010 of the United Kingdom) or acting on behalf of the Company or its subsidiaries has (A) made, offered, promised or authorized any unlawful contribution, gift, entertainment or other unlawful expense or taken any act in furtherance thereof, including to any government official; (B) made, offered, promised or authorized any direct or indirect unlawful payment, including to any government official; or (C) violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended, the Bribery Act 2010 of the United Kingdom or any other applicable anti-bribery or anti-corruption law; (ii) the Company and its Subsidiary and the Joint Venture and controlled affiliates have conducted their businesses in compliance with applicable anti-corruption laws and have instituted and maintained and continue to maintain policies and procedures reasonably designed to promote and achieve compliance with such laws and with the representations and warranties contained herein; and (iii) neither the Company nor its Subsidiary, or controlled affiliates or the Joint Venture will use, directly or indirectly, the proceeds of the offering in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any person in violation of any applicable anti-corruption laws;

(bb) The operations of the Company and its Subsidiary are and have been conducted at all times in compliance with the requirements of applicable anti-money laundering laws, including, but not limited to, the Bank Secrecy Act of 1970, as amended by the USA PATRIOT ACT of 2001, and the rules and regulations promulgated thereunder, and the anti-money laundering laws of the various jurisdictions in which the Company and its Subsidiary conduct business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines issued, administered or enforced by any government agency (collectively, the “Money Laundering Laws”) and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or its Subsidiary with respect to the Money Laundering Laws is pending or, to the knowledge of the Company, threatened;

(cc) (i) None of the Company, its Subsidiary, the Joint Venture or any director, officer or employee of the Company, its Subsidiary or the Joint Venture, nor, to the knowledge of the Company, any agent or affiliate of the Company, the Joint Venture or its Subsidiary is, or is owned or controlled by one or more Persons that are, currently the subject or the target of any sanctions administered or enforced by the U.S. Government, including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury (“OFAC”), or the U.S. Department of State and including, without limitation, the designation as a “specially designated national” or “blocked person,” the European Union, Her Majesty’s Treasury, the United Nations Security Council or other relevant sanctions authority (collectively, “Sanctions”), nor is the Company or any of its subsidiaries located, organized or resident in a country or territory that is the subject or target of Sanctions (including, but not limited to, Cuba, Iran, North Korea, Syria, and Crimea, collectively, the “Sanctioned Countries”), and the Company will not directly or indirectly use the proceeds of the offering of the Shares hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity (A) to fund or facilitate any activities of or business with any person, or in any country or territory, that, at the time of such funding, is the subject or the target of Sanctions or a Sanctioned Country, respectively, or (B) in any other manner that will result in a violation by any person (including any person participating in the transaction, whether as underwriter, advisor, investor or otherwise) of Sanctions; and (ii) the Company, its Subsidiary, the Joint Venture and each director, officer or employee of the Company, its Subsidiary or the Joint Venture and, to the knowledge of the Company, each agent or affiliate of the Company, the Joint Venture or its Subsidiary, have not knowingly engaged in, are not now knowingly engaged in and will not knowingly engage in any dealings or transactions with any individual or entity, or in any country or territory, that at the time of the dealing or transaction is or was the subject of Sanctions or a Sanctioned Country, respectively;

(dd) The financial statements included in the Registration Statement, the Pricing Prospectus and the Prospectus, together with the related schedules and notes, present fairly in all material respects the financial position of the Company and its subsidiaries at the dates indicated and the statement of operations, stockholders’ equity and cash flows of the Company and its subsidiaries for the periods specified; said financial statements have been prepared in conformity with U.S. generally accepted accounting principles (“GAAP”) applied on a consistent basis throughout the periods involved. The supporting schedules, if any, present fairly in all material respects the information required to be stated therein in accordance with GAAP. The selected financial data and the summary financial information included in the Registration Statement, the Pricing Prospectus and the Prospectus present fairly in all material respects the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included therein. Except as included therein, no historical or pro forma financial statements or supporting schedules are required to be included in the Registration Statement, the Pricing Prospectus or the Prospectus under the Act or the rules and regulations promulgated thereunder. All disclosures contained in the Registration Statement, the Pricing Prospectus and the Prospectus regarding “non-GAAP financial measures” (as such term is defined by the rules and regulations of the Commission) comply with Regulation G of the Exchange Act and Item 10 of Regulation S-K of the Act, to the extent applicable;

(ee) Any statistical, industry-related and market-related data included in the Pricing Prospectus and the Prospectus are based on or derived from sources that the Company believes, after reasonable inquiry, to be reliable and accurate in all material respects and, to the extent required, the Company has obtained the written consent to the use of such data from such sources;

(ff) The Company and each of its subsidiaries have filed all material federal, state, local and foreign income and franchise tax returns required to be filed through the date hereof, subject to permitted extensions, and have paid all taxes due thereon. No material tax deficiency has been determined adversely to the Company or any of its subsidiaries and the Company does not have any knowledge of any tax deficiencies;

(gg) From the time of the confidential submission of a registration statement relating to the Shares with the Commission through the date hereof, the Company has been and is an “emerging growth company” as defined in Section 2(a)(19) of the Act (an “Emerging Growth Company”);

(hh) Nothing has come to the attention of the Company that has caused it to believe that the forward-looking statements (within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act) included in any of the Registration Statement, the Pricing Prospectus or the Prospectus have been made other than on a reasonable basis and in good faith;

(ii) Neither the Company nor its Subsidiary has taken, directly or indirectly, any action that was designed to or that has constituted or that might reasonably be expected to cause or result in the manipulation of the price of any security of the Company to facilitate the sale of the Shares;

(jj) Neither the Company nor its Subsidiary has issued or guaranteed any debt securities that are rated by any “nationally recognized statistical rating organization”, as that term is defined by the Commission for purposes of Rule 436(g)(2) under the Act;

(kk) Neither the Company nor its Subsidiary has used or referred to a “free writing prospectus” as defined in Rule 405 under the Act relating to the Company or the Shares;

(ll) (A) The Company and its Subsidiary (1) are in compliance with all, and have not violated any, applicable federal, state, local and foreign laws (including common law), rules, regulations, requirements, decisions, judgments, decrees, orders and other legally enforceable requirements relating to pollution or the protection of human health or safety, the environment, natural resources, hazardous or toxic substances or wastes, pollutants or contaminants (collectively, “Environmental Laws”); (2) have received and are in compliance with all, and have not violated any, permits, licenses, certificates or other authorizations or approvals required of them under any Environmental Laws to conduct their respective businesses; and (3) have not received written notice of any actual or potential liability or obligation under or relating to, or any actual or potential violation of, any Environmental Laws, including for the investigation or remediation of any disposal or release of hazardous or toxic substances or wastes, pollutants or contaminants, and have no knowledge of any event or condition that would reasonably be expected to result in any such notice; (B) there are no costs or liabilities associated with Environmental Laws of or relating to the Company or its Subsidiary, except in the case of each of (A) and (B) above, for any such matter as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and (C) except as described in each of the Pricing Disclosure Package and the Prospectus, (1) there is no proceeding that is pending, or that is known to be contemplated, against the Company or its Subsidiary under any Environmental Laws in which a governmental entity is also a party, other than such proceeding regarding which it is reasonably believed no monetary sanctions of \$100,000 or more will be imposed, (2) the Company and its Subsidiary are not aware of any facts or issues regarding compliance with Environmental Laws, or liabilities or other obligations under Environmental Laws or concerning hazardous or toxic substances or wastes, pollutants or contaminants, that could reasonably be expected to have a material effect on the capital expenditures, earnings or competitive position of the Company and its Subsidiary, and (3) none of the Company or its Subsidiary anticipates material capital expenditures relating to any Environmental Laws; and

(mm) The interactive data in eXtensible Business Reporting Language included in the Registration Statement fairly presents the information called for in all material respects and has been prepared in accordance with the Commission’s rules and guidelines applicable thereto.

2. Subject to the terms and conditions herein set forth, (a) the Company agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at a purchase price per share of \$[*], the number of Firm Shares set forth opposite the name of such Underwriter in Schedule I hereto and (b) in the event and to the extent that the Underwriters shall exercise the election to purchase Optional Shares as provided below, the Company agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at the purchase price per share set forth in clause (a) of this Section 2 (provided that the purchase price per Optional Share shall be reduced by an amount per share equal to any dividends or distributions declared by the Company and payable on the Firm Shares but not payable on the Optional Shares), that portion of the number of Optional Shares as to which such election shall have been exercised (to be adjusted by you so as to eliminate fractional shares) determined by multiplying such number of Optional Shares by a fraction, the numerator of which is the maximum number of Optional Shares which such Underwriter is entitled to purchase as set forth opposite the name of such Underwriter in Schedule I hereto and the denominator of which is the maximum number of Optional Shares that all of the Underwriters are entitled to purchase hereunder.

The Company hereby grants to the Underwriters the right to purchase at their election up to [•] Optional Shares, at the purchase price per share set forth in the paragraph above, for the sole purpose of covering sales of shares in excess of the number of Firm Shares, provided that the purchase price per Optional Share shall be reduced by an amount per share equal to any dividends or distributions declared by the Company and payable on the Firm Shares but not payable on the Optional Shares. Any such election to purchase Optional Shares may be exercised only by written notice from you to the Company, given within a period of 30 calendar days after the date of this Agreement, setting forth the aggregate number of Optional Shares to be purchased and the date on which such Optional Shares are to be delivered, as determined by you but in no event earlier than the First Time of Delivery (as defined in Section 4 hereof) or, unless you and the Company otherwise agree in writing, earlier than two or later than ten business days after the date of such notice.

3. Upon the authorization by you of the release of the Firm Shares, the several Underwriters propose to offer the Firm Shares for sale upon the terms and conditions set forth in the Pricing Prospectus and the Prospectus.

4. (a) The Shares to be purchased by each Underwriter hereunder, in definitive or book-entry form, and in such authorized denominations and registered in such names as the Representatives may request upon at least forty-eight hours' prior notice to the Company shall be delivered by or on behalf of the Company to the Representatives, through the facilities of the Depository Trust Company ("DTC"), for the account of such Underwriter, against payment by or on behalf of such Underwriter of the purchase price therefor by wire transfer of Federal (same-day) funds to the account specified by the Company to the Representatives at least forty-eight hours in advance. The Company will cause the certificates, if any, representing the Shares to be made available for checking and packaging at least twenty-four hours prior to the Time of Delivery (as defined below) with respect thereto at the office of DTC or its designated custodian (the "Designated Office"). The time and date of such delivery and payment shall be, with respect to the Firm Shares, 9:30 a.m., New York City time, on [•], 2021 or such other time and date as the Representatives and the Company may agree upon in writing, and, with respect to the Optional Shares, 9:30 a.m., New York City time, on the date specified by the Representatives in each written notice given by the Representatives of the Underwriters' election to purchase such Optional Shares, or such other time and date as the Representatives and the Company may agree upon in writing. Such time and date for delivery of the Firm Shares is herein called the "First Time of Delivery", each such time and date for delivery of the Optional Shares, if not the First Time of Delivery, is herein called the "Second Time of Delivery", and each such time and date for delivery is herein called a "Time of Delivery".

(b) The documents to be delivered at each Time of Delivery by or on behalf of the parties hereto pursuant to Section 8 hereof, including the cross receipt for the Shares and any additional documents requested by the Underwriters pursuant to Section 8(k) hereof, will be delivered at the offices of Sullivan & Cromwell LLP, 1870 Embarcadero Road, Palo Alto, California 94303 (the "Closing Location"), and the Shares will be delivered at the Designated Office, all at such Time of Delivery. A meeting will be held at the Closing Location at [•:••] p.m., New York City time, on the New York Business Day next preceding such Time of Delivery, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the parties hereto. For the purposes of this Section 4, "New York Business Day" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York City are generally authorized or obligated by law or executive order to close.

5. The Company agrees with each of the Underwriters:

(a) To prepare the Prospectus in a form approved by you and to file such Prospectus pursuant to Rule 424(b) under the Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement, or, if applicable, such earlier time as may be required by Rule 430A(a)(3) under the Act; to make no further amendment or any supplement to the Registration Statement or the Prospectus prior to the last Time of Delivery which shall be disapproved by you promptly after reasonable notice thereof; to advise you, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any amendment or supplement to the Prospectus has been filed and to furnish you with copies thereof; to file promptly all material required to be filed by the Company with the Commission pursuant to Rule 433(d) under the Act; to advise you, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or other prospectus in respect of the Shares, of the suspension of the qualification of the Shares for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose or pursuant to Section 8A of the Act, or of any request by the Commission for the amending or supplementing of the Registration Statement or the Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or other prospectus or pursuant to Section 8A of the Act or suspending any such qualification, to promptly use its best efforts to obtain the withdrawal of such order;

(b) Promptly from time to time to take such action as you may reasonably request to qualify the Shares for offering and sale under the securities laws of such jurisdictions as you may request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Shares, provided that in connection therewith the Company shall not be required to qualify as a foreign corporation (where not otherwise required) or to file a general consent to service of process in any jurisdiction (where not otherwise required);

(c) Prior to 10:00 a.m., New York City time, on the New York Business Day next succeeding the date of this Agreement and from time to time, to furnish the Underwriters with written and electronic copies of the Prospectus in New York City in such quantities as you may reasonably request, and, if the delivery of a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is required at any time prior to the expiration of nine months after the time of issue of the Prospectus in connection with the offering or sale of the Shares and if at such time any event shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) is delivered, not misleading, or, if for any other reason it shall be necessary during such same period to amend or supplement the Prospectus in order to comply with the Act, to notify you and upon your request to prepare and furnish without charge to each Underwriter and to any dealer in securities as many written and electronic copies as you may from time to time reasonably request of an amended Prospectus or a supplement to the Prospectus which will correct such statement or omission or effect such compliance; and in case any Underwriter is required to deliver a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) in connection with sales of any of the Shares at any time nine months or more after the time of issue of the Prospectus, upon your request but at the expense of such Underwriter, to prepare and deliver to such Underwriter as many written and electronic copies as you may request of an amended or supplemented Prospectus complying with Section 10(a)(3) of the Act;

(d) To make generally available to its securityholders as soon as practicable (which may be satisfied by filing with the Commission's Electronic Data Gathering, Analysis and Retrieval System ("EDGAR")), but in any event not later than sixteen months after the effective date of the Registration Statement (as defined in Rule 158(c) under the Act), an earnings statement of the Company and its Subsidiary (which need not be audited) complying with Section 11(a) of the Act and the rules and regulations of the Commission thereunder (including, at the option of the Company, Rule 158);

(e) During the period beginning from the date hereof and continuing to and including the date 90 days after the date of the Prospectus (the "Lock-Up Period"), not to (i) offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise transfer or dispose of, directly or indirectly, or file with or confidentially submit to the Commission a registration statement under the Act relating to, any securities of the Company that are substantially similar to the Shares, including but not limited to any options or warrants to purchase shares of Stock or any securities that are convertible into or exchangeable for, or that represent the right to receive, Stock or any such substantially similar securities; provided, however, the restrictions in this clause (i) do not apply to the sale or issuance of any securities of the Company as a result of the satisfaction of the technical milestone related to the Joint Venture as described in the Pricing Prospectus and the Prospectus, or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Stock or any such other securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Stock or such other securities, in cash or otherwise (other than the Shares to be sold hereunder or pursuant to employee stock option plans existing on, or upon the conversion or exchange of convertible or exchangeable securities outstanding as of, the date of this Agreement), or publicly disclose the intention to take any action described in clauses (i) or (ii) above, without the prior written consent of Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC;

(f) So long as the Company is subject to the reporting requirements of either Section 13 or Section 15(d) of the Exchange Act, to furnish to its stockholders as soon as practicable after the end of each fiscal year an annual report (including a balance sheet and statements of income, stockholders' equity and cash flows of the Company and its consolidated subsidiaries certified by independent public accountants) and, as soon as practicable after the end of each of the first three quarters of each fiscal year (beginning with the fiscal quarter ending after the effective date of the Registration Statement), to make available to its stockholders consolidated summary financial information of the Company and its Subsidiary for such quarter in reasonable detail; provided that no reports, documents or other information need to be furnished pursuant to this Section 5(f) to the extent that they are made available on EDGAR;

(g) During a period of three years from the effective date of the Registration Statement, so long as the Company is subject to the reporting requirements of either Section 13 or Section 15(d) of the Exchange Act, to furnish to you copies of all reports or other communications (financial or other) furnished to stockholders, and to deliver to you (i) as soon as they are available, copies of any reports and financial statements furnished to or filed with the Commission or any national securities exchange on which any class of securities of the Company is listed; and (ii) such additional information concerning the business and financial condition of the Company as you may from time to time reasonably request (such financial statements to be on a consolidated basis to the extent the accounts of the Company and its Subsidiary are consolidated in reports furnished to its stockholders generally or to the Commission); provided that no reports, documents or other information need to be furnished pursuant to this Section 5(g) to the extent that they are made available on EDGAR;

(h) To use the net proceeds received by it from the sale of the Shares pursuant to this Agreement in the manner specified in the Pricing Prospectus under the caption "Use of Proceeds";

(i) To use its best efforts to list for trading, subject to official notice of issuance, the Shares on the Exchange;

(j) To file with the Commission such information on Form 10-Q or Form 10-K as may be required by Rule 463 under the Act;

(k) If the Company elects to rely upon Rule 462(b), the Company shall file a Rule 462(b) Registration Statement with the Commission in compliance with Rule 462(b) by 10:00 P.M., Washington, D.C. time, on the date of this Agreement, and the Company shall at the time of filing either pay to the Commission the filing fee for the Rule 462(b) Registration Statement or give irrevocable instructions for the payment of such fee pursuant to Rule 3(a)(c) of the Commission's Informal and Other Procedures (16 C.F.R. 202.3a);

(l) Upon request of any Underwriter, to furnish, or cause to be furnished, to such Underwriter an electronic version of the Company's trademarks, servicemarks and corporate logo for use on the website, if any, operated by such Underwriter for the purpose of facilitating the on-line offering of the Shares (the "License"); provided, however, that the License shall be used solely for the purpose described above, is granted without any fee and may not be assigned or transferred;

(m) To promptly notify you if the Company ceases to be an Emerging Growth Company at any time prior to the later of (i) completion of the distribution of the Shares within the meaning of the Act and (ii) the last Time of Delivery.

6. (a) The Company represents and agrees that, without the prior consent of the Representatives, it has not made and will not make any offer relating to the Shares that would constitute a "free writing prospectus" as defined in Rule 405 under the Act; each Underwriter represents and agrees that, without the prior consent of the Company and the Representatives, it has not made and will not make any offer relating to the Shares that would constitute a free writing prospectus required to be filed with the Commission; any such free writing prospectus the use of which has been consented to by the Company and the Representatives is listed on Schedule II(a) hereto;

(b) The Company has complied and will comply with the requirements of Rule 433 under the Act applicable to any Issuer Free Writing Prospectus, including timely filing with the Commission or retention where required and legending; and the Company represents that it has satisfied and agrees that it will satisfy the conditions under Rule 433 under the Act to avoid a requirement to file with the Commission any electronic road show;

(c) The Company agrees that if at any time following issuance of an Issuer Free Writing Prospectus or Written Testing-the-Waters Communication any event occurred or occurs as a result of which such Issuer Free Writing Prospectus or Written Testing-the-Waters Communication would conflict with the information in the Registration Statement, the Pricing Prospectus or the Prospectus or would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances then prevailing, not misleading, the Company will give prompt notice thereof to the Representatives and, if requested by the Representatives, will prepare and furnish without charge to each Underwriter an Issuer Free Writing Prospectus, Written Testing-the-Waters Communication or other document which will correct such conflict, statement or omission; provided, however, that this covenant shall not apply to any statements or omissions made in reliance upon and in conformity with the Underwriter Information;

(d) The Company represents and agrees that (i) it has not engaged in, or authorized any other person to engage in, any Testing-the-Waters Communications, other than Testing-the-Waters Communications with the prior consent of the Representatives with entities that the Company reasonably believes are qualified institutional buyers as defined in Rule 144A under the Act or institutions that are accredited investors as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) under the Act; and (ii) it has not distributed, or authorized any other person to distribute, any Written Testing-the-Waters Communications, other than those distributed with the prior consent of the Representatives that are listed on Schedule II(d) hereto; and the Company reconfirms that the Underwriters have been authorized to act on its behalf in engaging in Testing-the-Waters Communications; and

(e) Each Underwriter represents and agrees that any Testing-the-Waters Communications undertaken by it were with entities that such Underwriter reasonably believes are qualified institutional buyers as defined in Rule 144A under the Act or institutions that are accredited investors as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) under the Act.

7. The Company covenants and agrees with the several Underwriters that the Company will pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Company's counsel and accountants in connection with the registration of the Shares under the Act and all other expenses in connection with the preparation, printing, reproduction and filing of the Registration Statement, any Preliminary Prospectus, any Written Testing-the-Waters Communication, any Issuer Free Writing Prospectus and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) the cost of printing or producing any Agreement among Underwriters, this Agreement, the Blue Sky Memorandum, closing documents (including any compilations thereof) and any other documents in connection with the offering, purchase, sale and delivery of the Shares; (iii) all expenses in connection with the qualification of the Shares for offering and sale under state securities laws as provided in Section 5(b) hereof, including the reasonable and documented fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky survey (iv) all fees and expenses in connection with listing the Shares on the Exchange; (v) the filing fees incident to, and the reasonable and documented fees and disbursements of counsel for the Underwriters in connection with, any required review by FINRA of the terms of the sale of the Shares, provided, however, that the fees and disbursements of counsel for the Underwriters described in subsections (iii) and (v) shall not exceed \$35,000 in the aggregate; (vi) the cost of preparing stock certificates, if applicable; (vii) the cost and charges of any transfer agent or registrar; and (viii) all other costs and expenses incident to the performance of its obligations hereunder which are not otherwise specifically provided for in this Section. It is understood, however, that, except as provided in this Section and Sections 9 and 12 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of their counsel, stock transfer taxes on resale of any of the Shares by them, and any advertising expenses connected with any offers they may make.

8. The obligations of the Underwriters hereunder, as to the Shares to be delivered at each Time of Delivery, shall be subject, in their discretion, to the condition that all representations and warranties and other statements of the Company herein are, at and as of the Applicable Time and such Time of Delivery, true and correct, the condition that the Company shall have performed all of its obligations hereunder theretofore to be performed, and the following additional conditions:

(a) The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) under the Act within the applicable time period prescribed for such filing by the rules and regulations under the Act and in accordance with Section 5(a) hereof; all material required to be filed by the Company pursuant to Rule 433(d) under the Act shall have been filed with the Commission within the applicable time period prescribed for such filing by Rule 433; if the Company has elected to rely upon Rule 462(b) under the Act, the Rule 462(b) Registration Statement shall have become effective by 10:00 P.M., Washington, D.C. time, on the date of this Agreement; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose or pursuant to Section 8A of the Act shall have been initiated or threatened by the Commission; no stop order suspending or preventing the use of the Pricing Prospectus, Prospectus or any Issuer Free Writing Prospectus shall have been initiated or threatened by the Commission; and all requests for additional information on the part of the Commission shall have been complied with to your reasonable satisfaction;

(b) Sullivan & Cromwell LLP, counsel for the Underwriters, shall have furnished to you such written opinion or opinions, dated such Time of Delivery, in form and substance satisfactory to you, with respect to such matters as you may reasonably request, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters;

(c) Wilson Sonsini Goodrich & Rosati, Professional Corporation, counsel for the Company, shall have furnished to you their written opinion (a form of such opinion is attached hereto as Annex II(a)) and a letter (a form of such letter is attached hereto as Annex II(b)), dated such Time of Delivery, in form and substance satisfactory to you;

(d) On the date of the Prospectus at a time prior to the execution of this Agreement, at 9:30 a.m., New York City time, on the effective date of any post-effective amendment to the Registration Statement filed subsequent to the date of this Agreement and also at each Time of Delivery, Ernst & Young LLP shall have furnished to you a letter or letters, dated the respective dates of delivery thereof, in form and substance satisfactory to you, to the effect set forth in Annex I hereto (the executed copy of the letter delivered prior to the execution of this Agreement is attached as Annex I(a) hereto and a form of the letter to be delivered on the effective date of any post-effective amendment to the Registration Statement and as of each Time of Delivery is attached as Annex I(b) hereto);

(e) (i) Neither the Company nor any of its subsidiaries shall have sustained since the date of the latest audited financial statements included in the Pricing Prospectus any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Pricing Prospectus, and (ii) since the respective dates as of which information is given in the Pricing Prospectus there shall not have been any change in the capital stock (other than as a result of (A) the exercise or settlement (including any “net” or “cashless” exercises or settlement) of stock options or restricted stock units or the award of stock options or restricted stock units in the ordinary course of business, in each case pursuant to the Company’s equity plans that are described in the Pricing Prospectus and the Prospectus, (B) the repurchase of shares of capital stock upon termination of the holder’s employment or other service relationship with the Company pursuant to equity-incentive agreements or other arrangements providing for an option to repurchase or a right of first refusal on behalf of the Company pursuant to the Company’s repurchase rights, (C) the issuance of shares of capital stock upon the exercise of warrants to purchase shares of the Company’s capital stock that are described in the Pricing Prospectus and the Prospectus or (D) the issuance of shares of capital stock upon conversion of Company securities as described in the Pricing Prospectus and the Prospectus) or long-term debt of the Company or its Subsidiary or any change or effect, or any development involving a prospective change or effect, in or affecting (A) the business, general affairs, management, financial position, stockholders’ equity or results of operations of the Company and its subsidiaries, taken as a whole, except as set forth or contemplated in the Pricing Prospectus, or (B) the ability of the Company to perform its obligations under this Agreement, including the issuance and sale of the Shares, or to consummate the transactions contemplated in the Pricing Prospectus and the Prospectus, the effect of which, in any such case described in clause (i) or (ii), is in your judgment so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Pricing Prospectus and the Prospectus;

(f) On or after the Applicable Time there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the Exchange or on the NASDAQ; (ii) a suspension or material limitation in trading in the Company’s securities on the Exchange; (iii) a general moratorium on commercial banking activities declared by either Federal or New York or California State authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States; (iv) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war or (v) the occurrence of any other calamity or crisis or any change in financial, political or economic conditions in the United States or elsewhere, if the effect of any such event specified in clause (iv) or (v) in your judgment makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Pricing Prospectus and the Prospectus;

(h) The Shares to be sold at such Time of Delivery shall have been duly listed, subject to notice of issuance, on the Exchange;

(i) The Company shall have obtained and delivered to the Underwriters executed copies of an agreement from each director and executive officer of the Company, substantially to the effect set forth in Annex III hereto and in form and substance satisfactory to you;

(j) The Company shall have complied with the provisions of Section 5(c) hereof with respect to the furnishing of prospectuses on the New York Business Day next succeeding the date of this Agreement;

(k) The Company shall have furnished or caused to be furnished to you at such Time of Delivery certificates of officers of the Company satisfactory to you as to the accuracy of the representations and warranties of the Company herein at and as of such Time of Delivery, as to the performance by the Company of all of its obligations hereunder to be performed at or prior to such Time of Delivery, as to the matters set forth in subsections (a) and (e) of this Section and as to such other matters as you may reasonably request; and

(l) The Company shall have furnished or caused to be furnished to you on the date of the Prospectus at a time prior to the execution of this Agreement and at such Time of Delivery a certificate of the Chief Financial Officer of the Company as to the accuracy of certain financial information included in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus and the Prospectus, in form and substance satisfactory to you.

9. (a) The Company will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, any Issuer Free Writing Prospectus, any road show, any "issuer information" filed or required to be filed pursuant to Rule 433(d) under the Act or any Testing-the-Waters Communication, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; *provided, however*, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus or any Testing-the-Waters Communication, in reliance upon and in conformity with the Underwriter Information.

(b) Each Underwriter, severally and not jointly, will indemnify and hold harmless the Company against any losses, claims, damages or liabilities to which the Company may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, or any road show or any Testing-the-Waters Communication, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, or any road show or any Testing-the-Waters Communication, in reliance upon and in conformity with the Underwriter Information; and will reimburse the Company for any legal or other expenses reasonably incurred by the Company in connection with investigating or defending any such action or claim as such expenses are incurred. As used in this Agreement with respect to an Underwriter and an applicable document, "Underwriter Information" shall mean the written information furnished to the Company by such Underwriter through the Representatives expressly for use therein; it being understood and agreed upon that the only such information furnished by any Underwriter consists of the following information in the Prospectus furnished on behalf of each Underwriter: the concession and reallowance figures appearing in the fifth paragraph under the caption "Underwriting", and the information contained in the eighth, ninth and tenth paragraphs under the caption "Underwriting".

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; provided that the failure to notify the indemnifying party shall not relieve it from any liability that it may have under the preceding paragraphs of this Section 9 except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and provided further that the failure to notify the indemnifying party shall not relieve it from any liability that it may have to an indemnified party otherwise than under the preceding paragraphs of this Section 9. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such indemnified parties and that all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by the Representatives, in the case of parties indemnified pursuant to Section 9(a), and by the Company, in the case of parties indemnified pursuant to Section 9(b). The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party.

(d) If the indemnification provided for in this Section 9 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this subsection (d) were determined by *pro rata* allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) The obligations of the Company under this Section 9 shall be in addition to any liability which the Company may otherwise have and shall extend, upon the same terms and conditions, to each employee, officer and director of each Underwriter and each person, if any, who controls any Underwriter within the meaning of the Act and each broker-dealer or other affiliate of any Underwriter; and the obligations of the Underwriters under this Section 9 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company and to each person, if any, who controls the Company within the meaning of the Act.

10. (a) If any Underwriter shall default in its obligation to purchase the Shares which it has agreed to purchase hereunder at a Time of Delivery, you may in your discretion arrange for you or another party or other parties to purchase such Shares on the terms contained herein. If within thirty-six hours after such default by any Underwriter you do not arrange for the purchase of such Shares, then the Company shall be entitled to a further period of thirty-six hours within which to procure another party or other parties satisfactory to you to purchase such Shares on such terms. In the event that, within the respective prescribed periods, you notify the Company that you have so arranged for the purchase of such Shares, or the Company notifies you that it has so arranged for the purchase of such Shares, you or the Company shall have the right to postpone such Time of Delivery for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Company agrees to file promptly any amendments or supplements to the Registration Statement or the Prospectus which in your opinion may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section with like effect as if such person had originally been a party to this Agreement with respect to such Shares.

(b) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Company as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased does not exceed one-eleventh of the aggregate number of all the Shares to be purchased at such Time of Delivery, then the Company shall have the right to require each non-defaulting Underwriter to purchase the number of Shares which such Underwriter agreed to purchase hereunder at such Time of Delivery and, in addition, to require each non-defaulting Underwriter to purchase its *pro rata* share (based on the number of Shares which such Underwriter agreed to purchase hereunder) of the Shares of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Company as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased exceeds one-eleventh of the aggregate number of all the Shares to be purchased at such Time of Delivery, or if the Company shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Shares of a defaulting Underwriter or Underwriters, then this Agreement (or, with respect to a Second Time of Delivery, the obligations of the Underwriters to purchase and of the Company to sell the Optional Shares) shall thereupon terminate, without liability on the part of any non-defaulting Underwriter or the Company, except for the expenses to be borne by the Company and the Underwriters as provided in Section 7 hereof and the indemnity and contribution agreements in Section 9 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

11. The respective indemnities, agreements, representations, warranties and other statements of the Company and the several Underwriters as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, or the Company, or any officer or director or controlling person of the Company, and shall survive delivery of and payment for the Shares.

12. If this Agreement shall be terminated pursuant to Section 10 hereof, the Company shall not then be under any liability to any Underwriter except as provided in Sections 7 and 9 hereof; but, if for any other reason (other than those set forth in clauses (i),(iii), (iv) and (v) of Section 8(f)), any Shares are not delivered by or on behalf of the Company as provided herein or the Underwriters decline to purchase the Shares for any reason permitted under this Agreement, the Company will reimburse the Underwriters through you for all out-of-pocket expenses approved in writing by you, including fees and disbursements of counsel, reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Shares not so delivered, but the Company shall then be under no further liability to any Underwriter except as provided in Sections 7 and 9 hereof.

13. In all dealings hereunder, the Representatives shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by you jointly or by Goldman Sachs & Co. LLC on behalf of you as the Representatives.

All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to each of the Representatives in care of (a) Goldman Sachs & Co. LLC, 200 West Street, New York, New York 10282-2198, Attention: Registration Department; and (b) Morgan Stanley & Co. LLC, 1585 Broadway, New York, New York 10036, Attention: Equity Syndicate Desk, with a copy to the Legal Department; and if to the Company shall be delivered or sent by mail, telex or facsimile transmission to the address of the Company set forth on the cover of the Registration Statement, Attention: [Secretary]; provided, however, that any notice to an Underwriter pursuant to Section 9(c) hereof shall be delivered or sent by mail, telex or facsimile transmission to such Underwriter at its address set forth in its Underwriters' Questionnaire, or telex constituting such Questionnaire, which address will be supplied to the Company by you upon request; provided, however, that notices under subsection 5(e) shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to you at (i) Goldman Sachs & Co. LLC, 200 West Street, New York, New York 10282-2198, Attention: Control Room; and (ii) Morgan Stanley & Co. LLC, 1585 Broadway, New York, New York 10036, Attention: Equity Syndicate Desk, with a copy to the Legal Department. Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

In accordance with the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), the underwriters are required to obtain, verify and record information that identifies their respective clients, including the Company, which information may include the name and address of their respective clients, as well as other information that will allow the underwriters to properly identify their respective clients.

14. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Company and, to the extent provided in Sections 9 and 11 hereof, the officers and directors of the Company and each person who controls the Company or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Shares from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

15. Time shall be of the essence of this Agreement. As used herein, the term "business day" shall mean any day when the Commission's office in Washington, D.C. is open for business.

16. The Company acknowledges and agrees that (i) the purchase and sale of the Shares pursuant to this Agreement is an arm's-length commercial transaction between the Company, on the one hand, and the several Underwriters, on the other, (ii) in connection therewith and with the process leading to such transaction each Underwriter is acting solely as a principal and not the agent or fiduciary of the Company, (iii) no Underwriter has assumed an advisory or fiduciary responsibility in favor of the Company with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether such Underwriter has advised or is currently advising the Company on other matters) or any other obligation to the Company except the obligations expressly set forth in this Agreement and (iv) the Company has consulted its own legal and financial advisors to the extent it deemed appropriate. The Company agrees that it will not claim that the Underwriters, or any of them, has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to the Company, in connection with such transaction or the process leading thereto and that none of the activities of the Underwriters in connection with the transactions contemplated herein constitutes a recommendation, investment advice or solicitation of any action by the Underwriters with respect to any entity or natural person.

17. This Agreement supersedes all prior agreements and understandings (whether written or oral) between the Company and the Underwriters, or any of them, with respect to the subject matter hereof.

18. This Agreement and any transaction contemplated by this Agreement and any claim, controversy or dispute arising under or related thereto shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflict of laws that would result in the application of any other law than the laws of the State of New York. The Company agrees that any suit or proceeding arising in respect of this Agreement or any transaction contemplated by this Agreement will be tried exclusively in the U.S. District Court for the Southern District of New York or, if that court does not have subject matter jurisdiction, in any state court located in The City and County of New York and the Company agrees to submit to the jurisdiction of, and to venue in, such courts.

19. The Company and each of the Underwriters hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

20. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including any electronic signature covered by the U.S. federal ESIGN Act of 2000, Uniform Electronic Transactions Act, the Electronic Signatures and Records Act or other applicable law, e.g., www.docusign.com) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

21. Notwithstanding anything herein to the contrary, the Company is authorized to disclose to any persons the U.S. federal and state income tax treatment and tax structure of the potential transaction and all materials of any kind (including tax opinions and other tax analyses) provided to the Company relating to that treatment and structure, without the Underwriters imposing any limitation of any kind. However, any information relating to the tax treatment and tax structure shall remain confidential (and the foregoing sentence shall not apply) to the extent necessary to enable any person to comply with securities laws. For this purpose, "tax structure" is limited to any facts that may be relevant to that treatment.

22. Recognition of the U.S. Special Resolution Regimes.

(a) In the event that any Underwriter that is a Covered Entity becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer from such Underwriter of this Agreement, and any interest and obligation in or under this Agreement, will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if this Agreement, and any such interest and obligation, were governed by the laws of the United States or a state of the United States.

(b) In the event that any Underwriter that is a Covered Entity or a BHC Act Affiliate of such Underwriter becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under this Agreement that may be exercised against such Underwriter are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if this Agreement were governed by the laws of the United States or a state of the United States.

(c) As used in this section:

“BHC Act Affiliate” has the meaning assigned to the term “affiliate” in, and shall be interpreted in accordance with, 12 U.S.C. § 1841(k).

“Covered Entity” means any of the following:

- (i) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b);
- (ii) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or
- (iii) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

“Default Right” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

“U.S. Special Resolution Regime” means each of (i) the Federal Deposit Insurance Act and the regulations promulgated thereunder and (ii) Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations promulgated thereunder.

If the foregoing is in accordance with your understanding, please indicate your acceptance of this letter by signing in the space provided below, and upon the acceptance hereof by you, on behalf of each of the Underwriters, this letter and such acceptance hereof shall constitute a binding agreement among each of the Underwriters and the Company. It is understood that your acceptance of this letter on behalf of each of the Underwriters is pursuant to the authority set forth in a form of Agreement among Underwriters, the form of which shall be submitted to the Company for examination upon request, but without warranty on your part as to the authority of the signers thereof.

[Signature Pages Follow]

Very truly yours,

QuantumScape Corporation

By: _____

Name:

Title:

Accepted as of the date hereof:

Goldman Sachs & Co. LLC

By: _____
Name:
Title:

Morgan Stanley & Co. LLC

By: _____
Name:
Title:

On behalf of each of the Underwriters

SCHEDULE I

| | Underwriter | Total Number of Firm Shares to be Purchased | Number of Optional Shares to be Purchased if Maximum Option Exercised |
|-------------------------------|--------------------|--|--|
| Goldman Sachs & Co. LLC | | | |
| Morgan Stanley & Co. LLC | | | |
| Deutsche Bank Securities Inc. | | | |
| Total | | | |

SCHEDULE II

(a) Issuer Free Writing Prospectuses not included in the Pricing Disclosure Package:

None

(b) Additional Documents Incorporated by Reference:

None

(c) Information other than the Pricing Prospectus that comprise the Pricing Disclosure Package:

The initial public offering price per share for the Shares is \$ [•].

The number of Shares purchased by the Underwriters is [•].

[Add any other pricing disclosure.]

(d) Written Testing-the-Waters Communications:

None

FORM OF COMFORT LETTER TO BE DELIVERED AT EACH TIME OF DELIVERY

COMFORT LETTER DELIVERED PRIOR TO OR AS OF THE DATE OF THIS AGREEMENT

**FORM OF COMFORT LETTER TO BE DELIVERED EFFECTIVE DATE OF ANY POST-EFFECTIVE AMENDMENT TO THE
REGISTRATION STATEMENT AND AS OF EACH TIME OF DELIVERY**

**FORM OF OPINION OF WILSON SONSINI GOODRICH & ROSATI
COUNSEL FOR THE COMPANY**

**FORM OF LETTER OF WILSON SONSINI GOODRICH & ROSATI
COUNSEL FOR THE COMPANY**

FORM OF LOCK-UP AGREEMENT

QuantumScape Corporation

Lock-Up Agreement

_____, 2021

Goldman Sachs & Co. LLC,
Morgan Stanley & Co. LLC

c/o Goldman Sachs & Co. LLC
200 West Street
New York, New York 10282-2198

c/o Morgan Stanley & Co. LLC
1585 Broadway
New York, New York 10036

Re: QuantumScape Corporation—Lock-Up Agreement

Ladies and Gentlemen:

The undersigned understands that Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC, as representatives (the “Representatives”), propose to enter into an Underwriting Agreement (the “Underwriting Agreement”) on behalf of the several Underwriters named in Schedule I to such agreement (collectively, the “Underwriters”), with QuantumScape Corporation, a Delaware corporation (the “Company”), providing for a public offering of Class A common stock, par value \$0.0001 per share (the “Class A Common Stock”, and, together with the Class B common stock, par value \$0.0001 per share of the Company, the “Common Stock”) of the Company (the “Shares”) pursuant to a Registration Statement on Form S-1 to be filed with the Securities and Exchange Commission (the “SEC”).

In consideration of the agreement by the Underwriters to offer and sell the Shares, and of other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the undersigned agrees that, during the period beginning from the date of this Lock-Up Agreement and continuing to and including May 21, 2021 (the “Lock-Up Period”), the undersigned shall not, and shall not cause or direct any of its affiliates to, (i) offer, sell, contract to sell, pledge, grant any option to purchase, lend or otherwise dispose of any shares of Common Stock, or any options or warrants to purchase any shares of Common Stock, or any securities convertible into, exchangeable for or that represent the right to receive shares of Common Stock (such options, warrants or other securities, collectively, “Derivative Instruments”), including without limitation any such shares or Derivative Instruments now owned or hereafter acquired by the undersigned, (ii) engage in any hedging or other transaction or arrangement (including, without limitation, any short sale or the purchase or sale of, or entry into, any put or call option, or combination thereof, forward, swap or any other derivative transaction or instrument, however described or defined) which is designed to or which reasonably could be expected to lead to or result in a sale, loan, pledge or other disposition (whether by the undersigned or someone other than the undersigned), or transfer of any of the economic consequences of ownership, in whole or in part, directly or indirectly, of any shares of Common Stock or Derivative Instruments, whether any such transaction or arrangement (or instrument provided for thereunder) would be settled by delivery of Common Stock or other securities, in cash or otherwise (any such sale, loan, pledge or other disposition, or transfer of economic consequences, a “Transfer”) or (iii) otherwise publicly announce any intention to engage in or cause any action or activity described in clause (i) above or transaction or arrangement described in clause (ii) above. In addition, the undersigned agrees that, without the prior written consent of Goldman Sachs and Co. LLC and Morgan Stanley and Co. LLC on behalf of the Underwriters, the undersigned will not, during the Lock-Up Period, make any demand for or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock. The undersigned represents and warrants that the undersigned is not, and has not caused or directed any of its affiliates to be or become, currently a party to any agreement or arrangement that provides for, is designed to or which reasonably could be expected to lead to or result in any Transfer during the Lock-Up Period. For the avoidance of doubt, the undersigned agrees that the foregoing provisions shall be equally applicable to any issuer-directed or other Shares the undersigned may purchase in the offering.

If the undersigned is not a natural person, the undersigned represents and warrants that no single natural person, entity or "group" (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), other than a natural person, entity or "group" (as described above) that has executed a Lock-Up Agreement in substantially the same form as this Lock-Up Agreement, beneficially owns, directly or indirectly, 50% or more of the common equity interests, or 50% or more of the voting power, in the undersigned.

Notwithstanding the foregoing, the undersigned may transfer the undersigned's shares of Common Stock:

(i) as a bona fide gift, provided that (A) the donee or donees or transferee or transferees thereof agree to be bound in writing by the restrictions set forth herein, (B) such transfer shall not involve a disposition for value and (C) no filing under Section 16(a) of the Exchange Act reporting such transfer of the undersigned's shares of Common Stock, or other public filing, report or announcement by or on behalf of the undersigned reporting a reduction in beneficial ownership of shares of Common Stock, shall be required or shall be voluntarily made during the Lock-Up Period (other than any required Form 5 filing after the end of the calendar year in which such transaction occurs, which shall include a statement to the effect that such transaction reflects the circumstances described in this clause (i) and that the donee or transferee, as the case may be, has agreed in writing to be bound by the restrictions set forth herein);

(ii) to a trust, or other entity formed for estate planning purposes for the primary benefit of the spouse, domestic partner, parent, sibling, child or grandchild of the undersigned or any other person with whom the undersigned has a relationship by blood, marriage or adoption not more remote than first cousin, provided that (A) the trustee of the trust agrees to be bound in writing by the restrictions set forth herein, (B) any such transfer shall not involve a disposition for value and (C) no filing under Section 16(a) of the Exchange Act reporting such transfer of the undersigned's shares of Common Stock, or other public filing, report or announcement by or on behalf of the undersigned reporting a reduction in beneficial ownership of shares of Common Stock, shall be required or shall be voluntarily made during the Lock-Up Period (other than any required Form 5 filing after the end of the calendar year in which such transaction occurs, which shall include a statement to the effect that such transaction reflects the circumstances described in this clause (ii) and that the trustee has agreed in writing to be bound by the restrictions set forth herein);

(iii) by will or intestate succession upon the death of the undersigned, provided that (A) the transferee agrees to be bound in writing by the restrictions set forth herein, (B) any such transfer shall not involve a disposition for value and (C) no filing under Section 16(a) of the Exchange Act reporting such transfer of the undersigned's shares of Common Stock, or other public filing, report or announcement by or on behalf of the undersigned reporting a reduction in beneficial ownership of shares of Common Stock, shall be required or shall be voluntarily made during the Lock-Up Period (other than any required Form 5 filing after the end of the calendar year in which such transaction occurs, which shall include a statement to the effect that such transaction reflects the circumstances described in this clause (iii) and that the transferee has agreed in writing to be bound by the restrictions set forth herein);

(iv) pursuant to a qualified domestic order or in connection with a divorce settlement, provided that the transferee agrees to be bound in writing by the restrictions set forth herein; and provided further that no filing under Section 16(a) of the Exchange Act reporting such transfer of the undersigned's shares of Common Stock, or other public filing, report or announcement by or on behalf of the undersigned reporting a reduction in beneficial ownership of shares of Common Stock, shall be voluntarily made during the Lock-Up Period, and, if the undersigned is required to file a report under Section 16(a) of the Exchange Act during the Lock-Up Period, the undersigned shall include a statement in such report to the effect that such transfer relates to the circumstances described in this clause (iv) and that the shares received upon such transfer are subject to a lock-up agreement with the Underwriters;

(v) if the undersigned is a corporation, partnership (whether general, limited or otherwise), limited liability company, trust or other business entity, (a) to another corporation, partnership, limited liability company, trust or other business entity that controls, is controlled by or is under common control or management with the undersigned, or (b) in connection with distributions of shares of Common Stock to partners, limited liability company members or stockholders of the undersigned, provided that in each case (a) and (b), (I) it shall be a condition to such transfer that the transferee or distributee agrees to be bound in writing by the restrictions set forth herein; (II) such transfer shall not involve a disposition for value; and (III) no filing under Section 16(a) of the Exchange Act reporting such transfer of the undersigned's shares of Common Stock, or other public filing, report or announcement by or on behalf of the undersigned reporting a reduction in beneficial ownership of shares of Common Stock, shall be required or shall be voluntarily made during the Lock-Up Period;

(vi) in connection with the establishment of a trading plan pursuant to Rule 10b5-1 promulgated under the Exchange Act; provided, however, that (i) such plan does not provide for the transfer of shares of Common Stock or any securities convertible into or exercisable or exchangeable for shares of Common Stock during the Lock-up Period, as applicable and (ii) no public announcement or filing under the Exchange Act shall be made by or on behalf of the undersigned or the Company regarding the establishment of such plan during the Lock-Up Period;

(vii) to satisfy tax withholding obligations in connection with the vesting of stock-based awards, provided, that in all such cases, (A) such awards are granted under a stock incentive plan or other equity award plan that is described in the Prospectus, (B) any shares of Common Stock received upon such vesting shall be subject to the terms of this Lock-Up Agreement, (C) no filing under Section 16(a) of the Exchange Act reporting such transfer of the undersigned's shares of Common Stock or Derivative Instruments, or other public filing, report or announcement by or on behalf of the undersigned reporting a reduction in beneficial ownership of shares of Common Stock, shall be required or voluntarily made within 30 days after the date of the Prospectus[, other than in connection with transfers or dispositions of shares of Common Stock to satisfy tax withholding obligations with respect to the settlement of [*] restricted stock units that vested on February 15, 2021, but have not settled as of the date hereof]; and (D) if the undersigned is required to file a report under Section 16(a) of the Exchange Act during the Lock-Up Period (but after such 30-day period), the undersigned shall include a statement in such report to the effect that (1) such transfer relates to the circumstances described in this clause (vii), and (2) the shares received upon such vesting are subject to a lock-up agreement with the Underwriters; or

(viii) with the prior written consent of Goldman Sachs & Co. LLC and Morgan Stanley & Co. LLC on behalf of the Underwriters.

The undersigned now has, and, except as contemplated by clause (i) through (viii) above, for the duration of this Lock-Up Agreement will have, good and marketable title to the undersigned's shares of Common Stock, free and clear of all liens, encumbrances, and claims whatsoever. The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the undersigned's shares of Common Stock during the Lock-Up Period, except in compliance with the foregoing restrictions.

The undersigned acknowledges and agrees that none of the Underwriters has made any recommendation or provided any investment or other advice to the undersigned with respect to this Lock-Up Agreement or the subject matter hereof, and the undersigned has consulted its own legal, accounting, financial, regulatory, tax and other advisors with respect to this Lock-Up Agreement and the subject matter hereof to the extent the undersigned has deemed appropriate.

The undersigned understands that the Company and the Underwriters are relying upon this Lock-Up Agreement in proceeding toward consummation of the offering. The undersigned further understands that this Lock-Up Agreement is irrevocable and shall be binding upon the undersigned's heirs, legal representatives, successors, and assigns.

This Lock-Up Agreement and any transaction contemplated by this Lock-Up Agreement and any claim, controversy or dispute arising under or related thereto shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflict of laws that would result in the application of any other law than the laws of the State of New York.

This Lock-Up Agreement may be delivered via facsimile, electronic mail (including any electronic signature covered by the U.S. federal ESIGN Act of 2000, Uniform Electronic Transactions Act, the Electronic Signatures and Records Act or other applicable law, e.g., www.docusign.com) or other transmission method and, as so delivered, shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

Very truly yours,

Exact Name of Shareholder

Authorized Signature

Title



Wilson Sonsini Goodrich & Rosati
Professional Corporation

650 Page Mill Road
Palo Alto, CA 94304-1050

O: 650.493.9300
F: 650.493.6811

March 22, 2021

QuantumScape Corporation
1730 Technology Drive
San Jose, California 95110

Re: Registration Statement on Form S-1

Ladies and Gentlemen:

This opinion is furnished to you in connection with the Registration Statement on Form S-1 (the "Registration Statement") filed by QuantumScape Corporation (the "Company") with the Securities and Exchange Commission (the "Commission") in connection with the registration under the Securities Act of 1933, as amended, of 14,950,000 shares (including up to 1,950,000 shares issuable upon exercise of an option granted to the underwriters by the Company) of the Company's Class A common stock, \$0.0001 par value per share (the "Shares") to be issued and sold by the Company. We understand that the Shares are to be sold by the Company to the underwriters for resale to the public as described in the Registration Statement and pursuant to an underwriting agreement, substantially in the form filed as an exhibit to the Registration Statement, to be entered into by and among the Company and the underwriters (the "Underwriting Agreement").

We are acting as counsel for the Company in connection with the sale of the Shares. In such capacity, we have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records, certificates of public officials and other instruments as we have deemed necessary for the purposes of rendering this opinion. In our examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity with the originals of all documents submitted to us as copies, the authenticity of the originals of such documents and the legal competence of all signatories to such documents.

We express no opinion as to any matter relating to the laws of any jurisdiction other than the federal laws of the United States of America and the General Corporation Law of the State of Delaware.

Based upon and subject to the foregoing qualifications, assumptions and limitations, we are of the opinion, that the Shares have been duly authorized and, when such Shares are issued and paid for in accordance with the terms of the Underwriting Agreement, will be validly issued, fully paid and nonassessable.

We consent to the use of this opinion as an exhibit to the Registration Statement, and we consent to the reference of our name under the caption "Legal Matters" in the prospectus forming part of the Registration Statement.

AUSTIN BEIJING BOSTON BRUSSELS HONG KONG LONDON LOS ANGELES NEW YORK PALO ALTO
SAN DIEGO SAN FRANCISCO SEATTLE SHANGHAI WASHINGTON, DC WILMINGTON, DE

Very truly yours,

WILSON SONSINI GOODRICH & ROSATI
Professional Corporation

/s/ Wilson Sonsini Goodrich & Rosati, P.C.

AUSTIN BEIJING BOSTON BRUSSELS HONG KONG LONDON LOS ANGELES NEW YORK PALO ALTO
SAN DIEGO SAN FRANCISCO SEATTLE SHANGHAI WASHINGTON, DC WILMINGTON, DE

Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption “Experts” and to the use of our report dated February 23, 2021, in the Registration Statement (Form S-1) and related Prospectus of QuantumScape Corporation for the registration of 14,950,000 shares of its Class A common stock.

/s/ Ernst & Young LLP

Redwood City, California

March 22, 2021