

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

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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

Delaware
(State or other jurisdiction of
incorporation or organization)

7389
(Primary Standard Industrial
Classification Code Number)

98-1557361
(I.R.S. Employer
Identification Number)

1834 S. Charles Street
Baltimore, Maryland, 21230
(855) 936-9369

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

Thomas P. FitzGerald
General Counsel and Corporate Secretary
1834 S. Charles Street
Baltimore, Maryland, 21230
(855) 936-9369

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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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 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, 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. ☐

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 that 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 Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

EXPLANATORY NOTE

Pursuant to Rule 429 under the Securities Act of 1933, as amended (the “**Securities Act**”), the prospectus filed as part of this registration statement is being filed as a combined prospectus with respect to (a) certain securities previously registered for issuance and offer and sale under the registration statement on Form S-1 (Registration No. 333-267200) filed by the registrant with the Securities and Exchange Commission (the “**SEC**”) on August 31, 2022, as amended on September 27, 2022 and declared effective by the SEC on October 7, 2022 (as pre-effectively amended, the “**Prior Registration Statement**”), which remain unsold, including (i) up to an aggregate of 16,213,419 shares of the registrant’s common stock, par value \$0.0001 per share (the “**Common Stock**”) issuable upon the exercise of warrants, comprised of 7,588,430 private placement warrants and 8,624,989 public warrants, and (ii) the resale by the selling securityholders named in the Prior Registration Statement or their permitted transferees (the “**Selling Securityholders**”) of up to 120,066,925 shares of Common Stock and up to 7,588,430 private placement warrants, and (b) the issuance of up to 173,155 shares of our Common Stock issuable upon the exercise of options held by a former director and two former consultants of ID Expert Holdings, Inc., which issuance is newly registered hereunder.

Pursuant to Rule 429, this registration statement constitutes post-effective amendment No. 1 to the Prior Registration Statement (Registration No. 333-267200) (“**Post-Effective Amendment No. 1**”) with respect to the offering of such unsold shares thereunder, which is not currently being terminated by the registrant. In addition, this Post-Effective Amendment No. 1 is being filed to update the Prior Registration Statement to include (i) information contained in the registrant’s Annual Report on Form 10-K, filed with the SEC on March 30, 2023, (ii) updated information regarding the Selling Securityholders, including a reduction in the number of shares of Common Stock being offered by the Selling Securityholders to 120,066,925 shares of Common Stock and (iii) certain other information in such Prior Registration Statement. No other changes shall be deemed to be made to the Prior Registration Statement. Post-Effective Amendment No. 1 will become effective concurrently with the effectiveness of this registration statement in accordance with Section 8(a) of the Securities Act.

The information in this preliminary prospectus is not complete and may be changed. These securities may not be issued until the registration statement filed with the U.S. Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and does not constitute the solicitation of an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MARCH 31, 2023

PRELIMINARY PROSPECTUS



Up To 16,213,419 Shares of
Common Stock

Issuable Upon Exercise of
Warrants and Options

Up To 120,066,925 Shares
of Common Stock

Up To 7,588,430 Warrants

This prospectus relates to the issuance by us of up to an aggregate of 16,213,419 shares of our common stock, par value \$0.0001 per share (the “**Common Stock**”) consisting of (i) up to 5,450,000 shares of Common Stock that are issuable upon the exercise of 5,450,000 warrants (the “**Sponsor Warrants**”) originally issued to JAR Sponsor, LLC (the “**Sponsor**”) in private placements at a price of \$1.00 per warrant in connection with the initial public offering (the “**L&F IPO**”) of L&F Acquisition Corp., a Cayman Islands exempted company (“**L&F**”), (ii) up to 2,138,430 shares of Common Stock that are issuable upon the exercise of 2,138,430 warrants (the “**Underwriter Warrants**”) and, together with the Sponsor Warrants, the “**Private Placement Warrants**”) originally issued to Jefferies LLC, the underwriter of the L&F IPO, in private placements at a price of approximately \$1.21 per warrant in connection with the L&F IPO, and (iii) up to 8,624,989 shares of Common Stock that are issuable upon the exercise of 8,624,989 warrants (the “**Public Warrants**”) and, together with the Private Placement Warrants, the “**Warrants**”) originally issued in the L&F IPO. Each Warrant entitles the holder thereof to purchase one share of our Common Stock at a price of \$11.50 per share. We will receive the proceeds from any exercise of any Warrants for cash, which amount of aggregate proceeds, assuming the exercise of all Warrants, would be \$186.5 million. We believe the likelihood that warrant holders will exercise their Warrants, and therefore the amount of cash proceeds that we would receive, is dependent upon the market price of our Common Stock, the last reported sales price for which was \$1.33 per share on March 28, 2023. If the market price for our Common Stock is less than \$11.50 per share, we believe warrant holders will be unlikely to exercise their Warrants. This prospectus also relates to the issuance by us of up to 173,155 shares of Common Stock issuable upon the exercise of certain outstanding options assumed by us in connection with the consummation of the Business Combination (as defined in this prospectus) held by a former director and two former consultants of ID Experts Holdings, Inc., a Delaware corporation (“**IDX**”) whose positions were terminated prior to the Business Combination (the “**IDX Options**”).

This prospectus also relates to the offer and sale from time to time by the selling securityholders named in this prospectus or their permitted transferees (the “**Selling Securityholders**”) of (a) up to 120,066,925 shares of Common Stock consisting of (i) 89,348,952 shares of Common Stock issued as merger consideration to certain former stockholders of ZeroFox, Inc. and IDX in connection with the consummation of the Business Combination based upon an implied equity consideration value of \$10.00 per share, (ii) 193,039 shares of Common Stock issued upon the exercise by two of our executives of options assumed by us in connection with the consummation of the Business Combination at exercise prices of \$0.49 per share and \$0.60 per share, (iii) up to 134,661 shares of Common Stock issued or issuable upon the exercise of options assumed by us in connection with the consummation of the Business Combination with a weighted average exercise price of \$0.29 per share, (iv) 1,625,635 shares of Common Stock (the “**PIPE Shares**”) issued by us to certain investors (the “**PIPE Investors**”) in connection with the consummation of the Business Combination in a private placement at a price of \$10.00 per share, (v) up to 16,863,708 shares of Common Stock that are issuable upon the conversion of \$150 million aggregate principal amount of our 7.00%/8.75% Convertible Senior Cash/PIK Toggle Notes due 2025 (the “**Notes**”) issued by us to certain investors (the “**Convertible Notes Investors**”) in connection with the consummation of the Business Combination in a private placement for an aggregate purchase price of \$150 million, (vi) 4,312,500 shares of Common Stock (the “**Founder Shares**”) originally purchased by the Sponsor for \$25,000, or approximately \$0.006 per share, in a private placement in connection with the L&F IPO, and (vii) up to 7,588,430 shares of Common Stock issuable upon the exercise of the Private Placement Warrants, and (b) up to 7,588,430 Private Placement Warrants. The Notes have an initial conversion price of \$11.50 per share, subject to adjustment as provided in the indenture governing the Notes. The number of shares issuable upon conversion of the Notes (the “**Notes Shares**”) is calculated assuming that we exercise our option to pay interest in kind with respect to the Notes and further assumes conversion of the Notes after all interest payments prior to maturity are paid in kind and the Notes are converted and settled on the second business day prior to maturity. We will not receive any proceeds from the sale of shares of Common Stock or Warrants by the Selling Securityholders pursuant to this prospectus.

In connection with L&F's extraordinary general meetings to approve (i) an amendment to L&F's amended and restated memorandum and articles of association to extend the date to complete L&F's initial business combination and (ii) the Business Combination, holders of an aggregate of 16,243,998 Class A Ordinary Shares (as defined in this prospectus), representing 94.2% of L&F's Class A Ordinary Shares, exercised their right to redeem their shares for cash at redemption prices of approximately \$10.154 per share and \$10.177 per share, respectively, for an aggregate redemption amount of \$165,004,557. The shares of Common Stock being offered for resale pursuant to this prospectus by the Selling Securityholders represent approximately 84.0% of the outstanding shares of Common Stock as of March 1, 2023 and approximately 112.4% of our public float (after giving effect to the issuance of shares upon the exercise of the Private Placement Warrants and the issuance of 16,863,708 shares upon conversion of the Notes, which assumes we exercise our option to pay interest in kind and the maximum additional shares are issued). Given the substantial number of shares of Common Stock being registered for potential resale by the Selling Securityholders pursuant to this prospectus, the sale of shares by the Selling Securityholders, or the perception in the market that the Selling Securityholders of a large number of shares intend to sell shares, could increase the volatility of the market price of our Common Stock or result in a significant decline in the public trading price of our Common Stock. Even if the trading price of our Common Stock is significantly below \$10.00, the offering price for the L&F Public Units (as defined in this prospectus), certain of the Selling Securityholders, including the Sponsor, may still have an incentive to sell shares of our Common Stock because they purchased the shares at prices lower than the public investors or the current trading price of our Common Stock. For example, based on the closing price of our Common Stock of \$1.33 on March 28, 2023, the Sponsor and other holders of the Founder Shares (assuming 1,293,750 Founder Shares are no longer subject to forfeiture based on the satisfaction of certain earnout conditions) would experience a potential profit of up to approximately \$1.33 per share, or up to approximately \$5.7 million in the aggregate.

Our registration of the securities covered by this prospectus does not mean that the Selling Securityholders will offer or sell any of the shares of Common Stock or Private Placement Warrants. The Selling Securityholders may offer, sell or distribute all or a portion of their shares of Common Stock or Private Placement Warrants publicly or through private transactions at prevailing market prices or at negotiated prices. We provide more information about how the Selling Securityholders may sell shares of Common Stock or Private Placement Warrants in the section titled "*Plan of Distribution*."

Our Common Stock is listed on The Nasdaq Global Market and our Public Warrants are listed on The Nasdaq Capital Market under the symbols "ZFOX" and "ZFOXW," respectively. On March 28, 2023, the last reported sales price of our Common Stock was \$1.33 per share and the last reported sales price of our Public Warrants was \$0.07 per Warrant.

We will bear all costs, expenses and fees in connection with the registration of the shares of Common Stock and the Private Placement Warrants. The Selling Securityholders will bear all commissions and discounts, if any, attributable to their sales of the shares of Common Stock and the Private Placement Warrants.

We are an "emerging growth company" as defined in Section 2(a) of the Securities Act of 1933, as amended, and are subject to reduced public company reporting requirements. This prospectus complies with the requirements that apply to an issuer that is an emerging growth company.

See the section titled "[Risk Factors](#)" beginning on page 9 of this prospectus to read about factors you should consider before buying our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____, 2023.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-1 that we filed with the Securities and Exchange Commission (the “SEC”) using the “shelf” registration process. Under this shelf registration process, the Selling Securityholders may, from time to time, sell the securities offered by them described in this prospectus. We will not receive any proceeds from the sale by such Selling Securityholders of the securities offered by them described in this prospectus. This prospectus also relates to the issuance by us of the shares of Common Stock issuable upon the exercise of any Warrants and the IDX Options. We will not receive any proceeds from the sale of shares of Common Stock underlying the Warrants pursuant to this prospectus, except with respect to amounts received by us upon the exercise of the Warrants for cash.

We may also file a prospectus supplement or post-effective amendment to the registration statement of which this prospectus forms a part that may contain material information relating to these offerings. The prospectus supplement or post-effective amendment may also add, update or change information contained in this prospectus with respect to that offering. If there is any inconsistency between the information in this prospectus and the applicable prospectus supplement or post-effective amendment, you should rely on the prospectus supplement or post-effective amendment, as applicable. Before purchasing any securities, you should carefully read this prospectus, any post-effective amendment and any applicable prospectus supplement, together with the additional information described under the section titled “Where You Can Find More Information.”

Neither we nor the Selling Securityholders have authorized anyone to provide any information or to make any representations other than those contained in this prospectus, any accompanying prospectus supplement or any free writing prospectus we have prepared. We and the Selling Securityholders take no 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 securities offered hereby and only under circumstances and in jurisdictions where it is lawful to do so. No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus, any applicable prospectus supplement or any related free writing prospectus. This prospectus is not an offer to sell securities, and it is not soliciting an offer to buy securities, in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus or any prospectus supplement is accurate only as of the date on the front of those documents only, regardless of the time of delivery of this prospectus or any applicable prospectus supplement, or any sale of a security. Our business, financial condition, results of operations and prospects may have changed since those dates.

On August 3, 2022 (the “**Closing Date**”), we consummated the transactions contemplated by the Business Combination Agreement, dated as of December 17, 2021 (the “**Business Combination Agreement**”), by and among L&F, L&F Acquisition Holdings, LLC, a Delaware limited liability company and direct, wholly-owned subsidiary of L&F (“**L&F Holdings**”), ZF Merger Sub, Inc., a Delaware corporation and direct, wholly-owned subsidiary of L&F Holdings (“**ZF Merger Sub**”), IDX Merger Sub, Inc., a Delaware corporation and direct, wholly-owned subsidiary of L&F Holdings (“**IDX Merger Sub**”), IDX Forward Merger Sub, LLC, a Delaware limited liability company and direct, wholly-owned subsidiary of L&F Holdings (“**IDX Forward Merger Sub**”), ZeroFox, Inc., a Delaware corporation, and IDX. As contemplated by the Business Combination Agreement, L&F was domesticated as a Delaware corporation and changed its name to ZeroFox Holdings, Inc. (the “**Domestication**”). On the Closing Date, we consummated the merger transactions contemplated by the Business Combination Agreement, whereby following the Domestication (i) ZF Merger Sub merged with and into ZeroFox, Inc. (the “**ZF Merger**”), with ZeroFox, Inc. being the surviving company in the ZF Merger and continuing (immediately following the ZF Merger) as a direct, wholly-owned subsidiary of L&F Holdings (the time that the ZF Merger became effective being referred to as the “**ZF Effective Time**”), (ii) immediately following the ZF Merger, IDX Merger Sub merged with and into IDX (the “**IDX Merger**”), with IDX being the surviving company in the IDX Merger (referred to herein as “**Transitional IDX Entity**”) and continuing (immediately following the IDX Merger) as a direct, wholly-owned subsidiary of L&F Holdings (the time that

the IDX Merger became effective being referred to as the “**IDX Effective Time**”), and (iii) immediately following the IDX Merger, Transitional IDX Entity merged with and into IDX Forward Merger Sub (the “**IDX Forward Merger**,” and together with the ZF Merger and IDX Merger, the “**Mergers**” and collectively with the Domestication, the “**Business Combination**”), with IDX Forward Merger Sub being the surviving company in the IDX Forward Merger and continuing (immediately following the IDX Forward Merger) as a direct, wholly- owned subsidiary of L&F Holdings. The closing of the Business Combination is referred to herein as the “**Closing**.”

We are registering the resale of shares of Common Stock and Private Placement Warrants as required by (i) the Amended and Restated Registration Rights Agreement, dated as of August 3, 2022, by and among ZeroFox Holdings, Inc., the Sponsor Holders (as defined in this prospectus), Jefferies LLC and certain former stockholders of ZeroFox, Inc. and IDX, (ii) the Registration Rights Agreement, dated as of August 3, 2022, by and among ZeroFox Holdings, Inc. and the Convertible Notes Investors and (iii) the Common Equity Subscription Agreements (as defined in this prospectus).

Unless otherwise indicated, references in this prospectus to “ZeroFox,” “we,” “us,” “our,” and the “Company” refer to ZeroFox Holdings, Inc., a Delaware corporation (f/k/a L&F Acquisition Corp., a Cayman Islands exempted company), and its consolidated subsidiaries following the Closing (as defined below) or to ZeroFox, Inc., a Delaware corporation, prior to the Closing, as the context requires. References in this prospectus to “L&F” refer to L&F Acquisition Corp., a Cayman Islands exempted company, prior to the Closing.

CERTAIN DEFINED TERMS

“**A&R Registration Rights Agreement**” means the Amended and Restated Registration Rights Agreement, dated as of August 3, 2022, by and among ZeroFox Holdings, Inc., the Sponsor Holders, Jefferies LLC and certain former stockholders of ZeroFox, Inc. and IDX.

“**Board**” means the board of directors of ZeroFox Holdings, Inc. after the Closing.

“**Business Combination**” means the Domestication and the Mergers.

“**Business Combination Agreement**” means the Business Combination Agreement, dated as of December 17, 2021, by and among L&F, L&F Holdings, ZF Merger Sub, IDX Merger Sub, IDX Forward Merger Sub, ZeroFox, Inc. and IDX.

“**Bylaws**” means the amended and restated bylaws of ZeroFox Holdings, Inc. adopted on August 3, 2022.

“**Certificate of Incorporation**” means the Certificate of Incorporation of ZeroFox Holdings, Inc. filed with the Secretary of State of the State of Delaware on August 3, 2022.

“**Class A Ordinary Shares**” means the Class A ordinary shares, par value \$0.0001 per share, of L&F prior to the Closing.

“**Class B Ordinary Shares**” means the Class B ordinary shares, par value \$0.0001 per share, of L&F prior to the Closing.

“**Closing**” means the closing of the Business Combination.

“**Closing Date**” means the date of the Closing, August 3, 2022.

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**Common Equity PIPE Financing**” or “**PIPE Investment**” means the transactions consummated in connection with the Common Equity Subscription Agreements, pursuant to which the PIPE Investors collectively purchased an aggregate of 2,000,000 shares of Common Stock for an aggregate purchase price of \$20,000,000.

“**Common Equity Subscription Agreements**” means the subscription agreements, dated December 17, 2021, entered into between L&F and each of the PIPE Investors in connection with the Common Equity PIPE Financing.

“**Common Stock**” means the common stock, par value \$0.0001 per share, of ZeroFox Holdings, Inc.

“**Continental**” means Continental Stock Transfer & Trust Company.

“**Convertible Notes Financing**” means the transactions consummated in connection with the Convertible Notes Subscription Agreements, pursuant to which the Convertible Notes Investors collectively purchased an aggregate principal amount of \$150,000,000 of Notes with an initial conversion price of \$11.50 per share of Common Stock, on the terms and subject to the conditions set forth in the Convertible Notes Subscription Agreements.

“**Convertible Notes Investors**” means the investors in the Convertible Notes Financing pursuant to the Convertible Notes Subscription Agreements.

“**Convertible Notes Registration Rights Agreement**” means the Registration Rights Agreement, dated as of August 3, 2022, by and among ZeroFox Holdings, Inc. and the Convertible Notes Investors.

“**Convertible Notes Subscription Agreements**” means the convertible notes subscription agreements, dated December 17, 2021, entered into between L&F and each of the Convertible Notes Investors in connection with the Convertible Notes Financing.

“**DGCL**” means the Delaware General Corporation Law, as amended.

“**Domestication**” means the transfer by way of continuation and deregistration of L&F as an exempted company incorporated in the Cayman Islands and the continuation and domestication of L&F as a corporation incorporated in the State of Delaware.

“**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended.

“**Extension Amendment Proposal**” means the proposal presented at the Extension Meeting to amend the amended and restated memorandum and articles of association of L&F to extend the date by which L&F must complete its initial business combination from May 23, 2022 to August 24, 2022.

“**Extension Articles Amendment**” means the amendment to the amended and restated memorandum and articles of association of L&F as proposed in the Extension Amendment Proposal approved as a special resolution passed at the Extension Meeting.

“**Extension Amendment Redemptions**” means the redemption by L&F shareholders of 13,824,311 Class A Ordinary Shares in connection with the approval and implementation of the Extension Amendment Proposal.

“**Extension Meeting**” means the extraordinary general meeting of L&F shareholders held on May 3, 2022 to consider the Extension Amendment Proposal.

“**Founder Shares**” means the aggregate 4,312,500 shares of Common Stock held by the Sponsor Holders, originally purchased as 4,312,500 Class B Ordinary Shares by the Sponsor for \$25,000, or approximately \$0.006 per share, in connection with the L&F IPO and converted, on a one-for-one basis, into shares of Common Stock in connection with the Domestication, of which 4,202,767 shares of Common Stock are held by the Sponsor, 20,000 shares of Common Stock are held by Albert Goldstein, 50,000 shares of Common Stock are held by Joseph Lieberman and 39,733 shares of Common Stock are held by Kurt Summers.

“**GAAP**” means U.S. generally accepted accounting principles.

“**IDX**” means ID Experts Holdings, Inc., a Delaware corporation.

“**IDX Effective Time**” means the time of the filing of a certificate of merger with the Secretary of State of the State of Delaware in order to effect the IDX Merger, or such later time as specified in such certificate of merger, upon which the IDX Merger was consummated.

“**IDX Forward Merger**” means the merger of IDX Transitional Entity with and into IDX Forward Merger.

“**IDX Forward Merger Sub**” means IDX Forward Merger Sub, LLC, a Delaware limited liability company and direct, wholly-owned subsidiary of L&F Holdings prior to the Closing.

“**IDX Merger**” means the merger of IDX Merger Sub with and into IDX.

“**IDX Merger Sub**” means IDX Merger Sub, Inc., a Delaware corporation and direct, wholly-owned subsidiary of L&F Holdings prior to the Closing.

“**IDX Options**” means the options to purchase up to 173,155 shares of Common Stock held by a former director and two former consultants of IDX.

“**Incentive Equity Plan**” means the ZeroFox Holdings, Inc. 2022 Incentive Equity Plan.

“**Indenture**” means the Indenture, dated as of August 3, 2022, by and between ZeroFox Holdings, Inc. and Wilmington Trust Company, National Association.

“**JOBS Act**” means the Jumpstart Our Business Startups Act of 2012.

“**L&F**” or “**LNFA**” means L&F Acquisition Corp., a Cayman Islands exempted company, prior to Closing.

“**L&F Holdings**” means L&F Acquisition Holdings, LLC, a Delaware limited liability company and direct, wholly-owned subsidiary of L&F prior to the Closing, now known as ZeroFox Holdings, LLC.

“**L&F Initial Shareholders**” or “**Sponsor Holders**” means the Sponsor, Albert Goldstein, Joseph Lieberman and Kurt Summers.

“**L&F IPO**” means the initial public offering of L&F.

“**L&F Public Units**” means the units issued in the L&F IPO, consisting of one Class A Ordinary Share and one-half of one L&F Public Warrant.

“**Mergers**” means (i) the merger of ZF Merger Sub with and into ZeroFox, with ZeroFox being the surviving entity and continuing as a direct, wholly-owned subsidiary of L&F Holdings, (ii) the merger of IDX Merger Sub with and into IDX, with IDX being the surviving entity and continuing as a direct, wholly-owned subsidiary of L&F Holding (“**IDX Transitional Entity**”), and (iii) the merger of IDX Transitional Entity with and into IDX Forward Merger Sub, with IDX Forward Merger Sub being the surviving entity and continuing as a direct, wholly-owned subsidiary of L&F Holdings.

“**Nasdaq**” means The Nasdaq Stock Market LLC.

“**Notes**” means the 7.00%/8.75% Convertible Senior Cash/PIK Toggle Notes due 2025, subject to the terms and conditions of the Indenture.

“**Notes Shares**” means shares of Common Stock issuable upon conversion of the Notes.

“**PIPE Investors**” means the investors in the Common Equity PIPE Financing pursuant to the Common Equity Subscription Agreements.

“**PIPE Shares**” means 2,000,000 shares of Common Stock issued in the Common Equity PIPE Financing.

“**Prior Equity Plans**” means the 2013 ZeroFox, Inc. Equity Incentive Plan, the IDX 2016 Stock Option and Grant Plan, and the IDX 2017 Equity Incentive Plan, in each case, as amended and in effect immediately prior to the Closing.

“**Private Placement Warrants**” means the Sponsor Warrants and the Underwriter Warrants.

“**Public Warrants**” means warrants to purchase shares of Common Stock at an initial exercise price of \$11.50 per share, originally issued as part of the L&F Public Units as warrants to purchase Class A Ordinary Shares (“**L&F Public Warrants**”) and converted, on a one-for-one basis, into warrants to purchase shares of Common Stock in connection with the Domestication.

“**SEC**” means the U.S. Securities and Exchange Commission

“**Securities Act**” means the Securities Act of 1933, as amended.

“**Sponsor**” means JAR Sponsor, LLC, a Delaware limited liability company.

“**Sponsor Support Letter Agreement**” means the Second Amended and Restated Sponsor Support Letter Agreement, dated as of January 31, 2022, by and among L&F, the Sponsor, ZeroFox, Inc., IDX, Albert Goldstein, Joseph Lieberman, Kurt Summers, and certain other individuals named therein.

“**Sponsor Warrants**” means the 5,450,000 warrants to purchase shares of Common Stock at an initial exercise price of \$11.50 per share, originally issued to the Sponsor as warrants to purchase Class A Ordinary Shares in private placements at a purchase price of \$1.00 per warrant in connection with the L&F IPO and converted, on a one-for-one basis, into warrants to purchase shares of Common Stock in connection with the Domestication.

“**Underwriter Warrants**” means the 2,138,430 warrants to purchase shares of Common Stock at an initial exercise price of \$11.50 per share, originally issued to Jefferies LLC as warrants to purchase Class A Ordinary Shares in private placements at a purchase price of approximately \$1.21 per warrant in connection with the L&F IPO and converted, on a one-for-one basis, into warrants to purchase shares of Common Stock in connection with the Domestication.

“**Warrants**” means the Public Warrants and the Private Placement Warrants.

“**Warrant Agreement**” means the warrant agreement, dated as of November 23, 2020, by and between L&F and Continental (as amended or amended and restated from time to time).

“**ZF Effective Time**” means the time of the filing of a certificate of merger with the Secretary of State of the State of Delaware in order to effect the ZF Merger, or such later time as specified in such certificate of merger, upon which the ZF Merger was consummated.

“**ZF Merger**” means the merger of ZF Merger Sub with and into ZeroFox, Inc.

“**ZF Merger Sub**” means ZF Merger Sub, Inc., a Delaware corporation and direct, wholly-owned subsidiary of L&F Holdings prior to the Closing.

MARKET AND INDUSTRY INFORMATION

Information contained in this prospectus concerning the market and the industry in which we compete, including our market positions, general expectations of market opportunities and market sizes, are based on information from various third-party sources, publicly available information, various industry publications, internal data and estimates, and assumptions made by us based on such sources and our knowledge of the external cybersecurity market and data breach response market. Internal data and estimates are based upon information obtained from trade and business organizations and other contacts in the markets in which we operate and our management's understanding of industry conditions. This information and any estimates provided herein involve numerous assumptions and limitations, and you are cautioned not to give undue weight to such information. Third-party sources generally state that the information contained in such sources have been obtained from sources believed to be reliable. Although we believe that such information is reliable, there can be no assurance as to the accuracy or completeness of such information. Industry and market data could be wrong because of the method by which sources obtained their data and because information cannot always be verified with complete certainty due to the limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties. We have not independently verified any third-party information and each publication speaks as of its original publication date (and not as of the date of this prospectus). In addition, we do not know all of the assumptions regarding general economic conditions or growth that were used in preparing the forecasts from the sources relied upon or cited herein. The industry in which we operate is subject to a high degree of uncertainty and risk. As a result, the estimates and market and industry information provided in this prospectus are subject to change.

TRADEMARKS

This prospectus contains references to trademarks, trade names and service marks belonging to other entities. Solely for convenience, trademarks, trade names and service marks referred to in this prospectus may appear without the ® or TM symbols, but such references are not intended to indicate, in any way, that the applicable licensor will not assert, to the fullest extent under applicable law, its rights to these trademarks, trade names and service marks. We do not intend our use or display of other companies' trade names, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of it by, any other companies.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements in this prospectus may constitute “forward-looking statements” under the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, that address activities, events or developments that we expect, believe or anticipate will or may occur in the future, including statements related to plans, strategies and objectives of management, our business prospects, our systems and technology, future profitability and our competitive position, are forward-looking statements. The words “will,” “may,” “believes,” “anticipates,” “thinks,” “expects,” “estimates,” “plans,” “intends” and similar expressions are intended to identify forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those anticipated by these forward-looking statements. The inclusion of any statement in this prospectus does not constitute an admission by us or any other person that the events or circumstances described in such statement are material. In addition, new risks may emerge from time to time and it is not possible for management to predict such risks or to assess the impact of such risks on our business or financial results. Accordingly, future results may differ materially from historical results or from those discussed or implied by these forward-looking statements. Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements. These risks and uncertainties include, but are not limited to, the following:

- our ability to recognize the anticipated benefits of the Business Combination;
- defects, errors or vulnerabilities in our Platform, the failure of our Platform to block malware or prevent a security breach, misuse of our Platform or risks of product liability claims that would harm our reputation and adversely impact our business, operating results and financial condition;
- if our enterprise platform offerings do not interoperate with our customers’ network and security infrastructure, or with third-party products, websites or services, our results of operations may be harmed;
- we may not timely and cost-effectively scale and adapt our existing technology to meet our customers’ performance and other requirements;
- our success depends, in part, on the integrity and scalability of our systems and infrastructure;
- our ability to introduce new products, solutions and features is dependent on adequate research and development resources and our ability to successfully complete acquisitions;
- we rely on third-party cloud providers to host and operate our Platform, and any disruption of or interference with our use of these offerings may negatively affect our ability to maintain the performance and reliability of our Platform, which could cause our business to suffer;
- we rely on data, software and services from other parties;
- we have a history of losses, and we may not be able to achieve or sustain profitability in the future;
- if organizations do not adopt external cybersecurity solutions that may be based on new and untested security concepts, our ability to grow our business and our results of operations may be adversely affected;
- we have experienced rapid growth in recent periods, and if we do not manage our future growth, our business and results of operations will be adversely affected;
- we face intense competition and could lose market share to our competitors, which could adversely affect our business, financial condition, and results of operations;
- competitive pricing pressure may reduce revenue, gross profits and adversely affect our financial results;

- adverse general and industry-specific economic and market conditions and reductions in customer spending, in either the private or public sector, including as a result of geopolitical uncertainty such as the ongoing conflict between Russia and Ukraine, may reduce demand for our Platform or products and solutions, which could harm our business, financial condition and results of operations;
- if we fail to adapt to rapid technological change, evolving industry standards and changing customer needs, requirements or preferences, our ability to remain competitive could be impaired;
- if we are unable to maintain successful relationships with our channel partners, or if our channel partners fail to perform, our ability to market, sell and distribute our platform will be limited, and our business, financial position and results of operations will be harmed;
- we target enterprise customers and government organizations, and sales to these customers involve risks that may not be present or that are present to a lesser extent with sales to smaller entities;
- one U.S. government customer accounts for a substantial portion of our revenue;
- we may need to raise additional capital to maintain and expand our operations and invest in new solutions, which capital may not be available on terms acceptable to us, or at all, and which could reduce our ability to compete and could harm our business;
- we have identified material weaknesses in internal control over financial reporting;
- we incur significant increased expenses and administrative burdens as a public company, which could negatively impact our business, financial condition and results of operations;
- the COVID-19 pandemic could adversely affect our business, operating results, and financial condition;
- we rely heavily on the services of our senior management team;
- a delay in the completion of the U.S. Government's budget and appropriation process could delay procurement of solutions we provide and have an adverse effect on our future revenue;
- sales of our Common Stock, or the perception of such sales, by us or the Selling Securityholders pursuant to this prospectus in the public market or otherwise could cause the market price for our Common Stock to decline and certain Selling Securityholders still may realize significant profits;
- the market price of shares of our Common Stock may be volatile, which could cause the value of stockholder investments to decline;
- there may not be an active trading market for our Common Stock, which may make it difficult to sell shares of Common Stock; and
- our management has limited experience in operating a public company.

Additional information concerning these, and other risks, is described under “*Risk Factors*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations of ZeroFox*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations of IDX*” in this Prospectus. We expressly disclaim any obligation to update any of these forward-looking statements, except to the extent required by applicable law.

PROSPECTUS SUMMARY

The following 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 common stock or warrants. You should carefully consider, among other things, the financial statements and related notes of ZeroFox, IDX and L&F, and the sections titled “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations of ZeroFox,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations of IDX” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations of L&F” included elsewhere in this prospectus.

Company Overview

ZeroFox is an enterprise cybersecurity software-as-a-service company that addresses the full lifecycle of external cyber threats and risks for our customers. External cybersecurity encompasses the threats that target internet accessible systems, devices and digital assets that exist beyond the protection of an organization’s endpoint and firewall systems. The ZeroFox Platform addresses these risks by providing enterprises external threat intelligence and protection to disrupt attacks and threats to brands, people, systems, assets and data, and respond to data breaches across the internet. The ZeroFox Platform has a unique competitive advantage by providing external threat protection capabilities and breach response services, for companies protecting against, or responding to, an external cyberattack, effectively capturing the entire lifecycle of the external cybersecurity market.

Background

L&F was a blank check company organized as a Cayman Islands exempted company on August 20, 2020, for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses or entities.

In connection with L&F’s extraordinary general meetings to approve (i) an amendment to L&F’s amended and restated memorandum and articles of association to extend the date to complete L&F’s initial business combination and (ii) the Business Combination, holders of an aggregate of 16,243,998 Class A Ordinary Shares, representing 94.2% of L&F’s Class A Ordinary Shares, exercised their right to redeem their shares for cash at redemption prices of approximately \$10.154 per share and \$10.177 per share, respectively, for an aggregate redemption amount of \$165,004,557. The shares of Common Stock being offered for resale pursuant to this prospectus by the Selling Securityholders represent approximately 84.0% of the outstanding shares of Common Stock as of March 1, 2023 and approximately 112.4% of our public float (after giving effect to the issuance of shares upon the exercise of the Private Placement Warrants and the issuance of 16,863,708 shares upon conversion of the Notes, which assumes we exercise our option to pay interest in kind and the maximum additional shares are issued). Given the substantial number of shares of Common Stock being registered for potential resale by the Selling Securityholders pursuant to this prospectus, the sale of shares by the Selling Securityholders, or the perception in the market that the Selling Securityholders of a large number of shares intend to sell shares, could increase the volatility of the market price of our Common Stock or result in a significant decline in the public trading price of our Common Stock. Our four largest stockholders collectively own 53,138,613 shares of Common Stock, representing approximately 44.5% of our outstanding shares. All such shares may be sold at such times as this prospectus is available for use. Sales by such stockholders could result in a significant decline in the public trading price of our Common Stock. See “Risk Factors—Sales of our Common Stock, or the perception of such sales, by us or the Selling Securityholders pursuant to this prospectus in the public market or otherwise could cause the market price for our Common Stock to decline and certain Selling Securityholders still may realize significant profits.”

On the Closing Date, L&F filed an application of deregistration with the Cayman Islands Registrar of Companies, together with the necessary accompanying documents, and filed the Certificate of Incorporation and a certificate of corporate domestication with the Secretary of State of the State of Delaware, under which L&F was domesticated and continues as a Delaware corporation, changing its name to “ZeroFox Holdings, Inc.” In connection with the Domestication, prior to the ZF Effective Time and the IDX Effective Time, among other things, (i) each of the then-issued and outstanding Class A Ordinary Shares converted, on a one-for-one basis, into a share of our Common Stock, (ii) each of the then-issued and outstanding Class B Ordinary Shares converted, on a one-for-one basis, into a share of our Common Stock, and (iii) each then-issued and outstanding Warrant exercisable for one Class A Ordinary Share converted into a Warrant exercisable for one share of our Common Stock at an exercise price of \$11.50 per share on the terms and conditions set forth in the Warrant Agreement.

On the Closing Date, we consummated the Mergers contemplated by the Business Combination Agreement. As a result of the Mergers, among other things, (i) at the ZF Effective Time, all shares of ZeroFox, Inc. common stock (including shares of ZeroFox restricted stock) issued and outstanding immediately prior to the ZF Effective Time converted into an aggregate of 82,030,308 shares of our Common Stock, (ii) at the IDX Effective Time, all shares of IDX capital stock issued and outstanding immediately prior to the IDX Effective Time converted into an aggregate of 27,849,942 shares of our Common Stock, (iii) options to purchase shares of ZeroFox, Inc. common stock and IDX common stock were assumed by us and converted into comparable options to purchase shares of our Common Stock based upon the respective exchange ratios applicable to the conversions of the shares of ZeroFox, Inc. common stock and IDX capital stock, (iv) warrants to purchase shares of ZeroFox, Inc. common stock were assumed by us and converted into comparable warrants to purchase shares of our Common Stock based upon the exchange ratio applicable to the conversion of the shares of ZeroFox, Inc. common stock and (v) holders of IDX capital stock received aggregate cash consideration of approximately \$49.4 million.

Also on the Closing Date, we closed the Common Equity PIPE Financing and the Convertible Notes Financing. Pursuant to the Common Equity PIPE Financing, we issued and sold to the PIPE Investors an aggregate of 2,000,000 shares of our Common Stock, for an aggregate purchase price of \$20 million. Pursuant to the Convertible Notes Financing, we issued and sold to the Convertible Notes Investors an aggregate of \$150 million principal amount of Notes for an aggregate purchase price of \$150 million. The terms of the Notes are set forth in the Indenture and the form of global note attached thereto. The Notes bear interest at a rate of 7.00% per annum, payable quarterly in cash; provided, that we may elect to pay interest in kind at a rate of 8.75% per annum. The Notes will be convertible into cash, shares of our Common Stock or a combination of both at an initial conversion price of \$11.50 per share, subject to customary anti-dilution adjustments, including with respect to stock-splits and stock dividends, dividends and other distributions, above-market tender offers, below-market rights offerings and spin-offs (the “**Conversion Price**”) and will mature on August 3, 2025. We may, at our election, force conversion of the Notes after the first anniversary of the issuance of the Notes (the “**Conversion Trigger Date**”), subject to a holder’s prior right to convert, if the volume-weighted average trading price of our Common Stock (x) for the first year after the Conversion Trigger Date, is greater than or equal to 150% of the Conversion Price for at least 20 trading days during a period of 30 consecutive trading days and (y) for the second year after the Conversion Trigger Date, is greater than or equal to 130% of the Conversion Price for at least 20 trading days during a period of 30 consecutive trading days. Upon conversion of any Note, we have the option to settle the conversion in cash, shares of Common Stock, or a combination of both. Each holder of a Note will have the right to cause us to repurchase for cash all or a portion of the Notes held by such holder at any time upon the occurrence of a “fundamental change,” a customary definition provided in the Indenture, at a price equal to par plus accrued and unpaid interest. In the event of a conversion in connection with a “make-whole fundamental change,” as defined in the Indenture, the Conversion Price will be adjusted pursuant to a usual and customary make-whole fundamental change table provided in the Indenture. The Indenture includes restrictive covenants that, among other things, limits our ability to incur senior debt in excess of \$50 million, subject to certain qualifications and exceptions set forth in the Indenture. The Indenture also

includes customary events of default. Our obligations under the Indenture are guaranteed by each of our subsidiaries.

Excluding any potential cash proceeds from the exercise of Warrants, we believe that our existing cash and cash equivalents should be sufficient to meet our anticipated operating cash needs for at least the next 12 months. This estimate is based on our current business plan and expectations and assumptions in light of current macroeconomic conditions. We have based these estimates on assumptions that may prove to be incorrect and could use our available capital resources sooner than we currently expect, and future capital requirements and the adequacy of available funds will depend on many factors, including those described in the section titled “*Risk Factors*” in this prospectus. Our primary uses of cash are to fund our operations as we continue to grow our business. We will require a significant amount of cash for expenditures as we invest in ongoing research and development and business operations. We expect to finance our cash needs through cash from operations and equity or debt financings or other capital sources. Our ability to raise additional capital through the sale of equity or debt securities could be significantly impacted by the resale of shares of Common Stock by Selling Securityholders pursuant to this prospectus, which could result in a significant decline in the trading price of our Common Stock and potentially hinder our ability to raise capital at terms that are acceptable to us or at all. We will receive the proceeds from any exercise of any Warrants for cash, which amount of aggregate proceeds, assuming the exercise of all Warrants, would be \$186.5 million. We believe the likelihood that warrant holders will exercise their Warrants, and therefore the amount of cash proceeds that we would receive, is dependent upon the market price of our Common Stock, the last reported sales price for which was \$1.33 per share on March 28, 2023. If the market price for our Common Stock is less than \$11.50 per share, we believe warrant holders will be unlikely to exercise their Warrants.

Summary of [Risk Factors](#) (page 9)

An investment in our securities involves significant risks, and you should carefully read and consider the factors discussed under “*Risk Factors*.” The following is a summary of some of these risks. 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.

- Defects, errors, or vulnerabilities in our platform, the failure of our platform to block malware or prevent a security breach, misuse of our platform, or risks of product liability claims would harm our reputation and adversely impact our business, operating results, and financial condition.
- If our enterprise platform offerings do not interoperate with our customers’ network and security infrastructure, or with third-party products, websites or services, our results of operations may be harmed.
- We may not timely and cost-effectively scale and adapt our existing technology to meet our customers’ performance and other requirements.
- Our success depends, in part, on the integrity and scalability of our systems and infrastructure. System interruption and the lack of integration, redundancy and scalability in these systems and infrastructure may adversely affect our business, financial condition, and results of operations.
- Our ability to introduce new products and solutions and features is dependent on adequate research and development resources and our ability to successfully complete acquisitions. If we do not adequately fund our research and development efforts or complete acquisitions successfully, we may not be able to compete effectively and our business, financial condition, and results of operations may be harmed.
- We rely on third-party cloud providers to host and operate our Platform, and any disruption of or interference with our use of these facilities or technologies may negatively affect our ability to maintain the performance and reliability of our Platform which could cause our business to suffer.

- We rely on data, software and services from other parties. Defects in or the loss of access to software or services from third parties could increase our costs and adversely affect the quality of our solutions.
- We have a history of losses, and we may not be able to achieve or sustain profitability in the future.
- If we are not able to maintain and enhance our brand and our reputation as a provider of external cybersecurity products and solutions, our business and results of operations may be adversely affected.
- If organizations do not adopt external cybersecurity solutions that may be based on new and untested security concepts, our ability to grow our business and results of operations may be adversely affected.
- We have experienced rapid growth in recent periods, and if we do not manage our future growth, our business and results of operations will be adversely affected.
- We face intense competition and could lose market share to our competitors, which could adversely affect our business, financial condition, and results of operations.
- Competitive pricing pressure may reduce revenue, gross profits, and adversely affect our financial results.
- Adverse general and industry-specific economic and market conditions and reductions in customer spending, in either the private or public sector, including as a result of geopolitical uncertainty such as the ongoing conflict between Russia and Ukraine, may reduce demand for our Platform or products and solutions, which could harm our business, financial condition and results of operations.
- We have identified material weaknesses in our internal control over financial reporting which could adversely affect our ability to report our results of operations and financial condition accurately and in a timely manner.
- The COVID-19 pandemic could adversely affect our business, operating results, and financial condition.
- We employ multiple and evolving pricing models, which subject us to various pricing challenges that could make it difficult for us to derive value from our customers and may adversely affect our business, financial condition, and results of operations.
- If we fail to adapt to rapid technological change, evolving industry standards and changing customer needs, requirements or preferences, our ability to remain competitive could be impaired.
- One U.S. government customer accounts for a substantial portion of our revenue. If our largest customer does not renew its contract with us (or renews at reduced spending levels), or if our relationship with our largest customer is impaired or terminated, our revenue would decline, and our business, financial condition, and results of operations would be adversely affected.
- Our business depends, in part, on sales to government organizations, and significant changes in the contracting or fiscal policies of such government organizations could have an adverse effect on our business and results of operations.
- A decline in the U.S. Government budget, changes in spending or budgetary priorities or delays in contract awards may adversely affect our business, financial condition, and results of operations and limit our growth prospects.
- A delay in the completion of the U.S. Government's budget and appropriation process could delay procurement of solutions we provide and have an adverse effect on our future revenue.
- Our issued and outstanding Notes may impact our financial results, result in the dilution of our stockholders, create downward pressure on the price of our Common Stock, and restrict our ability to raise additional capital or take advantage of future opportunities.

- We may not have the ability to raise the funds necessary to settle in cash conversions of the Notes, repurchase the Notes upon a fundamental change or repay the Notes in cash at their maturity, and our future debt may contain limitations on our ability to pay cash upon conversion, redemption or repurchase of the Notes.
- We may need to raise additional capital to maintain and expand our operations and invest in new solutions, which capital may not be available on terms acceptable to us, or at all, and which could reduce our ability to compete and could harm our business.
- The unaudited pro forma financial information included in the section titled “*Unaudited Pro Forma Condensed Combined Financial Information*” may not be indicative of what our actual financial position or results of operations would have been.
- We incur significant increased expenses and administrative burdens as a public company, which could negatively impact our business, financial condition, and results of operations.
- Our management has limited experience operating as a public company.
- Failure to adequately obtain, maintain, protect, and enforce our intellectual property and other proprietary rights could adversely affect our business.
- There can be no assurance that we will be able to comply with the continued listing standards of Nasdaq.
- Sales of our Common Stock, or the perception of such sales, by us or the Selling Securityholders pursuant to this prospectus in the public market or otherwise could cause the market price for our Common Stock to decline and certain Selling Securityholders still may realize significant profits.

Emerging Growth Company Status

We are an “emerging growth company,” as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the “**JOBS Act**”), and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (the “**Sarbanes-Oxley Act**”), reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and the requirement to obtain stockholder approval of any golden parachute payments not previously approved.

Further, 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 (that is, those that have not had a registration statement under the Securities Act declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of an extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised financial accounting standards. 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.

We will remain an emerging growth company until the earliest of (a) January 31, 2026 (the last day of the fiscal year following the fifth anniversary of the closing of the L&F IPO); (b) the last day of the fiscal year in which we have total annual gross revenue of at least \$1.235 billion; (c) the last day in the fiscal year in which we

are deemed to be a “large accelerated filer,” which means the market value of our common stock that is held by non-affiliates exceeds \$700.0 million as of the last business day of our most recently completed second fiscal quarter; and (d) the date on which we have issued more than \$1.0 billion in non-convertible debt securities during the prior three-year period.

Corporate Information

Our principal executive offices are located at 1834 S. Charles Street, Baltimore, Maryland 21230, and our telephone number is (855) 936-9369. Our website is www.zerofox.com. The information found on, or that can be accessed from or that is hyperlinked to, our website is not part of this prospectus.

| THE OFFERING | |
|--|--|
| Issuer | ZeroFox Holdings, Inc. |
| Issuance of Common Stock: | |
| Shares of Common Stock offered by us | Up to 16,386,574 shares of Common Stock consisting of (i) up to 5,450,000 shares of Common Stock issuable upon the exercise of the Sponsor Warrants, (ii) up to 2,138,430 shares of Common Stock issuable upon the exercise of the Underwriter Warrants, (iii) up to 8,624,989 shares of Common Stock issuable upon the exercise of the Public Warrants, and (iv) up to 173,155 shares of Common Stock issuable upon the exercise of the IDX Options. |
| Shares of Common Stock outstanding prior to exercise of all Warrants and the IDX Options | 118,513,684 shares (as of March 1, 2023). |
| Exercise price of Public Warrants and Private Placement Warrants | \$11.50 per share, subject to adjustment as described herein. |
| Exercise price of the IDX Options | \$1.07 |
| Use of proceeds | We will receive proceeds equal to the aggregate exercise price from any exercises of the Warrants for cash. We could potentially receive up to an aggregate of approximately \$186.5 million from the exercise of the Warrants, assuming the exercise in full of all of the Warrants for cash. We expect to use any net proceeds from the exercise of the Warrants for general corporate purposes. We believe the likelihood that warrant holders will exercise their Public Warrants and Private Placement Warrants, and therefore the amount of cash proceeds that we would receive, is dependent upon the trading price of our Common Stock, the last reported sales price for which was \$1.33 per share on March 28, 2023. If the trading price for our Common Stock is less than \$11.50 per share, we believe holders of our Public Warrants and Private Placement Warrants will be unlikely to exercise their Warrants. We will receive proceeds from any exercises of the IDX Options. See the section titled “ <i>Use of Proceeds</i> .” |
| Resale of Common Stock and Warrants: | |
| Shares of Common Stock offered by the Selling Securityholders | <p>We are registering the resale by the Selling Securityholders named in this prospectus, or their permitted transferees, an aggregate of up to 120,066,925 shares of Common Stock, consisting of:</p> <ul style="list-style-type: none"> 89,348,952 shares of Common Stock issued as merger consideration in the Business Combination to certain former stockholders of ZeroFox, Inc. and IDX; |

| | |
|---|--|
| | <ul style="list-style-type: none">• 193,039 shares of Common Stock issued upon the exercise of options assumed in the Business Combination;• up to 134,661 shares of Common Stock issued or issuable upon the exercise of options assumed by us in connection with the consummation of the Business Combination;• 1,625,635 shares of Common Stock issued in the Common Equity PIPE Financing;• up to 16,863,708 shares of Common Stock issuable upon the conversion of the Notes;• 4,312,500 Founder Shares (including 1,293,750 shares that are subject to forfeiture); and• up to 7,588,430 shares of Common Stock issuable upon the exercise of the Private Placement Warrants. |
| Warrants offered by the Selling Securityholders | Up to 7,588,430 Private Placement Warrants. |
| Redemption | The Public Warrants are redeemable in certain circumstances. See the section titled “ <i>Description of Securities—Warrants</i> ” for further discussion. |
| Use of proceeds | We will not receive any of the proceeds from the sale of the shares of Common Stock or Private Placement Warrants by the Selling Securityholders. |
| Lock-up agreements | Certain of our securityholders are subject to certain restrictions on transfer until the termination of applicable lock-up periods. See the sections titled “ <i>Certain Relationships and Related Party Transactions—L&F Related Party Transactions—Sponsor Support Letter Agreement</i> ” for further discussion. |
| Market for Common Stock and Public Warrants | Our Common Stock is listed on The Nasdaq Global Market and our Public Warrants are listed on The Nasdaq Capital Market under the symbols “ZFOX” and “ZFOXW,” respectively. |
| Risk factors | Before investing in our securities, you should carefully read and consider the information set forth in “ Risk Factors ” beginning on page 9. |

RISK FACTORS

Investing in our securities involves a high degree of risk. Before making an investment decision, you should consider carefully the risks and uncertainties described below, together with all of the other information in this prospectus. Our business, operating results, financial condition and prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material. If any of the risks actually occur, our business, operating results, financial condition and prospects could be adversely affected. In that event, the market price of our Common Stock and Warrants could decline, and you could lose part or all of your investment.

Unless the context otherwise requires, all references in this section to “we,” “us” and “our” generally refer to ZeroFox Holdings, Inc. following the consummation of the Business Combination.

Risks Related to Our Technology, Products and Solutions

Defects, errors, or vulnerabilities in our Platform, the failure of our Platform to block malware or prevent a security breach, misuse of our Platform, or risks of product liability claims would harm our reputation and adversely impact our business, operating results, and financial condition.

Our Platform is multi-faceted and may be deployed with material defects, software “bugs” or errors that are not detected until after commercial release and deployment to our customers. Our Platform provides our customers with the ability to customize a multitude of settings and it is possible that a customer could misconfigure our Platform or otherwise fail to configure our products in an optimal manner. Such defects and misconfigurations of our platform could cause our platform to operate at suboptimal efficacy and increase the risk of cyberattacks on our customers. In addition, because the techniques used by computer hackers to access or sabotage target computing environments change frequently and generally are not recognized until launched against a target, there is a risk that an advanced attack could emerge that we do not anticipate and that our Platform is unable to detect or prevent.

As a well-known provider of external cybersecurity products and solutions, we may in the future be specifically targeted by bad actors for attacks intended to circumvent our security capabilities or to exploit our Platform as an entry point into customers’ endpoints, networks, or systems. The risk of cybersecurity attacks related to political and economic conditions, war, and terrorism may increase, including from retaliatory cybersecurity attacks as a result of Russia’s invasion of Ukraine and related political, economic and counter-responses. In addition, defects or errors in our Platform could result in a failure to effectively alert customers of potential threats. Our data centers and platform may experience technical failures and downtime, may fail to distribute appropriate updates, or may fail to meet the increased requirements of a growing customer base, any of which could temporarily or permanently reduce the efficacy of our solutions and expose our customers to cyber threats. Any of these situations could result in negative publicity to us, damage our reputation, and increase expenses and customer relations issues, which would adversely impact our business, financial condition, and operating results.

Advances in computer capabilities, discoveries of new weaknesses and other developments with software generally used by the internet community may increase the risk we will suffer a security breach. Furthermore, our Platform may fail to detect malware, ransomware, viruses, worms or similar threats for any number of reasons, including our failure to enhance and expand our Platform to reflect industry trends, new technologies and new operating environments, the complexity of the environment of our customers and the sophistication of malware, viruses and other threats. We or our service providers may also suffer security breaches or unauthorized access to personal information, financial account information, and other confidential information due to employee error, rogue employee activity, or unauthorized access by third parties either by mistake or acting with malicious intent. If we experience any breaches of security measures or sabotage or otherwise suffer unauthorized use or disclosure of, or access to, personal information, financial account information or other confidential information, we might be required to expend significant capital and resources to address these

problems. We may not be able to remedy any problems caused by hackers or other similar actors in a timely manner, or at all. Any real or perceived defects, errors or vulnerabilities in our Platform, or any other failure of our Platform to detect an advanced threat, could result in:

- a loss of existing or potential customers;
- delayed or lost revenue and adverse impacts to our business, financial condition, and operating results;
- a delay in attaining, or the failure to attain, market acceptance;
- the expenditure of significant financial and research and development resources in efforts to analyze, correct, eliminate, or work around errors or defects, and address and eliminate vulnerabilities;
- an increase in resources devoted to customer service and support, which could adversely affect our gross margin;
- harm to our reputation or brand; and
- claims and litigation, regulatory inquiries, investigations, enforcement actions, and other claims and liabilities, all of which may be costly and burdensome and further harm our reputation.

If a high-profile cybersecurity incident occurs with respect to another SaaS provider, customers may lose trust in the security of the SaaS business model generally, which could adversely impact our ability to retain existing customers or attract new ones. In the last few years there have been many successful advanced external cybersecurity incidents that have damaged several prominent companies in spite of strong information security measures. We expect that the risks associated with cybersecurity incidents and the costs of preventing such external cybersecurity attacks will continue to increase in the future.

We cannot assure you that any limitation of liability provisions in our customer agreements, contracts with third-party vendors and service providers, or other contracts would be enforceable or adequate or would otherwise protect us from any liabilities or damages with respect to any particular claim relating to a breach of contract, security breach or other security-related matter as a result of federal, state, or local laws or ordinances, or unfavorable judicial decisions in the U.S. or other countries.

While we maintain insurance policies that may cover certain liabilities in connection with a cybersecurity incident, we cannot be certain that our insurance coverage will be adequate for liabilities actually incurred, that insurance will continue to be available to us on commercially reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, including our financial condition, results of operations and reputation. Even claims that ultimately are unsuccessful could result in our expenditure of significant funds in litigation, divert management's time and other resources, and harm our reputation.

If our enterprise platform offerings do not interoperate with our customers' network and security infrastructure, or with third-party products, websites or services, our results of operations may be harmed.

Our enterprise product offerings must interoperate with our customers' existing network and security infrastructure. These complex systems are developed, delivered, and maintained by the customer, their employees and a myriad of vendors and service providers. As a result, the components of our customers' infrastructure have different specifications, rapidly evolve, utilize multiple protocol standards, include multiple versions and generations of products and may be highly customized. Our platform must be able to interoperate with highly complex and customized networks, which requires careful planning and execution between our customers, our customer support teams and our channel partners. Further, when our customers add new or updated elements to their infrastructure, when new usage trends emerge (such as remote work during the COVID-19 pandemic), or new industry standards or protocols are introduced, we may have to update or enhance

our Platform and our other solutions to allow us to continue to provide service to customers. Our competitors or other vendors may refuse to work with us to allow their products to interoperate with our solutions, which could make it difficult for our Platform to function properly in customer networks that include these third-party products.

We may not deliver or maintain interoperability quickly, cost-effectively, or at all. These efforts require capital investment and engineering resources. If we fail to maintain compatibility of our Platform and solutions with our customers' network and security infrastructures, our customers may not be able to fully utilize our products and solutions, and we may, among other consequences, lose or fail to increase our market share and experience reduced demand for our services, which would materially harm our business, operating results, and financial condition.

We may not timely and cost-effectively scale and adapt our existing technology to meet our customers' performance and other requirements.

Our future growth is dependent upon our ability to continue to meet the needs of new customers and the expanding needs of our existing customers as their use of our products and solutions grow. As our customers gain more experience with our products and solutions, the amount of data transferred, processed and stored by us, the number of locations where our Platform and services are being accessed, have in the past, and may in the future, expand rapidly. In order to meet the performance and other requirements of our customers, we intend to continue to make material investments to increase capacity and to develop and implement new technologies in our service and cloud infrastructure operations. These technologies, which include databases, applications and server optimizations, network and hosting strategies, and automation, are often advanced, complex, new and untested. We may not be successful in developing or implementing these technologies. In addition, it takes a significant amount of time to plan, develop and test improvements to our technologies and infrastructure, and we may not be able to accurately forecast demand or predict the results we will realize from such improvements. To the extent that we do not effectively scale our operations to meet the needs of our growing customer base and to maintain performance as our customers expand their use of our products and solutions, we may not be able to grow as quickly as we anticipate, our customers may reduce or cancel use of our solutions and we may be unable to compete as effectively, and our business and results of operations may be harmed.

Our success depends, in part, on the integrity and scalability of our systems and infrastructure. System interruption and the lack of integration, redundancy, and scalability in these systems and infrastructure may adversely affect our business, financial condition, and results of operations.

Our success depends, in part, on our ability to maintain the integrity of our systems and infrastructure, including websites and related systems. System interruption and a lack of integration and redundancy in our information systems and infrastructure may adversely affect our ability to operate our Platform, respond to customer inquiries, and generally maintain cost-efficient operations. We may experience occasional system interruptions that make some or all systems or data unavailable or prevent us from efficiently providing access to our Platform.

Our ability to introduce new products and solutions and features is dependent on adequate research and development resources and our ability to successfully complete acquisitions. If we do not adequately fund our research and development efforts or complete acquisitions successfully, we may not be able to compete effectively and our business, financial condition, and results of operations may be harmed.

To remain competitive, we must continue to offer new products and solutions and enhancements to our existing platform. This is particularly true as we further expand and diversify our capabilities. Maintaining adequate research and development resources, such as the appropriate personnel and development technology, to meet the demands of the market is essential. We may also choose to expand into a certain market or strategy via an acquisition for which we could potentially pay too much or fail to successfully integrate into our operations.

Further, many of our competitors expend a considerably greater amount of funds on their respective research and development programs, and those that do not may be acquired by larger companies that would allocate greater resources to our competitors' research and development programs. Our failure to maintain adequate research and development resources or to compete effectively with the research and development programs of our competitors would give an advantage to such competitors and our business, financial condition, and results of operations could be adversely affected. Moreover, there is no assurance that our research and development or acquisition efforts will successfully anticipate market needs and result in significant new marketable solutions or enhancements to our existing platform and solutions, design improvements, cost savings, revenue, or other expected benefits. If we are unable to generate an adequate return on such investments, we may not be able to compete effectively and our business, financial condition, and results of operations may be materially and adversely affected.

We rely on third-party cloud providers to host and operate our Platform, and any disruption of or interference with our use of these facilities or technologies may negatively affect our ability to maintain the performance and reliability of our platform which could cause our business to suffer.

Our customers depend on the continuous availability of our Platform. We currently host our Platform and serve our customers using a mix of third-party cloud providers. Consequently, we may be subject to service disruptions as well as failures to provide adequate support for reasons that are outside of our direct control. We have experienced and expect that in the future we may experience interruptions, delays and outages in service and availability from time to time due to a variety of factors, including infrastructure changes, human or software errors, website hosting disruptions, and capacity constraints.

The following factors, many of which are beyond our control, can affect the delivery, platform availability, and the performance of our products:

- the development and maintenance of the infrastructure of the internet;
- the performance and availability of third-party providers of cloud infrastructure services, with the necessary speed, data capacity and security for providing reliable internet access and services;
- decisions by the owners and operators of service providers where our cloud infrastructure is deployed to terminate our contracts, discontinue services to us, shut down operations or facilities, increase prices, change service levels, limit bandwidth, declare bankruptcy or prioritize the traffic of other parties;
- physical or electronic break-ins, acts of war or terrorism, human error or interference (including by disgruntled employees, former employees or contractors) and other catastrophic events;
- external cyberattacks, including denial of service attacks, targeted at us or the infrastructure of the internet;
- failure by us to maintain and update our cloud infrastructure to meet our data capacity requirements;
- errors, defects or performance problems in our software, including third-party software incorporated in our software;
- improper deployment or configuration of our solutions;
- the failure of our redundancy systems, in the event of a service disruption at one of our data centers, to provide failover to other data centers in our data center network;
- the failure of our disaster recovery and business continuity arrangements; and
- availability to acquire and source data.

The adverse effects of any service interruptions on our reputation, results of operations, and financial condition may be disproportionately heightened due to the nature of our business and the fact that our customers

have a low tolerance for interruptions of any duration. Interruptions or failures in our service delivery could result in a cyberattack or other security threat to our customers during such periods of interruption or failure. Additionally, interruptions or failures in our service could cause customers to terminate their subscriptions with us, adversely affect our renewal rates, and harm our ability to attract new customers. Our business would also be harmed if our customers believe that a cloud-based SaaS-delivered security solution is unreliable. We have experienced, and may in the future experience, service interruptions and other performance problems due to a variety of factors. The occurrence of any of these factors, or if we are unable to rapidly and cost-effectively fix such errors or other problems that may be identified, could damage our reputation, negatively affect our relationship with our customers or otherwise harm our business, results of operations, and financial condition.

In addition, because of the importance of cloud services to our business and our cloud providers' positions in the cloud-based server industry, any renegotiation or renewal of our agreements may be on terms that are significantly less favorable to us than our current agreements. If our cloud-based server costs were to increase, our business, results of operations and financial condition may be adversely affected. Although we expect that we could receive similar services from other cloud providers, if any of our arrangements with our cloud providers are terminated, we could experience interruptions on our Platform and in our ability to make our products and solutions available to customers, as well as delays and additional expenses in arranging alternative cloud infrastructure services. Ongoing improvements to cloud infrastructure may be more expensive than we anticipate and may not yield the expected savings in operating costs or the expected performance benefits. In addition, we may be required to re-invest any cost savings achieved from prior cloud infrastructure improvements in future infrastructure projects to maintain the levels of service required by our customers. We may not be able to maintain or achieve cost savings from our investments, which could harm our financial results.

We rely on data, software and services from other parties. Defects in or the loss of access to software or services from third parties could increase our costs and adversely affect the quality of our solutions.

We rely on third-party computer systems, broadband and other communications systems and service and data providers to provide customers with access to our Platform. Any interruptions, outages or delays in our systems, infrastructure or business, or the systems, infrastructure, or business of such third parties, or deterioration in the performance of these systems and infrastructure, could impair our ability to provide access to our Platform. Our business would be disrupted if any of the third-party software, data or services we utilize, particularly with respect to third-party software, data or services embedded in our solutions, or functional equivalents thereof, were unavailable due to extended outages or interruptions or because they are no longer available on commercially reasonable terms or prices or at all.

In each case, we would be required to either seek licenses to software, data or services from other parties and redesign our solutions to function with such other parties' software, data or services or develop these components ourselves, which would result in increased costs and could result in delays in our solution and solution package launches and the release of new solution and solution package offerings until equivalent technology can be identified, licensed or developed, and integrated into our solutions. Furthermore, we might be forced to limit the features available in our current or future solutions. If these delays and feature limitations occur, our business, results of operations and financial condition could be adversely affected.

Risk Factors Related to our Business and Industry

We have a history of losses and we may not be able to achieve or sustain profitability in the future.

ZeroFox, Inc. incurred net losses in all periods since its inception, including net losses of \$38.4 million and \$22.7 million for fiscal 2022 and 2021, respectively. ZeroFox experienced a net loss of \$720.6 million during the period August 4, 2022, to January 31, 2023. As of January 31, 2023, ZeroFox had an accumulated deficit of \$762.9 million. Following the Business Combination, we cannot predict when or whether we will reach or maintain profitability. We also expect that our operating expenses will increase over our

historical expenses in the future as we continue to invest for future growth, including expanding our research and development activities to enhance our Platform, expanding our sales and marketing activities and reaching customers in new geographic locations, which will negatively affect our operating results if our total revenue does not increase. We cannot assure you that these investments will result in substantial increases in our revenue or improvements in our operating results. In addition to the anticipated costs to grow our business, we also expect to incur significant additional legal, accounting, and other expenses as a newly public operating company. Any failure to increase our revenue as we invest in our business or to manage our costs could prevent us from achieving or maintaining profitability.

If we are not able to maintain and enhance our brand and our reputation as a provider of external cybersecurity products and solutions, our business and results of operations may be adversely affected.

We believe that maintaining and enhancing our brand and our reputation as a provider of external cybersecurity products and solutions is critical to our relationship with existing customers, channel partners, and technology alliance partners and our ability to attract new customers and partners. The successful promotion of our brand will depend on a number of factors, including our marketing efforts, our ability to continue to develop additional features for our Platform and our ability to successfully differentiate our Platform from competitive cloud-based or legacy security solutions. Although we believe it is important for our growth, our brand promotion activities may not be successful or yield increased revenue.

In addition, independent industry or financial analysts and research firms often test our products and solutions and provide reviews of our Platform, as well as the products of our competitors, and the perception of our Platform in the marketplace may be significantly influenced by these reviews. If these reviews are negative, or less positive as compared to those of our competitors' products, our brand may be adversely affected. Our products and solutions may fail to detect or prevent threats in any particular test for a number of reasons that may or may not be related to the efficacy of our products and solutions in real world environments. To the extent potential customers, industry analysts or testing firms believe that the occurrence of a failure to detect or prevent any particular threat is a flaw or indicates that our products and solutions or services do not provide significant value, we may lose customers, and our reputation, financial condition and business would be harmed. Additionally, the performance of our channel partners and technology alliance partners may affect our brand and reputation if customers do not have a positive experience with these partners. In addition, we have in the past worked, and continue to work, with high profile customers as well as assist in analyzing and remediating high profile cyberattacks. Our work with such customers has exposed us to publicity and media coverage. Negative publicity about us, including about our management, the efficacy and reliability of our Platform, our product offerings, our professional services, and the customers we work with, even if inaccurate, could adversely affect our reputation and brand.

If organizations do not adopt external cybersecurity solutions that may be based on new and untested security concepts, our ability to grow our business and results of operations may be adversely affected.

Our future success depends on the growth in the market for cloud and/or SaaS-delivered external cybersecurity products and solutions. The use of SaaS products and solutions to manage and automate security and IT operations is rapidly evolving. As such, it is difficult to predict our potential growth, customer adoption and retention rates, customer demand for our products and solutions, or the success of existing or future competitive products. Any expansion in our market depends on several factors, including the cost, performance and perceived value associated with our products and solutions and those of our competitors. If our solutions do not achieve widespread adoption or there is a reduction in demand for our products and solutions due to a lack of customer acceptance, technological challenges, competing products, privacy or other liability concerns, decreases in corporate spending, weakening economic conditions, or otherwise, it could adversely affect our business, results of operations and financial results, resulting in early terminations, reduced customer retention rates, or decreased sales. We do not know whether the trend in adoption of cloud-enabled and/or SaaS-delivered cybersecurity solutions that we have experienced in the past will continue in the future. Furthermore, if we or

other SaaS security providers experience security incidents, loss or disclosure of customer data, disruptions in delivery, or other problems, the market for SaaS solutions as a whole, including our security solutions, could be negatively affected.

Historically, information sharing related to cybersecurity has been a very well accepted concept from a theoretical perspective but very difficult to implement in practice. Companies are generally reluctant to share their sensitive cyber information with other entities, despite knowing the advantages of doing so. Misperceptions may exist, however, about what information gets shared, with whom that information is shared, and the jurisdictions (including foreign countries) of the companies with which the information gets shared. Further, concerns of existing or potential customers may exist related to the ability to completely remove any indicia of the source company, general market rejection of information sharing, or specific market skepticism of our approach, which may further add to a lack of customer acceptance.

In addition to the potential concerns related to sharing sensitive information in a system consisting of commercial or potentially competitive entities, additional concerns can arise when governments become involved as participants in the collective defense ecosystem. From a commercial perspective, companies frequently view information sharing on platforms with governments that are also customers as risky, based on perceptions that the governments might use such shared information to take action against the companies or to otherwise utilize it in a way that will expose such companies to liability. Such perceptions could lead commercial entities to stop sharing, not procure our services in the first place, or terminate their relationship with us altogether. Similarly, governments (as customers) may be unable to properly process such data or utilize it in a meaningful way, or share useful information back into our solutions. Any of these concerns could lead to reduced sales or contribute to a lack of customer acceptance. In addition, the mere involvement of one or more government entities as customers may harm our reputation with certain companies.

We have experienced rapid growth in recent periods, and if we do not manage our future growth, our business and results of operations will be adversely affected.

ZeroFox experienced rapid revenue growth in recent periods, and we expect to continue to invest broadly across our organization to support our growth. For example, ZeroFox's actual employee headcount grew from 158 employees as of January 31, 2019 to 721 employees as of January 31, 2023. Additionally, ZeroFox's revenue grew from \$8.9 million in fiscal 2019 to \$117.6 million in fiscal 2023. Although ZeroFox experienced rapid growth historically, we may not sustain these growth rates, nor can we assure you that our investments to support our growth will be successful. The growth and expansion of our business will require us to invest significant financial and operational resources and the continuous dedication of our management team. We have encountered and will continue to encounter risks and difficulties frequently experienced by rapidly growing companies in evolving industries, including market acceptance of our Platform, adding new customers, intense competition, and our ability to manage our costs and operating expenses. Our future success will depend in part on our ability to manage our growth effectively, which will require us to, among other things:

- effectively attract, integrate, and retain a large number of new employees, particularly members of our sales and marketing and research and development teams;
- further improve our Platform and cloud infrastructure to support our business needs;
- enhance our information and communication systems to ensure that our employees and offices around the world are well-coordinated and can effectively communicate with each other and our growing base of channel partners and customers; and
- improve our financial, management, and compliance systems and controls.

If we fail to achieve these objectives effectively, our ability to manage our expected growth, ensure uninterrupted operation of our Platform and key business systems, and comply with the rules and regulations applicable to our business could be impaired. Additionally, the quality of our Platform and services could suffer

and we may not be able to adequately address competitive challenges. Any of the foregoing could adversely affect our business, results of operations, and financial condition.

We face intense competition and could lose market share to our competitors, which could adversely affect our business, financial condition, and results of operations.

The market for security solutions is intensely competitive, fragmented, and characterized by rapid changes in technology, customer requirements and industry standards, increasingly sophisticated attackers, and by frequent introductions of new or improved products to combat security threats. We expect to continue to face intense competition from current competitors, as well as from new entrants into the market given the relatively low barriers to entry in the industry. If we are unable to anticipate or react to these challenges, our competitive position could weaken, and we could experience a decline in revenue or reduced revenue growth, and loss of market share that would adversely affect our business, financial condition, and results of operations. Our ability to compete effectively depends upon numerous factors, many of which are beyond our control, including, but not limited to:

- product capabilities, including the performance and reliability of our Platform — including our services and features, compared to those of our competitors;
- our ability, and the ability of our competitors, to improve existing products, services, and features, or to develop new ones to address evolving customer needs;
- our ability to attract, retain, and motivate talented employees;
- our ability to establish and maintain relationships with channel partners;
- our ability to acquire services from third parties at competitive prices;
- the strength of our sales and marketing efforts; and
- acquisitions or consolidation within our industry, which may result in more formidable competitors.

Our competitors include the following, by general category:

- digital risk protection, such as Proofpoint, Rapid7 and Forta;
- threat intelligence providers, such as Mandiant and Recorded Future; and
- breach response providers, such as Experian, Transunion, and Kroll.

Many of these competitors have greater financial, technical, marketing, sales, and other resources, greater name recognition, longer operating histories, and a larger base of customers than we do. They may be able to devote greater resources to the development, promotion, and sale of services than we can, and they may offer lower pricing than we do. Further, they may have greater resources for research and development of new technologies, the provision of customer support, and the pursuit of acquisitions, or they may have other financial, technical, or other resource advantages. Our larger competitors have substantially broader and more diverse product and service offerings as well as routes to market, which allows them to leverage their relationships based on other products and to incorporate functionality into existing products to gain business in a manner that discourages users from purchasing our Platform. Conditions in our market could change rapidly and significantly because of technological advancements, partnering or acquisitions by our competitors or continuing market consolidation. Some of our competitors have recently made acquisitions of businesses or have established cooperative relationships that may allow them to offer more directly competitive and comprehensive solutions than were previously offered and adapt more quickly to new technologies and customer needs. As a result of such acquisitions or arrangements, our current or potential competitors may be able to devote greater resources to bring these solutions and services to market, initiate or withstand substantial price competition or develop and expand their product and service offerings more quickly than we do. These competitive pressures in our market or our failure to compete effectively may result in price reductions, fewer orders, reduced revenue and gross

margins, increased net losses and loss of market share. Further, many competitors that specialize in providing protection from a single type of security threat may be able to deliver these targeted security products to the market quicker than we can or convince organizations that these limited products meet their needs. Even if there is significant demand for cloud-based security solutions like ours, if our competitors include functionality that is, or is perceived to be, equivalent to or better than ours in legacy products that are already generally accepted as necessary components of an organization's security architecture, we may have difficulty increasing the market penetration of our Platform. Furthermore, even if the functionality offered by other security providers is different and more limited than the functionality of our Platform, organizations may elect to accept such limited functionality in lieu of adding products from additional vendors like us.

For all of these reasons, competition may negatively impact our ability to maintain and grow consumption of our Platform and solutions or put downward pressure on our prices and gross margins, any of which could materially harm our reputation, business, financial condition, and results of operations.

Competitive pricing pressure may reduce revenue, gross profits, and adversely affect our financial results.

If we are unable to maintain our pricing due to competitive pressures or other factors, our revenue and margins may be reduced and our revenue and gross profits, business, results of operations and financial condition may be adversely affected. The prices for our Platform, products and solutions, and professional services may decline for a variety of reasons, including competitive pricing pressures, discounts, anticipation of the introduction of new solutions by competitors, or promotional programs offered by us or our competitors. Competition continues to increase in the market segments in which we operate, and we expect competition to further increase in the future. Larger competitors with more diverse product and service offerings may reduce the price of products or subscriptions that compete with ours or may bundle them with other products and subscriptions in an effort to leverage their existing market share to make it harder for newer companies, like us, to effectively compete.

Adverse general and industry-specific economic and market conditions and reductions in customer spending, in either the private or public sector, including as a result of geopolitical uncertainty such as the ongoing conflict between Russia and Ukraine, may reduce demand for our Platform or products and solutions, which could harm our business, financial condition and results of operations.

Our business, financial condition, and results of operations depend on the overall demand for our Platform and products and solutions. Negative conditions in the general economy both in the United States and abroad, including conditions resulting from the COVID-19 pandemic, changes in gross domestic product growth, financial and credit market fluctuations, energy costs, international trade relations, geopolitical issues, such as the conflict between Russia and Ukraine, or the availability and cost of credit could lead to increased market volatility, decreased consumer confidence, and diminished growth expectations in the U.S. economy and abroad, which in turn could result in reductions in information technology, software, and security spending by our existing and prospective customers. Negative economic conditions in both the public and private sectors, including macroeconomic, political and market conditions, government shutdowns or reduction in government spending, the availability of short-term and long-term funding and capital, the level and volatility of interest rates, currency exchange rates, and inflation, may cause customers to reduce their spending. Prolonged economic slowdowns may result in customers delaying or canceling projects, choosing to focus on in-house development efforts or seeking to lower their costs by requesting us to renegotiate existing contracts on less advantageous terms or defaulting on payments due on existing contracts or not renewing at the end of the contract term.

We employ multiple and evolving pricing models, which subject us to various pricing challenges that could make it difficult for us to derive value from our customers and may adversely affect our business, financial condition, and results of operations.

We employ multiple and evolving pricing models for our offerings. Our pricing models may ultimately result in a higher total cost to our customers generally as data volumes increase over time, or may cause our

customers to limit or decrease usage in order to stay within the limits of their existing licenses or lower their costs, making it more difficult for us to compete in our markets or negatively impacting our business, financial condition, and results of operations. As the amount of data within our customers' organizations grows, we face downward pressure from our customers regarding our pricing, which could adversely affect our revenue and operating margins. In addition, our pricing models may allow competitors with different pricing models to attract customers unfamiliar or uncomfortable with our pricing models, which would cause us to lose business or modify our pricing models, both of which could adversely affect our revenue and operating margins. We have introduced and expect to continue to introduce variations to our pricing models, including but not limited to usage-based, tiered pricing based on number of users, flat upfront fee, fixed price, level of effort, cost plus fee, utility-based pricing and other pricing programs. We also must determine the appropriate price to enable us to compete effectively internationally. Although we believe that these pricing models and variations to these models will drive net new customers, and increase customer adoption, it is possible that they will not and may potentially cause customers to decline to purchase or renew contracts with us or confuse customers and reduce their lifetime value, which could negatively impact our business, financial condition, and results of operations.

If we fail to adapt to rapid technological change, evolving industry standards and changing customer needs, requirements or preferences, our ability to remain competitive could be impaired.

The market for our Platform and solutions is characterized by rapid technological change, evolving industry standards and changing regulations, as well as changing customer needs, requirements, and preferences. The success of our business will depend, in part, on our ability to anticipate, adapt and respond effectively to these changes on a timely and cost-effective basis. In addition, as our customers' data infrastructure needs grow more complex, we expect them to face new and increasing challenges. Our customers require that our Platform and products and solutions effectively identify and respond to these challenges without disrupting the performance of our customers' information technology and data systems or interrupting their operations. As a result, we must continually modify and improve our offerings in response to changes in our customers' data infrastructures and operational needs or end-user preferences. The success of any enhancement to our existing offerings or the deployment of new offerings depends on several factors, including the timely completion and market acceptance of our enhancements or new offerings. Any enhancement to our existing offerings or new offerings that we develop and introduce involves significant commitment of time and resources and is subject to a number of risks and challenges, including, but not limited to:

- ensuring the timely release of new solutions (including products and professional services) and enhancements to our existing solutions;
- adapting to emerging and evolving industry standards, technological developments by our competitors and customers and changing regulatory requirements;
- interoperating effectively with existing or newly-introduced technologies, systems or applications of our existing and prospective customers;
- resolving defects, errors or failures in our Platform or solutions;
- extending our solutions to new and evolving operating systems and hardware products; and
- managing new solutions, product suites and service strategies for the markets in which we operate.

If we are not successful in managing these risks and challenges, or if our Platform or products and solutions (including any upgrades thereto) are not technologically competitive or do not achieve market acceptance, our business, financial condition, and results of operations could be adversely affected.

If we are unable to maintain successful relationships with our channel partners, or if our channel partners fail to perform, our ability to market, sell and distribute our Platform will be limited, and our business, financial position and results of operations will be harmed.

In addition to our direct sales force, we rely on our channel partners to sell our Platform. A substantial amount of sales of our Platform flows through our channel partners and we expect this to continue for the

foreseeable future. ZeroFox derived approximately 16% of its revenue during the period August 4, 2022, to January 31, 2023, from subscriptions through channel partners. The loss of a substantial number of our channel partners or the failure to recruit additional channel partners, could adversely affect our operating results. Our ability to increase revenue will depend in part on our success in maintaining successful relationships with our channel partners and in training our channel partners to independently sell and deploy our Platform. If we fail to effectively manage our existing sales channels, or if our channel partners are unsuccessful in fulfilling the orders for our solutions, or if we are unable to enter into arrangements with, and retain a sufficient number of, high quality channel partners in each of the regions in which we sell products and solutions and keep them motivated to sell our products and solutions, our ability to sell our products and solutions and results of operations will be harmed.

We target enterprise customers and government organizations, and sales to these customers involve risks that may not be present or that are present to a lesser extent with sales to smaller entities.

We have a sales team that targets enterprise customers and government organizations. These sales involve risks that may not be present or that are present to a lesser extent with sales to smaller entities, such as longer sales cycles, more complex customer requirements, substantial upfront sales costs, and less predictability in completing sales. For example, enterprise customers may require considerable time to evaluate and test our products and solutions and those of our competitors prior to making a purchase decision and placing an order. A number of factors influence the length and variability of our sales cycle, including the need to educate potential customers about the uses and benefits of our products and solutions, the discretionary nature of purchasing and budget cycles, and the competitive nature of evaluation and purchasing approval and/or competitive bidding processes. As a result, the length of our sales cycle, from identification of the opportunity to deal closure, may vary significantly from customer to customer, with sales to enterprise customers and government organizations typically taking longer to complete. Moreover, enterprise customers often begin to deploy our products and solutions on a limited basis, but nevertheless demand configuration, integration services and pricing negotiations, which increase our upfront investment in the sales effort with no guarantee that these customers will deploy our products and solutions widely enough across their organization to justify our substantial upfront investment. Further, a significant percentage of our enterprise sales are to customers in the financial services sector. An economic slowdown in that sector could adversely impact our sales.

Our success and ability to grow our business depend on retaining and expanding our customer base. If we fail to add new customers or retain existing customers, our business, financial condition, and results of operations could be harmed.

We may enter into subscription agreements for our Platform and solutions where customers have discretion to renew or terminate services at the end of the term, or stand-alone agreements for the provision of specified software or services. For us to improve our operating results, it is important that we add new customers and that our existing customers renew their subscriptions and upgrade and expand their subscribed services. Our customers have no obligation to renew their subscriptions, to upgrade or expand their subscribed services, or to continue their relationship with us once a stand-alone engagement ends. Our customers' renewal, upgrade and expansion rates may decline or fluctuate as a result of a number of factors, including their satisfaction or dissatisfaction with our offerings, our pricing, the effects of general economic conditions, competitive offerings, or alterations or reductions in our customers' spending levels. If we are unable to add new customers or if our existing customers do not renew their subscriptions when the term expires or do not upgrade and expand the subscribed services or if customers renew on terms less favorable to us, or do not otherwise continue to use our Platform and solutions for subsequent engagements, our revenue may decline and our business, financial condition, and results of operations could be harmed.

Our customers may merge with other entities who purchase solutions and services from our competitors, and, during weak economic times, there is an increased risk that one or more of our customers will file for bankruptcy protection, either of which may harm our business, financial condition, and results of operations. We

also face risks from international customers that file for bankruptcy protection in foreign jurisdictions, particularly given that the application of foreign bankruptcy laws may be more difficult to predict. In addition, we may determine that the cost of pursuing any claim may outweigh the recovery potential of such claim. As a result, broadening or protracted extension of an economic downturn could harm our business, financial condition, and results of operations.

We provide service level commitments under some of our customer contracts. If we fail to meet these contractual commitments, we could be obligated to provide credits for future service and our business could suffer.

Certain of our customer agreements contain service level commitments, which contain specifications regarding the availability and performance of our Platform. Any failure of or disruption to our infrastructure could impact the performance of our Platform and the availability of products and services to customers. If we are unable to meet our stated service level commitments or if we suffer extended periods of poor performance or unavailability of our Platform, we may be contractually obligated to provide affected customers with service credits for future subscriptions, refunds, and in certain cases, the right to cancel their subscription. Our revenue, other results of operations and financial condition could be harmed if we suffer performance issues or downtime that exceeds the service level commitments under our agreements with our customers.

The COVID-19 pandemic could adversely affect our business, operating results, and financial condition.

We could be negatively impacted by the COVID-19 pandemic, the widespread outbreak of another illness or communicable disease, a natural disaster, or any other public health crisis. At its height, the COVID-19 pandemic had a significant negative effect on the global economy, supply chains and labor force participation, and created significant volatility in financial markets. Although the effects of the pandemic during fiscal year 2023 were not as significant as prior years, new variants continued to cause waves of COVID-19 cases around the globe, disrupting operations and contributing to the lengthening of the sales cycle for some prospective customers and delays in the delivery of professional services and trainings to our customers. The extent of the future impact of the COVID-19 pandemic or other outbreaks of communicable diseases on our business, operating results, cash flows, and financial condition, including our ability to execute our business strategies and initiatives in the expected time frame, will depend on future developments, including the duration, spread and severity of the pandemic, the evolution of the virus and the effects of mutations in its genetic code, country and state restrictions regarding virus containment, the availability and effectiveness of vaccines and treatment options, accessibility to our delivery and operations locations, our continued utilization of remote work environments in response to future health and safety restrictions, our clients' acceptance of remote work environments, and the effect on our clients' businesses and the demand for their products and services, all of which are highly uncertain and cannot be accurately predicted.

We do not yet know the full extent of potential impacts on our business, operations or on the global economy, particularly if the COVID-19 pandemic continues and persists for an extended period. The impacts and potential impacts of the COVID-19 pandemic on our business operations include:

- our customer prospects and our existing customers may experience slowdowns in their businesses, which in turn may result in reduced demand for our Platform, change in budget priorities, lengthening of sales cycles, loss of customers, and difficulties in collections;
- while our offices have reopened in accordance with local ordinances, a substantial number of our employees continue to work from home and a substantial number may continue to do so for the foreseeable future, which may result in decreased employee productivity and morale with increased unwanted employee attrition;
- we continue to incur fixed costs, particularly for real estate, and are deriving reduced or no benefit from those costs;

- we may continue to experience disruptions to our growth planning, such as for facilities and international expansion;
- we anticipate incurring costs in returning to work from our facilities, including changes to the workplace, such as space planning, food service, and amenities;
- we may be subject to legal liability for safe workplace claims;
- our critical vendors could go out of business;
- we may continue to experience limited or reduced participation at our in-person marketing events, including conferences and other related activities, that help us generate new business; and
- we may experience unwanted attrition, retention challenges or greater competition for recruiting. Any of the foregoing could adversely affect our business, financial condition, and operating results.

The extent to which the COVID-19 pandemic may continue to affect our business will depend on continued developments, which are uncertain and cannot be predicted. Even after the COVID-19 pandemic has subsided, we may continue to suffer an adverse effect to our business due to its global economic effect, including any economic recessions. In addition, a recurrence of COVID-19 cases or an emergence of additional variants or strains could cause other widespread or more severe impacts depending on where infection rates are highest.

Our business will be subject to the risks of natural catastrophic events and to interruption by man-made problems such as power disruptions or terrorism.

A significant natural disaster, such as an earthquake, a fire, a flood, or significant power outage could have a material adverse impact on our business, results of operations and financial condition. Natural disasters could affect our personnel, supply chain, or logistics providers' ability to provide materials and perform services. In addition, climate change could result in an increase in the frequency or severity of natural disasters. In the event that our infrastructure, or the information technology systems, supply chain or logistics of our service providers, is hindered by any of the events discussed above, the results could be missed financial targets, such as revenue, for a particular quarter. Likewise, we could be subject to other man-made problems, including but not limited to power disruptions and terrorist acts.

We rely heavily on the services of our senior management team, and if we are not successful in attracting or retaining senior management personnel, we may not be able to successfully implement our business strategy.

Our future success is substantially dependent on our ability to attract, retain, and motivate our key employees and the members of our management team. In particular, we are highly dependent on the services of James C. Foster, our chief executive officer, who is critical to our future vision and strategic direction. We also rely on our leadership team in the areas of operations, security, analytics, engineering, product management, research and development, marketing, sales, partnerships, mergers and acquisitions, support, and general and administrative functions. Although we entered into employment agreements with our key personnel, our senior management is employed on an "at-will" basis, which means they may terminate their employment with us at any time. If one or more of our key employees resigns or otherwise ceases to provide us with their service, our business could be harmed.

We rely on the performance of highly skilled personnel, including senior engineering, professional services, sales and technology professionals, and our ability to increase our customer base depends to a significant extent on our ability to expand our sales and marketing operations.

We believe our success has depended, and continues to depend, on the efforts and talents of our highly skilled team members, including our sales personnel, professional services personnel, and software engineers. We do not maintain key person insurance on any of our employees. Our key employees are employed on an

“at-will” basis, which means that they could terminate their employment with us at any time. The loss of any of our key employees could adversely affect our ability to execute our business plan, and we may not be able to find adequate replacements. We cannot ensure that we will be able to retain the services of our key employees.

If we do not effectively expand and train our sales force, we may be unable to add new customers or increase sales to our existing customers, and our business will be adversely affected.

We depend on our sales force to obtain new customers and increase sales with existing customers. Our ability to achieve significant revenue growth will depend, in large part, on our success in recruiting, training and retaining sufficient numbers of sales personnel, and our third-party channel partner network of resellers, both domestically and internationally. We have expanded our sales organization in recent periods and expect to continue to add additional sales capabilities in the near term. Significant competition exists for sales personnel with the skills and technical knowledge that we require. New hires require significant training and may take significant time before they achieve full productivity, and this delay may be accentuated by our long sales cycles. Our recent hires and planned hires may not become productive as quickly as we expect, and we may be unable to hire or retain sufficient numbers of qualified individuals in the markets where we do business or plan to do business. In addition, a significant percentage of our sales force is new to our Company and selling our solutions, and therefore this team may be less effective than our more seasoned sales personnel. Furthermore, hiring sales personnel in new countries, or expanding our existing presence, requires upfront and ongoing expenditures that we may not recover if the sales personnel fail to achieve full productivity. We cannot predict whether, or to what extent, our sales will increase as we expand our sales force or how long it will take for sales personnel to become productive. If we are unable to hire and train a sufficient number of effective sales personnel, or the sales personnel we hire are not successful in obtaining new customers or increasing sales to our existing customer base, our business and results of operations will be adversely affected. All of these efforts will require us to invest significant financial and other resources and our business will be harmed if our efforts do not generate a correspondingly significant increase in revenue.

Our ability to maintain customer satisfaction depends in part on the quality of our customer support.

Once our Platform and solutions are purchased, our customers depend on our maintenance and support teams to resolve technical and operational issues relating to our Platform and solutions. Our ability to provide effective customer maintenance and support is largely dependent on our ability to attract, train, and retain qualified personnel with experience in supporting customers with our Platform and products and solutions such as ours and maintaining the same. The number of our customers has grown significantly and that has and will continue to put additional pressure on our support teams. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for technical support. We may be subject to disruptions in customer support as well as failures to provide adequate support for reasons that are outside of our direct control.

We also may be unable to modify the future, scope and delivery of our maintenance services and technical support to compete with changes in the technical services provided by our competitors. Increased customer demand for maintenance and support services, without corresponding revenue, could increase costs and negatively affect our operating results. In addition, if we experience increased customer demand for support and maintenance, we may face increased costs that may harm our business, financial condition, or results of operations. Further, as we continue to grow our operations and support our global customer base, we need to be able to continue to provide efficient support and effective maintenance that meet our customers’ needs globally at scale. Customers receive additional maintenance and support features, and the number of our customers has grown significantly, which will put additional pressure on our organization. If we are unable to provide efficient customer maintenance and support globally at scale or if we need to hire additional maintenance and support personnel, our business may be harmed. Our ability to attract new customers is highly dependent on our business reputation and on positive recommendations from our existing customers. Any failure to maintain high-quality maintenance and support services or a market perception that we do not maintain high-quality maintenance and support services for our customers would harm our business.

If we cannot maintain our Company culture as we grow, we could lose the innovation, teamwork, passion, and focus on execution that we believe contribute to our success and our business may be harmed.

We believe that our corporate culture has been a contributor to our success, which we believe promotes innovation, teamwork, passion and focus on building and marketing our products and solutions. Any integration challenges or any failure to preserve our culture could harm our future success, including our ability to retain and recruit personnel, innovate and operate effectively and execute on our business strategy. As we grow, we may find it difficult to maintain our corporate culture. Additionally, our productivity and the quality of our products and solutions may be adversely affected if we do not integrate and train our new employees quickly and effectively. If we experience any of these effects in connection with future growth, it could impair our ability to attract new customers, retain existing customers and expand their use of our products and solutions, all of which would adversely affect our business, financial condition and results of operations.

We recognize revenue from subscriptions to our Platform over the term of the subscription. Consequently, increases or decreases in new sales may not be immediately reflected in our results of operations.

We generally recognize revenue from customers ratably over the terms of their subscription, which is generally one to three years. As a result, a substantial portion of the revenue we report in each period is attributable to the recognition of deferred revenue relating to agreements that we entered into during previous periods. Consequently, any increase or decline in new sales or renewals in any one period will not be immediately reflected in our revenue for that period. Any such change, however, would affect our revenue in future periods. Accordingly, the effect of downturns or upturns in new sales and potential changes in our rate of renewals may not be fully reflected in our results of operations until future periods. We may also be unable to timely reduce our cost structure in line with a significant deterioration in sales or renewals that would adversely affect our results of operations and financial condition.

Our operating results may fluctuate significantly which could make our future results difficult to predict and could cause our operating results to fall below expectations.

Our operating results may vary significantly in the future, particularly considering the number of enterprise customer contracts and the cyclical nature of our government sales generation, and period-to-period comparisons of our operating results may not be meaningful. Accordingly, the results of any one quarter should not be relied upon as an indication of future performance. Our operating results may fluctuate as a result of a variety of factors, many of which are outside of our control, and as a result, may not fully reflect the underlying performance of our business. Fluctuations in operating results may negatively impact the value of our securities. Factors that may cause fluctuations in our quarterly operating results include, without limitation, those disclosed elsewhere in this prospectus and:

- our ability to generate significant revenue from new offerings and cross-selling current offerings;
- our ability to expand our number of customers and sales;
- our ability to hire and retain employees, in particular those responsible for our sales and marketing;
- changes in the way we organize and compensate our sales teams;
- the timing of expenses and recognition of revenue;
- the timing and length of our sales cycles;
- increased sales to large organizations;
- the amount and timing of operating expenses related to the maintenance and expansion of our business and operations, as well as international expansion;
- the timing and effectiveness of new sales and marketing initiatives;
- changes in our pricing policies or those of our competitors;

- the timing and success of new platforms, applications, features, and functionality by us or our competitors;
- changes in the competitive dynamics of our industry, including consolidation among competitors;
- changes in laws and regulations that impact our business;
- the timing of expenses related to any future acquisitions, including our ability to successfully integrate, and fully realize the expected benefits of, completed acquisitions;
- health epidemics or pandemics, such as the COVID-19 pandemic;
- civil unrest and geopolitical instability, including as a result of the ongoing conflict between Russia and Ukraine; and
- general political, economic, and market conditions.

Our long-term success depends, in part, on our ability to expand the sale of our Platform to customers located outside of the U.S., and our current, and any further, expansion of our international operations exposes us to risks that could have a material adverse effect on our business, operating results, and financial condition.

We are generating a portion of our revenue outside of the U.S., and conduct our business activities in various foreign countries, including some emerging markets, where the challenges of conducting our business can be significantly different from those we have faced in more developed markets and where business practices may create internal control risks. There are certain risks inherent in conducting international business, including:

- fluctuations in foreign currency exchange rates, which could add volatility to our operating results;
- new, or changes in, regulatory requirements;
- uncertainty regarding regulation, currency, tax, and operations resulting from the United Kingdom's, or the U.K., exit from the European Union, or the E.U., and possible disruptions in trade, the sale of our services and commerce, and movement of our people between the U.K., E.U., and other locations;
- tariffs, export and import restrictions, restrictions on foreign investments, sanctions, and other trade barriers or protection measures;
- costs and liabilities related to compliance with foreign privacy, data protection and information security laws and regulations, including the General Data Protection Regulation of the European Union, or the GDPR, and the risks and costs of noncompliance;
- costs of localizing products and services;
- the lack of acceptance of localized products and services;
- the need to make significant investments in people, solutions and infrastructure, typically well in advance of revenue generation;
- challenges inherent in efficiently managing an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits and compliance programs;
- difficulties in maintaining our corporate culture with a dispersed and distant workforce;
- treatment of revenue from international sources, evolving domestic and international tax environments, and other potential tax issues, including with respect to our corporate operating structure and intercompany arrangements;
- different standards for or weaker protection of our intellectual property, including increased risk of theft of our proprietary technology and other intellectual property;
- economic weakness or currency-related crises;

- compliance with multiple, conflicting, ambiguous or evolving governmental laws and regulations, including employment, tax, privacy, anti-corruption, import/export, antitrust, data transfer, storage and protection, and industry-specific laws and regulations, including rules related to compliance by our third-party resellers and our ability to identify and respond timely to compliance issues when they occur, and regulations applicable to us and our third-party data providers from whom we purchase and resell data;
- vetting and monitoring our third-party resellers in new and evolving markets to confirm they maintain standards consistent with our brand and reputation;
- generally longer payment cycles and greater difficulty in collecting accounts receivable;
- our ability to adapt to sales practices and customer requirements in different cultures;
- the lack of reference customers and other marketing assets in regional markets that are new or developing for us, as well as other adaptations in our market generation efforts that we may be slow to identify and implement;
- dependence on certain third parties, including resellers with whom we do not have extensive experience;
- natural disasters, acts of war, terrorism, or pandemics, including the ongoing COVID-19 pandemic;
- corporate espionage; and
- political instability and security risks in the countries where we are doing business and changes in the public perception of governments in the countries where we operate or plan to operate.

We might undertake corporate operating restructurings that involve our group of foreign country subsidiaries through which we do business abroad. We consider various factors in evaluating these restructurings, including the alignment of our corporate legal entity structure with our organizational structure and our objectives, the operational and tax efficiency of our group structure, and the long-term cash flows and cash needs of our business. Such restructurings could increase our operating costs, and if ineffectual, could increase our income tax liabilities and our global effective tax rate.

Risks Related to Government Contracting

One U.S. government customer accounts for a substantial portion of our revenue. If our largest customer does not renew its contract with us (or renews at reduced spending levels), or if our relationship with our largest customer is impaired or terminated, our revenue would decline, and our business, financial condition, and results of operations would be adversely affected.

We have derived a substantial portion of our revenue from one U.S. government customer, the Office of Personnel Management (“OPM”). Our contract with OPM (the “OPM Contract”) is structured as a Base Period from July 1, 2019 to June 30, 2020, followed by a series of options as follows: Option Period I from July 1, 2020 to June 30, 2021, Option Period II from July 1, 2021 to June 30, 2022, Option Period III from July 1, 2022 to June 30, 2023, and Option Period IV from July 1, 2023 to December 31, 2023. OPM has an option to extend the OPM Contract from January 1, 2024 to June 30, 2024, as well as an option to add a transition-out period. To date, OPM has exercised Option Period I, Option Period II, and Option Period III. We plan to pursue the rebid of the OPM Contract in 2024 for an extension through 2027. A copy of the OPM Contract is incorporated by reference as an exhibit to the registration statement of which this prospectus forms a part. OPM accounted for approximately 47% of our revenue during the period August 4, 2022, to January 31, 2023.

As a result, our revenue could fluctuate materially, and could be materially and disproportionately affected by purchasing decisions by this customer or any other significant future customer. This customer may decide to purchase less than it has in the past, may alter its purchasing patterns at any time with limited notice, or may

decide not to continue to license our products at all, any of which could cause our revenue to decline and adversely affect our financial condition and results of operations. If we do not further diversify our customer base, we will continue to be susceptible to risks associated with customer concentration.

Our business depends, in part, on sales to government organizations, and significant changes in the contracting or fiscal policies of such government organizations could have an adverse effect on our business and results of operations.

Our future growth depends, in part, on increasing sales to government organizations. Demand from government organizations is often unpredictable, subject to budgetary uncertainty and typically involves long sales cycles. We have made significant investment to address the government sector, but we cannot assure you that these investments will be successful, or that we will be able to maintain or grow our revenue from the government sector. U.S. federal, state and local government sales are subject to a number of challenges and risks that may adversely impact our business. Sales to such government entities include the following risks:

- selling to governmental agencies can be highly competitive, expensive and time consuming, often requiring significant upfront time and expense without any assurance that such efforts will generate a sale;
- government certification requirements applicable to our products may change and, in doing so, restrict our ability to sell into the U.S. federal government sector until we have attained the revised certification;
- government demand and payment for our Platform may be impacted by public sector budgetary cycles and funding priorities and authorizations, with funding reductions or delays adversely affecting public sector demand for our Platform;
- governments routinely investigate and audit government contractors' administrative processes, and any unfavorable audit could result in the government refusing to continue buying our Platform, which would adversely impact our revenue and results of operations, or institute fines or civil or criminal liability if the audit were to uncover improper or illegal activities; and
- governments may add new or change existing contractual and/or data security infrastructure requirements that could restrict our ability to sell to government customers.

The occurrence of any of the foregoing could cause governments and governmental agencies to delay or refrain from purchasing our solutions in the future or otherwise have an adverse effect on our business and results of operations.

A decline in the U.S. Government budget, changes in spending or budgetary priorities or delays in contract awards may adversely affect our business, financial condition, and results of operations and limit our growth prospects.

Revenue under contracts with U.S. government agencies represents a substantial amount of our total revenue. Levels of U.S. government spending are difficult to predict and subject to significant risk. Laws and plans adopted by the U.S. Government relating to, along with pressures on and uncertainty surrounding the U.S. federal budget, potential changes in budgetary priorities, sequestration, the appropriations process, and the permissible federal debt limit, could adversely affect the funding for individual programs and delay purchasing or payment decisions by our customers. Considerable uncertainty exists regarding how future budget and program decisions will unfold and what challenges budget reductions will present for us and the industry for our solutions and products.

Current U.S. government spending levels may not be sustained and future spending and program authorizations may not increase or may decrease or shift to programs in areas in which we do not provide

services or are less likely to be awarded contracts. Such changes in spending authorizations and budgetary priorities may occur as a result of uncertainty surrounding the federal budget, increasing political pressure and legislation, shifts in spending priorities as a result of competing demands for federal funds, or other factors. In the event government funding relating to our contracts with the U.S. Government becomes unavailable, or is reduced or delayed, or planned orders are reduced, our contract or subcontract under such programs may be terminated or adjusted by the U.S. Government or the prime contractor, if applicable. Our operating results could also be adversely affected by spending caps or changes in the budgetary priorities of the U.S. Government, as well as delays in program starts or the award of contracts or task orders under contracts.

In addition, changes to the federal acquisition system and contracting models could affect whether and how we pursue certain opportunities and the terms under which we are able to do so. A significant decline in overall U.S. government spending, a significant shift in its spending priorities, significant delays in contract or task order awards for large programs could adversely affect our business, financial condition, and results of operations and limit our growth prospects.

A delay in the completion of the U.S. Government's budget and appropriation process could delay procurement of solutions we provide and have an adverse effect on our future revenue.

The funding of U.S. government programs is subject to an annual congressional budget authorization and appropriations process. In years when the U.S. Government does not complete its appropriations before the beginning of the new fiscal year on October 1, government operations are typically funded pursuant to a "continuing resolution," which allows federal government agencies to operate at spending levels approved in the previous appropriations cycle but does not authorize new spending initiatives. When the U.S. Government operates under a continuing resolution, delays can occur in the procurement of our products and solutions and may result in new initiatives being canceled. Revenue from government customers is often cyclical and based upon delays or change in the appropriation cycle or government shutdowns and thus can impact future performance. When the U.S. Government fails to complete its appropriations process or to provide for a continuing resolution, a full or partial federal government shutdown may result. A federal government shutdown could, in turn, result in our incurrence of substantial labor or other costs without reimbursement under customer contracts, the delay or cancellation of key programs or the delay of contract payments, which could have a negative effect on our cash flows and adversely affect our business, financial condition, and results of operations. For many programs, Congress appropriates funds on an annual fiscal year basis even though the program performance period may extend over several years. Consequently, programs are often partially funded initially, and additional funds are committed only as Congress makes further appropriations. If we incur costs in excess of funds obligated on a contract, we may be at risk for reimbursement of those costs unless or until additional funds are earmarked to the contract. In addition, when supplemental appropriations are required to operate the U.S. Government or fund specific programs and passage of legislation needed to approve any supplemental appropriations bill is delayed, the overall funding environment for our business could be adversely affected.

Due to the competitive process to obtain contracts and the likelihood of bid protests, we may be unable to achieve or sustain revenue growth and our business, financial condition, and results of operations may be adversely affected.

A substantial portion of the business that we seek with respect to our solutions is subject to competitive bidding processes with U.S. Government customers. The U.S. government has increasingly relied on contracts that are subject to a continuing competitive bidding process which has resulted in greater competition and increased pricing pressure. The competitive bidding process involves substantial costs and several risks, including significant cost and managerial time to prepare bids and proposals for contracts that may not be awarded to us, may be split among competitors or that may be awarded but for which we do not receive meaningful task orders, and to the risk of inaccurately estimating the resources and costs that will be required to fulfill any contract we win.

Following contract award, we may encounter significant expense, delay, contract modifications or even contract loss because of our competitors challenging (or protesting) the award of contracts to us in competitive bidding. Any resulting loss or delay of start-up and funding of work under protested contract awards may adversely affect our revenue and/or profitability. In addition, multi-award contracts require that we make sustained post-award efforts to obtain task orders under the contract. As a result, we may not be able to obtain these task orders or recognize revenue under these multi-award contracts. We are also experiencing increased competition generally which impacts our ability to obtain contracts. Our failure to compete effectively in this procurement environment would adversely affect our revenue and our business, financial condition, and results of operations may be adversely affected.

The U.S. Government may terminate, cancel, stop, modify or curtail our contracts at any time prior to their completion and, if we do not replace them, this may adversely affect our future revenue and profitability.

Many of the U.S. government programs in which we may participate as a prime contractor or subcontractor extend for several years and include one or more base years and one or more option years. These programs are normally funded on an annual basis. Under our contracts, the U.S. Government generally has the right to not exercise options to extend or expand our contracts and may otherwise terminate, cancel, stop, modify, or curtail our contracts at its convenience. Any decisions by the U.S. Government to not exercise contract options or to terminate, cancel, stop, modify or curtail our major programs or contracts would adversely affect our revenue, revenue growth and profitability.

We may also experience technological or other performance difficulties under our contracts, which may result in delays, cost overruns, and failures in our performance of these contracts. If a government customer terminates a contract for default, we may be exposed to liability, including for excess costs incurred by the customer in procuring undelivered services and solutions from another source. Depending on the nature and value of the contract, a performance issue or termination for default could cause our actual results to differ from those anticipated and could harm our reputation, and even lead to a suspension or debarment action.

Our failure to comply with a variety of complex procurement rules and regulations could result in our being liable for civil or criminal penalties, termination of our U.S. government contracts, disqualification from bidding on future U.S. government contracts, and suspension or debarment from U.S. government contracting.

As a U.S. government contractor, we must comply with laws and regulations relating to the formation, administration, and performance of U.S. government contracts, which affect how we do business with our customers. Such laws and regulations may potentially impose added costs on our business and our failure to comply with them may lead to civil or criminal penalties, termination of our U.S. government contracts, or suspension or debarment from contracting with federal agencies. Some significant laws and regulations that affect us include, but are not limited to the following:

- the Federal Acquisition Regulations (“FAR”) and FAR supplements, which regulate the formation, administration and performance of U.S. government contracts;
- Truthful Cost or Pricing Data, formerly known as the Truth in Negotiations Act, which requires certification and disclosure of cost and pricing data in connection with certain contract negotiations;
- the Procurement Integrity Act, which regulates access to competitor bid and proposal information and government source selection information and our ability to provide compensation to certain former government officials;
- the Civil False Claims Act, which provides for substantial civil penalties for violations, including for the knowing submission of a false or fraudulent claim to the U.S. Government for payment or approval;

- the False Statements Act, which imposes civil and criminal liability for making false statements to the U.S. Government; and
- the U.S. government Cost Accounting Standards, which imposes accounting requirements that govern our right to reimbursement under certain cost-based U.S. government contracts.

The FAR and many of our U.S. government contracts contain organizational conflict of interest clauses that may limit our ability to compete for or perform certain other contracts or other types of services for particular customers. Organizational conflicts of interest (“OCI”) arise when we engage in activities that may make us unable to render impartial assistance or advice to the U.S. Government, impair our objectivity in performing contract work or provide us with an unfair competitive advantage in winning or performing on a contract. An OCI that precludes our competition for or performance on a significant program or contract could harm our prospects. Conversely, our failure to identify and disclose an OCI can result in civil and/or criminal penalties.

The U.S. Government may adopt new contract rules and regulations or revise its procurement practices in a manner adverse to us at any time without notice and/or compensation, which could adversely affect our profitability, cash position or growth prospects.

Our industry has experienced, and we expect it will continue to experience, significant changes to business practices because of an increased focus on affordability, efficiencies and recovery of costs, among other items. U.S. government agencies may face restrictions or pressure regarding the type and number of services that they may obtain from private contractors. Legislation, regulations, and initiatives dealing with enhanced governance, oversight, and/or security (physical or cyber), procurement reform, mitigation of potential conflicts of interest, and environmental responsibility or sustainability, as well as any resulting shifts in the buying practices of U.S. government agencies, such as increased usage of fixed-price contracts, multiple-award contracts and small business set-aside contracts, could have adverse effects on government contractors. Any of these changes could impair our ability to obtain new contracts or renew our existing contracts when customers re-compete those contracts. Any new contracting requirements or procurement methods could be costly or administratively difficult for us to implement and could adversely affect our business, financial condition, and results of operations.

As a U.S. Government contractor, we are subject to reviews, audits, and cost adjustments by the U.S. government, which, if resolved unfavorably to us, could adversely affect our profitability, cash position or growth prospects.

U.S. government contractors (including their subcontractors and others with whom they do business) operate in a highly regulated environment and are routinely audited and reviewed by the U.S. Government and its agencies. These agencies review a contractor’s performance on government contracts, cost structure, indirect rates, and pricing practices and compliance with applicable contracting and procurement laws, regulations, terms and standards, as well as the adequacy of our systems and processes in meeting government requirements. They also review the adequacy of the contractor’s compliance with government standards for its business systems, including a contractor’s accounting system, earned value management system, estimating system, materials management and accounting system, property management system and purchasing system.

Both contractors and the U.S. government agencies conducting these audits and reviews have come under increased scrutiny. As a result, the current audits and reviews have become more rigorous and the standards to which we are held are being more strictly interpreted, increasing the likelihood of an audit or review resulting in an adverse outcome.

A finding of significant control deficiencies in our system audits or other reviews can result in decremented billing rates to our U.S. government customers until the control deficiencies are corrected and our remediations are accepted. Government audits and reviews may conclude that our practices are not consistent with applicable

laws and regulations and result in adjustments to contract costs and mandatory customer refunds. Such adjustments can be applied retroactively, which could result in significant customer refunds. Our receipt of adverse audit findings or the failure to obtain an “approved” determination of our various business systems from the responsible U.S. government agency could significantly and adversely affect our business, including our ability to bid on new contracts and our competitive position in the bidding process. A determination of non-compliance with applicable contracting and procurement laws, regulations and standards could also result in the U.S. Government imposing penalties and sanctions against us, including reductions of the value of contracts, contract modifications or termination, withholding of payments, the loss of export/import privileges, administrative or civil judgements and liabilities, criminal judgements or convictions, liabilities and consent or other voluntary decrees or agreements, other sanctions, the assessment of penalties, fines or compensatory, treble or other damages or non-monetary relief or actions, suspension or debarment, suspension of payments, and increased government scrutiny that could negatively impact our reputation, delay or adversely affect our ability to invoice and receive timely payment on contracts, perform contracts or compete for contracts with the U.S. Government and may adversely affect our revenue and profitability.

Risks Relating to Financial, Tax and Accounting Issues

Our issued and outstanding Notes may impact our financial results, result in the dilution of our stockholders, create downward pressure on the price of our Common Stock, and restrict our ability to raise additional capital or take advantage of future opportunities.

In connection with the Business Combination, we issued the Notes in an aggregate principal amount of \$150,000,000. The Notes are convertible into shares of our Common Stock at an initial conversion rate of 86.9565 shares of our Common Stock (subject to adjustment as provided in the Indenture) per \$1,000 of principal amount of Notes and 86.9565 shares of our Common Stock (subject to adjustment as provided in the Indenture) per \$1,000 of accrued and unpaid interest on any Notes. To the extent we exercise our option to pay interest in kind with respect to the Notes rather than in cash, the number of shares of our Common Stock into which the Notes may be converted would increase. The sale of the Notes may affect our earnings per share, as accounting procedures may require that we include in our calculation of earnings per share the number of shares of our Common Stock into which the Notes are convertible.

Upon a conversion of the Notes, we will have the ability to settle by payment of cash, by issuance of our Common Stock, or a combination of both. If shares of our Common Stock are issued to the holders of the Notes upon conversion, there will be dilution to our stockholders and the market price of our Common Stock may decrease due to the additional selling pressure in the market. Any downward pressure on the price of our Common Stock caused by the sale, or potential sale, of shares issuable upon conversion of the Notes could also encourage short sales by third parties, creating additional selling pressure on our share price.

We may not have the ability to raise the funds necessary to settle conversions of the Notes, repurchase the Notes upon a fundamental change or repay the Notes at their maturity, and our future debt may contain limitations on our ability to pay cash upon conversion, redemption or repurchase of the Notes.

Holders of the Notes will have the right under the Indenture to require us to repurchase all or a portion of their Notes upon the occurrence of a fundamental change before the applicable maturity date at a repurchase price equal to 100% of the principal amount of such Notes to be repurchased plus accrued and unpaid interest to, but not including, the repurchase date. Moreover, we will be required to repay the Notes in cash at their maturity, unless earlier converted, redeemed or repurchased. We may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of such Notes surrendered or pay cash with respect to such Notes being converted (which we otherwise may elect to do upon the conversion of Notes in lieu of issuing shares).

Upon a conversion of the Notes, we will have the ability to settle by payment of cash, by issuance of our Common Stock, or a combination of both. Our ability to repurchase, redeem or to pay cash upon conversion of

Notes may be limited by law, regulatory authority, or agreements governing our future indebtedness. Our failure to repurchase the Notes at a time when the repurchase is required by the Indenture would constitute a default under such indenture (provided that upon a conversion, we could settle by issuance of our Common Stock). A default under the Indenture or the fundamental change itself could also lead to a default under agreements governing our future indebtedness. If the payment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the interest on such indebtedness and repurchase the Notes or to pay cash upon conversion of the Notes.

We may still incur substantially more debt or take other actions that would diminish our ability to make payments on the Notes when due.

We and our subsidiaries may be able to incur substantial additional debt in the future, subject to the restrictions contained in our debt instruments, including, pursuant to the Indenture governing the Notes. Pursuant to the Indenture, we and our subsidiaries are not permitted to issue any Senior Indebtedness, Disqualified Capital Stock and Preferred Stock (each such term as defined in the Indenture) in an aggregate principal amount in excess of \$50,000,000. However, we are not restricted from recapitalizing our debt or taking a number of other actions that are not limited by the terms of the Indenture that could have the effect of diminishing our ability to make payments on the Notes when due.

We have secured debt outstanding, which may adversely affect our financial condition and future financial results. Our existing debt agreements contain restrictive covenants that may limit our ability to operate our business.

After giving effect to the Business Combination, we had outstanding secured indebtedness with Stifel Bank of \$15.0 million. Our secured indebtedness contains a number of restrictive covenants that impose significant operating and financial restrictions on us. As a result of these covenants, our ability to respond to changes in business and economic conditions and engage in beneficial transactions, including to obtain additional financing as needed, may be restricted. Furthermore, our failure to comply with our debt covenants could result in a default under our debt agreements, which would cause our indebtedness under such debt agreements to become immediately due and payable. If any of our debt is accelerated, we may not have sufficient funds available to repay it.

Our ability to make scheduled payments of principal and interest and other required repayments depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not generate cash flows from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flows, we may be required to adopt one or more alternatives, such as selling assets, restructuring operations, restructuring debt or obtaining additional equity capital on terms that may be onerous or dilutive.

We may incur additional indebtedness in the future in the ordinary course of business subject to the restrictions in the Indenture and our secured debt, which could include restrictive covenants. If new debt is added to current debt levels, the risks described above could intensify.

We may need to raise additional capital to maintain and expand our operations and invest in new solutions, which capital may not be available on terms acceptable to us, or at all, and which could reduce our ability to compete and could harm our business.

Retaining or expanding our current levels of personnel and products offerings may require additional funds to respond to business challenges, including the need to develop new products and enhancements to our Platform, improve our operating infrastructure, or acquire complementary businesses and technologies. The failure to raise additional capital or generate the significant capital necessary to expand our operations and invest in new products and solutions could reduce our ability to compete and could harm our business. Accordingly, we may

need to engage in additional equity or debt financing to secure additional funds. If we raise additional equity financing, stockholders may experience significant dilution of their ownership interests and the market price of our Common Stock could decline. If we engage in debt financing, the holders of debt would have priority over the holders of our Common Stock, and we may be required to accept terms that restrict our operations or our ability to incur additional indebtedness or to take other actions that would otherwise be in the interests of the debt holders. Any of the above could harm our business, results of operations and financial condition.

Future acquisitions, strategic investments, partnerships, or alliances could be difficult to identify and integrate, divert the attention of key management personnel, disrupt our business, dilute stockholder value, and adversely affect our results of operations and financial condition.

As part of our business strategy, we have in the past and expect to continue to make investments in and/or acquire complementary businesses and assets. Our ability as an organization to acquire and integrate other companies, services, or technologies in a successful manner in the future is not guaranteed. We may not be able to find suitable acquisition candidates, and we may not be able to complete such acquisitions on favorable terms, if at all. If we do complete acquisitions or strategic investments, we may not ultimately strengthen our competitive position or ability to achieve our business objectives, and any acquisitions or investments we complete could be viewed negatively by our end-customers or investors. In addition, our due diligence may fail to identify all the problems, liabilities or other shortcomings or challenges of an acquired business, product, or technology, including issues related to intellectual property, product quality or product architecture, regulatory compliance practices, revenue recognition or other accounting practices or issues with employees or customers. If we are unsuccessful at integrating such acquisitions, or the technologies associated with such acquisitions, into our Company, our revenue and results of operations could be adversely affected. Any integration process may require significant time and resources, and we may not be able to manage the process successfully. We may not successfully evaluate or utilize the acquired technology or personnel, or accurately forecast the financial impact of an acquisition transaction, including accounting charges. We may have to pay cash, incur debt or issue equity securities to pay for any such acquisition, each of which could adversely affect our financial condition and the market price of our Common Stock. The sale of equity or issuance of debt to finance any such acquisitions could result in dilution to our stockholders. The incurrence of indebtedness would result in increased fixed obligations and could also include covenants or other restrictions that would impede our ability to manage our operations.

Additional risks we may face in connection with acquisitions include:

- diversion of management time and focus from operating our business to addressing acquisition integration challenges;
- coordination of research and development and sales and marketing functions;
- integration of product and service offerings;
- retention of key employees from the acquired company;
- changes in relationships with strategic partners as a result of product acquisitions or strategic positioning resulting from the acquisition;
- cultural challenges associated with integrating employees from the acquired company into our organization;
- integration of the acquired company's accounting, management information, human resources, and other administrative systems;
- the need to implement or improve controls, procedures, and policies at a business that prior to the acquisition may have lacked sufficiently effective controls, procedures and policies;
- additional legal, regulatory or compliance requirements;
- financial reporting, revenue recognition or other financial or control deficiencies of the acquired company that we do not adequately address and that cause our reported results to be incorrect;

- liability for activities of the acquired company before the acquisition, including intellectual property infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities;
- unanticipated write-offs or charges; and
- litigation or other claims in connection with the acquired company, including claims from terminated employees, customers, former stockholders or other third parties.

Our failure to address these risks or other problems encountered in connection with acquisitions and investments could cause us to fail to realize the anticipated benefits of these acquisitions or investments, cause us to incur unanticipated liabilities, and harm our business generally.

We identified material weaknesses in our internal controls over financial reporting which could adversely affect our ability to report our results of operations and financial condition accurately and in a timely manner.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our management is likewise required, on a quarterly basis, to evaluate the effectiveness of our internal controls and to disclose any changes and material weaknesses identified through such evaluation in those internal controls. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. If we conclude that a material weakness occurred or is occurring, we expect to evaluate and pursue steps to remediate the material weakness. These remediation measures may be time consuming and costly and there is no assurance that these initiatives will ultimately have the intended effects.

In connection with the preparation of ZeroFox Holding, Inc.'s financial statements for its fiscal year ended January 31, 2023, management assessed the effectiveness of our internal control over financial reporting based on the criteria and framework established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, management concluded there were material weaknesses, individually and in the aggregate, in internal controls over financial reporting in the control environment, risk assessment and control activities COSO components:

- The Company did not have adequate staffing resources to facilitate accurate financial reporting.
- The Company did not perform a formal risk assessment, including the risk of fraud.
- The Company did not design and retain contemporaneous documentation to evidence the implementation of controls, including the review of nonroutine and complex transactions, reviews of third-party specialist work and information used in the operation of the control, and IT general controls.

We have implemented a remediation plan, which includes adding additional resources as well as improving the control environment around financial systems and processes. In fiscal year 2023, we completed the following remedial actions:

- added accounting personnel to the organization. The additional personnel are expected to provide oversight, structure, reporting lines and additional review over our disclosures;
- implemented a new accounting general ledger system with enhanced system controls;
- implemented new account reconciliation policies and practices to enhance completeness and effectiveness;
- engaged external consultants to provide support and to assist us in our evaluation of more complex applications of US GAAP and to assist us with documenting and assessing our accounting policies and procedures;

- designed and implemented controls in response to the risks of material misstatement to identify and evaluate changes in our business and the impact on our internal controls; and
- implemented additional IT systems relevant to the preparation of our financial statements and controls over financial reporting.

There can be no assurance that the actions we already have completed coupled with the additional actions we have planned under our remediation plans will be sufficient to remediate the material weaknesses identified and strengthen our internal control over financial reporting. The actions we are taking are subject to ongoing senior management review, as well as Audit Committee oversight.

Any failure to maintain such internal control could adversely impact our ability to report our financial position and results of operations on a timely and accurate basis. If our financial statements are not accurate, investors may not have a complete understanding of our operations. Likewise, if our financial statements are not filed on a timely basis, we could be subject to sanctions or investigations by the stock exchange on which our Common Stock is listed, the SEC or other regulatory authorities. In either case, there could result a material adverse effect on our business. Failure to timely file will cause us to be ineligible to utilize short form registration statements on Form S-3, which may impair our ability to obtain capital in a timely fashion to execute our business strategies or issue shares to effect an acquisition. Ineffective internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

We can give no assurance that any additional material weaknesses or resulting restatements of financial results will not arise in the future due to a failure to implement and maintain adequate internal control over financial reporting or circumvention of these controls. In addition, even if we are successful in strengthening our controls and procedures, in the future those controls and procedures may not be adequate to prevent or identify irregularities or errors or to facilitate the fair presentation of our financial statements.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

As of January 31, 2023, ZeroFox had U.S. federal and state net operating loss carryforwards, or NOLs, available to offset future federal and state taxable income of approximately \$145.6 million and \$79.6 million, respectively, and portions of which expire in various years. A lack of future taxable income would adversely affect our ability to utilize these NOLs before they expire. Under the Tax Cuts and Jobs Act of 2017 (the “**Tax Act**”), as modified by the Coronavirus Aid, Relief, and Economic Security Act (the “**CARES Act**”), federal NOLs incurred in tax years beginning after December 31, 2017 may be carried forward indefinitely, but the deductibility of such federal NOLs in tax years beginning after December 31, 2020 is limited to 80% of taxable income. It is uncertain if and to what extent various states will conform to the Tax Act or the CARES Act.

In addition, under Section 382 of the Code, a corporation that undergoes an “ownership change” (as defined under Sections 382 and 383 of the Code and applicable Treasury Regulations) is subject to limitations on its ability to utilize its pre-change NOLs and certain other tax attributes to offset post-change taxable income or taxes. In connection with the Business Combination, we conducted a Section 382 review which determined the Business Combination constituted an ownership change. However, this will not affect our ability to realize the NOL carryforwards on a going forward basis provided we have sufficient taxable income, subject to the annual limitation. In addition, we may experience future ownership changes under Section 382 of the Code that could further affect our ability to utilize our NOLs to offset our income. Furthermore, our ability to utilize NOLs of companies that we have acquired or may acquire in the future may be subject to limitations. In addition, at the state level, there may be periods during which the use of NOLs is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed. For these reasons, we may not be able to utilize a material portion of the NOLs reflected on our balance sheet, even if we attain profitability, which could potentially result in increased future tax liability to us and could adversely affect our operating results and financial condition.

Finally, beginning in 2022, the Tax Act eliminated the option to deduct research and development expenditures immediately in the year incurred pursuant to Section 174 of the Code. The Tax Act requires taxpayers to capitalize and amortize such expenditures over five years. The actual impact on cash from operations will depend on whether and when these provisions are deferred, modified or repealed by Congress, including any retroactive application to 2022, among other factors.

IDX failed to collect sales and use tax prior to January 1, 2022, and we have been working to mitigate such failure.

Prior to January 1, 2022, IDX did not collect U.S. sales and use tax from its customers for its services. During 2020, IDX engaged an external tax consultant to perform a full U.S. sales tax nexus study and analysis. IDX accrued and reflected historical liabilities in its financial statements and was filing Voluntary Disclosure Agreements (“VDA”) in relevant U.S. jurisdictions, and we will be remitting liabilities accordingly. Beginning January 1, 2022, IDX began collecting, reporting, and remitting appropriate U.S. sales tax from its customers in all applicable jurisdictions. As of January 31, 2023, the Company recorded an accrual of \$1.5 million for IDX sales and use taxes that were not remitted prior to January 1, 2022.

Our goodwill and identifiable intangible assets have been impaired and could become further impaired, which could reduce the value of our assets and reduce our net income in the year in which the write-off occurs.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. We also ascribe value to certain identifiable intangible assets, which consist primarily of customer relationships, developed technology, and trade names, among others, as a result of acquisitions. We may incur impairment charges on goodwill or identifiable intangible assets if we determine that the fair values of goodwill or identifiable intangible assets are less than their current carrying values. We evaluate, on a regular basis, whether events or circumstances have occurred that indicate all, or a portion, of the carrying amount of goodwill may no longer be recoverable, in which case an impairment charge to earnings would become necessary.

A decline in general economic conditions or global equity valuations could impact the judgments and assumptions about the fair value of our business and we could be required to record impairment charges on our goodwill or other identifiable intangible assets in the future, which could impact our consolidated balance sheet, as well as our consolidated statement of comprehensive loss. The Company recorded an impairment charge of \$698.7 million during the period August 4, 2022, to January 31, 2023, as a part of its interim test of goodwill.

If our estimates or judgments relating to our critical accounting policies prove to be incorrect or financial reporting standards or interpretations change, our results of operations could be adversely affected.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. We have historically based our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances as discussed in the sections titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations of ZeroFox” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations of IDX.” The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Significant assumptions and estimates used in our consolidated financial statements include, and may include in the future, those related to revenue recognition; valuation of intangibles in purchase accounting; allowance for doubtful accounts; costs to obtain or fulfill a contract; valuation of common stock; carrying value and useful lives of long-lived assets; loss contingencies; and the provision for income taxes and related deferred taxes. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of industry or financial analysts and investors, resulting in a decline in the market price of our Common Stock.

Additionally, we will regularly monitor our compliance with applicable financial reporting standards and review new pronouncements and drafts thereof that are relevant to us. As a result of new standards, changes to existing standards and changes in their interpretation, we might be required to change our accounting policies, alter our operational policies and implement new or enhance existing systems so that they reflect new or amended financial reporting standards, or we may be required to restate our published financial statements. Such changes to existing standards or changes in their interpretation may have an adverse effect on our reputation, business, financial position, and profit, or cause an adverse deviation from our revenue and operating profit targets, which may negatively impact our financial results.

An investment in this offering may result in uncertain U.S. federal income tax consequences.

An investment in this offering may result in uncertain U.S. federal income tax consequences. See “*Certain Material U.S. Federal Income Tax Consequences*” for a summary of the material U.S. federal income tax considerations applicable to an investment in our Common Stock or Private Placement Warrants. Prospective investors are urged to consult their tax advisors with respect to these and other tax consequences applicable to their specific circumstances.

Risks Related to the Business Combination, Being a Public Company and Integration of ZeroFox, Inc. and IDX

The integration of two companies with different organization and compensation structures presents significant management challenges. There can be no assurance that this integration, and the synergies expected to result from that integration, will be achieved as rapidly or to the extent currently anticipated.

The Business Combination involves the integration of two businesses that currently operate as independent businesses. We are devoting significant management attention and resources to integrating business practices and operations following the Closing. We may encounter potential difficulties in the integration process including the following:

- the inability to successfully integrate our businesses, including operations, technologies, products and services, in a manner that permits us to achieve the cost savings and operating synergies anticipated to result from the Business Combination, which could result in the anticipated benefits of the Business Combination not being realized partly or wholly in the time frame currently anticipated or at all;
- the loss of customers as a result of certain customers of either or both of the two businesses deciding not to continue to do business with us, or deciding to decrease their amount of business in order to reduce their reliance on a single company;
- the necessity of coordinating geographically separated organizations, systems and facilities;
- the integration of personnel, including sales teams, with diverse business backgrounds and business cultures, while maintaining focus on providing consistent, high-quality products and services;
- the consolidation and rationalization of information technology platforms and administrative infrastructures as well as accounting systems and related financial reporting activities; and
- the challenge of preserving important relationships of both companies and resolving potential conflicts that may arise.

Furthermore, it is possible that the integration process could result in the loss of talented employees or skilled workers of the companies. The loss of talented employees and skilled workers could adversely affect our ability to successfully conduct our business because of such employees’ experience and knowledge of the respective business. In addition, we could be adversely affected by the diversion of management’s attention and any delays or difficulties encountered in connection with the integration of the companies. The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of the businesses. If

we experience difficulties with the integration process, the anticipated benefits of the Business Combination may not be realized fully or at all, or may take longer to realize than expected. These integration matters could have an adverse effect on our business, results of operations, financial condition or prospects during this transition period and for an undetermined period after completion of the Business Combination.

The unaudited pro forma financial information included in the section titled “Unaudited Pro Forma Condensed Combined Financial Information” may not be indicative of what our actual financial position or results of operations would have been.

The pro forma financial information included in this prospectus is presented for informational purposes only and is not necessarily indicative of the financial position or results of operations that would have actually occurred had the Business Combination been completed at or as of the dates indicated, nor is it indicative of our future operating results. The unaudited pro forma financial information does not reflect future events that may occur after the Business Combination and does not consider potential impacts of future market conditions on revenue or expenses. The pro forma financial information included in the section titled “Unaudited Pro Forma Condensed Combined Financial Information” has been derived from L&F’s, ZeroFox’s and IDX’s historical financial statements and certain adjustments and assumptions have been made regarding the combined company after giving effect to the Business Combination. There may be differences between preliminary estimates in the pro forma financial information and the final acquisition accounting, which could result in material differences from the pro forma information presented in this prospectus.

In addition, the assumptions used in preparing the pro forma financial information may not prove to be accurate and other factors may affect our financial condition or results of operations following the Closing.

We incur significant increased expenses and administrative burdens as a public company, which could negatively impact our business, financial condition, and results of operations.

We face increased legal, accounting, administrative, and other costs and expenses as a public company that we have not historically incurred. The Sarbanes-Oxley Act, including the requirements of Section 404(a) relating to disclosing (i) management’s responsibility for establishing and maintaining internal control over financial reporting and (ii) annually assessing the effectiveness of the internal control over financial reporting, 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 Public Company Accounting Oversight Board (“PCAOB”) and the securities exchanges, impose additional reporting and other obligations on public companies. Compliance with public company requirements will increase costs and make certain activities more time-consuming. Our management and other personnel are required to devote a substantial amount of time to compliance with these requirements.

We have made, and will continue to make, changes to our internal control over financial reporting, including IT controls, and procedures for financial reporting and accounting systems to meet our reporting obligations as a public company. However, the measures we take may not be sufficient to satisfy our obligations as a public company. If we do not continue to develop and implement the right processes and tools to manage our changing enterprise and maintain our culture, our ability to compete successfully and achieve our business objectives could be impaired, which could negatively impact our business, financial condition and results of operations. In addition, we cannot predict or estimate the amount of additional costs we may incur to comply with these requirements. We anticipate that these costs will materially increase our general and administrative expenses.

These rules and regulations result in our incurring legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified people to serve on our Board, on our Board committees or as executive officers.

Our management has limited experience in operating a public company.

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 is subject to significant regulatory oversight and reporting obligations under federal securities laws. Their 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 results in less time being devoted to our management and growth. We may not have adequate personnel with the appropriate level of knowledge, experience, and training in the accounting policies, practices or internal control over financial reporting required of public companies in the United States. 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.

We qualify as an “emerging growth company.” The reduced public company reporting requirements applicable to emerging growth companies may make our Common Stock less attractive to investors.

We qualify as an “emerging growth company” under SEC rules. As an emerging growth company, we are permitted and plan to rely on exemptions from certain disclosure requirements that are applicable to other public companies that are not emerging growth companies. These provisions include, but are not limited to: (1) an exemption from compliance with the auditor attestation requirement in the assessment of internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, (2) not being required to comply with any requirement that may be adopted by the PCAOB regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements, (3) reduced disclosure obligations regarding executive compensation arrangements in periodic reports, registration statements, and proxy statements, and (4) exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. Further, 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 (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. As a result, the information we provide is different than the information that is available with respect to other public companies that are not emerging growth companies. If some investors find our Common Stock less attractive as a result, there may be a less active trading market for our Common Stock, and the market price of our Common Stock may be more volatile.

Uncertainty about the effects of the Business Combination may affect our ability to retain key employees and integrate management structures and may materially impact the management, strategy and results of our operation as a combined company.

Uncertainty about the effects of the Business Combination on our business, employees, customers, third parties with whom we have relationships, and other third parties may adversely affect us. These uncertainties may impair our ability to attract, retain and motivate key personnel for a period of time after the Business Combination. If key employees depart because of issues related to the uncertainty and difficulty of integration or a desire not to remain with our company, our business could be harmed.

Some of our existing agreements contain change in control or early termination rights that may have been implicated by the Business Combination.

Parties with which we have been doing business, including customers and suppliers, may experience uncertainty associated with the Business Combination, including with respect to current or future business

relationships with us. As a result, our business relationships may be subject to disruptions if customers, suppliers or others attempt to negotiate or renegotiate changes in existing business relationships or consider entering into business relationships with parties other than us. For example, certain customers, suppliers and third-party providers may assert contractual consent rights or termination rights that may have been triggered by a change of control. These disruptions could harm our relationships with existing third parties with whom we have relationships, all of which could have a material adverse effect on our business, financial condition and results of operations, cash flows, and/or share price of our Common Stock.

Risks Related to Legal and Regulatory Matters

Failure to adequately obtain, maintain, protect, and enforce our intellectual property and other proprietary rights could adversely affect our business.

Our success and ability to compete depends in part on our ability to protect the proprietary information, methods, software, and technologies that we develop, hold, or claim under a combination of intellectual property and proprietary rights in and outside the U.S. Despite our efforts, third parties may still attempt to disclose, obtain, copy, use or otherwise exploit our intellectual property or other proprietary information, methods or technologies without our authorization, and our efforts to protect our intellectual property and other proprietary rights may not prevent such unauthorized disclosure, use, exploitation, misappropriation, infringement, reverse engineering or other violation of our intellectual property or other proprietary rights. Further, effective protection of our rights may not be available to us in every country in which our Platform or products and solutions are available. The laws of some countries also may not be as protective of intellectual property and other proprietary rights as those in the U.S., and mechanisms for enforcement of intellectual property and other proprietary rights may be inadequate. In addition, we may need to license our intellectual property in order to participate in patent pools or industry standard setting activities or to receive third-party grants as a part of stand-alone licensing arrangements. Accordingly, despite our efforts, we may be unable to prevent third parties from using our intellectual property or other proprietary information or technology.

While we hold a number of issued patents and have a number of pending patent applications, we may be unable to obtain patent protection for the technology covered in our patent applications or such patent protection may not be obtained quickly enough to meet our business needs. Furthermore, the patent prosecution process is expensive, time-consuming, and complex, and we may not be able to prepare, file, prosecute, maintain, and enforce all necessary or desirable patent applications at a reasonable cost or in a timely manner. The scope of patent protection also can be reinterpreted after issuance and issued patents may be invalidated. Even if our patent applications do issue as patents, they may not issue in a form that is sufficiently broad to protect our technology, prevent competitors or other third parties from competing with us, or otherwise provide us with any competitive advantage. In addition, any of our patents, copyrights, trademarks, or other proprietary rights may be challenged, narrowed, invalidated, held unenforceable, or circumvented in litigation or other proceedings, including, where applicable, opposition, re-examination, inter partes review, post-grant review, interference, nullification and derivation proceedings, and equivalent proceedings in foreign jurisdictions, and such intellectual property or other proprietary rights may be lost or no longer provide us meaningful competitive advantages. Such proceedings may result in substantial cost and require significant time from our management, even if the eventual outcome is favorable to us. Third parties also may legitimately and independently develop solutions, services, and technology similar or duplicative of our Platform.

Besides protection under intellectual property laws, we enforce and protect our rights through confidentiality or license agreements that we generally enter into with our corporate partners, employees, consultants, advisors, vendors, and customers. We generally limit access to our intellectual property and control access to our proprietary information. However, we cannot guarantee protection of our intellectual property or proprietary information with all of the parties who may have or have had access, and we cannot guarantee that such agreements we have entered into will not be breached or challenged, or that such breaches will be detected. Furthermore, non-disclosure provisions within such agreements can be difficult to enforce, and even if successfully enforced, may not be entirely effective.

Despite our efforts, we cannot guarantee that any of the measures we have taken will limit the unauthorized use of our proprietary information or prevent infringement, misappropriation, or other violation of our technology or other intellectual property or proprietary rights. We may be an attractive target for cyberattacks or other unauthorized intrusion or access, and we may also have a heightened risk of unauthorized access to, and misappropriation of, our proprietary and competitively sensitive information. We therefore may be required to spend significant resources to monitor and protect our intellectual property and other proprietary rights, and we may conclude that in at least some instances the benefits of protecting our intellectual property or other proprietary rights may be outweighed by the expense or distraction to our management. We may initiate claims or litigation against third parties for infringement, misappropriation, or other violation of our intellectual property or other proprietary rights or to establish the validity of our intellectual property or other proprietary rights. Any such claims or litigation, whether or not it is resolved in our favor, could be time-consuming, result in significant expense to us and divert the efforts of our technical and management personnel. Furthermore, attempts to enforce our intellectual property rights against third parties could also provoke these third parties to assert their own intellectual property or other rights against us, or result in a holding that invalidates or narrows the scope of our intellectual property rights, in whole or in part.

Claims by others that we infringe their proprietary technology or other intellectual property rights could result in significant costs and substantially harm our business, financial condition, results of operations, and prospects.

Claims by others that we infringe their intellectual property rights or violate other rights in their proprietary technology could harm our business. Companies in our industry hold a large number of patents and also protect their copyright, trade secret, and other intellectual property rights, and companies in the security industry frequently enter into litigation based on allegations of patent infringement or other violations of intellectual property rights. As we face increasing competition and grow, the possibility of intellectual property rights claims against us also grows. In addition, to the extent we hire personnel from competitors, we may be subject to allegations that such personnel have divulged proprietary or other confidential information to us.

Third parties may in the future also assert claims against our customers or channel partners, whom our standard license and other agreements obligate us to indemnify against third-party claims that our products and solutions infringe the intellectual property rights of third parties. As the number of products and competitors in the security and IT operations market increases and overlaps occur, third-party claims of infringement, misappropriation, and other violations of intellectual property rights may also increase. While we intend to increase the size of our patent portfolio, many of our competitors and others may now and in the future have significantly larger and more mature patent portfolios than we have. In addition, future litigation may involve non-practicing entities, companies or other patent owners who have no relevant product offerings or revenue and against whom our own patents may therefore provide little or no deterrence or protection. Any claim of intellectual property infringement by a third party, even a claim without merit, could cause us to incur substantial costs defending against such claim, could distract our management from our business and could require us to cease use of such intellectual property.

Additionally, our insurance policies may not cover intellectual property infringement claims. In the event that we fail to successfully defend ourselves against an infringement claim, a successful claimant could secure a judgment or otherwise require payment of legal fees, settlement payments, ongoing royalties or other costs or damages; we may agree to a settlement that prevents us from offering certain services or features; or we may be required to obtain a license, which may not be available on reasonable terms, or at all, to use the relevant technology. If we are prevented from using certain technology or intellectual property, we may be required to develop alternative, non-infringing technology, which could require significant time and costs, during which we could be unable to continue to offer our affected products and services or features, and may ultimately not be successful. Any of these events could harm our business, financial condition and results of operations.

Although third parties may alternatively offer a license to their technology or other intellectual property, the terms of any such license may not be acceptable, and the failure to obtain a license or the costs associated with

any license could cause our business, financial condition and results of operations to be adversely affected. In addition, some licenses may be nonexclusive, and therefore our competitors may have access to the same technology licensed to us.

Some of our technologies incorporate “open-source” software, which could negatively affect our ability to sell our Platform and subject us to possible litigation.

Our Platform and subscriptions contain third-party open-source software components, and failure to comply with the terms of the underlying open-source software licenses could restrict our ability to sell our Platform and services. The use and distribution of open-source software may also entail greater risks than the use of third-party commercial software, as open-source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. Many of the risks associated with use of open-source software cannot be eliminated and could negatively affect our business. In addition, the wide availability of open code used in our solutions could expose us to security vulnerabilities.

Certain open-source licenses may contain requirements that we make available source code for the modifications or derivative works we create based upon the type of open-source software used. If we combine our proprietary software with such open-source software, under such open-source licenses, we may be required to release the source code of our proprietary software to the public, including authorizing further modification and redistribution, or otherwise be limited in the licensing of our services, each of which could provide an advantage to our competitors or other entrants to the market, create security vulnerabilities in our solutions, require us to re-engineer all or a portion of our Platform, and could reduce or eliminate the value of our services. This would allow our competitors to create similar products with lower development effort and time and ultimately could result in a loss of sales for us.

The terms of many open-source licenses have not been interpreted by U.S. courts, and there is a risk that these licenses could be construed in ways that could impose unanticipated conditions or restrictions on our ability to commercialize products, solutions and subscriptions incorporating such software. Moreover, we cannot assure you that our processes for controlling our use of open-source software in our products, solutions and subscriptions have been or will be effective. From time to time, we may face claims from third parties asserting ownership of, or demanding release of, the open-source software or derivative works that we developed using such software (which could include our proprietary source code), or otherwise seeking to enforce the terms of the applicable open-source license. These claims could result in litigation that could be costly to defend, have a negative effect on our operating results and financial condition or require us to devote additional research and development resources to change our solutions. Responding to any infringement or noncompliance claim by an open-source vendor, regardless of its validity, discovering certain open-source software code in our Platform, or a finding that we have breached the terms of an open-source software license, could harm our business, results of operations and financial condition, by, among other things:

- resulting in time-consuming and costly litigation;
- diverting management’s time and attention from developing our business;
- requiring us to pay monetary damages or enter into royalty and licensing agreements that we would not normally find acceptable;
- causing delays in the deployment of our Platform or service offerings to our customers;
- requiring us to stop offering certain services or features of our Platform;
- requiring us to redesign certain components of our Platform using alternative non-infringing or non-open-source technology, which could require significant effort and expense;
- requiring us to disclose our proprietary software source code and the detailed program commands for our software;

- prohibiting us from charging license fees for the proprietary software that uses certain open source; and
- requiring us to satisfy indemnification obligations to our customers.

We may become involved in litigation that may adversely affect us.

We may become subject to claims, suits, and government investigations and other proceedings including patent, product liability, class action, whistleblower, personal injury, property damage, labor and employment (including all allegations of wage and hour violations), commercial disputes, compliance with laws and regulatory requirements and other matters, and we may become subject to additional types of claims, suits, investigations and proceedings as our business develops. Such claims, suits, and government investigations and proceedings are inherently uncertain, and their results cannot be predicted. Regardless of the outcome, any of these types of legal proceedings can have an adverse impact on us because of legal costs and diversion of management attention and resources and could cause us to incur significant expenses or liability, adversely affect our brand recognition, and/or require us to change our business practices. The expense of litigation and the timing of this expense from period to period are difficult to estimate, subject to change and could adversely affect our results of operations. It is possible that a resolution of one or more such proceedings could result in substantial damages, settlement costs, fines and penalties that could adversely affect our business, consolidated financial position, results of operations, or cash flows in a particular period. These proceedings could also result in reputational harm, sanctions, consent decrees, or orders requiring a change in our business practices. Because of the potential risks, expenses, and uncertainties of litigation, we may, from time to time, settle disputes, even where we have meritorious claims or defenses, by agreeing to settlement agreements. Because litigation is inherently unpredictable, we cannot assure you that the results of any of these actions will not have a material adverse effect on our business, financial condition, results of operations, and prospects. Any of these consequences could adversely affect our business and results of operations.

If we are not able to satisfy data protection, security, privacy, and other government- and industry-specific requirements or regulations, our business, results of operations, and financial condition could be harmed.

Personal privacy, data protection, information security regulations, and other laws applicable to specific categories of information raise significant issues in the U.S., Europe and in other jurisdictions where we offer our products and solutions. The data that we collect, analyze, and store is subject to a variety of laws and regulations, including regulation by various government agencies. The U.S. federal government, and various state and foreign governments, have adopted or proposed limitations on the collection, distribution, use, retention, protection, transfer, processing, and storage of certain categories of information, such as the personal information of individuals. These laws and regulations include, but are not limited to, the Federal Trade Commission Act, the Computer Fraud and Abuse Act, the Health Insurance Portability and Accountability Act and the Gramm-Leach-Bliley Act.

The nature of cybersecurity product and service offerings requires the collection of various types of data. In the operation of our business we may collect the types of data covered by these laws and regulations including personally identifiable information, such as information about an individual's health and financial information about individuals. To the extent we are in possession of such data and these various laws and regulations are determined to apply to us, this could require us to adopt additional operational, technological, and security measures to protect and manage such information which could increase our costs of operations. Our failure to comply with such laws and regulations could also result in monetary fines and reputational damage which would have a negative impact on our business. Laws and regulations outside the U.S., and particularly in Europe, often are more restrictive than those in the U.S. Applicable laws and regulations may require us to implement privacy and security policies, permit customers to access, correct, and delete personal information stored or maintained by us, inform individuals of security breaches that affect their personal information, and, in some cases, obtain individuals' consents to use personal information for certain purposes. In addition, some foreign governments require that personal information collected in a country not be disseminated outside of that country without consent or other implemented safeguards.

We may find it necessary or desirable to join industry or other self-regulatory bodies or other information security or data protection-related organizations that require compliance with their rules pertaining to information security and data protection. We also may be bound by additional, more stringent contractual obligations with our customers and partners relating to our collection, use and disclosure of personal, financial, and other data. We expect that there will continue to be new proposed laws, regulations, and industry standards concerning privacy, data protection, information security, specific categories of data, and electronic services in the U.S., the E.U. and other jurisdictions in which we operate or may operate, and we cannot yet determine the impact such future laws, regulations, standards, or perception of their requirements may have on our business.

For example, the GDPR applies to the processing (which includes the collection and use) of certain personal data of data subjects in the European Economic Area (“EEA”). As compared to previously effective data protection law in the European Union, the GDPR imposes additional obligations and resulting risk upon our business and increases substantially the penalties to which we could be subject in the event of any non-compliance. Administrative fines under the GDPR can amount to 20,000,000 Euros or four percent of our worldwide annual revenue for the prior fiscal year, whichever is higher. We may be required to incur, in the future, substantial expense in complying with the obligations imposed by the GDPR, potentially making significant changes in our business operations, which may adversely affect our revenue and our business overall. Additionally, because there have been very few GDPR actions enforced against companies similar to ours, we are unable to predict how they will be applied to us or our customers. Despite our efforts to comply with the GDPR, a regulator may determine that we have not done so and subject us to fines and public censure, which could harm our Company financially and negatively affect our reputation. Among other requirements, the GDPR regulates transfers of personal data subject to the GDPR to third countries that have been found to not provide adequate protection to such personal data, including the U.S. We have undertaken certain efforts to conform transfers of personal data from the EEA to the U.S. and other jurisdictions based on our understanding of current regulatory obligations and the guidance of data protection authorities. Despite this, we may be unsuccessful in establishing or maintaining conforming means of transferring such data from the EEA, in particular because of continued legal and legislative activity within the European Union that has challenged or called into question the legal basis for existing means of data transfers to countries (including the U.S.) that have been found to not provide adequate protection for personal data.

The implementation of the GDPR has led other jurisdictions to either amend existing laws or propose new data privacy and cybersecurity laws to resemble all or a portion of the requirements of the GDPR (e.g., for purposes of having an adequate level of data protection to facilitate data transfers from the E.U.). Accordingly, the challenges we face in the E.U. will likely also apply to other jurisdictions outside the E.U. that adopt laws similar to the GDPR or regulatory frameworks of equivalent complexity. For example, the California Consumer Privacy Act of 2018, or CCPA, became enforceable on July 1, 2020. The CCPA has been characterized as the first “GDPR-like” privacy statute to be enacted in the U.S. because it contains several provisions similar to certain provisions of the GDPR. In addition, the California Privacy Rights Act of 2020, or the CPRA, was passed by California voters in November 2020. The CPRA amends the CCPA by creating additional privacy rights for California consumers and additional obligations on businesses, which could subject us to additional compliance costs as well as potential fines, individual claims, and commercial liabilities. The majority of the CPRA provisions took effect on January 1, 2023. The CCPA and CPRA could mark the beginning of a trend toward more stringent privacy legislation in the U.S., as other states or the federal government may follow California’s lead and increase protections for U.S. residents. For example, the Virginia Consumer Data Protection Act and the CCPA have already prompted several proposals for new federal and state privacy legislation that, if passed, could increase our potential liability, add layers of complexity to compliance in the U.S. market, increase our compliance costs and adversely affect our business.

Evolving and changing definitions of personal data and personal information within the E.U., the U.S. and elsewhere, especially relating to classification of IP addresses, machine identification, location data and other information, may limit or inhibit our ability to operate or expand our business, including limiting technology alliance partnerships with other security vendors that may involve the sharing of data. Even the perception of

privacy concerns, whether or not valid, may harm our reputation, inhibit adoption of our products by current and future customers, or adversely impact our ability to attract and retain workforce talent. In addition, changes in laws or regulations that adversely affect the use of the internet, including laws impacting net neutrality, could impact our business. We expect that existing laws, regulations and standards may be interpreted in new manners in the future. Future laws, regulations, standards, and other obligations, and changes in the interpretation of existing laws, regulations, standards, and other obligations could require us to modify our products and solutions, restrict our business operations, increase our costs and impair our ability to maintain and grow our customer base and increase our revenue.

Beyond broader data processing regulations affecting our business, the overall cybersecurity industry may face direct regulation. For example, in 2018, Singapore introduced what is believed to be the world's first cybersecurity licensing requirement, mandating that providers of specific types of incident response services receive a government license before providing such services. License requirements such as these may impose upon us significant organizational costs and high barriers of entry into new markets.

Although we have worked and will continue to work to comply with applicable laws and regulations, applicable industry standards with which we represent compliance, and our contractual obligations, such laws, regulations, standards, and obligations are evolving and may be modified, interpreted and applied in an inconsistent manner from one jurisdiction to another, and may conflict with one another. In addition, they may conflict with other requirements or legal obligations that apply to our business or the security features and services that our customers expect from our solutions. As such, we cannot assure ongoing compliance with all such laws, regulations, standards, and obligations which may change in the future. Any failure or perceived failure by us or our employees, representatives, contractors, channel partners, agents, intermediaries, or other third parties to comply with applicable laws and regulations, or applicable industry standards that we represent compliance with or that may be asserted to apply to us, or to comply with employee, customer, partner, and other data privacy and data security requirements pursuant to contract and our stated notices or policies, could result in enforcement actions against us, including fines, imprisonment of company officials and public censure, claims for damages by customers and other affected individuals, damage to our reputation and loss of goodwill (both in relation to existing customers and prospective customers), any of which could have a material adverse effect on our operations, financial performance and business. Any inability of us or our employees, representatives, contractors, channel partners, agents, intermediaries, or other third parties to adequately address privacy and security concerns, even if unfounded, or comply with applicable laws, regulations, standards, and obligations, could result in additional cost and liability to us, damage our reputation, inhibit sales, and adversely affect our business and results of operations.

We are subject to laws and regulations, including governmental export and import controls, sanctions, foreign investment screening, and anti-corruption laws, that could impair our ability to compete in our markets and subject us to liability if we are not in full compliance with applicable laws.

We are subject to laws and regulations, including governmental export controls, that could subject us to liability or impair our ability to compete in our markets. Our products and solutions are subject to U.S. export controls, including the U.S. Department of Commerce's Export Administration Regulations, and we and our employees, representatives, contractors, agents, intermediaries, and other third parties are also subject to various economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Control. We incorporate standard encryption algorithms into our products, which, along with the underlying technology, may be exported outside of the U.S. only with the required export authorizations, including by license, license exception or other appropriate government authorizations, which may require the filing of an encryption registration and classification request. Furthermore, U.S. export control laws and economic sanctions prohibit the shipment of certain cloud-based solutions to countries, governments, and persons targeted by U.S. sanctions. We also collect information about cyber threats from internet-accessible, and non-internet routable sources, intermediaries, and third parties that we make available to our customers in our threat industry publications. While we have implemented certain procedures to facilitate compliance with

applicable laws and regulations in connection with the collection of this information, we cannot assure you that these procedures have been effective or that we, or third parties, many of whom we do not control, have complied with all laws or regulations in this regard. Failure by our employees, representatives, contractors, channel partners, agents, intermediaries, or other third parties to comply with applicable laws and regulations in the collection of this information also could have negative consequences to us, including reputational harm, government investigations and penalties.

Although we take precautions to prevent our information collection practices and services from being provided in violation of such laws, our information collection practices and services may have been in the past, and could in the future be, provided in violation of such laws. If we or our employees, representatives, contractors, channel partners, agents, intermediaries, or other third parties fail to comply with these laws and regulations, we could be subject to civil or criminal penalties, including the possible loss of export privileges and fines. We may also be adversely affected through reputational harm, loss of access to certain markets, or otherwise. Obtaining the necessary authorizations, including any required license, for a particular transaction may be time-consuming, is not guaranteed and may result in the delay or loss of sales opportunities.

Various countries regulate the import of certain encryption technology, including through import permit and license requirements, and have enacted laws that could limit our ability to distribute our products or could limit our customers' ability to implement our products in those countries. Changes in our products and solutions or changes in export and import regulations may create delays in the introduction of our products and solutions into international markets, prevent our customers with international operations from deploying our products and solutions globally or, in some cases, prevent the export or import of our products and solutions to certain countries, governments or persons altogether. Any change in export or import regulations, economic sanctions or related legislation, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons or technologies targeted by such regulations, could result in decreased use of our products and solutions by, or in our decreased ability to export or sell our products and solutions to, existing or potential customers with international operations. Any decreased use of our products and solutions or limitation on our ability to export or sell our products and solutions would likely adversely affect our business, results of operations, and financial condition.

We may be subject to review and enforcement under domestic and foreign laws that screen investment and to other national-security-related laws and regulations. In certain jurisdictions, these regulatory requirements may be more stringent than in the United States and may impact cybersecurity providers more specifically. As a result of these laws, investments by certain investors may impose added costs on our business, impact our operations, and/or limit our ability to engage in strategic transactions that might otherwise be beneficial to us and our investors.

We are also subject to the Foreign Corrupt Practices Act ("FCPA"), the U.K. Anti-Bribery Act, and other anti-corruption, sanctions, anti-bribery, anti-money laundering and similar laws in the U.S. and other countries in which we conduct activities. Anti-corruption and anti-bribery laws, which have been enforced aggressively and are interpreted broadly, prohibit companies and their employees, agents, intermediaries, and other third parties from promising, authorizing, making or offering improper payments or other benefits to government officials and others in the private sector. We leverage third parties, including intermediaries, agents, and channel partners, to conduct our business in the U.S. and abroad, to sell subscriptions to our Platform and to collect information about cyber threats. We and these third parties may have direct or indirect interactions with officials and employees of government agencies, or state-owned or affiliated entities and we may be held liable for the corrupt or other illegal activities of these third-party business partners and intermediaries, our employees, representatives, contractors, channel partners, agents, intermediaries, and other third parties, even if we do not explicitly authorize such activities. While we have policies and procedures to address compliance with the FCPA, the U.K. Anti-Bribery Act and other anti-corruption, sanctions, anti-bribery, anti-money laundering and similar laws, we cannot assure you that they will be effective, or that all of our employees, representatives, contractors, channel partners, agents, intermediaries, or other third parties have not taken, or will not take actions, in violation of our

policies and applicable law, for which we may be ultimately held responsible. As we increase our international sales and business, our risks under these laws may increase. Noncompliance with these laws could subject us to investigations, severe criminal or civil sanctions, settlements, prosecution, loss of export privileges, suspension or debarment from U.S. government contracts, other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, whistleblower complaints, adverse media coverage, and other consequences. Any investigations, actions or sanctions could harm our reputation, business, results of operations, and financial condition.

Risks Related to Ownership of our Common Stock and Warrants

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

If we fail to satisfy the continued listing requirements of Nasdaq such as the corporate governance requirements or the minimum share price requirement, Nasdaq may take steps to delist our securities. Such a delisting would likely have a negative effect on the price of the securities and would impair your ability to sell or purchase the securities when you wish to do so. In the event of a delisting, we can provide no assurance that any action taken by us to restore compliance with listing requirements would allow our securities to become listed again, stabilize the market price or improve the liquidity of our securities, prevent our securities from dropping below the Nasdaq minimum share price requirement or prevent future non-compliance with Nasdaq's listing requirements. Additionally, if our securities are not listed on, or become delisted from, Nasdaq for any reason, and are quoted on the OTC Bulletin Board, an inter-dealer automated quotation system for equity securities that is not a national securities exchange, the liquidity and price of our securities may be more limited than if we were quoted or listed on Nasdaq or another national securities exchange. You may be unable to sell your securities unless a market can be established or sustained.

Our business and operations could be negatively affected if we become subject to any securities litigation or shareholder activism, which could cause us to incur significant expense, hinder execution of our business and growth strategy, and impact our stock price.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. Shareholder activism, which could take many forms or arise in a variety of situations, has been increasing recently. Volatility in the stock price of our Common Stock or other reasons may in the future cause it to become the target of securities litigation or shareholder activism. Securities litigation and shareholder activism, including potential proxy contests, could result in substantial costs and divert management's and our Board's attention and resources from our business. Additionally, such securities litigation and shareholder activism could give rise to perceived uncertainties as to our future, adversely affect our relationships with service providers and make it more difficult to attract and retain qualified personnel. Also, we may be required to incur significant legal fees and other expenses related to any securities litigation and activist shareholder matters. Further, our stock price could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any securities litigation and shareholder activism.

Sales of our Common Stock, or the perception of such sales, by us or the Selling Securityholders pursuant to this prospectus in the public market or otherwise could cause the market price for our Common Stock to decline and certain Selling Securityholders still may realize significant profits.

The sale of shares of our Common Stock in the public market or otherwise, including sales pursuant to this prospectus, or the perception that such sales could occur, could harm the prevailing market price of shares of our Common Stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. Resales of our Common Stock may cause the market price of our securities to drop significantly, even if our business is doing well.

Pursuant to the A&R Registration Rights Agreement, the Sponsor Support Letter Agreement and our Bylaws, subject to certain exceptions, the Sponsor Holders, stockholders who received shares of Common Stock

in the Business Combination and our directors, officers and employees who own shares of Common Stock or who receive shares of Common Stock upon the exercise of stock options or other equity awards, are contractually restricted from selling or transferring any of their shares of Common Stock. Such restrictions ended, in the case of the shares that are restricted pursuant to the A&R Registration Rights Agreement and the Bylaws, on January 31, 2023, and in the case of the shares restricted pursuant to the Sponsor Support Letter Agreement, upon the earlier of (a) one year after the Closing, (b) the share price equaling or exceeding \$12.00 on a volume-weighted average price basis for any 20 trading days within any 30 trading day period commencing at least 150 days after the Closing, and (c) the completion of a transaction that results in all stockholders having the right to exchange shares for cash, securities or other property. The shares issued in the PIPE Financing and the shares issuable upon conversion of the Notes are not subject to these lock-up periods.

Following the expiration of the applicable lock-up periods described in this prospectus and as restrictions on resale end and registration statements are available for use, the market price of our Common stock could decline if the holders of restricted or locked-up shares sell them or are perceived by the market as intending to sell them.

The shares of Common Stock being offered for resale pursuant to this prospectus also include shares that were purchased at prices that may be significantly below the trading price of our Common Stock and the sale of which would result in the Selling Securityholder realizing a significant gain. The Sponsor paid \$25,000, or approximately \$0.006 per share, for the 4,312,500 Founder Shares. Subsequent to the initial purchase of the Founder Shares by the Sponsor, the Sponsor transferred 20,000 Founder Shares to Mr. Albert Goldstein and 50,000 Founder Shares to Senator Joseph Lieberman at a nominal purchase price of \$0.004 per Founder Share prior to the closing of the L&F IPO and 39,733 Founder Shares to Mr. Kurt Summers shortly after his being appointed to the L&F Board in December 2021 for no cash consideration. Even if the trading price of our Common Stock is significantly below \$10.00, the offering price for the L&F Public Units, the Sponsor Holders may still have an incentive to sell shares of our Common Stock because they purchased the shares at prices lower than the public investors or the current trading price of our Common Stock. For example, based on the closing price of our Common Stock of \$1.33 as of March 1, 2023, the Sponsor and the other Sponsor Holders would experience a potential profit of up to approximately \$1.33 per share, or up to approximately \$5.7 million in the aggregate, if they elected to sell their shares. In addition, (i) former stockholders of ZeroFox, Inc. and IDX, including Selling Securityholders, who received 109,880,250 shares of our Common Stock in the Business Combination acquired their shares based on an implied equity consideration value of \$10.00 per share, (ii) investors in the PIPE Financing purchased 2,000,000 shares of Common Stock at a price of \$10.00 per share, (iii) investors in the Convertible Notes Financing purchased \$150 million aggregate principal amount of Notes with an initial Conversion Price of \$11.50 per share for an aggregate purchase price of \$150 million, and (iv) the Sponsor paid \$5,450,000 for 5,450,000 Private Placement Warrants and Jefferies paid \$2,587,500 for 2,138,430 Private Placement Warrants, which Private Placement Warrants have an exercise price of \$11.50 per share.

In connection with L&F's extraordinary general meetings to approve (i) an amendment to L&F's amended and restated memorandum and articles of association to extend the date to complete L&F's initial business combination and (ii) the Business Combination, holders of an aggregate of 16,243,998 Class A Ordinary Shares, representing 94.2% of L&F's Class A Ordinary Shares, exercised their right to redeem their shares for cash at redemption prices of approximately \$10.154 per share and \$10.177 per share, respectively, for an aggregate redemption amount of \$165,004,557. The shares of Common Stock being offered for resale pursuant to this prospectus by the Selling Securityholders represent approximately 84.0% of the outstanding shares of Common Stock as of March 1, 2023 and approximately 112.4% of our public float (after giving effect to the issuance of shares upon the exercise of the Private Placement Warrants and the issuance of 16,863,708 shares upon conversion of the Notes, which assumes we exercise our option to pay interest in kind and the maximum additional shares are issued). Our four largest stockholders collectively own 53,138,613 shares of Common Stock, representing approximately 44.5% of our outstanding shares, which shares may be sold at such times as this prospectus is available for use. Sales by such stockholders could result in a significant decline in the public trading price of our Common Stock.

In addition, the shares of our Common Stock reserved for future issuance as a result of the exercise of options granted under the Prior Equity Plans and assumed in the Business Combination and under our Incentive Equity Plan will become eligible for sale in the public market once those shares are issued, subject to provisions relating to various vesting agreements, and, in some cases, limitations on volume and manner of sale applicable to affiliates under Rule 144, as applicable. We have filed a registration statement on Form S-8 under the Securities Act and expect to file one or more additional registration statements on Form S-8 to register shares of our Common Stock issuable pursuant to these plans. Any such Form S-8 registration statements will automatically become effective upon filing. Accordingly, shares registered under such registration statements will be available for sale in the open market, subject to the provisions relating to various vesting agreements, and, in some cases, limitations on volume and manner of sale applicable to affiliates under Rule 144, as applicable.

The market price of shares of our Common Stock may be volatile, which could cause the value of stockholder investments to decline.

The market price of our Common Stock may be highly volatile and could be subject to wide fluctuations. Securities markets worldwide experience significant price and volume fluctuations. Market volatility, as well as general economic, market or political conditions, could reduce the market price of shares of our Common Stock regardless of our operating performance.

In addition, our operating results could be below the expectations of public market analysts and investors due to a number of potential factors, including:

- variations in quarterly operating results or dividends, if any, to stockholders;
- additions or departures of key management personnel;
- publication of research reports about our industry;
- litigation and government investigations;
- changes or proposed changes in laws or regulations or differing interpretations or enforcement of laws or regulations affecting our business;
- adverse market reaction to any indebtedness incurred or securities issued in the future;
- changes in market valuations of similar companies;
- adverse publicity or speculation in the press or investment community;
- the development and sustainability of an active trading market for our Common Stock;
- announcements by competitors of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures, or capital commitments; and
- the impact of the COVID-19 pandemic (or future pandemics) on our management, employees, partners, customers, and operating results.

In response to any of the foregoing developments, the market price of shares of our Common Stock could decrease significantly. You may be unable to resell your shares at or above your purchase price.

There may not be an active trading market for our Common Stock, which may make it difficult to sell shares of Common Stock.

Although our Common Stock is listed on Nasdaq, the market for our shares has demonstrated varying levels of trading activity. If an active trading market does not develop, or develops but is not maintained, you may have difficulty selling any of our Common Stock due to the limited public float. We cannot predict the prices at which our Common Stock will trade. It is possible that in one or more future periods our results of operations and progression of our product pipeline may not meet the expectations of public market analysts and investors, and, as a result of these and other factors, the price of our Common Stock may fall. Accordingly, we cannot assure you of your ability to sell your shares of our Common Stock when desired or at prices at or above the price you paid for your shares or at all.

If our operating and financial performance in any given period does not meet the guidance provided to the public or the expectations of investment analysts, the market price of our Common Stock may decline.

We may, but are not obligated to, provide public guidance on our expected operating and financial results for future periods. Any such guidance will consist of forward-looking statements, subject to the risks and uncertainties described in this prospectus and in our other public filings and public statements. Our actual results may not always be in line with or exceed any guidance we have provided, especially in times of economic uncertainty. If, in the future, our operating or financial results for a particular period do not meet any guidance provided or the expectations of investment analysts, or if we reduce our guidance for future periods, the market price of our Common Stock may decline as well. Even if we do issue public guidance, there can be no assurance that we will continue to do so in the future.

If securities or industry analysts do not publish research or reports about our business or publish negative reports, the market price of our Common Stock could decline.

The trading market for our Common Stock is influenced by the research and reports that industry or securities analysts publish about us and our business. If regular publication of research reports ceases, we could lose visibility in the financial markets, which in turn could cause the market price or trading volume of our Common Stock to decline. Moreover, if one or more of the analysts who cover us downgrade our Common Stock or if reporting results do not meet their expectations, the market price of our Common Stock could decline.

We may issue additional shares of our Common Stock (including upon the exercise of warrants), which would increase the number of shares eligible for future resale in the public market and result in dilution to Company stockholders.

The Warrants became exercisable on September 2, 2022 provided in each case that we have an effective registration statement under the Securities Act covering the shares of our Common Stock issuable upon exercise of our Warrants and a current prospectus relating to them is available and such shares are registered, qualified or exempt from registration under the securities, or blue sky, laws of the state of residence of the holder (or holders exercise their warrants on a cashless basis under the circumstances specified in the Warrant Agreement). Each Warrant entitles the holder thereof to purchase one share of our Common Stock at a price of \$11.50 per whole share, subject to adjustment. In addition, the Notes initially will be convertible into approximately 13,043,473 shares of our Common Stock, subject to increase to the extent that we exercise our option to pay interest in kind with respect to the Notes rather than in cash (please see “Risk Factors—Risks Related to Ownership of our Common Stock—Our issued and outstanding Notes may impact our financial results, result in the dilution of our stockholders, create downward pressure on the price of our Common Stock, and restrict our ability to raise additional capital or take advantage of future opportunities.”) The issuance of additional shares of our Common Stock as a result of any of the aforementioned transactions may result in dilution to the then-existing holders of our Common Stock and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market could adversely affect the market price of our Common Stock.

We may issue additional shares of our Common Stock or other equity securities without stockholder approval, which would dilute stockholder ownership interests and may depress the market price of our Common Stock.

Pursuant to the Incentive Equity Plan, we may issue an aggregate of up to 17,659,531 shares of our Common Stock as of January 1, 2023, which amount will be subject to increase from time to time. We may also issue additional shares of our Common Stock or other equity securities of equal or senior rank in the future in connection with, among other things, future acquisitions or repayment of outstanding indebtedness, without stockholder approval, in a number of circumstances.

The issuance of additional shares or other equity securities of equal or senior rank would have the following effects:

- existing stockholders’ proportionate ownership interest in us will decrease;

- the amount of cash available per share, including for payment of dividends in the future, may decrease;
- the relative voting strength of each share of previously outstanding common stock may be diminished; and
- the market price of our Common Stock may decline.

There is no guarantee that our Warrants will ever be in the money, and they may expire worthless.

The exercise price for our Warrants is \$11.50 per-share (subject to adjustment as described herein). We do not expect warrant holders to exercise their Warrants and, therefore, we do not expect to receive cash proceeds from any such exercise, for so long as Warrants are out-of-the money. There can be no assurance that Warrants will ever be in-the-money prior to their expiration and, as such, the Warrants may expire worthless. The last reported sales price for our Common Stock on March 28, 2023 was \$1.33 per share.

We may amend the terms of our Public Warrants in a manner that may be adverse to holders of such warrants with the approval by the holders of at least 50% of the then outstanding our Public Warrants. As a result, the exercise price of our Public Warrants could be increased, the exercise period could be shortened and the number of shares of our Common Stock purchasable upon exercise of our Public Warrants could be decreased, all without any particular public warrant holder's approval.

Our Public Warrants were issued in registered form under the Warrant Agreement. The Warrant Agreement provides that the terms of the Public Warrants may be amended without the consent of any holder to cure any ambiguity, mistake or correct any defective provision, but requires the approval by the holders of at least 50% of the then outstanding Public Warrants to make any change that adversely affects the interests of the registered holders of such Public Warrants. Accordingly, we may amend the terms of our Public Warrants in a manner adverse to a holder if holders of at least 50% of the then outstanding Public Warrants approve of such amendment and, solely with respect to any amendment to the terms of our Private Placement Warrants or any provision of the Warrant Agreement with respect to our Private Placement Warrants, 50% of the number of the then outstanding Private Placement Warrants. Although our ability to amend the terms of our Public Warrants with the consent of at least 50% of the then outstanding Public Warrants is unlimited, examples of such amendments could be amendments to, among other things, increase the exercise price of the Public Warrants, convert the Public Warrants into cash, shorten the exercise period or decrease the number of shares of our Common Stock purchasable upon exercise of a Public Warrant.

We may redeem unexpired Public Warrants prior to their exercise at a time that is disadvantageous to holders of Public Warrants, thereby making such warrants worthless.

We have the ability to redeem all, but not less than all, of the outstanding Public Warrants at any time after they become exercisable and prior to their expiration, at a price of \$0.01 per warrant, provided that the closing price of our Common Stock equals or exceeds \$18.00 per share (as adjusted for share sub-divisions, share capitalizations, reorganizations, recapitalizations and the like) for any 20 trading days within a 30 trading-day period ending on the third trading day prior to the date on which we give proper notice of such redemption to the warrants holders and provided certain other conditions are met. We may not redeem the warrants unless an effective registration statement under the Securities Act covering the shares of our Common Stock issuable upon exercise of the warrants is effective and a current prospectus relating to those shares is available throughout the minimum 30-day notice period discussed below. If and when our Public Warrants become redeemable by us, we may exercise our redemption right even if we are unable to register or qualify the underlying securities for sale under all applicable state securities laws. Redemption of the outstanding warrants could force warrant holders to (i) exercise their warrants and pay the exercise price therefor at a time when it may be disadvantageous for them to do so, (ii) sell their warrants at the then-current market price when they might otherwise wish to hold their warrants or (iii) accept the nominal redemption price which, at the time the outstanding warrants are called for redemption, is likely to be substantially less than the market value of their warrants. None of our Private Placement Warrants will be redeemable by us in accordance with these provisions so long as they are held by the Sponsor, Jefferies LLC or their permitted transferees.

In addition, we have the ability to redeem all, but not less than all, of the outstanding Public Warrants at any time after they become exercisable and prior to their expiration, at a price of \$0.10 per warrant, provided that the closing price of our Common Stock equals or exceeds \$10.00 per share (as adjusted for share sub-divisions, share capitalizations, reorganizations, recapitalizations and the like) for any 20 trading days within a 30 trading-day period ending on the third trading day prior to the date on which we give proper notice of such redemption to the warrants holders and provided certain other conditions are met, including that holders will be able to exercise their warrants on a “cashless basis” prior to redemption for a number of shares of our Common Stock determined based on the period of time to expiration of the warrants and the redemption fair market value of our Common Stock, both as set forth in a table in the Warrant Agreement. See “*Description of Securities—Warrants—Our Public Warrants—Redemption of Warrants when the price per share of our Common Stock equals or exceeds \$10.00.*” If and when our Public Warrants become redeemable by us, we may exercise our redemption right even if we are unable to register or qualify the underlying securities for sale under all applicable state securities laws. The value received upon exercise of the warrants (1) may be less than the value the holders would have received if they had been able to exercise their warrants at a later time at which the underlying share price is higher and (2) may not compensate the holders for the value of the warrants, including because the number of shares received on a cashless exercise basis is capped at 0.361 of a share of our Common Stock per warrant (subject to adjustment) irrespective of the remaining life of our Public Warrants. If the closing price of our Common Stock is less than \$18.00 per share (as adjusted for share sub-divisions, share capitalizations, reorganizations, recapitalizations and the like) for any 20 trading days within a 30 trading-day period ending on the third trading day prior to the date on which we give proper notice of such redemption to the warrants holders, we may only redeem our Public Warrants in accordance with these provisions if we concurrently redeem the outstanding Private Placement Warrants (other than Private Placement Warrants held by the Sponsor, Jefferies LLC and their permitted transferees) on the same terms.

In the event that we elect to redeem our Public Warrants in either of the scenarios described above we would only be required to have the notice of redemption mailed by first class mail, postage prepaid, by us not less than thirty (30) days prior to the redemption date to the registered holders of the outstanding warrants to be redeemed at their last addresses as they shall appear on the registration books. Any notice mailed in the manner provided above will be conclusively presumed to have been duly given whether or not the registered holder of the warrants received such notice. We are not contractually obligated to notify investors when our Public Warrants become eligible for redemption, and we do not intend to so notify investors upon eligibility of the warrants for redemption.

The Warrant Agreement designates the courts of the State of New York or the United States District Court for the Southern District of New York as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by holders of our Warrants, which could limit the ability of warrant holders to obtain a favorable judicial forum for disputes with us.

The Warrant Agreement provides that, subject to applicable law, (i) any action, proceeding or claim against us arising out of or relating in any way to the Warrant Agreement, including under the Securities Act, will be brought and enforced in the courts of the State of New York or the United States District Court for the Southern District of New York, and (ii) that we irrevocably submit to such jurisdiction, which jurisdiction shall be the exclusive forum for any such action, proceeding or claim. We will waive any objection to such exclusive jurisdiction and that such courts represent an inconvenient forum. However, Section 22 of the Securities Act provides that federal and state courts have concurrent jurisdiction over lawsuits brought under the Securities Act or the rules and regulations thereunder. To the extent the exclusive forum provision restricts the courts in which claims arising under the Securities Act may be brought, there is uncertainty as to whether a court would enforce such a provision. We note that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder.

Notwithstanding the foregoing, these provisions of the Warrant Agreement do not apply to suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal district courts of the United States of America are the sole and exclusive forum. Any person or entity purchasing or otherwise

acquiring any interest in any our Warrants shall be deemed to have notice of and to have consented to the forum provisions in the Warrant Agreement. If any action, the subject matter of which is within the scope the forum provisions of the Warrant Agreement, is filed in a court other than a court of the State of New York or the United States District Court for the Southern District of New York (a “**foreign action**”) in the name of any holder of our Warrants, such holder shall be deemed to have consented to: (x) the personal jurisdiction of the state and federal courts located in the State of New York in connection with any action brought in any such court to enforce the forum provisions (an “**enforcement action**”), and (y) having service of process made upon such warrant holder in any such enforcement action by service upon such warrant holder’s counsel in the foreign action as agent for such warrant holder.

This choice-of-forum provision may limit a warrant holder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us, which may discourage such lawsuits. Alternatively, if a court were to find this provision of the Warrant Agreement inapplicable or unenforceable with respect to one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could materially and adversely affect our business, financial condition and results of operations and result in a diversion of the time and resources of our management and Board.

Provisions in our organizational documents and provisions of Delaware General Corporation Law (the DGCL) may delay or prevent an acquisition by a third party that could otherwise be in the interests of stockholders.

Our organizational documents contain several provisions that may make it more difficult or expensive for a third party to acquire control of us without the approval of our Board. These provisions, which may delay, prevent or deter a merger, acquisition, tender offer, proxy contest, or other transaction that stockholders may consider favorable, include the following:

- the division of our Board into three classes and the election of each class for three-year terms;
- advance notice requirements for stockholder proposals and director nominations;
- provisions limiting stockholders’ ability to call special meetings of stockholders and to take action by written consent;
- restrictions on business combinations with interested stockholders;
- in certain cases, the approval of holders representing at least two-thirds of the total voting power of the shares entitled to vote will be required for stockholders to adopt, amend or repeal certain provisions of the Bylaws, or amend or repeal certain provisions of the Certificate of Incorporation;
- no cumulative voting; and
- the ability of the Board to designate the terms of and issue new series of preferred stock without stockholder approval, which could be used, among other things, to institute a rights plan that would have the effect of significantly diluting the stock ownership of a potential hostile acquirer, likely preventing acquisitions by such acquirer.

These provisions of our organizational documents could discourage potential takeover attempts and reduce the price that investors might be willing to pay for the shares of our Common Stock in the future, which could reduce the market price of the common stock. For more information, see the section titled “*Description of Securities*”.

The provision of our Certificate of Incorporation requiring exclusive venue in the Court of Chancery in the State of Delaware and the federal district courts of the United States for certain types of lawsuits may have the effect of discouraging lawsuits against directors and officers.

Our Certificate of Incorporation provides 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) will, 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 us; (ii) any action asserting a claim of breach of a duty (including any fiduciary duty) owed by any of our current or former director, officer, stockholder, employee or agent to us or our stockholders; (iii) any action asserting a claim against us or any of our current or former director, officer, stockholder, employee or agent relating to any provision of the DGCL or the Certificate of Incorporation or the Bylaws or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware; and (iv) any action asserting a claim against us or any of our current or former director, officer, stockholder, employee or agent governed by the internal affairs doctrine of the State of Delaware, in each such case unless the Court of Chancery (or such other state or federal court located within the State of Delaware, as applicable) has dismissed a prior action by the same plaintiff asserting the same claims because such court lacked personal jurisdiction over an indispensable party named as a defendant therein. Our Certificate of Incorporation further provides that, unless otherwise consented to by us in writing to the selection of an alternative forum, the federal district courts of the United States will, to the fullest extent permitted by law, be the sole and exclusive forum for the resolution of any complaint against any person in connection with any offering of our securities, asserting a cause of action arising under the Securities Act. Any person or entity purchasing or otherwise acquiring any interest in our securities will be deemed to have notice of and consented to this provision.

Although our Certificate of Incorporation contains the choice of forum provisions described above, it is possible that a court could rule that such provisions are inapplicable for a particular claim or action or that such provisions are unenforceable. For example, under the Securities Act, federal courts have concurrent jurisdiction over all suits brought to enforce any duty or liability created by the Securities Act, and investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. In addition, Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder, and, therefore, the exclusive forum provisions described above do not apply to any actions brought under the Exchange Act.

Although we believe these provisions will benefit us by limiting costly and time-consuming litigation in multiple forums and by providing increased consistency in the application of applicable law, these exclusive forum provisions may limit the ability of our stockholders to bring a claim in a judicial forum that such stockholders find favorable for disputes with us or our directors, officers or employees, which may discourage such lawsuits against us and our directors, officers and other employees.

We have no current plans to pay cash dividends on our Common Stock. As a result, stockholders may not receive any return on investment unless they sell their Common Stock for a price greater than the purchase price.

We have no current plans to pay dividends on our Common Stock. Any future determination to pay dividends will be made at the discretion of our Board, subject to applicable laws. It will depend on a number of factors, including our financial condition, results of operations, capital requirements, contractual, legal, tax and regulatory restrictions, general business conditions, and other factors that our Board may deem relevant. In addition, the ability to pay cash dividends may be restricted by the terms of debt financing arrangements, as any future debt financing arrangement likely will contain terms restricting or limiting the amount of dividends that may be declared or paid on our Common Stock. As a result, stockholders may not receive any return on an investment in our Common Stock unless they sell their shares for a price greater than that which they paid for them.

USE OF PROCEEDS

All of the Common Stock and Private Placement Warrants offered by the Selling Securityholders pursuant to this prospectus will be sold by the Selling Securityholders for their respective accounts. We will not receive any of the proceeds from these sales.

We could potentially receive up to an aggregate of approximately \$186.5 million from the exercise of the Warrants, assuming the exercise in full of all of the Warrants for cash. We expect to use any net proceeds from the exercise of the Warrants for general corporate purposes. We will have broad discretion over the use of any proceeds from the exercise of the Warrants. There is no assurance that the holders of the Warrants will elect to exercise any or all of such Warrants. The exercise price of our Public Warrants and Private Placement Warrants is \$11.50 per share. We believe the likelihood that warrant holders will exercise their Warrants, and therefore the amount of cash proceeds that we would receive, is dependent upon the trading price of our Common Stock, the last reported sales price for which was \$1.33 per share on March 28, 2023. If the trading price for our Common Stock is less than \$11.50 per share, we believe holders of our Public Warrants and Private Placement Warrants will be unlikely to exercise their Warrants. In addition, we will receive proceeds from any exercise of the IDX Options.

MARKET INFORMATION FOR SECURITIES AND DIVIDEND POLICY

Market Information

Our Common Stock is listed on The Nasdaq Global Market and our Public Warrants are listed on The Nasdaq Capital Market under the symbols “ZFOX” and “ZFOXW,” respectively. Prior to the consummation of the Business Combination, L&F Class A Common Stock and L&F Public Warrants were listed on NYSE American under the symbols “LNFA” and “LNFA.WS,” respectively. As of March 1, 2023, there were 123 holders of record of our Common Stock, 1 holder of record of the Public Warrants and 2 holders of record of the Private Placement Warrants. We believe a substantially greater number of beneficial owners hold shares of Common Stock or Warrants through brokers, banks or other nominees. As of March 1, 2023, we had 118,513,684 shares of Common Stock issued and outstanding.

Dividend Policy

We have never declared or paid any dividends on shares of our Common Stock. We anticipate that we will retain all of our future earnings, if any, for use in the operation and expansion of our business and do not anticipate paying cash dividends in the foreseeable future. Any decision to declare and pay dividends in the future will be made at the sole discretion of our Board and will depend on, among other things, restrictions under our outstanding debt, our results of operations, cash requirements, financial condition, contractual restrictions and other factors that our Board may deem relevant.

Equity Compensation Plan

In connection with the Business Combination, our stockholders approved the Incentive Equity Plan on August 2, 2022, which became effective immediately upon the Closing, and we assumed the Prior Equity Plans.

We have filed and intend to file additional registration statements on Form S-8 under the Securities Act with the SEC to register the shares of Common Stock issuable under the Incentive Equity Plan and the assumed Prior Equity Plans. Any such Form S-8 registration statement will become effective automatically upon filing. Once these shares are registered, they can be sold in the public market upon issuance, subject to applicable restrictions.

As of January 31, 2023, we maintained our Incentive Equity Plan. In addition, we maintained the ZeroFox, Inc. 2013 Equity Incentive Plan (the “2013 Equity Incentive Plan”), the ID Experts Holdings, Inc. 2016 Stock Option Grant Plan (the “2016 IDX Plan”) and the ID Experts Holdings, Inc. 2017 Equity Incentive Plan (the “IDX 2017 Plan” and, together with the 2016 IDX Plan, the “IDX Plans”), each of which we assumed in connection with the consummation of the Business Combination. The following table provides information about equity awards outstanding under each of our equity compensation plans as of January 31, 2023.

Equity Compensation Plan Information

As of January 31, 2023, we maintained our 2022 Plan. In addition, we maintained the ZeroFox, Inc. 2013 Equity Incentive Plan (the “2013 Plan”), the ID Experts Holdings, Inc. 2016 Stock Option Grant Plan (the “2016 IDX Plan”) and the ID Experts Holdings, Inc. 2017 Equity Incentive Plan (the “IDX 2017 Plan” and, together with the 2016 IDX Plan, the “IDX Plans”), each of which we assumed in connection with the consummation of the Business Combination. The following table provides information about equity awards outstanding under each of our equity compensation plans as of January 31, 2023.

| <u>Plan category</u> | <u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u> | <u>Weighted-average exercise price of outstanding options, warrants and rights⁽¹⁾</u> | <u>Number of securities remaining available for future issuance under equity compensation plans</u> |
|--|--|--|---|
| Equity compensation plans approved by security holders: | 2,802,426 | \$ — | 15,829,510 ⁽²⁾ |
| Equity compensation plans not approved by security holders ⁽³⁾⁽⁴⁾ | 7,869,050 | \$ 1.55 | — ⁽⁵⁾ |
| Total | 10,671,476 | \$ 1.55 | 15,829,510 |

- (1) The weighted-average exercise price does not take into account Common Stock issuable upon the vesting of restricted stock units, which have no exercise price.
- (2) Includes 11,750,135 shares of Common Stock available for issuance under the 2022 Plan. Pursuant to the 2022 Plan, the aggregate number of shares of Common Stock that may be issued under the plan automatically increases by a number equal to the lesser of (i) five percent (5%) of the total number of shares of Common Stock issued and outstanding on January 31 of the calendar year immediately preceding the date of such increase and (ii) a number of shares of Common Stock determined by the Board of Directors.
- (3) In connection with the Business Combination, we assumed the 2013 Plan, including all outstanding options to purchase shares of common stock of ZeroFox, Inc. under the 2013 Plan. Each assumed option was converted into an option to acquire our Common Stock at the applicable exchange ratio of 0.286277. As a result, in connection with the Closing, we assumed 6,380,458 options with exercise prices between \$0.35 and \$9.86 per share of Common Stock. No further awards may be granted under the 2013 Plan.
- (4) In connection with the Business Combination, we assumed the IDX Plans, including all outstanding options to purchase shares of common stock of ID Experts Holdings, Inc. under the IDX Plans. Each assumed option was converted into an option to acquire our Common Stock at the applicable exchange ratio of 0.692629. As a result, in connection with the Closing, we assumed 1,778,919 options with exercise prices between \$0.05 and \$3.78 per share of Common Stock. No further awards may be granted under the IDX Plans.
- (5) As of January 31, 2023, there are no shares of Common Stock remaining available for future issuance under the 2013 Plan and the IDX Plans.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS FOR THE YEAR ENDED JANUARY 31, 2023

| | Historical Financial Results | | | Successor ZF Holdings, Inc. | Transaction Accounting Adjustments | | | | Pro Forma Statement of Operations | |
|---|---|---|---|---|------------------------------------|-------------|-------------|-------------------------|---|--------------|
| | Predecessor | | | | L&F | ZF | IDX | ZF Holdings, Inc. | | |
| | L&F Period January 1, 2022 to August 2, 2022 | ZF Period February 1, 2022 to August 3, 2022 | IDX Period January 1, 2022 to August 3, 2022 | | | | | | | |
| | | | | Period August 4, 2022 to January 31, 2023 | | | | | The year ended January 31, 2023 | |
| Revenue | \$ — | \$ 29,237 | \$ 66,758 | \$ 88,386 | | | \$ (9,626) | (h) | \$ — | \$ 174,755 |
| Cost of revenue | | 8,806 | 52,254 | 61,825 | | 7,975 | (c) (7,534) | (h) | — | 124,830 |
| | | | | | | | 1,504 | (i) | | |
| Gross profit | — | 20,431 | 14,504 | 26,561 | — | (7,975) | (3,596) | | — | 49,925 |
| Operating expenses: | | | | | | | | | | |
| Research and development | | 8,092 | 3,325 | 12,134 | | | (479) | (h) | | 23,072 |
| Sales and marketing | | 18,516 | 4,594 | 35,859 | | 3,398 | (c) (662) | (h) | | 69,303 |
| | | | | | | | 7,598 | (i) | | |
| General and administrative | 6,301 | 10,093 | 5,758 | 18,218 | (493) | (a) 1,032 | (c) (830) | (h) | | 40,806 |
| | | | | | | | 727 | (i) | | |
| Impairment of Goodwill | | | | 698,650 | | | | | | 698,650 |
| Total operating expenses | 6,301 | 36,701 | 13,677 | 764,861 | (493) | 4,430 | 6,354 | | — | 831,831 |
| (Loss) / income from operations | (6,301) | (16,270) | 827 | (738,300) | 493 | (12,405) | (9,950) | | — | (781,906) |
| Other income (expense): | | | | | | | | | | |
| Interest expense, net | 133 | (2,965) | (314) | (7,867) | (1) | (a) (1,150) | (d) 45 | (h) | (6,865) | (m) (18,071) |
| | | | | | (131) | (b) (1,175) | (e) 269 | (j) | | |
| | | | | | | 1,950 | (f) | | | |
| Fair value adjustments | 10,740 | (2,059) | (133) | 14,998 | (2,250) | (a) 2,059 | (g) 19 | (h) | | 23,488 |
| | | | | | | | 114 | (l) | | |
| Other expense | | — | (585) | | | | 84 | (h) | | — |
| | | | | | | | 501 | (k) | | |
| Interest earned on marketable securities held in Trust Account | | — | | | | | | | | — |
| Total other income (expense) | 10,873 | (5,024) | (1,032) | 7,131 | (2,382) | 1,684 | 1,032 | | (6,865) | 5,417 |
| Income / (loss) before taxes | 4,572 | (21,294) | (205) | (731,169) | (1,889) | (10,721) | (8,918) | | (6,865) | (776,489) |
| Income tax expense (benefit) | — | 111 | 652 | (10,522) | (3,112) | (o) (6,172) | (o) (2,222) | (o) | | (21,265) |
| Net income / (loss) after taxes | \$ 4,572 | \$ (21,405) | \$ (857) | \$ (720,647) | | | | | \$ (6,865) | \$ (755,224) |
| Net income attributable to Class A redeemable ordinary shares (basic and diluted) | \$ 3,310 | | | | | | | | | |
| Net income attributable to Class B non-redeemable ordinary shares (basic and diluted) | \$ 1,262 | | | | | | | | | |
| Net income attributable to IDX redeemable convertible preferred stock (basic and diluted) | | \$ (21,405) | \$ (857) | | | | | | | |

| | Historical Financial Results | | | Successor | Transaction Accounting Adjustments | | | | Pro Forma Statement of Operations |
|---|---|---|---|--|------------------------------------|-------------------|----|-----|------------------------------------|
| | Predecessor | | | | ZF Holdings, Inc. | ZF Holdings, Inc. | | | |
| | L&F Period January 1, 2022 to August 2, 2022 | ZF Period February 1, 2022 to August 3, 2022 | IDX Period January 1, 2022 to August 3, 2022 | | | L&F | ZF | IDX | |
| | | | | ZF Holdings, Inc. Period August 4, 2022 to January 31, 2023 | | | | | The year ended January 31, 2023 |
| Net (loss) / income attributable to common stockholders (basic and diluted) | | <u>\$ (21,405)</u> | <u>\$ (857)</u> | | | | | | |
| Net loss attributable to Class A non-redeemable ordinary shares (basic and diluted) | | | | <u>\$ 720,647</u> | | | | | <u>\$ (755,224)</u> |
| Net income per share attributable to Class A redeemable ordinary shares (basic and diluted) | <u>\$ 0.29</u> | | | | | | | | |
| Net income per share attributable to Class B non-redeemable ordinary shares (basic and diluted) | <u>\$ 0.29</u> | | | | | | | | |
| Net (loss) / income per share attributable to IDX redeemable convertible preferred stock (basic and diluted) | | | <u>\$ (0.07)</u> | | | | | | |
| Net (loss) / income per share attributable to common stockholders (basic and diluted) | | <u>\$ (0.50)</u> | <u>\$ (0.07)</u> | | | | | | |
| Net loss per share attributable to Class A non-redeemable ordinary shares (basic and diluted) | | | | <u>\$ (6.17)</u> | | | | | <u>\$ (6.40)</u> |
| Weighted-average shares outstanding of Class A redeemable ordinary shares used in computing net income per share attributable to stockholders of Class A redeemable ordinary shares (basic and diluted) | <u>11,306,838</u> | | | | | | | | |
| Weighted-average shares outstanding of Class B non-redeemable ordinary shares used in computing net income per share attributable to stockholders of Class B non-redeemable ordinary shares (basic and diluted) | <u>4,312,500</u> | | | | | | | | |
| Weighted-average average shares used in computing net (loss) / income per share attributable to IDX redeemable convertible preferred stockholders (basic and diluted) | | | <u>12,854,967</u> | | | | | | |
| Weighted-average average shares used in computing net (loss) / income per share attributable to common stockholders (basic and diluted) | | <u>43,041,209</u> | <u>12,854,967</u> | | | | | | |
| Weighted-average shares outstanding of Class A non-redeemable ordinary shares used in computing net loss per share attributable to stockholders of Class A non-redeemable ordinary shares (basic and diluted) | | | | 116,862,277 | | | | | 117,983,659 (n) |

See accompanying notes to the unaudited pro forma condensed combined financial statements

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Defined terms included below shall have the same meaning as terms defined and included in the Prospectus.

The following unaudited pro forma condensed combined statement of operations is provided to aid you in your analysis of the financial aspects of the Business Combination involving L&F, ZeroFox, and IDX, the consummation of the Common Equity PIPE Financing and the Convertible Notes Financing, and adjustments for other material events (“Adjustments for Material Events”), which are collectively referred to as the “Transactions.” For purposes of these unaudited pro forma condensed combined financial statements, the entity surviving the Business Combination is referred to as “New ZeroFox.”

The unaudited pro forma condensed combined statement of operations is based on L&F’s historical financial statements and ZeroFox’s and IDX’s historical consolidated financial statements, as adjusted to give effect to the Business Combination. The historical financial statements of L&F and IDX were prepared based on a December 31 fiscal year-end and the historical financial statements of ZeroFox were prepared based on a January 31 fiscal year-end. Following the consummation of the Business Combination, New ZeroFox will have a January 31 fiscal year-end.

The proforma combined statement of operations combines the historical statements of the predecessor entities, ZeroFox, IDX, and L&F with the historical statement of the successor company, ZeroFox Holdings, Inc. The historical statements of operations presented in the unaudited pro forma combined statement of operations reflects ZeroFox’s activity for the period February 1, 2022, to August 3, 2022; L&F’s and IDX’s activity for the period January 1, 2022, to August 2, 2022, and August 3, 2022, respectively; and the period August 4, 2022 to January 31, 2023 for ZeroFox Holdings, Inc. The unaudited pro forma condensed combined statement of operations gives proforma effect to the Business Combination as if it had been consummated on February 1, 2022.

The unaudited pro forma condensed combined statement of operations has been derived from the historical financial statements and should be read in conjunction with:

- The historical audited financial statements of ZeroFox Holdings, Inc. for the year ended January 31, 2023, which also includes the historical activity for the predecessor, ZeroFox, Inc.
- the historical audited financial statements of L&F as of and for the period January 1, 2022, to August 2, 2022;
- the historical audited consolidated financial statements of IDX as of and for the period January 1, 2022, to August 3, 2022 and the related notes;
- the accompanying notes to the unaudited pro forma condensed combined statement of operations;
- the sections entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations of L&F,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations of ZeroFox,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations of IDX.”

The Business Combination will be accounted for in accordance with the acquisition method of accounting under the provisions of ASC 805, Business Combinations, with L&F as the accounting acquirer and ZeroFox and IDX as the accounting acquirees.

Upon consummation of the Business Combination, ZeroFox is considered a variable interest entity as the equity at risk for ZeroFox is not sufficient to fund expected future cash flow needs, including funding future projected losses, and servicing existing debt obligations. L&F will hold a variable interest in ZeroFox as it will own 100% of ZeroFox’s equity. L&F will be considered the primary beneficiary as its ownership will provide the power to direct the activities that most significantly impact ZeroFox’s performance and the obligation to absorb the losses and/or receive the benefits of ZeroFox that could potentially be significant to ZeroFox. L&F will be treated as the accounting acquirer.

IDX is considered a business under ASC 805, Business Combinations. IDX is not considered the accounting acquirer in the Business Combination based on evaluation of the following factors:

- IDX shareholders will not have the largest voting interest in New ZeroFox;
- IDX will not comprise all of the ongoing operations of New ZeroFox;
- IDX will not designate a majority of the governing body of New ZeroFox;
- IDX senior management will not have a substantive role in the senior management of New ZeroFox;
- and
- the largest single owner of the combined company will not be a legacy owner of IDX;

L&F is determined to be the accounting acquirer as it will be ZeroFox's primary beneficiary and it will own 100% of IDX's equity. L&F's acquisitions of ZeroFox and IDX will be considered business combinations under ASC 805, Business Combinations, and will be accounted for using the acquisition method of accounting. The consideration transferred will be allocated to the assets acquired and liabilities assumed based on their estimated acquisition-date fair values. The excess of consideration transferred to effect the acquisitions over the fair values of assets acquired and liabilities assumed will be recorded as goodwill. Transaction costs will be expensed as if the Business Combination had occurred on February 1, 2022.

The unaudited pro forma condensed combined statement of operations is provided for illustrative purposes only and is not necessarily indicative of what the actual results of operations would have been had the Business Combination taken place on the date indicated, nor is it indicative of the future consolidated results of operations of the combined company.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

1. Description of the Transactions

Business Combination, Common Equity PIPE Financing, and Notes

On December 17, 2021, L&F, ZeroFox and IDX entered into a definitive business combination agreement (the “Business Combination Agreement”). Under the terms of the Business Combination Agreement, following the domestication of L&F as a Delaware corporation that occurred on August 3, 2022,

- i. ZF Merger Sub, Inc., an indirect wholly-owned subsidiary of L&F, merged with and into ZeroFox (the “ZF Merger”) on August 3, 2022, with ZeroFox as the surviving company in the ZF Merger and continuing (immediately following the ZF Merger) as an indirect, wholly-owned subsidiary of L&F,
- ii. immediately following the ZF Merger, IDX Merger Sub, Inc., an indirect wholly-owned subsidiary of L&F, merged with and into IDX (the “IDX Merger”), with IDX as the surviving company in the IDX Merger (referred to herein as “Transitional IDX Entity”) and continuing (immediately following the IDX Merger) as an indirect, wholly-owned subsidiary of L&F, and
- iii. immediately following the IDX Merger, Transitional IDX Entity merged with and into IDX Forward Merger Sub, LLC, an indirect wholly-owned subsidiary of L&F (the “IDX Forward Merger,” and together with the ZF Merger and IDX Merger, the “Mergers”), with IDX Forward Merger Sub, LLC as the surviving company in the IDX Forward Merger and continuing (immediately following the IDX Forward Merger) as an indirect, wholly-owned subsidiary of L&F (the mergers together with the domestication of L&F, the “Business Combination”).

The cash components of the transaction were funded by the \$20.0 million Common Equity PIPE Financing, and \$150.0 million Convertible Notes Financing. The Notes will mature three years from issuance and accrue cash interest at 7.00% per annum payable quarterly with an option for the issuer to accrue paid-in-kind interest at an annual rate of 8.75%.

2. Basis of Pro Forma Presentation

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

The unaudited pro forma condensed combined statement of operations is based on L&F’s historical financial statements and ZeroFox’s and IDX’s historical consolidated financial statements, as adjusted to give effect to the Business Combination. The historical financial statements of L&F and IDX were prepared based on a December 31 fiscal year-end and the historical financial statements of ZeroFox were prepared based on a January 31 fiscal year-end. Following the consummation of the Business Combination, New ZeroFox will have a January 31 fiscal year-end.

The unaudited pro forma condensed combined statement of operations for the year ended January 31, 2023, gives effect to the Business Combination as if the Business Combination had occurred on February 1, 2022.

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

The unaudited pro forma condensed combined financial statements do not give effect to any anticipated synergies, operating efficiencies, tax savings, or cost savings that may be associated with the Business Combination. L&F and ZeroFox have not had any historical relationship prior to the Business Combination. L&F and IDX have not had any historical relationship prior to the Business Combination. Prior to the Business Combination, IDX was a customer of ZeroFox.

Shares outstanding as presented in the unaudited pro forma condensed combined statement of operations includes 82,815,215 shares of Common Stock to be issued to ZeroFox's shareholders (including 784,907 shares for the net exercise of warrants that occurred within a short period of time following completion of the Business Combination), 27,849,942 shares of Common Stock to be issued to IDX's shareholders, 5,318,502 shares of Common Stock issued to L&F shareholders (including the 1,293,750 shares of Common Stock to be issued to the Sponsor Holders that are subject to forfeiture if certain earnout conditions are not satisfied (the "Sponsor Holders Earnout Shares")), and 2,000,000 shares of Common Stock to be issued in connection with the Common Equity PIPE Financing.

As a result of the Business Combination ZeroFox's shareholders will own approximately 70% of the shares of Common Stock, IDX's shareholders will own approximately 23% of the shares of Common Stock, the Common Equity PIPE Investors will own 2% of the shares of Common Stock, and the L&F Initial Shareholders will own approximately 5% of the shares of Common Stock, based on the number of Class A Ordinary Shares outstanding as of August 3, 2022 immediately preceding the completion of the Business Combination and assuming the exercise of certain warrants within a short time of the closing of the Business Combination (in each case, not giving effect to any shares issuable upon exercise of any L&F warrants, L&F options, or conversion of the Notes).

| | Shares from Transaction (after Redemptions) | Assumed Exercises of Warrants | Shares from PIPE Investment | Total Shares | % |
|------------------------------|---|-------------------------------------|-----------------------------------|--------------------|-------------|
| ZeroFox Shareholders | 82,030,308 | 784,907 | — | 82,815,215 | 70% |
| IDX Shareholders | 27,849,942 | — | — | 27,849,942 | 23% |
| Common Equity PIPE Investors | — | — | 2,000,000 | 2,000,000 | 2% |
| L&F Initial Shareholders | 5,318,502 | — | — | 5,318,502 | 5% |
| Total | 115,198,752 | 784,907 | 2,000,000 | 117,983,659 | 100% |

The unaudited pro forma condensed combined statement of operations is provided for illustrative purposes only and is not necessarily indicative of what the actual results of operations would have been had the Business Combination taken place on the date indicated, nor are they indicative of the future consolidated results of operations of New ZeroFox.

3. Accounting Treatment for the Business Combination

Upon consummation of the Business Combination, ZeroFox is considered a variable interest entity as the equity at risk for ZeroFox is not sufficient to fund expected future cash flow needs, including funding future projected losses, and servicing existing debt obligations. L&F will hold a variable interest in ZeroFox as it will own 100%

of ZeroFox's equity. L&F is considered the primary beneficiary as its ownership will provide the power to direct the activities that most significantly impact ZeroFox's performance and the obligation to absorb the losses and/or receive the benefits of ZeroFox that could potentially be significant to ZeroFox. L&F is treated as the accounting acquirer.

L&F's acquisitions of ZeroFox and IDX are considered business combinations under ASC 805, Business Combinations, and will be accounted for using the acquisition method of accounting. The consideration transferred to effect the acquisitions will be allocated to the assets acquired and liabilities assumed based on their estimated acquisition-date fair values. The excess of consideration transferred over the fair values of assets acquired and liabilities assumed will be recorded as goodwill. Transaction costs related to the acquisitions of ZeroFox and IDX are expensed.

4. Exchange of Shares for Common Stock

Exchange of ZeroFox Shares for Common Stock

Based on 289,284,084 shares of ZeroFox common stock outstanding as of August 3, 2022 after the net exercise of certain warrants that occurred within a short period of time following completion of the Business Combination, and the ZF Mandatory Conversion (as such term is defined in the Business Combination Agreement) immediately prior to the Closing, and the ZF Closing Stock per Share Consideration (as such term is defined in the Business Combination Agreement), determined in accordance with the terms of the Business Combination Agreement, of approximately 0.2863 of a share of ZeroFox common stock, holders of ZeroFox common stock (excluding holders of certain ZeroFox warrants and ZeroFox options) received 82,830,308 shares of Common Stock in the Business Combination, and 784,907 shares of Common Stock from the net exercise of certain warrants the occurred within a short period of time following completion of the Business Combination, determined as follows:

| | ZeroFox Shares Outstanding as of August 3, 2022 | Conversion of ZeroFox Redeemable Convertible Preferred Stock into ZeroFox Common Stock | ZeroFox common stock outstanding prior to Closing | Assumed Net Exercise of Warrants | Proforma Total Common Stock Outstanding |
|--|--|--|---|---|---|
| Series Seed, par value \$0.00001 per share | 9,198,372 | (9,198,372) | — | — | — |
| Series A, par value \$0.00001 per share | 15,997,285 | (15,997,285) | — | 230,786 | — |
| Series B, par value \$0.00001 per share | 26,914,949 | (26,914,949) | — | 264,028 | — |
| Series C, par value \$0.00001 per share | 21,124,699 | (21,124,699) | — | — | — |
| Series C-1, par value \$0.00001 per share | 11,882,605 | (11,882,605) | — | — | — |
| Series D, par value \$0.00001 per share | 13,871,547 | (13,871,547) | — | — | — |
| Series D-1, par value \$0.00001 per share | 5,878,303 | (5,878,303) | — | — | — |
| Series D-2, par value \$0.00001 per share | 993,868 | (993,868) | — | — | — |
| Series E, par value \$0.00001 per share | 15,767,013 | (15,767,013) | — | 415,750 | — |

| | ZeroFox Shares Outstanding as of August 3, 2022 | Conversion of ZeroFox Redeemable Convertible Preferred Stock into ZeroFox Common Stock | ZeroFox common stock outstanding prior to Closing | Assumed Net Exercise of Warrants | Proforma Total Common Stock Outstanding |
|--|--|--|---|---|---|
| Common stock, par value \$0.00001 per share | 43,285,001 | 243,257,282 | 286,542,283 | 1,831,237 | |
| Total | 164,913,642 | 121,628,641 | 286,542,283 | 2,741,801 | 289,284,084 |
| ZF Closing Stock Per Share Consideration | | | 0.2863 | 0.2863 | 0.2863 |
| | | | 82,029,671 | 784,907 | 82,814,578 |
| Adjustment for fractional shares | | | 637 | | 637 |
| Estimated shares of New ZeroFox Common Stock issued to ZeroFox stockholders upon Closing | | | 82,030,308 | 784,907 | 82,815,215 |

Exchange of Shares of IDX Capital Stock for Shares of Common Stock

Based on 45,301,745 shares of IDX capital stock outstanding as of August 3, 2022, and the IDX Closing Stock Per Share Consideration (as such term is defined in the Business Combination Agreement), determined in accordance with the terms of the Business Combination Agreement, of approximately 0.6148 of a share of IDX capital stock, holders of IDX capital stock are expected to receive 27,849,942 shares of Common Stock in the Business Combination, determined as follows:

| | IDX Capital Stock outstanding as of August 3, 2022 | Conversion of IDX Redeemable Convertible Preferred Stock into IDX Common Stock | IDX Common Stock assumed outstanding prior to Closing |
|--|---|---|---|
| Series A-1, par value \$0.0001 per share | 5,882,350 | (5,882,350) | — |
| Series A-2, par value \$0.0001 per share | 26,194,324 | (26,194,324) | — |
| Common stock, par value \$0.0001 per share | 13,225,071 | 32,076,674 | 45,301,745 |
| | 45,301,745 | — | 45,301,745 |
| IDX Common Stock assumed outstanding prior to closing | | | 45,301,745 |
| IDX Closing Stock Per Share Consideration | | | 0.6148 |
| | | | 27,849,966 |
| Adjustment for fractional shares | | | (24) |
| Estimated shares of New ZeroFox Common Stock issued to IDX stockholders upon Closing | | | 27,849,942 |

5. Adjustments to the Unaudited Pro Forma Condensed Combined Statements of Operations

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

Pro Forma Adjustments Related to L&F:

- To adjust the historical operating results to reflect the period February 1, 2022, to August 2, 2022, by removing the activity for the one-month period ended January 1, 2022.

- b) To reflect the elimination of interest income related to the marketable securities held in the trust account.

Pro Forma Adjustments Related to ZeroFox:

- c) To reflect incremental amortization expense as a result of the fair value adjustment to intangible assets. Amortization expense related to developed technology is recorded as cost of revenue. Amortization expense related to the trade names and trademarks is recorded as general and administrative expense. Amortization expense related to customer relationships is recorded as sales and marketing expense.
- d) To reflect the prepayment penalty associated with the payment of ZeroFox's long-term debt with Orix.
- e) To reflect an adjustment to write-off the unamortized debt discounts related to ZeroFox's loan with Orix. The unamortized debt discounts include discounts due to unamortized debt issuance costs and warrants.
- f) To reflect an adjustment to eliminate interest expense, amortization of discount and debt issuance costs on the Orix loan as it is assumed that the related debt balance would have been paid off by ZeroFox on February 1, 2022.
- g) To reflect the elimination of the change in fair value of ZeroFox's warrant liabilities. It is assumed that the warrants to purchase ZeroFox's Series A, B, C, C-1, and E redeemable convertible preferred stock and warrants to purchase ZeroFox Common Stock will be net exercised on February 1, 2022.

Pro Forma Adjustments Related to IDX:

- h) To adjust the historical operating results to reflect the period February 1, 2022, to August 2, 2022, by removing the activity for the one-month period ended January 1, 2022.
- i) To reflect incremental amortization expense as a result of the fair value adjustment to intangible assets. Amortization expense related to developed technology is recorded as cost of revenue. Amortization expense related to the trade name is recorded as general and administrative expense. Amortization expense related to the Office of Personnel Management contract, breach-related contract, and customer relationships is recorded as sales and marketing expense.
- j) To reflect the elimination of interest expense and amortization of deferred debt issuance costs on IDX's loan with Comerica Bank as it is assumed that this debt balance is paid off upon Closing.
- k) To reflect the elimination of interest expense on IDX's related party convertible debt as it is assumed that this debt balance would have been paid off upon the Closing.
- l) To reflect the elimination of the change in fair value of IDX's related party convertible debt as it is assumed that this debt balance would have been paid off upon the Closing. In addition, to reflect the elimination of the change in fair value of IDX's warrant liabilities. It is assumed that the warrants to purchase IDX's capital stock will be net exercised on February 1, 2022.

Pro Forma Adjustments related to ZeroFox Holdings, Inc.:

- m) To reflect an adjustment to record cash interest expense of 7.00% and amortization of debt issuance costs on the Notes. The Notes bear interest at a rate of 7.00% per annum, payable quarterly in cash; provided, that the issuer may elect to pay interest in kind at a rate of 8.75% per annum. The preparation of the unaudited pro forma condensed combined statement of operations assumes the PIK interest option was elected consistently throughout the reporting period.
- n) The pro forma basic and diluted net loss per share amounts presented in the unaudited pro forma condensed combined statement of operations is based upon the number of New ZeroFox shares

outstanding as if the Business Combination occurred on February 1, 2022. The calculation of weighted-average shares outstanding for pro forma basic and diluted net loss per share assumes that the shares issuable in connection with the Business Combination have been outstanding for the entirety of the periods presented. The unaudited pro forma condensed combined statements of operations reflect net losses for the periods presented and, accordingly, no loss amounts have been allocated to the Sponsor Holders Earnout Shares. The Sponsor Holders Earnout Shares have also been excluded from basic and diluted pro forma net loss per share as such shares are subject to forfeiture until certain specified earnout triggering events have occurred.

Pro Forma weighted-average common shares outstanding—basic and diluted is calculated as follows for the year ended January 31, 2023:

| | Assuming Actual Redemptions into Cash |
|--|--|
| Assume conversion of Class B ordinary shares into ZeroFox Holdings, Inc. Common Stock effective February 1, 2022 as a result of assuming closing of the Business Combination on February 1, 2022 | 4,312,500 |
| Assume reclassification of L&F Class A ordinary shares no longer subject to redemption to ZeroFox Holdings, Inc. Common Stock as a result of assuming closing of the Business Combination on February 1, 2022 | 1,006,002 |
| Assume February 1, 2022 issuance of ZeroFox Holdings, Inc. Common Stock in connection with the closing of the Common Equity PIPE Investment Financing | 2,000,000 |
| Assume February 1, 2022 issuance of ZeroFox Holdings, Inc. Common Stock to ZeroFox shareholders as a result of assuming closing of the Business Combination on February 1, 2022 | 82,030,308 |
| Assume February 1, 2022 issuance of ZeroFox Holdings, Inc. Common Stock assuming the net exercise of ZeroFox warrants that were exercised within a short period of time following completion of the Business Combination as if they were net exercised on February 1, 2022 | 784,907 |
| Assume February 1, 2022 issuance of ZeroFox Holdings, Inc. Common Stock to IDX shareholders as a result of assuming closing of the Business Combination on February 1, 2022 | 27,849,942 |
| Pro forma weighted-average shares outstanding—basic and diluted | <u>117,983,659</u> |

6. Income Taxes

- o) The pro forma provision for income taxes for the year ended January 31, 2023, is as follows (in thousands):

| | L&F | ZF | IDX | ZF Holdings, Inc. | Total for The Year Ended January 31, 2023 |
|-------------------------------|-------------------------|-------------------------|-------------------------|---------------------------|---|
| Current Tax Expense | | | | | |
| Federal | \$ — | \$ — | \$ — | \$ — | \$ — |
| Foreign | — | 106 | — | 177 | 283 |
| State and Local | — | 5 | 361 | 292 | 658 |
| | — | 111 | 361 | 469 | 941 |
| Deferred Tax Expense | | | | | |
| Federal | (2,542) | (5,550) | (1,298) | (9,360) | (18,750) |
| Foreign | — | — | — | — | — |
| State and Local | (570) | (1,245) | (633) | (2,281) | (4,729) |
| | (3,112) | (6,795) | (1,931) | (11,641) | (23,479) |
| Change in Valuation Allowance | — | 623 | — | 650 | 1,273 |
| Total Tax Expense | <u>\$(3,112)</u> | <u>\$(6,061)</u> | <u>\$(1,570)</u> | <u>\$ (10,522)</u> | <u>\$ (21,265)</u> |

The reported pro forma income tax provision differs from the amount computed by applying the statutory US federal income tax rate to the loss before income taxes due to foreign non-deductible income and nondeductible expenses, primarily consisting of goodwill impairment and transaction costs. A reconciliation of the statutory US income tax rate to the effective pro forma income tax rate for the year ended January 31, 2023, is as follows:

| | The Year Ended January 31, 2023 |
|-------------------------------|--|
| US statutory rate | 21.00% |
| Goodwill impairment | -18.90% |
| Permanent differences | 0.41% |
| Change in Valuation Allowance | -0.16% |
| State Taxes | 0.43% |
| Foreign Taxes | -0.04% |
| Net income tax expense | <u>2.74%</u> |

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF ZEROFOX

You should read the following discussion and analysis of ZeroFox’s financial condition and results of operations in conjunction with the consolidated financial statements and the related notes included elsewhere in this prospectus. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, beliefs, and expectations that involve risks and uncertainties. Our actual results and the timing of events could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this prospectus, particularly in the sections of this prospectus titled “Risk Factors” and “Cautionary Note Regarding Forward-Looking Statements.” Unless otherwise indicated or the context otherwise requires, references in this Management’s Discussion and Analysis of Financial Condition and Results of Operations of ZeroFox section to “ZeroFox,” “we,” “us,” “our,” and other similar terms refer to ZeroFox Holdings, Inc. and its consolidated subsidiaries after the Closing of the Business Combination.

Overview

ZeroFox was formed through the merger of ZeroFox, Inc., ID Experts Holdings, Inc., and L&F Acquisition Corp (L&F) on August 3, 2022. ZeroFox, Inc. was founded in 2013 with the vision that the emergence and adoption of social media, mobile applications, and cloud computing by enterprises would fundamentally change the cybersecurity paradigm. Social media represents much more than a platform where individuals connect online. The adoption of social media revolutionized the way people communicate with each other and, subsequently, how enterprises and organizations enable communication among employees, customers, partners, and prospects. Mobile applications accelerated the digital transformation in which earlier versions of the web would need to become interactive and persist across multiple modern mediums. Furthermore, cloud computing’s continued evolution and adoption demonstrate how organizations are more comfortable with data residing beyond their traditional security perimeter outside of the historical boundaries of IT governance and control.

We provide customers with an innovative and comprehensive platform for external cybersecurity that protects organizations from threats outside the traditional corporate perimeter (our Platform). Our Platform protects our customers from threats to their organizations, brands, digital assets, and people. These threats include targeted phishing attacks, account takeovers, credential theft, data leakage, domain spoofing, and impersonations to name a few.

Our cloud-native platform combines protection, intelligence, adversary disruption, and response services into an integrated solution.

Our protection capabilities continuously monitor social, mobile, surface web, deep and dark web, email, and collaboration platforms and use artificial intelligence-powered analytics to identify threats. Our Platform processes millions of pieces of content, rich media, posts, messages, global intelligence, and threat actor activity across the digital landscape, including, without limitation, mobile app stores, social media sites, dark web forums, and discrete content sources. With the data we collect and process, we identify targeted phishing attacks, credential compromise, data exfiltration, brand hijacking, and executive and location threats across the public-facing surface web as well as the deep and dark web.

Our intelligence capabilities provide access to threat intelligence data as well as analysis and investigations provided by our threat intelligence experts.

Our adversary disruption capabilities enable the remediation of threats through automated takedowns of domains, impersonations, and malicious content, and facilitate the blocking of adversary infrastructure across various networks.

Our response services include breach response (notification, call center support, and identity protection) and incident response.

We sell subscriptions to our Platform to organizations of all sizes across multiple industries. We primarily sell subscriptions through our direct sales teams that leverage our global network of channel partners. A majority of our customers purchase subscription agreements with a term of one year. Our subscription agreements are generally priced on the number of assets protected and the desired levels of services. We generally recognize our subscription agreements ratably over the term of the agreement.

We also generate revenue from breach response services, incident response, investigative services, and training. Our breach response services can be priced on either a fixed price or variable price arrangement. A typical breach response arrangement includes breach notification services and a period of identity protection services. We recognize revenue for the breach notification services on completion of the notification and the identity protection on a ratable basis over the contract term, typically 15 months. Our incident response, investigative, and training services are generally priced on a fixed-fee basis and revenue is recognized as the services are performed.

As of January 31, 2023, we had over 1,200 subscription customers in 57 countries. One customer accounted for 47% of our revenue during period from August 4, 2022, to January 31, 2023 (the “Successor Period”).

COVID-19

The COVID-19 pandemic has further accelerated the movement toward a digital-first strategy for nearly every organization. Given unprecedented work from home arrangements and consumers’ increasing reliance on digital engagement for products and services, organizations and their security teams must implement new security strategies that protect against external threats to ensure trust and reduce risk. We believe that enterprises will face growing attacks on their public attack surface as modern IT infrastructure will be characterized by greater decentralization and collaboration that is dependent upon public networks.

We have shifted our approach from almost entirely in-person to a flexible work environment that is composed of in-person, hybrid in-person and remote, and fully remote. Our fully remote global team is supported and enabled for remote-only work. Our hybrid team has access to work in-person from designated offices and remote, and our in-person teams have designated offices they report to for work. The impact of the COVID-19 pandemic continues to rapidly evolve, and we will continue to monitor the situation and may take further actions that alter our business operations or that we determine are in the best interests of our employees, customers, partners, and other constituents. We do not know the full extent to which the COVID-19 pandemic may impact our business and our financial performance. For additional information related to risks related to the COVID-19 pandemic, see “Risk Factors—The COVID-19 pandemic could adversely affect our business, operating results, and financial condition”.

Russian Invasion of Ukraine

We are monitoring and responding to the effects of the conflict in Ukraine and the associated sanctions and other restrictions. The full impact of the conflict on our business operations and financial performance remains uncertain and will depend on future developments, including the severity and duration of the conflict and its impact on regional and global economic conditions. We will continue to monitor the effects of the conflict and assess the related restrictions and other effects and pursue prudent decisions for our team members, customers, and business.

Recent Acquisitions

On August 3, 2022, we completed the previously announced merger between L&F Acquisition Corp. (L&F), ZeroFox, Inc. and ID Experts Holdings, Inc. (IDX). The successful completion of the merger combined the

innovative platforms of ZeroFox, Inc. and IDX, providing customers a suite of external cybersecurity and identity and privacy protection solutions across a wide array of exposures, strengthened the Company's balance sheet through the repayment of \$50.2 million of debt, and provided \$50.0 million of total net cash proceeds to continue to fund the Company's ongoing growth and innovation.

Key Factors Affecting Performance

New Customer Acquisition

Our future growth depends in large part on our ability to acquire new customers. To attract new customers, we have invested, and will continue to invest, in our sales and marketing efforts. Many organizations have not yet adopted external cybersecurity solutions and our business and operating results will be affected by the rate at which organizations adopt our solutions. We believe our Platform addresses the evolving needs of organizations of all sizes and industries and coupled with our go-to-market strategy, presents significant opportunities for growth.

Investing in Growth

We intend to continue to invest in our business so that we can capitalize on our market opportunity. We intend to continue to invest in sales and marketing to grow our sales team, expand our brand recognition and optimize our channel partner network. We also intend to continue to invest in our research and development team to build additional functionality and enhance existing functionality in our Platform to extend our capabilities as our success is dependent on our ability to further our technological leadership. Additionally, we plan to evaluate strategic acquisitions of businesses and technologies to expand and enhance the functionality of our Platform.

Our investments in growth may adversely affect our operating results in the near term. However, we expect that these investments will contribute to our long-term growth and success.

If these investments do not lead to expected revenue growth, our operating losses may increase, we may not achieve profitability, and our growth rates may slow.

Retention and Expansion of Customers

Our ability to increase revenue depends in large part on our ability to retain our existing customers and grow the value of their subscriptions. We focus on increasing sales to our existing customers by increasing the number of protected assets and corresponding intelligence services delivered on and through our External Cybersecurity Platform. We intend to expand existing capabilities and launch new features which we believe will contribute to increased adoption by our growing base of customers. Our ability to expand within our customer base, particularly large enterprise and government customers, will depend on a number of factors, including platform performance, competitive offerings, pricing, overall changes in our customers' spending levels, and the effectiveness of our efforts to help our customers realize the benefits of our Platform.

Key Business Metrics

We monitor the following key metrics to help us evaluate our business, identify trends affecting our business, formulate business plans and make strategic directions.

Subscription Customers

We believe that the size of our customer base is an indicator of our market adoption and that our net new customer additions are an indicator of the growth of our business. We focus our sales and marketing efforts on large enterprises and medium-sized businesses. We define a subscription customer as any entity that has entered

into a distinct agreement for access to our Platform for which the term has not ended or with which we are continuing to provide service and negotiating a renewal contract that expired within 90 days of the applicable measurement date. We do not consider our channel partners as subscription customers, and we treat managed service security providers, who may purchase our products on behalf of multiple companies, as a single subscription customer. As of January 31, 2023, the Company had over 1,200 subscription customers.

Annual Recurring Revenue (“ARR”)

We believe that ARR is a key operating metric to measure our business as changes in ARR reflect our ability to acquire net new customers and to maintain, retain, and expand our relationships with our existing customers. We define ARR as the annualized contract value of all recurring revenue related to contracts in place at the end of the reporting date assuming any contract is renewed on its existing terms. We continue to include ARR from customers whose term has expired within 90 days of the applicable measurement date for which we are actively negotiating renewal. As of January 31, 2023, the Company had an ARR of \$156.7 million.

Components of Our Results of Operations

Revenue

We generate revenue from subscription agreements and from services, which includes breach response services.

Subscription revenue includes access to our hosted platform for protection, intelligence, disruption, and response capabilities along with credit and identity protection services. The majority of our customers are invoiced annually in advance of their subscription term. Our subscription agreements are “stand ready” to permit platform access and provide our protection services over the contractual term. We recognize subscription revenue ratably over the term of the agreement.

Services revenue includes breach response, training, and investigative services. Our breach response services can be priced on either a fixed price or variable price arrangement. A typical breach response arrangement includes breach notification services and a period of identity protection services. We recognize revenue for the breach notification services on completion of the notification and the identity protection services on a ratable basis over the contract term, which is typically 15 months. Our training and investigative services are generally priced on a fixed-fee basis and revenue is recognized as the services are performed.

Cost of Revenue

Costs of subscription revenue consist primarily of third-party cloud infrastructure expenses; fees paid to data providers; personnel-related costs such as salaries, bonuses, benefits, and stock-based compensation associated with customer support; software and subscription services used to support our customers; amortization of our capitalized internal-use software; travel and related expenses; amortization of acquired technology; and allocated overhead costs. Our allocated overhead costs include depreciation and information technology expenses.

Cost of services revenue consist primarily of fees to outsourced service providers for credit monitoring; call center operation; notification mailing; insurance; personnel-related costs such as salaries, bonuses, benefits, and stock-based compensation associated with breach project management and delivery, intelligence services, and other services; travel and related expenses; amortization of acquired technology; and allocated overhead costs. Our allocated overhead costs include depreciation and information technology expenses.

Operating Expenses

Our operating expenses consist of research and development, sales and marketing, and general and administrative expenses. Personnel-related expenses, including salaries, bonuses, commissions, benefits, and stock-based compensation are the most significant components of each of these categories. Operating expenses also include allocated overhead costs.

Research and Development

Research and development expenses consist primarily of personnel costs for our research, product and engineering teams, including salaries, bonuses, benefits, and stock-based compensation. Research and development expenses also include software, subscription services, and third-party cloud infrastructure incurred in the design and development of our hosted platform as well as allocated overhead costs.

We expect research and development expenses to increase in absolute dollars as we continue to invest in our Platform and services. However, we anticipate research and development expenses to decrease as a percentage of our revenue over time. Our research and development expenses may fluctuate as a percentage of our revenue from period-to-period depending on the timing of these expenses and the capitalization of expenses that qualify as internal-use software.

Sales and Marketing

Sales and marketing expenses consist primarily of personnel costs for our sales and marketing teams, including salaries, commissions, bonuses, benefits, and stock-based compensation. Sales and marketing expenses also include conferences, branding and other marketing events, software services, subscription services, travel and related expenses, amortization of acquired customer relationships, and allocated overhead costs. We capitalize and amortize sales commissions from the initial acquisition of a customer subscription agreement to sales and marketing expense over the estimated customer life. We capitalize and amortize sales commissions from breach service arrangements to sales and marketing expense over the service period. We capitalize and amortize commissions paid for the renewal of a customer's subscription over the term of the renewal.

We expect sales and marketing expenses to increase in absolute dollars as we continue to invest in our sales and marketing organization to drive additional revenue, further penetrate our market, and expand our global customer base. However, we anticipate sales and marketing expenses to decrease as a percentage of our revenue over time. Our sales and marketing expenses may fluctuate as a percentage of our revenue from period to period depending on the timing of these expenses.

General and Administrative

General and administrative expenses consist primarily of personnel costs for our executive, finance, legal, human resources, and information technology teams, including salaries, bonuses, benefits, and stock-based compensation. General and administrative expenses also include professional fees for external accounting, legal, and other advisory services, insurance, software and subscription services, travel and related expenses, facilities-related expenses, amortization of acquired trade names, and allocated overhead costs.

We expect to incur additional expenses as the result of operating as a public company, including costs related to additional reporting and compliance requirements applicable to a listed company and increased expenses for insurance, accounting, legal, and other services. We expect general and administrative expenses to increase in absolute dollars; however, we anticipate general and administrative expenses to decrease as a percentage of our revenue over time.

Goodwill Impairment

We record a goodwill impairment loss when, as a result of our annual test or interim test (if factors are present that require an interim test), the fair value of the Company's single reporting unit is below the carrying value of the Company's single reporting unit.

Interest Expense

Interest expense consists primarily of contractual interest expense, as well as amortization of debt discount and issuance costs related to our term loans and our Convertible Notes issued on August 3, 2022.

Other Income (Expense), Net

Other income (expense), net consists primarily of unrealized and realized gains and losses related to changes in foreign currency exchange rates.

Provision for Income Taxes

Provision for income taxes consists primarily of pre-tax losses and the reduction of deferred tax liabilities associated with the amortization of intangible assets with no tax basis acquired through the Business Combination. The provision also includes income taxes in foreign jurisdictions in which the Company operates.

Results of Operations

Results for the Period August 4, 2022, to January 31, 2023 (Successor) and February 1, 2022 to August 3, 2022 Compared to the Year Ended January 31, 2022 (Predecessor)

This section describes the results of the Company following the completion of the Business Combination which is the period August 4, 2022, to January 31, 2023 (the “Successor Period”) and the results of the Predecessor for the current year up until the completion of the Business Combination with a comparison to the results of the Predecessor’s prior year. There is no comparative analysis between the Successor Period and prior periods presented in the Consolidated Statement of Comprehensive Loss as there is a lack of comparability between the periods presented. The Successor Period includes the consolidated results of the Company, including the results of its consolidated subsidiaries, ZeroFox, Inc. and ID Experts Holdings, Inc. The prior periods presented include only the consolidated results of the Company’s predecessor, ZeroFox, Inc.

The following table sets forth our results of operations:

| (dollars in thousands) | Successor | Predecessor | |
|--|---------------------------------------|---------------------------------------|--------------------------------|
| | August 4, 2022 to January 31, 2023 | February 1, 2022 to August 3, 2022 | Year Ended January 31, 2022 |
| Revenue | | | |
| Subscription | \$ 31,679 | \$ 27,946 | \$ 45,117 |
| Services | 56,707 | 1,291 | 2,316 |
| Total revenue | 88,386 | 29,237 | 47,433 |
| Cost of revenue | | | |
| Subscription ⁽¹⁾ | 18,225 | 8,349 | 15,181 |
| Services ⁽¹⁾ | 43,600 | 457 | 1,176 |
| Total cost of revenue | 61,825 | 8,806 | 16,357 |
| Gross profit | 26,561 | 20,431 | 31,076 |
| Operating expenses | | | |
| Research and development ⁽¹⁾ | 12,134 | 8,092 | 12,810 |
| Sales and marketing ⁽¹⁾ | 35,859 | 18,516 | 29,873 |
| General and administrative ⁽¹⁾ | 18,218 | 10,093 | 16,408 |
| Goodwill impairment | 698,650 | — | — |
| Total operating expenses | 764,861 | 36,701 | 59,091 |
| Loss from operations | (738,300) | (16,270) | (28,015) |
| Interest expense, net | (7,867) | (2,965) | (3,585) |
| Change in fair value of warrant liability | 5,364 | (2,059) | (7,375) |
| Change in fair value of sponsor earnout shares | 9,634 | — | — |
| Loss before income taxes | (731,169) | (21,294) | (38,975) |
| (Benefit from) provision for income taxes | (10,522) | 111 | (536) |
| Net loss after tax | \$ (720,647) | \$ (21,405) | \$ (38,439) |

(1) includes stock-based compensation expense as follows:

| (dollars in thousands) | August 4, 2022 to January 31, 2023 | February 1, 2022 to August 3, 2022 | Year Ended January 31, 2022 |
|--|---------------------------------------|---------------------------------------|--------------------------------|
| Cost of revenue - subscription | \$ 97 | \$ 18 | \$ 50 |
| Cost of revenue - services | 36 | 2 | — |
| Research and development | 452 | 114 | 97 |
| Sales and marketing | 518 | 218 | 222 |
| General and administrative | 1,397 | 510 | 327 |
| Total stock-based compensation expense | \$ 2,500 | \$ 862 | \$ 696 |

The following tables disclose the components of our and the Predecessor's Consolidated Statements of Comprehensive Loss as a percentage of revenue for the Successor Period, the Predecessor's results for February 1, 2022, to August 3, 2022, and the Predecessor's prior year:

| <i>(as a percentage of total revenue)</i> | <u>August 4, 2022 to January 31, 2023</u> | <u>February 1, 2022 to August 3, 2022</u> | <u>Year Ended January 31, 2022</u> |
|---|---|---|--|
| Revenue | | | |
| Subscription | 36% | 96% | 95% |
| Services | 64% | 4% | 5% |
| Total revenue | 100% | 100% | 100% |
| Cost of revenue | | | |
| Subscription ⁽¹⁾ | 20% | 29% | 32% |
| Services ⁽¹⁾ | 50% | 2% | 2% |
| Total cost of revenue | 70% | 31% | 34% |
| Gross profit | 30% | 69% | 66% |
| Operating expenses | | | |
| Research and development ⁽¹⁾ | 14% | 28% | 27% |
| Sales and marketing ⁽¹⁾ | 41% | 63% | 63% |
| General and administrative ⁽¹⁾ | 21% | 35% | 35% |
| Goodwill impairment | 790% | — | — |
| Total operating expenses | 866% | 126% | 125% |
| Loss from operations | -836% | -57% | -59% |
| Interest expense, net | -9% | -10% | -8% |
| Change in fair value of warrant liability | 6% | -7% | -16% |
| Change in fair value of sponsor earnout shares | 11% | 0% | 0% |
| Loss before income taxes | -828% | -74% | -83% |
| (Benefit from) provision for income taxes | -12% | 0% | -1% |
| Net loss after tax | -816% | -74% | -82% |

(1) includes stock-based compensation expense as follows:

| <i>(as a percentage of total revenue)</i> | <u>August 4, 2022 to January 31, 2023</u> | <u>February 1, 2022 to August 3, 2022</u> | <u>Year Ended January 31, 2022</u> |
|---|---|---|--|
| Cost of revenue - subscription | 0% | 0% | 0% |
| Cost of revenue - services | 0% | 0% | 0% |
| Research and development | 1% | 0% | 0% |
| Sales and marketing | 1% | 1% | 0% |
| General and administrative | 2% | 2% | 1% |
| Total stock-based compensation expense | 4% | 3% | 1% |

Revenue

| (dollars in thousands) | Successor | Predecessor | | Change | |
|------------------------|---------------------------------------|---------------------------------------|--------------------------------|------------|------|
| | August 4, 2022 to January 31, 2023 | February 1, 2022 to August 3, 2022 | Year Ended January 31, 2022 | \$ | % |
| Subscription revenue | \$ 31,679 | \$ 27,946 | \$ 45,117 | \$(17,171) | -38% |
| Services revenue | | | | | |
| Breach | 54,791 | — | — | — | 0% |
| Other services | 1,916 | 1,291 | 2,316 | (1,025) | -44% |
| Total services revenue | 56,707 | 1,291 | 2,316 | (1,025) | -44% |
| Total | \$ 88,386 | \$ 29,237 | \$ 47,433 | \$(18,196) | -38% |

Revenue was \$88.4 million for the Successor Period, including \$31.7 million for subscription and \$56.7 million for services. Services revenue was primarily made up of breach response services of \$54.8 million.

Revenue was \$29.2 million for the period February 1, 2022, to August 3, 2022, including \$27.9 million for subscription and \$1.3 million for services. Revenue was \$47.4 million for the year-end ended January 31, 2022, including \$45.1 million for subscription and \$2.3 million for services. The reduction in revenue for the period February 1, 2022, to August 3, 2022, as compared to the year ended January 31, 2022, is due to the difference in the number of days between the two periods under comparison.

Cost of Revenue, Gross Profit, and Gross Margin

| (dollars in thousands) | Successor | Predecessor | | Change | |
|------------------------------|---|---|--------------------------------|------------|------|
| | August 4, 2022 through January 31, 2023 | February 1, 2022 through August 3, 2022 | Year Ended January 31, 2022 | \$ | % |
| Subscription cost of revenue | \$ 18,225 | \$ 8,349 | \$ 15,181 | \$ (6,832) | -45% |
| Services cost of revenue | 43,600 | 457 | 1,176 | (719) | -61% |
| Total cost of revenue | 61,825 | 8,806 | 16,357 | (7,551) | -46% |
| Subscription gross profit | 13,454 | 19,597 | 29,936 | (10,339) | -35% |
| Services gross profit | 13,107 | 834 | 1,140 | (306) | -27% |
| Total gross profit | \$ 26,561 | \$ 20,431 | \$ 31,076 | \$(10,645) | -34% |
| Subscription gross margin | 42% | 70% | 66% | | |
| Services gross margin | 23% | 65% | 49% | | |
| Total gross margin | 30% | 69% | 67% | | |

Cost of revenue was \$61.8 million for the Successor Period, including \$18.2 million for subscription and \$43.6 million for services. Cost of revenue for subscription was primarily made up of \$5.8 million for salaries, benefits, and other compensation related costs for employees that support the subscription platforms; \$9.4 million for amortization of acquired technology assets; and \$2.0 million for acquired data and software. Cost of revenue for services was primarily made up of \$32.7 million for acquired data, \$5.4 million for amortization of deferred contract set up costs, and \$2.1 million for salaries, benefits and other compensation related costs for employees that deliver the Company's professional service offerings.

Gross profit and gross profit margin for the Successor Period were \$26.6 million and 30%, respectively. Gross profit and gross profit margin for subscription for the Successor Period were \$13.5 million and 42%, respectively. Gross profit and gross profit margin for services for the Successor Period were \$13.1 million and 23%, respectively.

Cost of revenue was \$8.8 million for the period February 1, 2022, to August 3, 2022, including \$8.3 million for subscription and \$0.5 million for services. Cost of revenue for subscription was primarily made up of

\$5.5 million for salaries, benefits, and other compensation related costs for employees that support the subscription platforms and \$1.7 million for acquired data and software. Cost of revenue for services was primarily made up of \$0.5 million for salaries, benefits and other compensation related costs for employees that deliver the Company's service offerings.

Cost of revenue was \$16.4 million for year ended January 31, 2022, including \$15.2 million for subscription and \$1.2 million for services. Cost of revenue for subscription was primarily made up of \$10.6 million for salaries, benefits, and other compensation related costs for employees that support the subscription platforms and \$2.9 million for acquired data and software. Cost of revenue for services was primarily made up of \$1.2 million for salaries, benefits and other compensation related costs for employees that deliver the Company's professional service offerings. The reduction in cost of revenue for the period February 1, 2022, to August 3, 2022, as compared to the year ended January 31, 2022, is due to the difference in the number of days between the two periods under comparison.

Research and Development

| (dollars in thousands) | Successor | Predecessor | | Change | |
|--------------------------|---------------------------------------|---------------------------------------|--------------------------------|-----------|------|
| | August 4, 2022 to January 31, 2023 | February 1, 2022 to August 3, 2022 | Year Ended January 31, 2022 | \$ | % |
| Research and development | \$ 12,134 | \$ 8,092 | \$ 12,810 | \$(4,718) | -37% |

Research and Development cost was \$12.1 million for the Successor Period. Research and Development cost was primarily made up of \$10.0 million for salaries, benefits, and other compensation related costs for employees in software engineering and product development functions and \$1.0 million for hosting, acquired software, and software services.

Research and Development cost was \$8.1 million for the period February 1, 2022, to August 3, 2022. Research and Development cost was primarily made up of \$7.4 million for salaries, benefits, and other compensation related costs for employees in software engineering and product development functions and \$0.6 million for hosting, acquired software, and software services.

Research and Development cost was \$12.8 million for the year ended January 31, 2022. Research and Development cost was primarily made up of \$11.0 million for salaries, benefits, and other compensation related costs for employees in software engineering and product development functions and \$0.9 million for hosting, acquired software, and software services. The reduction in Research and Development cost for the period February 1, 2022, to August 3, 2022 as compared to the year ended January 31, 2022, is due to the difference in the number of days between the two periods under comparison.

Sales and Marketing

| (dollars in thousands) | Successor | Predecessor | | Change | |
|------------------------|---------------------------------------|---------------------------------------|--------------------------------|------------|------|
| | August 4, 2022 to January 31, 2023 | February 1, 2022 to August 3, 2022 | Year Ended January 31, 2022 | \$ | % |
| Sales and marketing | \$ 35,859 | \$ 18,516 | \$ 29,873 | \$(11,357) | -38% |

Sales and Marketing cost was \$35.9 million for the Successor Period. Sales and Marketing cost was primarily made up of \$19.1 million for salaries, benefits, and other compensation related costs for employees in sales and marketing functions, and \$11.9 million for amortization of acquired customer relationships intangible assets.

Sales and Marketing cost was \$18.5 million for the period February 1, 2022, to August 3, 2022. Sales and Marketing cost was primarily made up of \$13.2 million for salaries, benefits, and other compensation related costs for employees in sales and marketing functions and \$1.7 million for marketing activities including field events and online advertising.

Sales and Marketing cost was \$29.9 million for the year ended January 31, 2022. Sales and Marketing cost was primarily made up of \$23.3 million for salaries, benefits, and other compensation related costs for employees in sales and marketing functions and \$2.3 million for marketing activities including field events and online advertising. The reduction in Sales and Marketing cost for the period February 1, 2022, to August 3, 2022, as compared to the year ended January 31, 2022, is due to the difference in the number of days between the two periods under comparison.

General and Administrative

| (dollars in thousands) | Successor | Predecessor | | Change | |
|----------------------------|---------------------------------------|---------------------------------------|--------------------------------|-----------|------|
| | August 4, 2022 to January 31, 2023 | February 1, 2022 to August 3, 2022 | Year Ended January 31, 2022 | \$ | % |
| General and administrative | \$ 18,218 | \$ 10,093 | \$ 16,408 | \$(6,315) | -38% |

General and Administrative cost was \$18.2 million for the Successor Period. General and Administrative cost was primarily made up of \$6.9 million for salaries, benefits, and other compensation related costs for employees primarily in executive leadership, finance, accounting human resources, legal, and corporate IT; \$5.0 million for professional service fees, primarily legal and audit services; \$1.9 million for amortization of acquired trade names intangible assets; \$1.7 million for insurance; and \$1.0 million for rent and utilities.

General and Administrative cost was \$10.1 million for the period February 1, 2022, to August 3, 2022. General and Administrative cost was primarily made up of \$4.1 million for salaries, benefits, and other compensation related costs for employees primarily in executive leadership, finance, accounting human resources, legal, and corporate IT; \$3.4 million for professional service fees, primarily legal and audit services; \$0.8 for rent and related expenses; and \$0.4 million for amortization of intangible assets.

General and Administrative cost was \$16.4 million for the year ended January 31, 2022. General and Administrative cost was primarily made up of \$7.5 million for professional service fees, primarily legal and audit services; \$5.4 million for salaries, benefits, and other compensation related costs for employees primarily in executive leadership, finance, accounting human resources, legal, and corporate IT; and \$0.6 million for depreciation and amortization of intangible assets. The reduction in General and Administrative cost for the period February 1, 2022, to August 3, 2022, as compared to the year ended January 31, 2022, is due to the difference in the number of days between the two periods under comparison.

Goodwill Impairment

| (dollars in thousands) | Successor | Predecessor | | Change | |
|------------------------|--|---------------------------------------|--------------------------------|--------|----|
| | August 4, 2022 to January 31, 2023 | February 1, 2022 to August 3, 2022 | Year Ended January 31, 2022 | \$ | % |
| Goodwill impairment | \$ 698,650 | \$ — | \$ — | \$— | 0% |

The goodwill impairment charge was \$698.7 million for the Successor Period. The Company completed an interim goodwill impairment assessment, which resulted in an estimated fair value of the Company's single reporting unit of \$675.0 million. The estimated fair value of the reporting unit was below its carrying value of \$1,373.7 million.

The Predecessor recognized no goodwill impairment charges for the period February 1, 2022, to August 3, 2022, or for the year ended January 31, 2022.

Interest Expense, Net

| | Successor August 4, 2022 to January 31, 2023 | Predecessor February 1, 2022 to August 3, 2022 | Predecessor Year Ended January 31, 2022 | Change | |
|------------------------|---|--|---|---------|------|
| (dollars in thousands) | | | | \$ | % |
| Interest expense, net | \$ 7,867 | \$ 2,965 | \$ 3,585 | \$(620) | -17% |

Interest expense was \$7.9 million for the Successor Period. Interest expense was primarily made up of \$6.6 million for payment-in-kind interest at an annual rate of 8.75% on the Company's Convertible Notes and \$1.1 million for a prepayment penalty associated with the repayment of the Predecessor's notes payable to Orix Growth Capital, LLC.

Interest expense was \$3.0 million for the period February 1, 2022, to August 3, 2022. Interest expense was primarily related to interest payments for the Predecessor's credit agreements with Stifel Bank and Orix Growth Capital, LLC.

Interest expense was \$3.6 million for the year ended January 31, 2022. The reduction in interest expense for the period February 1, 2022, to August 3, 2022, as compared to the year ended January 31, 2022, is due to the difference in the number of days between the two periods under comparison, offset by increases in the Company's debt balances and rising interest rates for notes with variable interest rates.

Change in the Fair Market Value of Sponsor Earnout Shares

| | Successor August 4, 2022 to January 31, 2023 | Predecessor February 1, 2022 to August 3, 2022 | Predecessor Year Ended January 31, 2022 | Change | |
|--|--|--|---|--------|----|
| (dollars in thousands) | | | | \$ | % |
| Change in fair value of sponsor earnout shares | \$ 9,634 | \$ — | \$ — | \$— | 0% |

The change in the fair market value of the Sponsor Earnout Shares was a gain of \$9.6 million. The gain was due to the recognition of the initial Sponsor Earnout Shares liability of \$12.1 million as part of the Business Combination and thus, no recognition of loss in the Company's Successor Period and the mark-to-market adjustment of \$(9.6) million, reducing the liability to its January 31, 2023, fair value of \$2.5 million. The reduction in the fair market value of the Sponsor Earnout Shares liability was primarily driven by the reduction in the public trading price of the Company's Common Stock from August 3, 2022, to January 31, 2023.

There was no gain or loss recognized for change in fair market value of the Sponsor Earnout Shares for the period February 1, 2022, to August 3, 2022, or the year ended January 31, 2022, as the liability for the Sponsor Earnout Shares was only recognized as part of the completion of the Business Combination on August 3, 2022.

Change in the Fair Market Value of Warrants

| | Successor August 4, 2022 to January 31, 2023 | Predecessor February 1, 2022 to August 3, 2022 | Predecessor Year Ended January 31, 2022 | Change | |
|---|--|--|---|---------|------|
| (dollars in thousands) | | | | \$ | % |
| Change in fair value of warrant liability | \$ 5,364 | \$ (2,059) | \$ (7,375) | \$5,316 | -72% |

The change in fair market value of warrants was a gain of \$5.4 million for the Successor Period. The gain was due to the change in fair value of the Company's Public Warrants and Private Warrants. The liability for the Company's Public Warrants and Private Warrants was recorded at fair value as of August 3, 2022, a balance of \$7.9 million. The Company recorded a mark to market adjustment of \$(5.4) million reducing the liability to its January 31, 2023, fair value of \$2.6 million. The reduction in the fair value of the Company's warrant liability

was driven by the reduction in the public trading price for the Company's Publicly Warrants from August 3, 2022, to January 31, 2023. The Company's Private Warrants are economically similar to the Public Warrants and as such, use the price of the Company's Publicly Warrants price as an indicator of fair value.

The change in fair market value of warrants was a loss of \$2.1 million for the period February 1, 2022, to August 3, 2022. The loss recognized during the period February 1, 2022, to August 3, 2022, reflected the increase in the estimated fair value of the Predecessor's common stock.

The change in fair market value of warrants was a loss of \$7.4 million for the year ended January 31, 2022. The loss recognized during the year ended January 31, 2022, reflected the increase in the estimated fair value of the Predecessor's common stock. The reduction in change in the fair market value for warrants for the period February 1, 2022, to August 3, 2022, as compared to the year ended January 31, 2022, is due to a larger relative increase in the estimated fair value for the Company's Common Stock during the year ended January 31, 2022, as compared to the period February 1, 2022, to August 3, 2022.

Provision for Income Taxes

| (dollars in thousands) | Successor | Predecessor | | Change | |
|---|------------------------------------|------------------------------------|-----------------------------|--------|-------|
| | August 4, 2022 to January 31, 2023 | February 1, 2022 to August 3, 2022 | Year Ended January 31, 2022 | \$ | % |
| (Benefit from) provision for income taxes | \$ (10,522) | \$ 111 | \$ (536) | \$647 | -121% |

The benefit from income taxes was \$10.5 million for the Successor Period. The benefit was primarily due to the impact of pre-tax losses offset by the impairment of non-deductible goodwill.

Due to the sustained net losses, the Predecessor had recorded a full valuation allowance against all its deferred tax assets during the period February 1, 2022, to August 3, 2022, and for the year ended January 31, 2022. The provision for income taxes during the period February 1, 2022, to August 3, 2022, was related to income taxes of our foreign subsidiaries.

Critical Accounting Estimates

Our management's discussion and analysis of financial condition and results of operations is based upon our financial statements and notes to our financial statements, which were prepared in accordance with US GAAP. The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Our management evaluates our estimates on an ongoing basis, including those related to the allowance for doubtful accounts, the carrying value and useful lives of long-lived assets, the fair value of financial instruments, the recognition and disclosure of contingent liabilities, income taxes, and stock-based compensation. We base our estimates and judgments on our historical experience, knowledge of factors affecting our business and our belief as to what could occur in the future considering available information and assumptions that are believed to be reasonable under the circumstances.

The accounting estimates we use in the preparation of our financial statements will change as new events occur, more experience is acquired, additional information is obtained, and our operating environment changes. Changes in estimates are made when circumstances warrant. Such changes in estimates and refinements in estimation methodologies are reflected in our reported results of operations and, if material, the effects of changes in estimates are disclosed in the notes to our financial statements. By their nature, these estimates and judgments are subject to an inherent degree of uncertainty and actual results could differ materially from the amounts reported based on these estimates.

The critical accounting estimates, assumptions, and judgments that we believe have the most significant impact on our consolidated financial statements are described below.

Revenue Recognition

Description

We recognize revenue in accordance with ASC 606, *Revenue from Contracts with Customers*. Revenue is recognized when a customer obtains control of promised services in an amount that reflects the consideration we expect to be entitled to receive in exchange for those services. In recognizing revenue, we apply the following five steps:

- Identify contracts with customers,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to performance obligations in the contract, and
- Recognize revenue when or as performance obligations are satisfied.

Judgments and Uncertainties

We apply judgment in determining the customer's ability and intent to pay, including the customer's historical payment experience or credit and financial information pertaining to the customer.

Our contracts may contain multiple performance obligations which are accounted for separately if they are capable of being distinct or are distinct in the context of the contract. Contracts with multiple performance obligations require an allocation of the transaction price to each performance obligation based on the stand-alone selling price (SSP) of each performance obligation, using the relative selling price method of allocation. We apply judgment in determining SSP for our performance obligations utilizing our observable standalone sales, sales of bundled items when standalone sales are not available, and our overall pricing methodology. Relative changes in SSP estimates between performance obligations which have different patterns of recognition, point-in-time versus over time, can impact the amount of revenue we recognize in a period.

Subscription revenue: Subscription revenue consists of revenue from subscriptions to access our Platform together with related data and support service offerings. Revenue is recognized over time on a ratable basis over the contract term beginning on the date that our service is made available to the customer. Customers have the option to purchase additional subscription and support services at a stated price. These options do not represent an additional performance obligation that would require an allocation of the transaction price.

Services revenue, breach services: The typical breach services arrangement includes three performance obligations: notification, identity protection services enrollment call center, and identity protection services. The notification and identity protection services are considered distinct performance obligations. Revenue is allocated to the notification and identity protection services based on the SSP of each, using the relative selling price method of allocation. We apply judgment in determining SSP for our performance obligations utilizing our observable standalone sales, sales of bundled items when standalone sales are not available, and our overall pricing methodology. Revenue for the notification performance obligation is recognized when the notifications are sent and the identity protection service is recognized over the service period, which is typically 15 months. At inception of the contract, there is an element of variable consideration related to our estimate of the enrollment in the identity protection services call center as the actual amount is unknown until completion of the call center term.

Services revenue, all other: All of our services are considered distinct performance obligations when sold on a stand-alone basis. Revenue is generally recognized at the point in time when the professional service is delivered.

Sensitivity of Estimate to Change

We do not expect relative SSP estimates to change materially period to period.

Services revenue accounted for 64% of total revenue for the Successor Period. Most breach services arrangements include performance obligations satisfied at both a point-in-time and over time. An assumed 10% relative shift in SSP estimates to point-in-time performance obligations versus over time would not cause a material increase in revenue for the Successor Period.

Subscription revenue accounted for 36% of total revenue for the Successor Period. Some customer arrangements include both subscription performance obligations that are satisfied over time and service-related performance obligations that are satisfied at a point-in-time. An assumed 10% relative shift in SSP estimates to point-in-time performance obligations versus over time would not cause a material increase in revenue for the Successor Period.

Deferred Contract Acquisition Costs

Description

Contract acquisition costs are related to sales commissions earned, which represent incremental costs to obtain a contract. We amortize the initial commissions over the longer of the customer relationship or over the same period as the initial revenue arrangement to which these costs relate.

Judgments and Uncertainties

The critical accounting estimate for deferred contract acquisition costs is the amortizable life of the asset. We have estimated the period of benefit for new customer relationships to be 3 years. Management monitors trends in customer attrition and the typical term of service arrangements to determine if the estimated amortizable life estimate should be updated.

Sensitivity of Estimate to Change

We do not expect the useful life estimate to deviate materially period to period. The decrease to amortization expense for the Successor Period for change of one year to the estimated life of our customer relationships would be approximately \$0.3 million.

Stock-Based Compensation

Description

We account for stock-based compensation in accordance with ASC 718, *Compensation—Stock Compensation*. ASC 718 requires that the cost of awards of equity instruments offered in exchange for employee services, including employee stock options and restricted stock unit awards (RSUs), be measured based on the grant-date fair value of the award. We determine the fair value of options granted using the Black-Scholes model, which requires the input of subjective assumptions. We recognize the fair value of stock option awards, net of estimated forfeitures, over the period which an employee is required to provide service in exchange for the award, generally the vesting period. The fair value of restricted stock unit awards is based on the closing price of our Common Stock on the date of grant. We recognize the fair value of restricted stock unit awards, net of estimated forfeitures, as expense over the requisite service period of the awards.

Judgments and Uncertainties

The critical accounting estimates related to stock-based compensation are the assumptions utilized in the Black-Scholes valuation model and our estimate of award forfeitures.

The assumptions used by management in the Black-Scholes model are as follows:

- Fair value of common stock. Our Common Stock is publicly traded under the ticker “ZFOX”. We use the closing price of our Common Stock on the date of grant.
- Expected term. The expected term represents the period of time that options granted are expected to remain unexercised. We calculate the expected term using the simplified method, which equals the midpoint of the options’ vesting term and contractual period.
- Expected Volatility. As our Common Stock has been publicly traded only for a short time, we estimate the expected volatility based on historical volatilities of comparable public traded companies. The Company expects to continue to use this methodology until such time as the Company’s Common Stock has a sufficient amount of historical data to reasonably calculate the volatility of the Company’s Stock.
- Risk-free interest rate. We use the U.S. Treasury yield for a period that corresponds to the expected term of the award.
- Dividend yield. We do not currently issue dividends and do not expect to issue dividends in the foreseeable future. Accordingly, our dividend yield is zero.
- The Company estimates the rate of option forfeiture by monitoring the rate of employee turnover and average tenure at separation of employment.

Sensitivity of Estimate to Change

These estimates involve inherent uncertainties and the application of management’s judgement. If the Company had made different assumptions, the Company’s stock-based compensation expense and its net loss could have been materially different.

An increase in risk-free interest rate will reduce the estimated fair value of a stock option grant, while a decrease in these factors will have an opposite effect.

A decrease in volatility and expected term will decrease the estimated fair value of a stock option grant, while an increase in these factors will have an opposite effect. The Company utilizes a consistent group of peer companies unless one or more of those companies cease to be publicly traded or are no longer similar to the Company’s business. In cases where a peer group company is no longer able to be used, the Company identifies a replacement peer company for its volatility calculation. Once the Company’s Common Stock has a sufficient, representative trading history on which to base a volatility factor estimate, we will change to an estimate based on the Company’s Common Stock. We do not expect to change the volatility estimation methodology in the next twelve months. When we do change the method, it will apply to new stock-based awards on a prospective basis.

The Company does not expect to change the dividend yield assumption in the near future. A decrease in the Company’s estimate of option forfeiture will increase the amount of stock option expense recognized in a period while an increase will have the opposite effect.

Business Combinations

Description

We account for the acquisition of a business using the acquisition method of accounting, which requires us to estimate the fair values of the tangible and intangible assets acquired and liabilities assumed. When determining the fair value of assets acquired and liabilities assumed, we make estimates and assumptions, especially with respect to intangible assets such as identified acquired technology and customer relationships. We generally determine the fair value of acquired technology using the relief from royalty method. We determine the fair value of customer relationships using the multi-period excess earnings method, a form of the income approach.

Significant changes in assumptions and estimates subsequent to completing the allocation of the purchase price to the assets and liabilities acquired, as well as differences in actual and estimated results, could result in material impacts to our financial results. Additional information related to the acquisition date fair value of acquired assets and liabilities obtained during the allocation period, not to exceed one year, may result in changes to the recorded values of acquired assets and liabilities, resulting in an offsetting adjustment to the goodwill associated with the business acquired.

Judgments and Uncertainties

Estimates in valuing identifiable intangible assets include, but are not limited to, the selection of valuation methodologies, future expected cash flows, discount rates, and useful lives. Our estimate of fair value is based on assumptions we believe to be reasonable, but which are inherently uncertain and, as a result, actual results may differ from estimates.

Sensitivity of Estimate to Change

Additional information related to the acquisition date fair value of acquired assets and liabilities obtained during the measurement period, not to exceed one year, may result in changes to the recorded values of acquired assets and liabilities. Offsetting adjustments are recorded to goodwill. Any adjustments made after the measurement period will be reflected in the Consolidated Statements of Operations.

The impact to our financial statements for a change of one year to the estimated lives our acquired intangible assets would be approximately \$4.5 million for the Successor Period.

Goodwill

The excess of the fair value of purchase consideration over the values of the identifiable assets acquired and liabilities assumed is recorded as goodwill. We perform our annual goodwill impairment assessment on November 1, or when an assessment of qualitative factors indicates an impairment may have occurred. The qualitative assessment includes an evaluation of events and circumstances including long-term growth projections, profitability, industry, market and macroeconomic conditions. The quantitative assessment includes an analysis that compares the fair value of a reporting unit to its carrying value including goodwill recorded by the reporting unit.

Judgments and Uncertainties

Management applies judgement to determine the number of reporting units and if circumstances or events indicate if an impairment may exist. We have determined that the Company operates as a single reporting unit. As such, we perform the impairment assessment for goodwill at the enterprise level.

We determine the fair value of our reporting unit using a combination of the income and market approaches. The results from each of these approaches are weighted appropriately taking into account the relevance and availability of data at the time we perform the valuation. The estimate of the fair value of the related reporting unit includes several judgments, each with inherent uncertainties such as projections of revenue growth rates, gross margin, and projected future cash flows of the reporting unit and the discount rate applied to those projected future cash flows.

The discount rate used in the income approach is based on our weighted-average cost of capital and may be adjusted for the relevant risks associated with business-specific characteristics and any uncertainty related to the reporting unit's ability to execute on the projected future cash flows. Under the market approach, the fair value is determined using certain financial metrics of publicly traded companies and historically completed transactions of comparable businesses. The selection of comparable businesses requires judgment and is based on the markets

in which we operate giving consideration to, among other things, risk profiles, size, and geography. The market approach may also be limited in instances where there is a lack of recently executed transactions of comparable businesses.

Determining the fair value of our reporting unit requires judgment and the use of significant estimates and assumptions. Given the current competitive and macroeconomic environment and the uncertainties regarding the related impact on the business, there can be no assurance that the estimates and assumptions made for purposes of the Company's interim and annual goodwill impairment tests will prove to be accurate predictions of the future. If the Company's assumptions are not realized, the Company may record additional goodwill impairment charges in the future. It is not possible at this time to determine if any such future impairment charge would result or whether such charge would be material.

Sensitivity of Estimate to Change

As of October 31, 2022, the Company concluded that it was more likely than not that the estimated fair value of its reporting unit was less than its carrying value. Accordingly, in connection with its annual test as of November 1, 2022, the Company completed an interim goodwill impairment assessment. Based on our quantitative assessment the Company determined the fair value of the Company's single reporting unit as of October 31, 2022, was \$675.0 million. As this amount was less than the reporting unit's carrying value of \$1,373.7 million, we recorded a goodwill impairment charge of \$698.7 million.

Liquidity and Capital Resources

We have financed operations primarily through the sale of equity securities, borrowings under various security and loan agreements, and payments from customers. Our operating losses have been significant, as reflected in our accumulated deficit of \$754.7 million as of January 31, 2023.

In connection with the Business Combination completed on August 3, 2022, we received total net cash proceeds of \$67.6 million, inclusive of the cash balances obtained through the merger with ZeroFox, Inc. and IDX. The majority of the net proceeds of the Business Combination were provided by the Convertible Notes financing of \$150.0 million, the Common Equity PIPE financing of \$20.0 million, and L&F's trust account, net of redemptions, of \$10.2 million. The proceeds of the Business Combination were partially offset by the cash portion of the purchase price paid for IDX, net of cash acquired, of \$(49.4) million; the cash portion of the purchase price paid for ZeroFox, net of cash acquired, of \$(48.4) million; repurchases of class A ordinary shares due to the exercises of the redemption rights of those shares of \$(24.6) million; and payment of transaction related costs of \$(14.4) million. We believe that our cash on hand and the net proceeds of the Business Combination will be sufficient to meet our cash requirements for at least the twelve months following the date of this prospectus.

Additional future sources of liquidity may come from the issuance of additional debt, exercise of warrants, and/or the issuance of new shares of Common Stock. In the case of additional debt, we are permitted by the indenture governing the Convertible Notes to issue no more than \$50.0 million of senior debt. If we raise funds by issuing debt securities, such debt securities would have rights, preferences and privileges senior to those of holders of our Common Stock. The terms of debt securities or borrowings could impose significant restrictions on our operations. For warrants, the Company will receive the proceeds from the cash exercise of any warrants. The aggregate proceeds of the exercise of all outstanding warrants, assuming cash exercise, would be \$186.5 million. We believe the likelihood that warrant holders will exercise their warrants, and therefore the amount of cash proceeds that we would receive, is dependent upon the market price of our Common Stock. On March 28, 2023, the last reported sales price of our Common Stock on the Nasdaq Global Market was \$1.33 per share. If the market price for our Common Stock is less than \$11.50 per share, we believe the warrant holders will be unlikely to exercise their warrants. We may issue additional shares of our Common Stock or other equity securities of equal or senior rank in the future for investment or operational purposes. If we issue additional shares of Common Stock, dilution to our public shareholders may occur and the market price for our Common Stock may

decrease and/or become more volatile. The amount, timing, and mix (be it debt or equity) of future amounts of liquidity will depend upon the judgment of management, the market price of our Common Stock, and prevailing interest rates, among other factors.

Future capital requirements will depend on many factors including, but not limited to, cash collected from customers, additional borrowing, acceleration of sales and marketing costs to facilitate revenue expansion, and the continued adoption of our subscription products. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, financial condition and results of operations would be harmed. To support the growth of our business, we may need to incur additional indebtedness under our existing loan agreement or seek capital through new equity or debt financing, which sources of additional capital may not be available to us on acceptable terms or at all.

Cash Flows

The following table presents a summary of our cash flows for the Successor Period:

| <i>(dollars in thousands)</i> | August 4, 2022 to January 31, 2023 |
|--|---|
| Cash, cash equivalents, and restricted cash at beginning of period | \$ 210 |
| Net cash used in operating activities | (27,406) |
| Net cash used in investing activities | (63,899) |
| Net cash used in financing activities | 138,845 |
| Foreign exchange translation adjustments | (101) |
| Cash, cash equivalents, and restricted cash at end of period | <u>\$ 47,649</u> |

Operating Activities

Our largest source of cash is payments from customers. Our primary uses of cash stem from personnel-related expense, third-party hosting expense, data source expense, and overhead expense, which is primarily comprised of IT support, facilities, and insurance expense. Cash used in operating activities primarily consists of our net losses from operations adjusted for non-cash expenses, including stock-based compensation expense, depreciation and amortization expense, goodwill impairment charges, and changes in period operating assets and liabilities.

Cash used in operating activities was \$(27.4) million for the Successor Period. The cash used in operating activities consisted of our net loss of \$(720.6) million adjusted by non-cash reconciling items of \$705.8 million and net cash outflows of from changes in operating assets and liabilities of \$(12.5) million, primarily due to a decrease in accounts payable, accrued compensation, accrued expenses and other current liabilities of \$(8.3) million, an increase in accounts receivable of \$(3.7) million, and an increase in deferred contract acquisition costs of \$(1.3) million.

Investing Activities

Cash used in investing activities was \$(63.9) million for the Successor Period. The cash used in investing activities primarily consisted of the net purchase price paid to complete the acquisition of IDX of \$(49.8) million, and the net purchase price paid to complete the acquisition of ZeroFox, Inc., of \$(48.4) million. The uses of cash were partially offset by the proceeds from the Trust Account of \$34.9 million.

Financing Activities

Cash provided by financing activities was \$138.8 million for the Successor Period. The cash provided by financing activities primarily consisted of the net proceeds from the issuance of Convertible Notes of \$149.9 million and the proceeds from the PIPE investment of \$20.0 million, partially offset by the repurchase of Class A Ordinary Shares, due to the holders of those shares exercising their redemption rights, of \$(24.6) million, and payment of a deferred underwriting fee of \$(6.1) million.

Debt Obligations

The following table presents a summary of our debt obligations as of January 31, 2023:

| | As of January 31, 2023 | | | | | | |
|------------------------|------------------------|------------------|-----------------------------------|--|--------------------------|--------------------|------------------|
| (dollars in thousands) | Stated Interest Rate | Gross Balance | Unamortized Debt Discount | Unamortized Deferred Debt Issuance Costs | Discount on Note Payable | Net Carrying Value | |
| Stifel Bank | 8.50% | \$ 15,000 | \$ — | \$ — | \$ — | \$ 15,000 | |
| InfoArmor | 5.50% | 2,344 | — | — | — | 2,344 | |
| Convertible notes | 7.00% Cash / 8.75% PIK | 156,564 | — | (127) | — | 156,437 | |
| | | <u>\$173,908</u> | <u>\$ —</u> | <u>\$ (127)</u> | <u>\$ —</u> | <u>\$173,781</u> | |
| | | | Current portion of long-term debt | | | | \$ 15,938 |
| | | | Long-term debt | | | | 157,843 |
| | | | | | | | <u>\$173,781</u> |

Material Cash Requirements

Our material cash requirements are associated with repayment of debt and obligations associated with non-cancelable contracts for the purchase of goods and third-party services and operating leases. We expect to satisfy these cash requirements through the cash available on our balance sheet.

The following table summarizes current and long-term material cash requirements as of January 31, 2023:

| (dollars in thousands) | As of January 31, 2023 | | | | | Total |
|-------------------------------------|------------------------|------------------|------------------|-------------|--|------------------|
| | Thereafter | Less than 1 year | 1-3 years | 3-5 years | | |
| Operating leases ⁽¹⁾ | \$ — | \$ 781 | \$ 599 | \$ — | | \$ 1,380 |
| Purchase commitments ⁽²⁾ | — | 29,486 | 255 | — | | 29,741 |
| Debt repayments | — | 15,938 | 157,970 | — | | 173,908 |
| Total | <u>\$ —</u> | <u>\$ 46,205</u> | <u>\$158,824</u> | <u>\$ —</u> | | <u>\$205,029</u> |

(1) Relates to our office facilities.

(2) Relates to our non-cancelable purchase commitments to purchase products and services entered into in the normal course of business.

Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

As of January 31, 2023, we had \$173.9 million of outstanding borrowings for our Convertible Notes and term loans. As part of the Business Combination completed on August 3, 2022, we obtained \$150 million of Convertible Notes. The Convertible Notes have a fixed interest rate of 7.0%, if interest is paid in cash, or 8.75% if interest is paid in-kind. Of our notes outstanding after completion of the Business Combination, the

Convertible Notes and InfoArmor note have fixed interest rates and the Stifel Bank note has a variable interest rate that would subject us to interest rate fluctuations.

We do not believe a hypothetical 10% increase or decrease in interest rates would have had a material impact on our financial statements as it is only the Stifel Bank note that is subject to a variable interest rate.

Foreign Currency Risk

To date, the majority of our sales contracts have been denominated in U.S. dollars (USD) with a limited number of contracts denominated in foreign currencies. Revenue denominated in non-USD was approximately 3% for the Successor Period. Operating expenses within the United States are primarily denominated in U.S. Dollars, while operating expenses incurred outside the United States are primarily denominated in each country's respective local currency.

The functional currency of our foreign subsidiaries is each country's respective local currency. Assets and liabilities of the foreign subsidiaries are translated into USD at the exchange rates in effect at the reporting date, and income and expenses are translated at average exchange rates during the period, with the resulting translation adjustments directly recorded as a component of accumulated other comprehensive income (loss). Foreign currency transaction gains and losses are recorded in other income (expense), net in the Consolidated Statement of Comprehensive Loss. As the impact of foreign currency exchange rates has not been material to our operating results, we have not entered into derivative or hedging transactions, but we may do so in the future if our exposure to foreign currency becomes more significant.

We do not believe a hypothetical 10% increase or decrease in foreign exchange rates would have had a material impact on our financial statements.

Non-GAAP Financial Measures

In addition to our results determined in accordance with US GAAP, we believe the following non-GAAP measures are useful in evaluating our operating performance. We use the following non-GAAP financial information to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that non-GAAP financial information, when taken collectively, may be helpful to investors because it provides consistency and comparability with past financial performance by excluding certain items that may not be indicative of our business, results of operations, or outlook. However, non-GAAP financial information is presented for supplemental informational purposes only, has limitations as an analytical tool, and should not be considered in isolation or as a substitute for financial information presented in accordance with US GAAP.

Other companies, including companies in our industry, may calculate similarly titled non-GAAP measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison. In particular, free cash flow is not a substitute for cash used in operating activities. Additionally, the utility of free cash flow as a measure of our liquidity is limited as it does not represent the total increase or decrease in our cash balance for a given period.

Below, we have provided a reconciliation for each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with GAAP. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures and not rely on any single financial measure to evaluate our business.

Non-GAAP Gross Profit and Non-GAAP Gross Margin

We believe non-GAAP gross profit and non-GAAP gross margin provide our management and investors consistency and comparability with our past financial performance and facilitate period-to-period comparisons of operations, as these measures eliminate the effects of certain variables unrelated to our overall operating performance.

Non-GAAP Gross Profit and Non-GAAP Gross Margin

We define non-GAAP gross profit and non-GAAP gross margin as US GAAP gross profit and US GAAP gross margin, respectively, excluding stock-based compensation expense and amortization of acquired intangible assets.

The following table provides a reconciliation of our US GAAP gross profit to our non-GAAP gross profit and of our US GAAP gross margin to our non-GAAP gross margin, for the Successor Period:

| <i>(dollars in thousands)</i> | August 4, 2022 to January 31, 2023 |
|---|---|
| Revenue | \$ 88,386 |
| Gross profit | 26,561 |
| Add: Stock-based compensation expense | 133 |
| Add: Amortization of acquired intangible assets | 9,425 |
| Non-GAAP gross profit | <u>\$ 36,119</u> |
| Gross margin | 30% |
| Non-GAAP gross margin | 41% |

Subscription Non-GAAP Gross Profit and Non-GAAP Gross Margin

We define subscription non-GAAP gross profit and subscription non-GAAP gross margin as US GAAP subscription gross profit and US GAAP subscription gross margin, respectively, excluding stock-based compensation expense and amortization of acquired intangible assets.

The following table provides a reconciliation of our US GAAP subscription gross profit to our non-GAAP subscription gross profit and of our US GAAP subscription gross margin to our non-GAAP subscription gross margin, for the Successor Period:

| <i>(dollars in thousands)</i> | August 4, 2022 to January 31, 2023 |
|---|---|
| Subscription revenue | \$ 31,679 |
| Subscription gross profit | 13,454 |
| Add: Stock-based compensation expense | 97 |
| Add: Amortization of acquired intangible assets | 9,425 |
| Non-GAAP subscription gross profit | <u>\$ 22,976</u> |
| Subscription gross margin | 42% |
| Non-GAAP subscription gross margin | 73% |

Services Non-GAAP Gross Profit and Non-GAAP Gross Margin

We define services non-GAAP gross profit and services non-GAAP gross margin as US GAAP services gross profit and US GAAP services gross margin, respectively, excluding stock-based compensation expense. There is no amortization of intangible assets expenses recorded in services US GAAP gross profit and therefore, no exclusion is necessary.

The following table provides a reconciliation of our US GAAP services gross profit to our non-GAAP services gross profit and of our US GAAP services gross margin to our non-GAAP services gross margin, for the Successor Period:

| <i>(dollars in thousands)</i> | August 4, 2022 to January 31, 2023 |
|---------------------------------------|---|
| Services revenue | \$ 56,707 |
| Services gross profit | 13,107 |
| Add: Stock-based compensation expense | 36 |
| Non-GAAP services gross profit | \$ 13,143 |
| Services gross margin | 23% |
| Non-GAAP services gross margin | 23% |

Non-GAAP Loss from Operations

We define non-GAAP loss from operations as US GAAP net loss from operations, excluding stock-based compensation expense, amortization of acquired intangible assets, costs incurred for the Business Combination, and goodwill impairment charges. We believe non-GAAP loss from operations provides our management and investors consistency and comparability with our past financial performance and facilitates period-to-period comparisons of operations as these measures eliminate the effects of certain variables unrelated to our overall operating performance.

The following table provides a reconciliation of our US GAAP net loss from operations to our non-GAAP loss from operations, for the Successor Period:

| <i>(dollars in thousands)</i> | August 4, 2022 to January 31, 2023 |
|---|---|
| Loss from operations | \$ (738,300) |
| Add: Stock-based compensation expense | 2,500 |
| Add: Amortization of acquired intangible assets | 23,056 |
| Add: Expenses related to the Business Combination | 1,161 |
| Add: Goodwill impairment | 698,650 |
| Non-GAAP loss from operations | \$ (12,933) |

Free Cash Flow

We define free cash flow as net cash used in operating activities less purchases of property and equipment and capitalized internal-use software. We believe that free cash flow is a useful indicator of liquidity that provides meaningful information to management and investors about the amount of cash provided by our operating activities that is available to be used for other strategic initiatives or consumed by our operating activities that impact our liquidity. Free cash flow does not represent the total increase or decrease in our cash balance for a given period and does not reflect our future contractual commitments. In addition, other companies may calculate free cash flow differently or not at all, which reduces the usefulness of free cash flow as a tool for comparison.

The following table presents a reconciliation of net cash used in operating activities to free cash flow for the Successor Period:

| <i>(dollars in thousands)</i> | August 4, 2022 to January 31, 2023 |
|---|---|
| Net cash used in operating activities | \$ (27,406) |
| Less: Purchases of property and equipment | (313) |
| Less: Capitalized software | (278) |
| Free cash flow | \$ (27,997) |

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

The following discussion and analysis of the financial condition and results of operations of ID Experts Holdings, Inc. (IDX) should be read together with its audited Consolidated Financial Statements as of August 3, 2022, and December 31, 2021, and for the period January 1, 2022, to August 3, 2022, and the year ended December 31, 2021, in each case together with related notes.

The following discussion contains forward-looking statements that reflect future plans, estimates, beliefs and expected performance. The forward-looking statements are dependent upon events, risks and uncertainties that may be outside of IDX's control. Actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ materially from those projected in the forward-looking statements include, but are not limited to, those discussed in the sections titled "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" included elsewhere in this prospectus. Certain amounts may not foot due to rounding.

Overview

IDX was founded in 2003 with a mission to address the growing threat from data breaches and resulting identity theft and fraud. IDX created a software and services platform to help protect individuals from data breaches and resulting identity crime and to remediate the negative effects of such breaches.

As organizations began to experience cybersecurity breaches of growing frequency and severity, IDX expanded its offerings by providing organizations with data breach response services that leveraged IDX's identity protection offerings for individuals. As new laws and regulations were passed that required breach notification and protections for affected individuals, the IDX business grew to serve both governmental and commercial entities of varied sizes.

The Business

IDX believes it has a leading position in the United States by revenue as a provider of data breach response services, and associated identity and privacy protection services, to both government and commercial entities. IDX acquires new customers for its data breach services through cyber insurers and their approved privacy attorneys. IDX services are often pre-approved through direct relationships with organizations that have entered into master services agreements (MSA) for current and future services, as well as through government channels as a result of approved listings with the General Services Administration (GSA) for federal agencies and the National Association of State Procurement Officials (NASPO) for state and local agencies.

IDX provides identity and privacy protection services through its proprietary, cloud-native platform for the protection of individuals impacted by data breaches, as well as through other channels, for proactively addressing the risks associated with privacy and identity risks to the affected individuals and the breached organization. The IDX platform was designed to improve scalability and usability, while concurrently supporting rapid development of new capabilities, and compliance with increasingly rigorous security standards based on the National Institute of Standards and Technology (NIST) Special Publication 800-53 Rev 4. Typically, IDX evaluates its own security controls, and in some cases contracts testing to third parties as part of yearly FISMA security risk assessments, HIPAA security risk analysis for business associates, and SOC 2 type 2 certifications.

IDX has a substantial customer base for data breach services in the public sector. The largest component of revenue from the public sector results from a multiyear contract with the U.S. Office of Personnel Management (OPM), described below.

In 2015, OPM and the Department of Defense (DoD) awarded IDX a three-year, \$330 million contract to provide identity protection and breach response services covering approximately 21.5 million current and former federal employees and contractors that were affected by the OPM data breach of background investigation records (OPM Contract). IDX believes winning this award resulted in further market validation, increased visibility, and enhanced reputation for IDX as a leading data breach response provider in the United States by revenue. Earning this award required IDX to comply with rigorous government security standards. IDX's compliance performance combined with receiving "very good" and "excellent" Contractor Performance Assessment Reports (CPAR) ratings leave the IDX data breach response business well positioned to address large-scale data breaches.

IDX won a rebid of the contract with OPM and the DoD in 2018. The new contract is worth at least \$460 million, assuming all option periods and the extension period are exercised, for the period ending June 30, 2024. The scope of the new contract is for IDX to provide identity protection services for certain employees and prospective employees of the U.S. Government affected by a breach of OPM systems. IDX believes the OPM Contract was and remains as of August 3, 2022, the largest data breach response arrangement in the history of such contracts in the United States. The award of this contract to IDX cemented it as a leading provider in the United States by revenue of data breach response services to both governmental and commercial entities. In addition, IDX is listed on the General Services Administration (GSA) SIN 520.20 for Data Breach Response and Identity Protection Services facilitating data breach response contracts with numerous other government agencies. A SIN is a Special Item Number that identifies products and services that GSA contract holders offer to government buyers. IDX benefits from having a SIN with GSA as it allows IDX to participate in more bid opportunities for providing Data Breach Response and Identity Protection Services.

The OPM Contract is structured as a Base Period from July 1, 2019, to June 30, 2020, followed by a series of options as follows: Option Period I from July 1, 2020, to June 30, 2021; Option Period II from July 1, 2021, to June 30, 2022; Option Period III from July 1, 2022, to June 30, 2023; and Option Period IV from July 1, 2023, to December 31, 2023. OPM has an option to extend the OPM Contract from January 1, 2024, to June 30, 2024, as well as an option to add a transition-out period beyond June 30, 2024. OPM has exercised Option Period I, Option Period II, and Option Period III. IDX plans to pursue the rebid of the OPM Contract in 2024 for an extension through 2027. For more information, see a copy of the OPM Contract filed as an exhibit to the Registration Statement filed.

IDX generates the largest component of its commercial revenue from organizations that require response services for data breach incidents. The response services typically include notifications to individuals impacted by the breach; call center support; a customized webpage for providing information, privacy and identity protection software, and additional services to the affected population. In addition to revenue from data breach incident response services, IDX also provides identity and privacy services on a subscription basis to organizations, which they can offer as a benefit for their employees or customers.

Impact of COVID-19 On the Business

IDX operates in geographic locations that have been impacted by COVID-19. The pandemic has affected, and could further affect, IDX's operations and the operations of its customers as a result of various factors, including but not limited to quarantines, local, state, and federal government public health orders, facility and business closures, and travel and logistics restrictions. IDX anticipates governments and businesses will likely take additional actions or extend existing actions to respond to the risks of the COVID-19 pandemic. IDX continues to actively monitor the impacts and potential impacts of the COVID-19 pandemic on IDX's customers, supply chain, and operations. For further information, please see "Risk Factors—The COVID-19 pandemic could adversely affect our business, operating results, and financial condition" in this prospectus.

IDX instituted a global work-from-home policy in March 2020 and to-date have not experienced significant disruptions as a result. IDX has not requested relief under the Coronavirus Aid, Relief, and Economic Security Act, and it therefore had no effect on its financial statements.

Key Factors Affecting Performance

New customer acquisition

IDX believes that its future growth depends in part on its ability to acquire new customers for its data breach services and identity protection membership services to its strategic partners' members, employer groups' employees, and individual customers. IDX has sourced a significant proportion of new data breach services customers as a result of relationships with cyber insurers. IDX makes on-going investments in developing and maintaining these relationships, as well as relationships with privacy attorneys that represent many of their cyber insurers. Additionally, IDX invests in direct marketing to prospective customers for data breach services, as well as IDX's identity and privacy membership services for employee benefits and strategic partner customer protection.

Customer Retention

IDX's revenue growth is fostered by its ability to retain customers that have an ongoing need for data breach response services. IDX maintains its relationship with its customers after the conclusion of the data breach response by cross-selling membership services to its customers affected stakeholders, which are typically our customers' employees or their own customers. IDX has multi-year contracts with some government entities, including the OPM Contract. The possible retention and renewal of the OPM Contract may also be a factor in maintaining revenue growth.

Investing in Business Growth

IDX also invests in initiatives to support the growth of its business. IDX's research and development organization, composed of employees and contractors, uses an agile development philosophy in an effort to enhance its existing identity and privacy platform while adding new features and products, usability enhancements, customer integrations and APIs, and security certifications. IDX's sales and marketing teams invest in business growth through channel expansion with dedicated sales teams and associated marketing demand generation programs.

IDX also invests in the growth of its business with government entities by building relationships with consultants experienced in the government procurement process and maintenance of its listings on relevant GSA schedules, as well as by investing in relationships with key government agency stakeholders and congressional representatives. IDX from time to time will work with consultants who specialize in government contract bidding strategies, provide advice on optimal maintenance and use of the U.S. Government GSA schedule, and provide strategic, relationship-building, and legislative affairs services with members of Congress and their staffs.

Key Business Metrics

IDX monitors the following key metrics to measure performance, identify trends, formulate business plans, and make strategic decisions.

Breach Revenue, Membership Services, and Total Revenue

The tables below present IDX's key performance indicators for the periods indicated (in thousands):

| | January 1, 2022, to August 3, 2022 | Year Ended December 31, 2021 | <u>\$ Change</u> 2022 vs 2021 |
|-------------------------------------|--|------------------------------------|----------------------------------|
| Breach revenue ⁽¹⁾ | \$ 64,078 | \$ 102,719 | \$ (38,641) |
| Membership services ⁽¹⁾ | 2,680 | 3,353 | \$ (673) |
| Total revenue | \$ 66,758 | \$ 106,072 | \$ (39,314) |
| Breach customers ⁽²⁾ | 1,443 | 1,230 | 213 |
| Membership customers ⁽²⁾ | 197 | 168 | 29 |

- (1) IDX defines breach revenue as revenue related to breach contracts, which typically have a term of 15 months (three-month call center period followed by 12 months of identity protection services) and are non-recurring. IDX defines membership services as recurring monthly and yearly ongoing identity and privacy services provided to strategic partners' members and employer groups' employees and retail customers.
- (2) IDX defines a breach customer as an agency or organization from which it has recognized breach revenue in a reporting period. IDX defines membership customers, in this instance, as strategic partners and employer groups receiving membership services (non-breach and non-retail customers).

IDX has continued to see an increase in the number of its breach customers each quarter and year, with an increase of 213 from January 1, 2022, to August 3, 2022, compared to the year ended December 31, 2021. The number of unique breach customers and membership customers significantly increased even though annual revenue growth remains relatively flat. The increase in breach customers is a direct result of the increase in breach incidents, which IDX believes were spurred by the increased online and remote presence of businesses in response to the COVID-19 lockdown. IDX has continued to see this trend through 2022 and expects this trend to continue into future years. IDX is party to a few contracts with non-standard terms that have a disproportionate effect when analyzing a per-unit metric based on total breach revenue and total number of breach customers. Therefore, IDX management believes a per-unit metric is not a meaningful indicator of its business.

Components of Results from Operations

Revenue

IDX recognizes revenue when control of the promised goods or services is transferred to its customers, in an amount that reflects the consideration IDX expects to be entitled to in exchange for its goods or services. For arrangements with multiple performance obligations, IDX allocates revenue to each performance obligation on a relative fair value basis based on management's estimate of Stand-Alone Selling Price (SSP).

IDX's breach services revenue consists of contracts with various combinations of notification, project management, communication services, and ongoing identity protection services. Performance periods generally range from one to three years. Payment terms are generally either thirty or sixty days throughout the term. Contracts do not contain significant financing components. IDX's breach services contracts are structured as either fixed price or variable price. In fixed price contracts, IDX charges customers a fixed total price or fixed per-impacted individual price for the total package of services. For variable price breach services contracts, IDX charges the breach communications component, which includes notifications and call center support, at a fixed total fee and charges for ongoing identity protection services as incurred using a fixed price per enrollment. Refunds and related reserves have been insignificant historically.

IDX provides identity and privacy protection services memberships through its employer groups and strategic partners as well as directly to individual end-users through its website. Membership services consist of multiple bundled identity and privacy product offerings which provide members with ongoing identity protection services. For membership services, IDX recognizes revenue ratably over the service period, which is typically one year. Payments from employer groups and strategic partners are generally collected monthly and payments from end-users are collected up front.

IDX evaluates arrangements with governmental entities containing "fiscal funding" or "termination for convenience" provisions, when such provisions are required by law, to determine the probability of possible cancellation. For more information, see "Risk Factors—Risks Related to Government Contracting." IDX considers multiple factors including its history with the government entity in similar transactions and the budgeting and approval processes undertaken by the governmental entity. If IDX determines upon execution of these arrangements that the likelihood of cancellation is remote, it recognizes revenue for such arrangements once all relevant criteria have been met. If IDX cannot make such a determination, it recognizes revenue upon the earlier of cash receipt or approval of the applicable funding provision by the governmental entity for such arrangements.

Cost of Revenue

Cost of revenue consists of fees to outsourced service providers for credit monitoring, call center operation, notification mailing, insurance, other miscellaneous services, and internal labor costs. IDX expenses notification costs as fulfillment costs and recognizes those notification costs at a point in time. IDX capitalizes call center costs and amortizes the call center costs over time. IDX generally recognizes sales commissions, which are incremental costs to obtain contracts, ratably over the contractual period of the applicable agreement. IDX presents notification and call center costs within capitalized contract costs and recognizes the costs over the combined service and membership terms. IDX expenses the remainder of cost of services as incurred.

Gross Profit

Gross profit, calculated as total revenue less total cost of services, is affected by several factors including the timing of breach incidents; renewals from existing customers; costs associated with fulfilling contracts such as notification, call center, and monitoring costs; the extent to which IDX expands its customer support organization; and the extent to which IDX can negotiate any preferential pricing from its vendors. IDX's services revenue and gross profit may fluctuate over time because of these factors.

Operating Expenses

Sales and Marketing

Sales and marketing expenses consist primarily of employee compensation and related expenses, including salaries, bonuses, and benefits for IDX's sales and marketing employees; sales commissions that are recognized as expenses over the period of benefit; marketing programs; travel and entertainment expenses; and allocated overhead costs. IDX capitalizes its sales commissions and recognizes them as expenses over the estimated period of benefit.

General and Administrative

General and administrative costs consist primarily of salaries, stock-based compensation expenses, and benefits for personnel involved in IDX's executive, finance, legal, human resources, and administrative functions; third-party services and fees; and overhead expenses. IDX expects that general and administrative expenses will increase in absolute dollars as IDX hires additional personnel and enhances its systems, processes, and controls to support the growth in IDX's business as well as increased compliance and reporting requirements as a public company.

Research and Development

Research and development expenses consist primarily of personnel costs and contractor fees related to the bundling of other third-party software products that are offered as one combined package within IDX's product offerings. Personnel costs include salaries, bonuses, stock-based compensation, and related employer-paid payroll taxes, as well as an allocation of facilities, benefits, and information technology costs. IDX expenses research and development costs as incurred.

Interest and Other Expense

Interest and other expense consist primarily of term loan interest expense and the amortization of warrant and loan fees, which are recorded as a reduction to debt on the IDX Consolidated Balance Sheets.

Income Tax Expense (Benefit)

Income tax expense (benefit) consists of federal and state income taxes in the United States. IDX maintains a partial valuation allowance on its state net operating losses.

Results of Operations

Comparison of the Period January 1, 2022, to August 3, 2022, and Year Ended December 31, 2021

This section describes the results of IDX from the first day of its current fiscal year to just prior to the finalization of the Business Combination, which is the period January 1, 2022, to August 3, 2022, with a comparison to the results of the prior year. The current and prior periods presented include only the results of IDX.

The following table sets forth the IDX Consolidated Statements of Income in dollar amounts and as a percentage of total revenue for each period presented (in thousands):

| | January 1, 2022, to August 3, 2022 | | Year Ended December 31, 2021 | | 2022 vs 2021 | |
|-----------------------------------|---------------------------------------|--------------------------|---------------------------------|--------------------------|----------------------|-------------------------|
| | | Percentage of Revenue | | Percentage of Revenue | Change in Dollars | Change in Percentage |
| Revenue | \$66,758 | 100% | \$106,072 | 100% | \$(39,314) | -37% |
| Cost of revenue | 52,254 | 78% | 82,745 | 78% | (30,491) | -37% |
| Gross profit | 14,504 | 22% | 23,327 | 22% | (8,823) | -38% |
| Operating expenses: | | | | | | |
| Research and development | 3,325 | 5% | 4,941 | 5% | (1,616) | -33% |
| Sales and marketing | 4,594 | 7% | 7,181 | 7% | (2,587) | -36% |
| General and administrative | 5,758 | 8% | 6,873 | 6% | (1,115) | -16% |
| Total operating expenses | 13,677 | 20% | 18,995 | 18% | (5,318) | -28% |
| Income from operations | 827 | 2% | 4,332 | 4% | (3,505) | -81% |
| Total other expense | (1,032) | -2% | (3,143) | -3% | 2,111 | -67% |
| (Loss) income before income taxes | (205) | 0% | 1,189 | 1% | (1,394) | -117% |
| Income taxes | 652 | 1% | 1,716 | 2% | (1,064) | -62% |
| Net (loss) income after tax | <u>\$ (857)</u> | <u>-1%</u> | <u>\$ (527)</u> | <u>-1%</u> | <u>\$ (330)</u> | <u>63%</u> |

Revenue

Total revenue decreased by \$39.3 million or 37% for the period January 1, 2022, to August 3, 2022, when compared to the year ended December 31, 2021. Breach revenue accounted for 96% and 97% of total revenue in the period January 1, 2022, to August 3, 2022, and the year ended December 31, 2021, respectively. The decrease is due to the difference in number of months reflected within each period, which is seven months and three days as compared to twelve months. IDX generated 73% and 79% of its revenue from the U.S. Government for the period January 1, 2022, to August 3, 2022, and the year ended December 31, 2021, respectively.

Cost of Revenue

Total cost of revenue decreased by \$30.5 million or 37% for the period January 1, 2022, to August 3, 2022, when compared to the year ended December 31, 2021. The decrease is due to the difference in number of months reflected within each period, which is seven months and three days as compared to twelve months.

Gross Profit

Gross profit decreased by \$8.8 million or 38% for the period January 1, 2022, to August 3, 2022, when compared to the year ended December 31, 2021. The decrease is due to the difference in number of months reflected within each period, which is seven months and three days as compared to twelve months.

Operating Expenses

| <i>(in thousands)</i> | January 1, 2022 to August 3, 2022 | Year Ended December 31, 2021 |
|----------------------------|---|------------------------------------|
| Research and development | \$ 3,325 | \$ 4,941 |
| Sales and marketing | 4,594 | 7,181 |
| General and administrative | 5,758 | 6,873 |
| Total operating expenses | \$ 13,677 | \$ 18,995 |

Research and Development

Research and development expenses decreased by \$1.6 million or 33% for the period January 1, 2022, to August 3, 2022, when compared to the year ended December 31, 2021. IDX continued to invest in its products and services, which included increased personnel costs and contractor fees. The decrease is due to the difference in number of months reflected within each period, which is seven months and three days as compared to twelve months.

Sales and Marketing

Sales and marketing costs decreased by \$2.6 million or 36% for the period January 1, 2022, to August 3, 2022, when compared to the year ended December 31, 2021. The decrease is due to the difference in number of months reflected within each period, which is seven months and three days as compared to twelve months.

General and Administrative

General and administrative costs decreased by \$1.1 million or 16% for the period January 1, 2022, to August 3, 2022, when compared to the year ended December 31, 2021. The decrease is primarily due to the difference in number of months reflected within each period, which is seven months and three days as compared to twelve months.

Total Other Expense

Total other expense decreased by \$2.1 million or 67% for the period January 1, 2022, to August 3, 2022, when compared to the year ended December 31, 2021. The decrease was largely due to a decrease in pre-tax book income and favorable stock-based compensation adjustments.

Provision for Income Taxes

Income tax expense decreased by \$1.1 million or 62% for the period January 1, 2022, to August 3, 2022, when compared to the year ended December 31, 2021. The decrease was largely due to a decrease in pre-tax book income and favorable stock-based compensation adjustments.

Cash Flows

The following table summarizes IDX's cash flows for the periods indicated:

| <i>(in thousands)</i> | January 1, 2022 to August 3, 2022 | Year Ended December 31, 2021 |
|---|---|------------------------------------|
| Net cash (used in) provided by operating activities | \$ (1,293) | \$ 3,368 |
| Net cash used in investing activities | (44) | (125) |
| Net cash (used in) provided by financing activities | \$ (365) | \$ — |

Operating Activities

Net cash used in operating activities during the period January 1, 2022, to August 3, 2022, was (\$1.3) million. IDX's net loss of \$0.9 million for the period January 1, 2022, to August 3, 2022, was adjusted for net non-cash charges of (\$0.7) million and net cash inflows of \$0.3 million from changes in operating assets and liabilities. Changes in working capital amounts resulted primarily from an increase in accounts receivable of \$1.8 million and an increase in capitalized contract costs of (\$0.9) million, partially offset by an increase in accrued expenses and other liabilities of \$1.8 million and an increase in deferred revenue of \$1.2 million.

Net cash provided by operating activities was \$3.4 million for the year ended December 31, 2021. IDX's net loss of \$0.5 million for the year ended December 31, 2021, was adjusted for non-cash charges of \$3.2 million and net cash inflows of \$0.7 million from changes in operating assets and liabilities. Changes in working capital amounts was primarily due to an increase in accounts receivable of \$1.3 million, partially offset by an increase in accrued expenses and other liabilities of \$0.9 million and an increase in accounts payable of \$0.9 million.

Investing Activities

Net cash used in investing activities for the period January 1, 2022, to August 3, 2022, was insignificant, and net cash used in investing activities was (\$0.1) million for the year ended December 31, 2021. These cash outflows were for purchases of property and equipment.

Financing Activities

Net cash used in financing activities for the period January 1, 2022, to August 3, 2022, was (\$0.4) million. Net cash used in financing activities was comprised of principal payments in the amount of (\$0.6) million, partially offset by cash provided by warrant and option exercises of \$0.2 million.

Contractual Obligations

IDX has entered a non-cancelable purchase commitment of \$58.9 million related to eleven months of outsourced credit and other monitoring services provided to IDX's largest customer as of August 3, 2022. As of December 31, 2021, the non-cancelable purchase commitment was \$32.0 million related to six months of outsourced credit and other monitoring services. This commitment amount and length is determined by the customer's exercise of annual option periods. As of the date of issuance of IDX's most recently audited financial statements, August 3, 2022, Option Period III has been exercised.

The following table summarizes IDX's contractual obligations and commitments as of August 3, 2022, (in thousands):

| | Less 1 Year | 1-3 years | Total |
|----------------------|--------------------|------------------|-----------------|
| Operating leases | \$ 315 | \$ 60 | \$ 375 |
| Purchase commitments | 59,450 | — | 59,450 |
| Total | \$ 59,765 | \$ 60 | \$59,825 |

The following table summarizes IDX's contractual obligations and commitments as of December 31, 2021, (in thousands):

| | Less 1 Year | 1-3 years | Total |
|----------------------|--------------------|------------------|-----------------|
| Operating leases | \$ 532 | \$ 211 | \$ 743 |
| Purchase commitments | 32,414 | — | 32,414 |
| Total | \$ 32,946 | \$ 211 | \$33,157 |

Off-Balance Sheet Arrangements**Leases**

Rental payments under operating leases are recognized on a straight-line basis over the term of the lease including any periods of free rent. Rental expense for operating leases was \$0.2 million for the period January 1, 2022, to August 3, 2022, and \$0.4 million for the year ended December 31, 2021.

IDX executed the Fifth Amendment to the office lease on October 9, 2020. This amendment was for two years and two months commencing on January 1, 2021 and ending February 28, 2023. IDX's landlord provided an abatement for January 1, 2021, through February 28, 2021, as part of its lease renewal.

Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of August 3, 2022, are (in thousands):

| | <u>Operating Leases</u> |
|------------------------------|-------------------------|
| Fiscal Year: | |
| 2022 (remaining quarters) | \$ 178 |
| 2023 | \$ 149 |
| 2024 | \$ 48 |
| Total minimum lease payments | \$ 375 |

Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments as of December 31, 2021, are (in thousands):

| | <u>Operating Leases</u> |
|------------------------------|-------------------------|
| Fiscal Year: | |
| 2022 | \$ 532 |
| 2023 | \$ 163 |
| 2024 | \$ 48 |
| Total minimum lease payments | \$ 743 |

Critical Accounting Policies and Estimates

IDX's financial statements are prepared in accordance with US GAAP. The preparation of these financial statements requires IDX to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses, as well as related disclosures. IDX evaluates its estimates and assumptions on an ongoing basis. Estimates are based on historical experience and various other assumptions that IDX believes to be reasonable under the circumstances. Actual results could differ from these estimates. The critical accounting policies, assumptions, and judgements that IDX believes have the most significant impact on the IDX Consolidated Financial Statements are described below.

Revenue Recognition

Revenue is derived from sales of breach response services and identity and privacy protection services. IDX satisfies performance obligations to recognize revenue for two performance obligations, one at a point in time and the other ratably over the expected term with the customer.

Revenue is recognized when all of the following criteria are met:

Identification of the contract, or contracts, with a customer—A contract with a customer to account for exists when (i) IDX enters into an enforceable contract with a customer that defines each party's rights regarding the

goods or services to be transferred and identifies the payment terms related to these goods or services, (ii) the contract has commercial substance and the parties are committed to perform, and (iii) IDX determines that collection of substantially all consideration to which it will be entitled in exchange for goods or services that will be transferred is probable based on the customer's intent and ability to pay the promised consideration.

Identification of the performance obligations in the contract—Performance obligations promised in a contract are identified based on the services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the service either on its own or together with other resources that are readily available from third parties or from us, and are distinct in the context of the contract, whereby the transfer of the goods or services is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised goods or services, IDX applies judgment to determine whether promised goods or services are capable of being distinct and distinct in the context of the contract. If these criteria are not met the promised goods or services are accounted for as a combined performance obligation.

Determination of the transaction price—The transaction price is determined based on the consideration to which IDX will be entitled in exchange for transferring goods or services to the customer.

Allocation of the transaction price to the performance obligations in the contract—IDX allocates the transaction price to each performance obligation based on the amount of consideration expected to be received in exchange for transferring goods and services to the customer. IDX allocates the transaction price by using an estimated selling price for services provided to determine which portion of its contracts' total transaction price should be recognized at a point-in-time and which portion should be recognized over-time. If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation on a relative standalone selling price based on the observable selling price of products and services.

Recognition of revenue when, or as, IDX satisfies performance obligations—IDX satisfies performance obligations either over time or at a point in time as discussed in further detail below. Revenue is recognized at or over the time the related performance obligation is satisfied by transferring a promised good or service to a customer.

Significant Judgments

Significant judgments and estimates are required under Topic 606. Due to the complexity of certain contracts, the actual revenue recognition treatment required under Topic 606 for IDX's arrangements may be dependent on contract-specific terms and may vary in some instances. IDX's contracts with customers often include promises to transfer multiple services, including project management services, notification services, call center services, and identity protection services. Determining whether services are distinct performance obligations that should be accounted for separately requires significant judgment.

IDX is required to estimate the total consideration expected to be received from contracts with customers, including any variable consideration. Once the estimated transaction price is established, amounts are allocated to performance obligations on a relative SSP basis. IDX's breach business derives revenue from two main performance obligations: (i) notification and (ii) combined call center and identity protection services, described further in Note 6 in IDX's notes to the IDX Consolidated Financial Statements included in this prospectus.

At contract inception, IDX assesses the products and services promised in the contract to identify each performance obligation and evaluate whether the performance obligations are capable of being distinct and are distinct within the context of the contract. Performance obligations that are not both capable of being distinct and distinct within the context of the contract are combined and treated as a single performance obligation in determining the allocation and recognition of revenue. Determining whether products and services are considered distinct performance obligations requires significant judgment. In determining whether products and services are considered distinct performance obligations, IDX assesses whether the customer can benefit from the products

and services on their own or together with other readily available resources and whether our promise to transfer the product or service to the customer is separately identifiable from other promises in the contract.

Judgment is required to determine the SSP for each distinct performance obligation. IDX rarely sells its individual breach services on a standalone basis, and accordingly, IDX is required to estimate the range of SSPs for each performance obligation. In instances where the SSP is not directly observable because IDX does not sell the service separately, IDX reviews information that includes historical discounting practices, market conditions, cost-plus analysis, and other observable inputs to determine an appropriate SSP. IDX typically has more than one SSP for individual performance obligations due to the stratification of those items by classes of customers, size of breach, and other circumstances. In these instances, IDX may use other available information such as service inclusions or exclusions, customizations to notifications, or varying lengths of call center or identity protection services in determining the SSP.

If a group of agreements are so closely related to each other that they are, in effect, part of a single arrangement, such agreements are deemed to be one arrangement for revenue recognition purposes. IDX exercises judgment to evaluate the relevant facts and circumstances in determining whether the separate agreements should be accounted for separately or as, in substance, a single arrangement. IDX's judgments about whether a group of contracts comprises a single arrangement can affect the allocation of consideration to the distinct performance obligations, which could have an effect on results of IDX's operations for the periods involved.

Generally, IDX has not experienced significant returns or refunds to customers. IDX's estimates related to revenue recognition may require significant judgment and the change in these estimates could have an effect on IDX's results of operations during the periods involved.

Contract Balances

The timing of revenue recognition may differ from the timing of invoicing to customers and these timing differences result in receivables, contract assets, or contract liabilities (deferred revenue) on the IDX Consolidated Balance Sheets. IDX records a contract asset when revenue is recognized prior to invoicing and records a deferred revenue liability when revenue is expected to be recognized subsequent to invoicing. For IDX's breach services agreements, customers are typically invoiced at the beginning of the arrangement for the entire contract. When the breach agreement includes variable components related to as-incurred identity protection services, customers are invoiced monthly for the duration of the enrollment or call center period. Large contracts are typically billed 50% upfront and due upon receipt with the remaining 50% invoiced subsequently with net 30 terms.

Contract assets are presented as other receivables within the IDX Consolidated Balance Sheets and primarily relate to IDX's rights to consideration for work completed but not billed on service contracts. Contract assets are transferred to receivables when IDX invoices the customer. Contract liabilities are presented as deferred revenue and relate to payments received for services that are yet to be recognized in revenue.

IDX recognized \$5.1 million of revenue that was included in deferred revenue at the end of the preceding year during the period January 1, 2022, to August 3, 2022. All other deferred revenue activity is due to the timing of invoices in relation to the timing of revenue, as described above. IDX expects to recognize as revenue approximately 56% of its August 3, 2022, deferred revenue balance in the remainder of 2022, 29% in the period January 1, 2023, to August 3, 2023, and the remainder thereafter.

In instances where the timing of revenue recognition differs from that of invoicing, IDX has determined that its contracts do not include a significant financing component. The primary purpose of invoicing terms is to provide customers with simplified and predictable ways of purchasing IDX's services, not to facilitate financing arrangements.

Government Contracts

IDX evaluates arrangements with governmental entities containing “fiscal funding” or “termination for convenience” provisions, when such provisions are required by law, to determine the probability of possible cancellation. IDX considers multiple factors, including the history with the customer in similar transactions and budgeting and approval processes undertaken by the governmental entity. If IDX determines upon execution of these arrangements that the likelihood of cancellation is remote, it then recognizes revenue for such arrangements once all relevant criteria have been met. If such a determination cannot be made, revenue is recognized upon the earlier of cash receipt or approval of the applicable funding provision by the governmental entity for such arrangements.

Contract Costs

IDX capitalizes costs to obtain a contract or fulfill a contract. These costs are recorded as capitalized contract costs on the IDX Consolidated Balance Sheets. Costs to obtain a contract for a new customer are amortized on a straight-line basis over the estimated period of benefit. IDX determines the estimated period of benefit by taking into consideration the contractual term. IDX periodically reviews the carrying amount of the capitalized contract costs to determine whether events or changes in circumstances have occurred that could affect the period of benefit. Amortization expense associated with costs to fulfill a contract is recorded to cost of services on the IDX Consolidated Statements of Income, and amortization expense associated with costs to obtain a contract (sales commissions) is recorded to sales and marketing expense.

All notification costs are being expensed as fulfillment costs and recognized at a point in time. Call center costs are being capitalized and amortized over time. Sales commissions, which are incremental costs to obtain contracts, are recognized ratably over the contractual period of the applicable agreement.

Income Taxes

IDX provides for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax effect of differences between recorded assets and liabilities and their respective tax basis along with operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period the rate change becomes effective. IDX recognizes the effect of income tax positions only if those positions are more likely than not of being sustained in the event of a tax audit.

Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. IDX records interest related to unrecognized tax benefits in income tax expense. IDX had accrued penalties and interest of \$0.1 million and \$0.1 million as of August 3, 2022, and December 31, 2021, respectively, and are discussed further in Note 11 Income Taxes in the notes to the IDX Consolidated Financial Statements included in this prospectus.

Deferred tax assets are reduced by a valuation allowance when, in management’s opinion, it is more likely than not that some portion or all the deferred tax assets will not be realized. IDX considers the future reversal of existing taxable temporary differences, taxable income in prior carryback years, projected future taxable income, and tax planning strategies in making this assessment. IDX’s valuation allowance is based on all available positive and negative evidence, including its recent financial operations, evaluation of positive and negative evidence with respect to certain specific deferred tax assets (including evaluating sources of future taxable income) to support the realization of the deferred tax assets.

IDX’s income tax returns are generally subject to examination by taxing authorities for a period of three years from the date they are filed. Tax authorities may have the ability to review and adjust net operating loss or tax

credit carryforwards that were generated prior to these periods if utilized in an open tax year. As of August 3, 2022, IDX's income tax returns for the years ended December 31, 2018 through August 3, 2022, are subject to examination by the Internal Revenue Service and applicable state and local taxing authorities.

Quantitative and Qualitative Disclosures about Market Risk

IDX's operations are in the United States and it is exposed to market risk in the ordinary course of its business.

Interest Rate Risk

As of August 3, 2022, and December 31, 2021, IDX had no short or long-term investments.

Foreign Currency Exchange Risk

To date, all of IDX's sales contracts have been denominated in U.S. Dollars, and therefore its revenue is not subject to foreign currency risk. Operating expenses are incurred within the United States and are denominated in U.S. Dollars.

Emerging Growth Company (EGC) Status

IDX is an emerging growth company (EGC), as defined in the JOBS Act. Under the JOBS Act, EGCs can delay adopting new or revised accounting standards applicable to public companies issued after the enactment of the JOBS Act until those standards apply to private companies. IDX has elected to use this extended transition period for complying with certain new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date IDX (i) is no longer an EGC or (ii) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, the IDX Consolidated Financial Statements may or may not be comparable to the financial statements of issuers who comply with new or revised accounting pronouncements as of public companies' effective dates.

Recent Accounting Pronouncements

See Notes 2w Standards Issued and Adopted and 2x. Standards Issued but Not Yet Effective to the IDX Consolidated Financial Statements for recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted as of the date of this prospectus.

Liquidity and Capital Resources

Sources and Uses of Funds

As of August 3, 2022, IDX had \$16.3 million of cash and cash equivalents. IDX believes that existing cash and cash equivalents will be sufficient to support working capital and capital expenditure requirements for at least the next twelve months. Since inception, IDX has financed operations primarily through credit facilities and positive cash flow related to its OPM Contract. Principal uses of cash are cost of services provided to its customers such as notification printing, credit report monitoring, and personnel related expenses. In August 2016, IDX and ITGS, as co-borrowers, entered into a credit facility with Comerica Bank (Lender) (the Comerica Credit Facility), which was amended and restated in December 2020 and further amended in July 2021. The current Comerica Credit Facility provides for a secured term loan facility in an aggregate principal amount of \$10.0 million. IDX's obligations under the Comerica Credit Facility are secured by substantially all its assets. As of August 3, 2022, there was \$9.4 million in principal outstanding under the Comerica Credit Facility.

Interest on the Comerica Credit Facility is payable monthly and accrues at the prime referenced rate plus 1.5% per year, which was 6.25% as of August 3, 2022. The outstanding principal amount of the term loan is payable in

thirty-six equal monthly installments beginning on July 1, 2022, and continuing through the maturity date in June 2025. IDX may prepay the term loan, in whole or in part, at any time, without penalty or premium. Any amounts, once repaid, may not be reborrowed.

The Comerica Credit Facility contains customary affirmative and negative covenants for this type of facility, including, among others, restrictions on dispositions, any change in control, mergers or consolidations, acquisitions, investments, incurrence of debt, granting of liens, payments of dividends or distributions and certain transactions with affiliates, in each case subject to certain exceptions. The Comerica Credit Facility also contains a minimum EBITDA financial covenant requiring that IDX generate minimum EBITDA of not less than \$3.0 million during any trailing twelve-month period.

The events of default under the Comerica Credit Facility include, among others, subject to grace periods in certain instances, payment defaults, covenant defaults, bankruptcy and insolvency defaults, cross-defaults to other indebtedness, judgment defaults, a material change default and a default in the event that the contract with the OPM Contract is canceled or terminated. Upon the occurrence and during the continuance of an event of default, Lender may declare all outstanding principal and accrued and unpaid interest under the credit facility immediately due and payable, increase the applicable interest rate by 5%, and may exercise other rights and remedies provided under the Comerica Credit Facility. IDX repaid and terminated the Comerica Credit Facility at the Closing. From time to time, IDX may explore additional financing sources and means to lower its cost of capital, which could include equity, equity-linked and debt financing. IDX cannot assure you that any additional financing will be available to it on acceptable terms, or at all. If IDX raises additional funds by issuing equity or equity-linked securities, the ownership of the existing shareholders will be diluted. If IDX raises additional financing by the incurrence of indebtedness, IDX may be subject to increased fixed payment obligations and could be subject to additional restrictive covenants, such as limitations on its ability to incur additional debt, and other operating restrictions that could adversely impact IDX's ability to conduct business. Any future indebtedness IDX incurs may result in terms that could be unfavorable to equity investors. There can be no assurances that IDX will be able to raise additional capital. The inability to raise capital would adversely affect IDX's ability to achieve its business objectives.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF L&F

The following discussion and analysis should be read in conjunction with the financial statements and related notes included elsewhere in this prospectus. This discussion contains forward-looking statements reflecting our current expectations, estimates and assumptions concerning events and financial trends that may affect our future operating results or financial position. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed in the sections titled "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" appearing elsewhere in this prospectus.

The following discussion and analysis of the company's financial condition and results of operations should be read in conjunction with the financial statements and the notes thereto contained elsewhere in this prospectus. The following discussion relates to L&F's operations prior to the completion of the Business Combination. References in this discussion to "we," "us" or the "Company" refer to L&F Acquisition Corp, later renamed ZeroFox Holdings Inc. References to our "management" or our "management team" refer to our officers and directors, and references to the "Sponsor" refer to JAR Sponsor, LLC. See the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations of ZeroFox," which includes a discussion of liquidity and capital resources of the combined ZeroFox Holdings, Inc. Certain information contained in the discussion and analysis set forth below includes forward-looking statements that involve risks and uncertainties.

Overview

The Company is a blank check company incorporated in the Cayman Islands on August 20, 2020, and formed for the purpose of effecting a merger, amalgamation, share exchange, asset acquisition, share purchase, reorganization or other similar business combination with one or more businesses. On August 3, 2022, the Company completed the Business Combination (see below).

Change in Fiscal Year

In connection with the closing of the Business Combination, the Company changed its fiscal year from December 31 to January 31. The January 31 fiscal year conforms with the fiscal year of ZeroFox, Inc. As a result of the change in fiscal year, the Company has a one-month transition period beginning on January 1, 2022 and ending January 31, 2022 (the "Transition Period"). We have included the results of the Transition Period in these annual financial statements. Accordingly, this management discussion and analysis of the results of operations addresses the results of operations inclusive of the Transition Period. We discuss the results of the Transition Period and the comparable period in the prior year separately.

The Business Combination

The Business Combination Agreement provided for, among other things, the following transactions on the date of Closing: (i) the ZF Merger, with ZeroFox being the surviving company in the ZF Merger and, after giving effect to such merger, continuing as a wholly-owned subsidiary of L&F Holdings, (ii) the IDX Merger, with IDX being the Transitional IDX Entity and, after giving effect to such merger, continuing as a wholly-owned subsidiary of L&F Holdings, and (iii) the IDX Forward Merger, with IDX Forward Merger Sub being the surviving company in the IDX Forward Merger and, after giving effect to such merger, continuing as a wholly-owned subsidiary of L&F Holdings (the "Mergers").

The Company (now known as ZeroFox Holdings, Inc. and "Successor" to the Business Combination) is considered both the legal and accounting acquirer for both ZeroFox and IDX. After consummation of the Business Combination, ZeroFox is considered a variable interest entity ("VIE") as the equity at risk for ZeroFox

is not sufficient to fund expected future cash flow needs, including funding future projected losses, and servicing existing debt obligations. The Company holds a variable interest in ZeroFox as it owns 100% of ZeroFox's equity. The Company is considered the primary beneficiary as its ownership provides the power to direct the activities that most significantly impact ZeroFox's performance and the obligation to absorb the losses and/or receive the benefits of ZeroFox that could potentially be significant to ZeroFox. As ZeroFox is considered a VIE and the Company is its primary beneficiary, the Company is considered the accounting acquirer of ZeroFox. the Company is considered the accounting acquirer of IDX as L&F owns 100% of IDX's equity and the former stockholders of IDX do not have the largest voting interest in ZeroFox Holdings, Inc., does not compromise all the ongoing operations of ZeroFox Holdings, Inc., and does not designate the majority of senior leadership of ZeroFox Holdings, Inc., among other factors.

This management discussion and analysis of the results of operations discusses the results of the Company for the transition period and February 1, 2022, through August 2, 2022 (collectively, "the period from January 1, 2022, through August 2, 2022"), just prior to the completion of the Business Combination. The effects of the Business Combination have been recognized as part of the financial statements of the Successor, ZeroFox Holdings, Inc., for the year ended January 31, 2023, filed on form 10-K (the "Successor Financial Statements").

Business Combination Consideration

In accordance with the terms and subject to the conditions of the Business Combination Agreement, at the effective times of the Mergers, among other things:

- Each outstanding share of common stock (including shares of common stock issued upon the mandatory conversion of shares of preferred stock) of ZeroFox, other than ZF Dissenting Shares (as defined in the Business Combination Agreement) and ZF Canceled Shares (as defined in the Business Combination Agreement), will be automatically canceled and converted into a right to receive a fraction of a share of the Company's Common Stock determined in accordance with the Business Combination Agreement on the basis of a pre-money enterprise value of ZeroFox of \$866,250,000 and a price of \$10.00 per share of the Company's Common Stock and
- Each outstanding share of common stock and preferred stock of IDX, other than IDX Dissenting Shares (as defined in the Business Combination Agreement) and IDX Canceled Shares (as defined in the Business Combination Agreement), will be automatically canceled and converted into a right to receive
 - For common stock and series A-1 and series A-2 preferred stock, a fraction of a share of the Company's Common Stock,
 - For common stock and series A-1 and series A-2 preferred stock, a portion of \$50,000,000 in cash consideration (subject to certain adjustments for cash, working capital, debt and transaction expenses, and net of liquidation preferences, as provided in the Business Combination Agreement), and
 - For series A-1, series A-2 and series b preferred stock, a liquidation preference amount of \$0.361, in each case, in accordance with the Business Combination Agreement and on the basis of a pre-money enterprise value of IDX of \$338,750,000 and a price of \$10.00 per share of the Company's Common Stock.

On the Closing Date, in accordance with the Business Combination Agreement, the business combination consideration was distributed to the relevant parties.

Common Equity Investment

Concurrently with the execution of the Business Combination Agreement, the Company entered into the Common Equity Subscription Agreements with the ZF Investors, and the IDX Investors. Pursuant to the Common Equity Subscription Agreements, the investors agreed to the Common Equity PIPE Financing.

In addition, on December 16, 2021, the Company issued payment-in-kind promissory notes for an aggregate purchase price of \$5,000,000 to the ZF Investors (the ZF PIK Promissory Notes). Such ZF PIK Promissory Notes accrue interest that will be paid-in-kind at a rate of 5.0% per annum.

As part of the completion of the Business Combination, the ZF PIK Promissory Notes were offset against the obligations the ZF Investors had pursuant to their Common Equity Subscription Agreements and the ZF Investors were paid \$0.2 million of accrued interest.

As part of the completion of the Business Combination, the cash proceeds the IDX Investors were entitled to were reduced by the amount of their commitments pursuant to the Common Equity Subscription Agreements.

Convertible Notes Investment

In connection with signing the Business Combination Agreement, the Company entered into the Convertible Note Subscription Agreements with the Convertible Notes Investors, in respect of the Convertible Notes Financing. The principal terms of the Notes are set forth in the Indenture and the form of global note attached thereto. The Notes will bear interest at a rate of 7.00% per annum, payable quarterly in cash; provided, that the issuer may elect to pay interest in kind at 8.75% per annum, and the Notes will be convertible at an initial conversion price of \$11.50, subject to customary anti-dilution adjustments, including with respect to the Conversion Price, and shall mature on the date that is three years following the closing of the Convertible Notes Financing.

On August 3, 2022 as part of the Business Combination, the Company completed the Convertible Notes Financing and secured \$150.0 million of proceeds.

Results of Operations

We have neither engaged in any operations nor generated any operating revenues to date. Our only activities from inception through , were organizational activities and those necessary to prepare for the initial public offering, identifying a target company for a business combination, and activities in connection with the Business Combination with the Target Companies. We do not expect to generate any operating revenues until after the completion of the Business Combination. We generate non-operating income in the form of interest income on marketable investments held in trust account after the initial public offering. We expect that we will incur increased expenses as a result of being a public company (for legal, financial reporting, accounting and auditing compliance), as well as for due diligence expenses in connection with searching for, and completing, a business combination.

For the period January 1, 2022 to August 2, 2022, we had net income of \$4,572,392, which consists of change in fair value of warrant liabilities of \$10,740,070 and interest earned on marketable investments held in Trust Account of \$132,978, partially offset by general and administrative expense of \$(6,300,656).

For the period January 1, 2021 to December 31, 2021, we had a net income of \$5,598,086, which consists of change in fair value of warrant liabilities of \$9,425,504 and interest earned on marketable investments held in Trust Account of \$20,499, offset by general and administrative expense of \$(3,847,917).

Results of Operations—Transition Period

For the Transition Period, we had net income of \$1,758,050 which consists of change in fair value of warrant liabilities of \$2,250,390 and interest earned on marketable investments held in Trust Account of \$759, partially offset by general and administrative expense of \$(493,099).

For the month ended January 31, 2021, we had net loss of \$(1,712,629) which consists of change in fair value of warrant liabilities of \$(1,681,502) and general and administrative expense of \$(31,151), partially offset by interest earned on marketable investments held in Trust Account of \$24.

Liquidity, Capital Resources and Going Concern

For the period January 1, 2022 to August 2, 2022, net cash used in operating activities was \$(465,288). Net income of \$4,572,392 was affected by change in fair value of warrant liabilities of \$(10,740,070) and interest earned on marketable investments held in trust account of \$(132,978). Changes in operating assets and liabilities provided \$5,835,368 of cash from operating activities.

For the period January 1, 2022 to August 2, 2022, there were investing and financing cash flow activities related to the redemption of Class A ordinary shares. A total of \$140,378,518 of cash was withdrawn from the Trust Account, generating an investing cash inflow, and the same amount was paid to redeem 13,824,311 Class A ordinary shares, generating an equal and offsetting financing cash outflow. There was an additional investing cash inflow of \$34,864,489 as the Company transferred the remaining balance of the Trust Account to its cash account in anticipation of settling additional redemptions and paying cash consideration to complete the Business Combination after the balance sheet date.

For the period January 1, 2021 to December 31, 2021, net cash used in operating activities was \$(903,189). Net income of \$5,598,086 was affected by change in fair value of warrant liabilities of \$(9,425,504) and interest earned on marketable investments held in trust account of \$(20,498). Changes in operating assets and liabilities, provided \$2,944,727 of cash from operating activities.

In connection with the Business Combination completed on August 3, 2022, we received total net cash proceeds of \$67.6 million, inclusive of the cash balances obtained through the merger with ZeroFox, Inc. and IDX. The majority of the net proceeds of the Business Combination were provided by the Convertible Notes financing of \$150.0 million, the Common Equity PIPE financing of \$20.0 million, and L&F's trust account, net of redemptions, of \$10.2 million. The proceeds of the Business Combination were partially offset by the cash portion of the purchase price paid for IDX, net of cash acquired, of \$(49.4) million; the cash portion of the purchase price paid for ZeroFox, net of cash acquired, of \$(48.4) million; repurchases of class A ordinary shares due to the exercises of the redemption rights of those shares of \$(24.6) million; and payment of transaction related costs of \$(14.4) million. We believe that our cash on hand and the net proceeds of the Business Combination will be sufficient to meet our cash requirements for at least the 12 months following the date of these financial statements.

Additional future sources of liquidity may come from the issuance of additional debt, exercise of warrants, and/or the issuance of new shares of Common Stock. In the case of additional debt, we are permitted by the indenture governing the Convertible Notes to issue no more than \$50.0 million of senior debt. If we raise funds by issuing debt securities, such debt securities would have rights, preferences and privileges senior to those of holders of our Common Stock. The terms of debt securities or borrowings could impose significant restrictions on our operations. For warrants, the Company will receive the proceeds from the cash exercise of any warrants. The aggregate proceeds of the exercise of all outstanding warrants, assuming cash exercise, would be \$186.5 million. We believe the likelihood that warrant holders will exercise their warrants, and therefore the amount of cash proceeds that we would receive, is dependent upon the market price of our Common Stock, the last reported sales price of which was \$1.33 per share on March 28, 2023. If the market price for our Common Stock is less than \$11.50 per share, we believe the warrant holders will be unlikely to exercise their warrants. We may issue additional shares of our Common Stock or other equity securities of equal or senior rank in the future for investment or operational purposes. If we issue additional shares of Common Stock, dilution to our public shareholders may occur and the market price for our Common Stock may decrease and/or become more volatile. The amount, timing, and mix (be it debt or equity) of future amounts of liquidity will depend upon the judgment of management, the market price of our Common Stock, and prevailing interest rates, among other factors.

Off-Balance Sheet Financing Arrangements

We have no obligations, assets or liabilities, which would be considered off-balance sheet arrangements as of August 2, 2022. We do not participate in transactions that create relationships with unconsolidated entities or

financial partnerships, often referred to as variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements. We have not entered into any off-balance sheet financing arrangements, established any special purpose entities, guaranteed any debt or commitments of other entities, or purchased any non-financial assets.

Critical Accounting Estimates

The preparation of consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and income and expenses during the periods reported. Actual results could materially differ from those estimates.

Warrant Liabilities

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative guidance in the FASB Accounting Standards Codification ("ASC") 480, Distinguishing Liabilities from Equity ("ASC 480") and ASC 815, Derivatives and Hedging ("ASC 815"). The assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the Company's own ordinary shares, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period end date while the warrants are outstanding.

The Company determined that both the public warrants and private warrants do not meet the requirements for equity classification and as such, are recognized as liabilities with the changes in fair value of the liabilities recognized in the current period operating results. The fair value of the public warrants is determined based on the closing price of the public warrants on the balance sheet date (ticker: ZFOXW, formerly LNFAW). As the fair value of the public warrants is based on a readily available, observable input, the fair value of the public warrants is not considered a critical accounting estimate. The fair value of the private warrants is determined by a Black-Scholes model, which contains several variables that require judgement and may not be observable. The fair value of the Company's private warrants is considered a critical accounting estimate.

The assumptions of the Black-Scholes model include:

- *Fair value of the Company's common stock.* The Company's uses the price of its common stock traded under the ticker "ZFOX" (formerly under the ticker, "LNFA").
- *Time to maturity.* We estimated a holding period of five years which is in line with typical equity investor assumed holding period.
- *Expected volatility.* We use a volatility rate that is indexed to the closing price of the Company's public warrants at the balance sheet date.
- *Risk-free interest rate.* The Company uses the U.S. Treasury yield for a period which corresponds to the expected time to maturity of the warrants.
- *Dividend yield.* The Company has never issued dividends and is not expected to issue any dividends in the future. Accordingly, the Company use an estimate of 0%.

The assumptions above involved inherent uncertainties and the application of management's judgement. If the Company had made different assumptions, the Company's fair value of the private warrants could have been materially different.

An increase in the risk-free rate would reduce the fair value of the private warrants, while a decrease would have the opposite effect.

An increase in the expected volatility would increase the value of the private warrants, while a decrease would have the opposite effect. As the Company uses a consistent method of determining the expected volatility which is indexed to the volatility of its common stock, we expect that changes in the volatility estimate will be correlated with the changes in volatility of the Company's common stock.

The Company does not expect to change the dividend yield assumption as the Company does not expect to issue dividends.

Net Income (Loss) per Ordinary Share

The Company complies with accounting and disclosure requirements of the Financial Accounting Standards Board ("FASB") ASC Topic 260, "Earnings Per Share". Net income (loss) per ordinary share is computed by dividing net income (loss) by the weighted average number of ordinary shares outstanding for the period. Accretion associated with the redeemable shares of Class A ordinary shares is excluded from earnings per share as the redemption value approximates fair value.

Recent Accounting Pronouncements

In October 2021, the FASB issued ASU No. 2021-08, Accounting Standards Update No. 2021-08 Business Combinations (Topic 805) Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which amends ASC 805 to require acquiring entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination. As a result of the amendments, it is expected that an acquirer will generally recognize and measure acquired contract assets and contract liabilities in a manner consistent with how the acquiree recognized and measured them in its preacquisition financial statements. The standard is effective for the Company for annual reporting periods beginning after December 15, 2022, and early adoption is permitted. The Company elected to early adopt ASU No. 2021-08 for fiscal year 2023. There was no impact to the Company's consolidated financial statements for the period January 1, 2022, to August 2, 2022. The Company expects that the adoption of ASU No. 2021-08 will simplify the accounting for the anticipated merger transaction (see Note 6), as it will permit the Company to record the contract assets and liabilities acquired from ZeroFox and/or IDX to be recorded at book value rather than an estimated fair value.

Management does not believe that any other recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on the Company's Consolidated Financial Statements.

BUSINESS

Unless the context otherwise requires, all references in this section to “we,” “us” and “our” generally refer to ZeroFox following the Closing of the Business Combination.

Overview

ZeroFox is a leading provider of SaaS-based external cybersecurity solutions. External cybersecurity focuses on exposing, disrupting, and responding to threats outside the traditional corporate perimeter. These are threats targeting organizations’ growing public attack surface as well as broader external threats.

With digital transformation continuing to accelerate, the primary way that organizations interact and transact is now through digital channels and mediums. This has led to the proliferation of digital assets and data residing on external platforms that are outside the control of an organization. These external platforms include the surface web, deep and dark web, social media sites, collaboration platforms, code sharing sites, and mobile app stores (also referred to as “public attack service”). These external platforms are largely ungoverned, unmonitored, and unprotected by existing perimeter and internal security technologies. This public attack surface exposes organizations and their respective communities to threats to their organizations, brands, digital assets, and people. These threats include targeted phishing attacks, account takeovers, credential theft, data leakage, domain spoofing, and impersonations. The overall volume of external cyber threats targeting organizations in general continues to increase, driving a need for organizations to continuously monitor the external threat environment and incorporate threat intelligence into their security operations.

ZeroFox provides customers with an innovative, comprehensive, SaaS-based platform for external cybersecurity (our Platform) that protects organizations from threats outside the traditional corporate perimeter. Our Platform combines protection, intelligence, adversary disruption, and response services into an integrated solution.

Powered by patented technology and artificial intelligence innovations, our Platform collects and processes millions of pieces of content, rich media, posts, messages, global intelligence, and threat actor activity across the digital landscape, including social media sites, public, deep and dark web forums, mobile app stores, code repositories, representing thousands of digital platforms and discrete content sources. We apply advanced analytics to the data we collect and process to detect external threats to brands, people, systems, assets and data across a customer’s public attack surface. Our adversary disruption services allow organizations to disrupt and remediate these threats.

As a result of internal efforts and our August 2022 acquisition of IDX, we also offer comprehensive response services, including breach response, incident response, and intelligence and investigative services. Our data breach solutions include prevention, detection, forensic services, notification, and recovery assistance. We also offer membership subscriptions that include credit and non-credit monitoring, prevention tools, and unlimited recovery assistance.

Industry Background

The focus of the cybersecurity industry has traditionally been protecting internal assets that are owned and controlled by the organization. Owned assets include laptops, networks, systems, and cloud workloads. With digital transformation continuing to accelerate, the primary way that companies interact and transact is now through digital channels and mediums.

An increasingly large number of businesses, including those in industries that were slower to adopt digital technologies, have adopted social media, mobile applications, and cloud computing resulting in more critical digital assets now residing outside of traditional firewalls. These organizations now offer mobile and web applications as a key driver of their revenue production in order to make customer access easier, transactions smoother, and their services more engaging. These same organizations have aggressively embraced social media and digital channels to interact and transact with customers, vendors, and partners.

The dramatic shift to digital channels has created an enormous digital footprint on the “public” internet, expanding the attack surface to include all externally available digital platforms. These public platforms are largely ungoverned, unmonitored and unprotected by existing perimeter and internal security technologies.

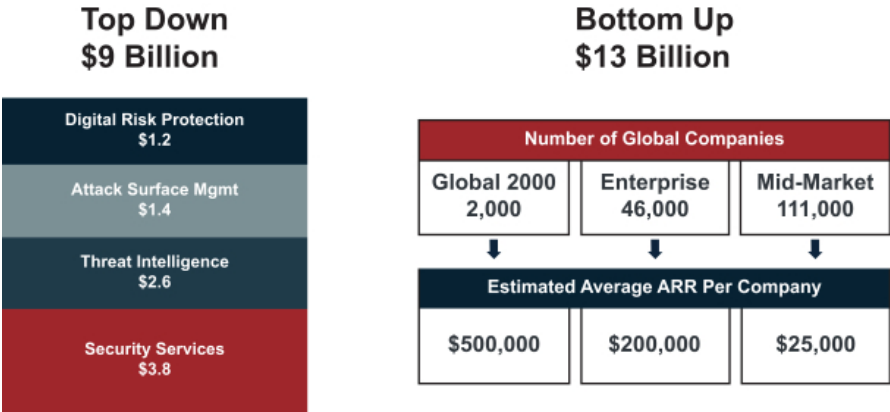
Adversaries are increasingly targeting organizations’ public attack surface which is reflected in increased threats including targeted phishing attacks, account takeovers, credential theft, data leakage, domain spoofing, and impersonations. All of these threats pose significant risk to organizations, their brands, and their assets. The volume of external cyber threats targeting organizations continues to increase, driving a need for organizations to continuously monitor the external threat environment and to incorporate threat intelligence into their security operations.

Protecting the public attack surface and defending against external threats is challenging. Organizations have limited visibility into their public attack surface. Traditional internal cybersecurity controls, including endpoint and perimeter solutions, do not provide visibility into or protection of the public attack surface and provide a limited view of the external threat environment. Continuously monitoring and protecting the public attack surface is difficult given its size and dynamic, unstructured nature. Additionally, many organizations continue to struggle with a scarcity of in-house cybersecurity expertise and resources.

We believe that securing the public attack surface and protecting organizations from external threats requires a platform-based approach that combines protection, intelligence, adversary disruption, and comprehensive response capabilities, including investigative, incident response and breach response services into a single solution. An external cybersecurity platform needs to provide continuous visibility into an organization’s public attack surface and threat environment, continuous monitoring and protection, and the ability to take action to prevent attacks, limit exposure, remediate an incident, and disrupt an adversary. We believe protecting organizations from external threats, requires comprehensive response capabilities including investigative, incident response, and breach response services.

Our Market Opportunity

As illustrated in the following diagram, we believe that the market opportunity for external cybersecurity solutions is large and growing. In estimating our market opportunity, we look at it from both a top down and a bottom up perspective.



Based on our top down analysis, we estimate our market opportunity to be approximately \$9 billion. This is based on industry analyst forecasts for various segments of the cybersecurity market that we believe our external cybersecurity platform either fully or partially addresses. These segments include Digital Risk Protection, External Attack Surface Management (EASM), Threat Intelligence and Security Services.

The \$9 billion estimated market opportunity consists of:

- \$1.2 billion from Digital Risk Protection based on Gartner’s 2025 forecast.
- \$2.6 billion from Threat Intelligence based on Gartner’s 2025 forecast.
- \$1.4 billion from External Attack Surface Management (EASM), which is based on IDC’s 2025 Vulnerability Management market forecast of \$5.4 billion and management’s assumption that EASM will comprise approximately 25% of the Vulnerability Management Market market.
- \$3.8 billion from Security Services. This is based on Gartner’s 2023 Security Services market forecast of \$76.5 billion and management’s assumption that the company’s managed services and response services address approximately 5% of this market opportunity.

We believe that companies of all sizes and across all industries and geographies require an external cybersecurity platform to protect their external attack surfaces and organizations from broader cyber threats. As such, we believe that a bottom up analysis is another way to estimate our market opportunity.

Based on our internal analysis, we estimate our market opportunity to be approximately \$13 billion. We calculate our market opportunity by estimating the total number of global companies segmented into Global 2000, Enterprise, and Mid-Market. We apply an estimated average annual recurring revenue, depending on the segment, using internally generated data of actual initial annual recurring revenue for each segment. We define enterprise customers as companies with revenue of \$100 million to \$5 billion and mid-market as companies with revenue of \$25 million to \$100 million. Data for companies is based on data from ZoomInfo.

Our Solutions

We provide external cybersecurity solutions to customers around the world. Customers rely on us to address important cybersecurity problems and challenges that they face today and look for our guidance regarding the problems they will face tomorrow. Our Platform is a cloud-native enterprise software-as-a-service application focused on providing external cybersecurity teams with comprehensive solutions to address external cybersecurity threats and risks. Our Platform employs continuous digital identification and detection, comprehensive threat intelligence and persistent adversary disruption to support a wide variety of cybersecurity use cases that address pervasive business challenges. Our customers’ adoption of the ZeroFox Platform often begins with the purchase of one or two core components and grows over time. Our Platform currently provides key capabilities across four strategic platform pillars: ZeroFox Protection, ZeroFox Intelligence, ZeroFox Disruption, and ZeroFox Response as visually depicted in the following diagram:



ZeroFox Protection: Powered by proprietary artificial intelligence, ZeroFox Protection gives customers real-time asset and vulnerability awareness of their external-facing internet accessible digital footprint and enables organizations to configure protective capabilities to continuously protect their external assets.

ZeroFox Protection provides technical capabilities to execute continuous attack surface identification and detection, which empowers the customer to gain an up-to-date picture of its internet accessible digital footprint. The digital presence typically includes social media accounts, collaboration platform accounts, domains, and internet-facing infrastructure, such as port, data, content, and images.

- **Domains:** continuous monitoring of newly registered or observed domains related to the customer's brands and continuous analysis of domains for malicious indicators is required to ensure capturing the domain when it is hosting malicious content, code, or payloads.
- **Digital Platform Accounts:** a catalog of owned digital accounts for brands, executives, individuals, locations, and products to adequately secure assets.
- **Internet-accessible Infrastructure:** ensures the mapping of the external internet facing infrastructure, externally-accessible networks and digital infrastructure components.
- **Public, Private, and Proprietary Data, Content, and Images:** the collection and analysis of data, content, images, and other information anywhere sensitive public, private, and proprietary information may reside on the internet to secure the customer's enterprise.

ZeroFox Protection's digital risk protection capabilities cast a digital net around owned assets across the internet including digital representations for the customer's brands, identities, systems, executives, accounts, domains, and mobile applications to secure their digital presence against targeted attacks, protect privacy, and decrease fraudulent activity across the internet.

ZeroFox Protection's capabilities include:

- **Brand Protection:** the intelligent identification of threats to brands to decrease the reach and efficacy of attacks.
- **Domain Protection:** the continuous scanning of the internet for malicious and infringing domains to decrease the risk of impersonating domains, phishing websites, and malicious URLs.
- **Social Media Protection:** the continuous monitoring of regional and global social media sites to detect malicious content and fraudulent profiles.
- **Executive Protection:** the enabling of comprehensive control and protection for an executive's digital footprint to ensure it is free of impersonations, sensitive data leakage, and other cyber risks.
- **Location Protection:** continuous monitoring of the external threat environment to detect potential threats to physical locations.
- **Dark Web Monitoring:** continuous monitoring of the criminal underground and dark web to detect early warning signs of potential threats, compromised credentials for sale, and sensitive data leakage.

ZeroFox Intelligence: ZeroFox Intelligence provides customers with a broad array of global threat intelligence solutions that assist with predicting emerging new threat vectors. We provide threat intelligence solutions that enable customers to directly search across our data lake of global threat indicators, tactics, adversary intelligence, exploits, and vulnerabilities. Additionally, customers can request advanced cyber-criminal investigations or engagement, or customers can directly integrate data into their existing security tools to improve prevention, detection, investigations, and response efforts.

ZeroFox Intelligence's capabilities include:

- **Intelligence Search:** direct access to the ZeroFox data lake to search in real-time strategic, operational, and tactical global threat intelligence.
- **Dark Ops Engagement:** our multilingual research and intelligence team allows for embedded interaction across deep and dark web forums as a specialized capability that can be leveraged for advanced adversary investigation and disruption. This capability also allows us to use advanced tradecraft for human intelligence collection from hard-to-reach underground communities that then feeds into our Platform for additional context, analysis, and alerts.
- **Intelligence Feeds:** aggregated data of intelligence collections across the internet to ingest relevant threats and indicators of compromise findings into a customer's technology stack.
- **On-Demand Investigations:** leverage ZeroFox's intelligence team to conduct research and investigations targeted at specific organizational needs like persons of interest, executive threats, attack surface, and geopolitical incidents.
- **Dedicated Analysts:** supplement internal security teams with a dedicated threat intelligence analyst.

ZeroFox Disruption: ZeroFox Disruption leverages our Platform to report, block, and take down an attack's core components across the internet. Disrupting threats often takes a significant amount of time and cost to comprehensively identify and then remove from the internet. We support customers by decreasing this significant cost through automation and leveraging technology-enabled solutions to report, block, sinkhole, and take down the components of an attack across the internet. By working with our Global Disruption Network, we are able to block and redirect traffic from malicious and nefarious locations. Our disruption capabilities also provide the ability to remove personally identifiable information from numerous data broker sites to disrupt phishing, social engineering attacks, doxxing, swatting, and impersonation attacks.

ZeroFox Disruption's capabilities include:

- **Takedowns:** a comprehensive, scalable, managed takedown service that removes offending or sensitive content on the customer's behalf across social networks, mobile app stores, domains, data broker sites, and others with automated request submission.
- **Global Disruption Network:** distribution of threat indicators to our network of partners, including leading network providers, internet service providers, hosting providers, cloud providers, and content distribution networks, to block internet traffic from navigating to malicious locations across the web.

ZeroFox Response: ZeroFox Response enables organizations to provide the required 24x7 level of support necessary to quickly respond to cyber incidents including external attacks, data loss or exfiltration, ransomware, and potential breaches. With the global increase in computer generated information and data that is stored in the cloud, nearly every organization is more vulnerable to some level of external cyber threats and risk. These threats and risks are often exploited by persistent, malicious actors and criminals around the world, resulting in breaches, other types of disruption, or compromise of varying intensity and scale.

ZeroFox Response includes incident response services as well as a comprehensive data breach notification and response solution as a managed service for the breached enterprise. Our breach response solution is designed to comply with federal and state privacy and data breach notification laws and regulations in order to reduce overall risks to the breached enterprise. ZeroFox Response enables our customers to reduce overall enterprise risk by responding to these situations responsibly, in a timely manner, and in compliance with regulatory requirements.

ZeroFox Response's capabilities includes:

- **Breach Notifications:** in coordination with outside counsel and cyber insurers, our breach response service provides a dedicated project manager in order to ensure breach notification, information website, communications with the affected individuals, as well as enrollment in our SaaS solution that provides identity and privacy protection to the affected population.

- Identity and Privacy Services: in addition to providing response services, regulated enterprises are often required to provide ongoing protection services to compromised individuals to address their risks of harm. Our platform provides software to detect and address these risks, combined with complementary concierge-style services.
- Incident Response and Digital Forensics: leverage ZeroFox incident response experts to investigate and rapidly respond to security incidents.

Our Platform

The ZeroFox Platform is powered by patented artificial intelligence capabilities and is built on a modern, cloud-native technology architecture that supports our core capabilities and solutions. Our engineering teams, which are aligned by scrum development methodology, deploy code updates and improvements to our Platform on a continual delivery basis. Our customers and partners can easily use and implement integrations to our Platform with other vendors. This integrated ecosystem, which is built on top of our Platform APIs, enables us to extend an organization's technology investment in ZeroFox, thereby maximizing our customers' investments in other cybersecurity categories such as endpoint, network, identity, security event management, security orchestration and automation, and IT service management. Our App Library has hundreds of connected applications, or "apps", that allow our customers to integrate our Platform into their operational and security processes. We also provide our Platform capabilities to customers via enterprise mobile apps available from the Google Play and Apple App Stores.

The ZeroFox Platform's transparent, artificial-intelligence-powered, engine curates content and distills the most critical issues of open source intelligence. We also leverage our research analysts to provide context and review of additional platforms, forums, and marketplaces to create a complete view of the threat landscape. Our customers' cybersecurity teams utilize this intelligence to make informed decisions regarding remediation actions.

The patented, artificial-intelligence-powered engines in the ZeroFox Platform enable automation and analysis-at-scale in several key areas. The ZeroFox Platform has implemented artificial intelligence capabilities in machine learning, natural language processing, computer vision, and deep learning. An example of our computer vision capabilities includes embedded image identification where we can train our algorithms to find images within images. This is particularly useful when looking for objects like company logos and credit cards. An additional example of our approach and implementation of advanced optical character recognition (OCR) enables us to extract characters and words regardless of language from images for further automated computer analysis. Our modular approach to artificial intelligence design and implementation has enabled us to use our components individually or in combination with each other to help address external cybersecurity challenges.

We employ a proprietary technology backend and have optimized our Platform to provide a customer-centric turnkey user experience from a customer's initial onboarding and configuration to ongoing use, reporting, analytics, and maintenance. Our platform can be quickly configured, effectively optimizing our customer's experience by minimizing their time-to-value and time to implement enhanced security controls.

Our around-the-clock OnWatch managed security team strives to become a natural extension of our customer's security operations center. The ZeroFox Platform is coupled with internal runbook integrations and workflows that enable global reach, response, and capacity. OnWatch teams are deployed in locations around the world to provide customers a prompt operational experience regardless of the time of day or night.

We have extended the ZeroFox App Library to integrate our Platform with the essential vendors within an organization's security and information technology tech stack. These integrations add value to our customers by providing enhanced visibility and threat intelligence context.

We expanded the capabilities of our Platform with the acquisition of IDX in August 2022. The integration of IDX's breach response solutions to our Platform provides a holistic offering to meet the growing demand for identity monitoring and breach response services.

Growth Strategy

We deliver exceptional and innovative external cybersecurity solutions that prioritize customer satisfaction and business resiliency. Embracing these priorities, we are pursuing the following growth strategies:

- **Drive new customer acquisition.** We believe that the market for external cybersecurity solutions is still emerging and that there is a significant opportunity to acquire new customers. We plan to drive new customer acquisition by continuing to expand our sales capacity, strengthening and expanding our channel partner relationships, and continuing to invest in marketing.
- **Increase adoption and platform usage by current customers.** We believe we have significant opportunities to expand our relationships with existing customers, including identifying and pursuing cross-sell opportunities with IDX customers. We plan to grow our business with existing customers by having them expand the use of our Platform to protect more assets and by having them adopt additional platform modules and services to address additional external cybersecurity use cases and security pain points.
- **Continue to innovate, enhance and expand our Platform.** We plan to continue to invest heavily in innovation to enhance and expand the capabilities of our Platform. We believe that expanding the capabilities of our Platform will further increase the value we provide to our customers and provide additional growth opportunities.
- **Expand high margin business.** We intend to focus on and continue to grow our higher margin enterprise platform subscription business in industry verticals that are experiencing the highest rates of cyberattacks.
- **Expand relationships with partners.** We also intend to continue to build our relationships with our channel partners, including Value-Added Resellers (VARs), Original Equipment Manufacturers (OEMs), distribution partners, cyber insurers, and breach response partners.
- **Expand our global footprint.** We intend to continue to grow our international customer base by increasing our investments in our international go-to-market efforts, operations, partners, and delivery capabilities.
- **Expand our total addressable market through strategic acquisitions.** We intend to complement our organic growth investments with strategic acquisitions in complementary technologies and markets to successfully execute on our long-term vision and platform strategy. We have proven our capability to identify, acquire, and integrate targets to expand our total addressable market, enhance our solution offering, and accelerate our growth.

Our Customers

As of January 31, 2023, we had over 2,100 customers, including over 1,200 subscription customers. We have key reference customers in many industry verticals including education, energy, entertainment, financial services, government healthcare, media, retail, services, and technology that we believe validate our solutions in the market. Our customers range from small and medium-sized organizations to Fortune 500 companies.

We have a single government customer that accounted for 47% of our revenue for the Successor Period. Excluding this customer, no single customer accounted for more than 3% percent of our revenue for the Successor Period.

Sales and Marketing

Our sales team is bifurcated into two sub-organizations: a new customer acquisition team and a customer success team. These teams are further structured into named-account sales teams that focus on targeted customer verticals, regions, and customer size. Most of our current business is in North America and as such, the team structure is proportionate in size and focus to the geographic distribution of our existing customer base. Members of the account management team are focused on creating successful customer outcomes, renewing customer subscriptions, and expanding platform adoption to drive customer upsell values.

In alignment with our corporate strategy, we are a channel-first organization. Our go-to-market strategy leverages our partner community to reach our desired customer cohorts. In North America, we generally rely on a single tier, value-added reseller and partner community. In other regions, we may employ a two-tiered approach by leveraging a network of distributors who then manage the various channel partners within desired territories or regions.

Our comprehensive marketing strategy focuses on an inbound marketing model designed to efficiently deliver high contact-to-opportunity conversion rates and pipeline velocity. We execute field, partner, and demand programs to drive ongoing engagement with prospects and leverage our sales development organization to mature those engagements into sales pipeline opportunities. Once prospects become customers, we continue engagement with solution-oriented content created by ZeroFox experts and executives through numerous collaboration channels designed to drive increased customer revenue and optimize our customers' long-term value. Additionally, we conduct webinars and podcasts, participate in cybersecurity industry events, and utilize our product marketing team to drive market awareness through thought leadership. The sophistication and experience of the ZeroFox threat intelligence enables us to package our thought leadership into daily and weekly threat intelligence reports, quarterly threat landscape reports, and annual threat reports. Other tactics leveraged to maximize inbound traffic include paid media, content syndication, social media, outbound campaigns, public relations, and remarketing advertising. These tactics frequently rely on the ZeroFox website to drive awareness, education, and opportunity conversion on the ZeroFox Platform's broad set of artificial intelligence capabilities. Furthermore, the website has been optimized to assist with lead conversion in mobile, tablet, and traditional desktop engagements. Marketing automation workflows continuously engage prospects throughout the buyers' journey with thought leadership and solution-centric content to advance their understanding of our Platform's value proposition.

Our global field and partner marketing strategy is designed to maximize the leverage of partner ecosystems and build brand engagement at regional and territory levels to drive and accelerate pipeline growth. We have strong participation in many prominent cybersecurity conferences and trade shows across many global geographies to expand our brand reach. In alignment with our sales approach, we have a channel-first sales and marketing strategy. We utilize technology-enabled communication and collaboration with partners at all sales lifecycle stages, from demand generation through technical validation and close. We believe that we have a state-of-the-art partner portal that allows global partners to take advantage of all aspects of our marketing strategy and content. The content on the partner portal provides partners with accelerated readiness through rapid product innovations to drive demand within their customer base and ensures their sales and technical teams are familiar with the latest capabilities of our Platform.

Research and Development

We devote significant resources to improve and enhance our solutions and maintain the effectiveness of our Platform. We work closely with our customers to gain valuable insights into their threat environments and security management practices to assist in designing new solutions and features that extend the capabilities of our Platform. Our engineering staff monitors and tests our software on a regular basis. We maintain a continuous integration and continuous delivery release framework to update and enhance our Platform and its modular capabilities. We can seamlessly deploy real-time upgrades with no downtime by leveraging our on-demand platform model.

Competition

The market for external cybersecurity solutions is competitive and characterized by rapid changes in technology, customer requirements, industry standards, and by frequent new product and service offerings and improvements. We see competition from the following categories:

- digital risk protection and threat intelligence providers such as Forta (through its acquisition of PhishLabs), Mimecast, Proofpoint, Recorded Future, Bolster, and Reliaquest (through its acquisition of Digital Shadows) who primarily focus on select niche sub-sector categories within security;

- broad infrastructure security vendors such as CrowdStrike, Fortinet, Palo Alto Networks, and Rapid7, through its acquisition of IntSights, who are supplementing their traditional endpoint or network security solutions with threat intelligence solutions;
- broad technology providers, such as Google and Microsoft that continue to invest in adding cybersecurity capabilities to their offerings;
- data breach response services providers, such as Experian, Kroll, and Transunion, that have dedicated units focused on data breach response service offerings;
- identity and privacy identity protection providers such as NortonLifeLock, Experian, and Transunion who are focusing on driving consumer awareness and adoption of credit-related protection services; and
- managed security service and system integrator solution providers such as Secureworks (formerly Dell Secureworks), IBM, and Accenture who are using people to augment their combined technology offerings.

We believe that our external cybersecurity solutions offer advantages as compared to products offered by our competitors based on the following factors:

- ability of our Platform to address the entire external cybersecurity lifecycle with protection, intelligence, adversary disruption, and response associated with cyberattacks and incursions;
- ability of our artificial-intelligence powered platform and human threat intelligence team to acquire global data sets at scale on behalf of our customers;
- ability of our Platform and related service capabilities to assist our customers from the discovery of a potential cyber breach through notification and protection of the enterprise by ensuring compliance with federal and state privacy and breach response laws and regulations, as well as the risks of harm to those individuals impacted by the breach and compromise of personal information;
- ability of our Platform to leverage artificial intelligence to analyze data efficiently and effectively at scale to help customers achieve a wide variety of security protections;
- ability of our Platform's App Library integrations to drive enhanced value to customers through partner technology workflow automation and enhanced data contextualization;
- ability of our Platform to drive in-platform policy orchestration enabling customers to automate ZeroFox-centric workflows; and
- ability of our Platform to provide full adversary kill chain disruption capabilities by automating the process for removal of malicious or infringing content and providing the ability to coordinate and/or integrate with several partners to disrupt cyberattacks.

Intellectual Property

The intellectual property rights we hold are a foundational asset in our portfolio and are core to our long-term strategy to create stockholder value. We rely on intellectual property protection under law (patents, trademarks, copyrights, and trade secrets) and leverage our rights through various agreements, including license agreements, confidentiality and non-disclosure agreements, employee non-disclosure, and assignment of inventions agreements. We believe all these intellectual property rights enable us to be a leading provider of innovative, cloud-based external cybersecurity solutions. We attract both customers and employee talent from our market leadership position in innovation.

From inception, we anchored our business' value proposition to the rapid creation of intellectual property; today this objective remains central to our Platform, capabilities, technology, and go-to-market strategy. Since then, we have ambitiously expanded our intellectual property portfolio by creating new inventions, tradecraft, and proprietary know-how stemming from our operational experience and research and development efforts.

- ZeroFox has 31 issued patents, 26 of which are in the U.S., and 6 pending patent applications; these include intellectual property relating to attack surface identification, threat intelligence and digital risk protection. The active patents are expected to expire between 2029 and 2041. In addition, ZeroFox owns dozens of trademark registrations throughout the world and numerous registered domain names for websites that we use in our business, such as www.zerofox.com.
- Identify Theft Guard Solutions, Inc. ("ITGS"), has 3 issued patents and 2 pending patent applications in the U.S., covering IP in breach response and privacy protection. The active patents are expected to expire between 2031 and 2039. ITGS also has 10 registered trademarks and 1 pending trademark registrations in the U.S. and multiple registered domain names.

We will continue to invest in the innovation and development of our intellectual property portfolio through business acquisitions, technology alliance and strategic licensing relationships, and ongoing research and development. Our intellectual property rights will be at risk because invalidation, circumvention and third-party intellectual property claims, and litigation remain possible. In addition, our industry is competitive so the intellectual property created by our competitors could limit the adoption of our technologies and products.

We believe competitors may try to develop products that are similar to ours and that they may infringe our intellectual property rights. Competitors or other third parties may also claim that our Platform and other solutions infringe their intellectual property rights. Third parties may in the future assert claims of infringement, misappropriation, and other violations of intellectual property rights against us or our customers, with whom our agreements may obligate us to indemnify against these claims.

Despite our best efforts to protect and aggressively expand our intellectual property rights, there is always the potential that they may not be respected in the future or may be invalidated, circumvented, or challenged. The cybersecurity industry is characterized by the existence of a large and expanding number of patents and frequent claims and related litigation based on allegations of patent infringement or other violations of intellectual property rights. We believe our approach to constantly invest in intellectual property is a meaningful component of our corporate strategy to mitigate intellectual property risk and liability. As an organization, we may elect to protect our intellectual property rights and challenge our competitor's infringing use of such rights. Successful claims of infringement by a third party could prevent us from offering certain products or features, require us to develop alternate, non-infringing technology, which could require time and during which we could be unable to continue to offer our affected products or solutions, require us to obtain a license, which may not be available on reasonable terms or at all, or force us to pay damages, royalties, or other fees.

For additional information, see the section titled "*Risk Factors-Risks Related to Legal and Regulatory Matters.*"

Backlog

We enter into both single and multi-year subscription contracts for our solutions. We generally invoice the entire amount at contract signing prior to commencement of the subscription period. Until such time as these amounts are invoiced, they are not recorded in deferred revenue or elsewhere in our consolidated financial statements, and are considered backlog. As of January 31, 2023, we had \$54.0 million in total deferred revenue, which excluded backlog of approximately \$61.5 million. Of this amount, approximately \$54.2 million is expected to be billed in fiscal year 2024. We expect backlog will change from period to period for several reasons, including the timing and duration of customer agreements, varying billing cycles of subscription agreements, and the timing and duration of customer renewals. Because revenue for any period is a function of revenue recognized from deferred revenue under contracts in existence at the beginning of the period, as well as new and renewing contracts during the period, backlog at the beginning of any period is not necessarily indicative of future revenue performance.

Human Capital

As of January 31, 2023, we employed 721 employees and 18 contractors. Our workforce is geographically distributed across the United States and various other locations around the world. None of our current employees are represented by a labor union and we have not experienced work stoppages. We consider our employee relations to be in good standing and we invest in them. We value our employees as a meaningful asset to our Company.

Attracting, Retaining, and Developing Talent

Our people team designs and implements key initiatives and employs business-driven human resources programs to recruit, hire, empower, develop, assess, and retain industry talent. First, we aim to build an effective team by leveraging our global footprint to find the right people, in the right geographies and place them into the right roles. Next, we empower employees to take ownership in their work while providing them with the tools, resources, and time to do their jobs well. We invest in our staff, offering coaching, training, and other support to develop short- and long-term skills and provide them with opportunities for career growth. Our semi-annual performance management cycle, which is purposefully decoupled from compensation discussions to encourage non-biased dialogue, encompasses both look back and look ahead elements to celebrate success, make improvements, and develop competencies to address future business needs.

Diversity and Inclusion

Our corporate culture is built on the goal of creating a diverse and inclusive environment where employees' unique opinions and feedback are respected, desired, and acted upon. As a team, employees constantly collaborate and work together to set policy, communicate openly, and drive an environment of transparency. For example, we frequently have global town hall meetings where the agenda is set by employees, hosted by employees that volunteer to emcee each event, and where multiple regions and business units are always recognizing their achievements and successes.

Each global town hall has a segment referred to as "Fellow Foxes", where employees have the opportunity to thank and recognize their peers anonymously or openly in front of the entire company. It is not uncommon to see dozens of Fellow Foxes recognized in a single town hall; Fellow Foxes love to work hard and recognize their teammates.

The Fellow Foxes practice is an example of the framework and value system that has been built to recognize and reward employees based upon meritocracy. We believe that most talent not only wants to be listened to but also challenged and rewarded where they can rise to their full potential and deliver their top performance in a healthy, fun work environment. Our workforce's ability to execute relentlessly in pursuit of company objectives is both a primary differentiator and a critical component contributing to our success.

To ensure that we retain a highly capable workforce that represents a variety of diverse backgrounds and complies with contractual obligations and local compliance regulations, we regularly benchmark our program against industry standards, diversity objectives, and key employee drivers.

Employee Health & Safety / COVID-19

We are committed to protecting the physical well-being of our employees, families, and customers. To address the evolving complexities introduced by COVID-19, we have and will continue to take multiple steps to promote safety, realign workforce planning strategy, and support employee needs while continuing to drive customer satisfaction. We regularly review and update our health and safety plan based on guidelines, rules and capabilities issued by local, regional, and countrywide healthcare organizations. At present, a large majority of employees work from home. In select geographies some employees can optionally work out of a local office in a hybrid environment, and there is another group of employees that work primarily in the office. As the world

reopens and employees potentially transition back toward an office setting, our offices have reopened with modified configurations based on requirements and recommendations from local, state, national government, and health institutions. Concurrently, we have used a phased approach that entails re-classifying ongoing work locations across all roles and implementing a flexible hybrid work model where appropriate.

While onsite, we have protocols in place to help keep employees, customers, and other visitors safe. We exercise an abundance of caution where safety is concerned and are ultimately prepared, resourced and equipped to exceed customer expectations, whether working onsite or remote.

Facilities

We are headquartered in the Washington D.C. metropolitan area with our primary office in Baltimore, Maryland. Our headquarters reflects our corporate culture and operational needs. We lease additional offices in regions throughout the United States and around the world, including Portland, Oregon, the United Kingdom, Chile and India. We believe that our current facilities are adequate to meet our current needs and that suitable additional alternative spaces will be available in the future on commercially reasonable terms.

Since the beginning of the COVID-19 pandemic, we have shifted our approach from almost entirely in-person to a flexible work environment that is comprised of in-person, hybrid in-person and remote, and 100% remote. We consider our 100% remote team part of our “Global Office” and that team is properly supported and securely enabled for remote-only work. Our hybrid team has access to work in-person and remote from designated offices around the world, and our in-person teams have designated offices they report to for work.

Government Regulation

As a provider of external cybersecurity solutions, our business is potentially subject to a variety of domestic and international laws and regulations relating to the collection, use, retention, protection, transfer, and processing of business data, personal data, and other sensitive information. Certain aspects of our offerings may involve access to and use of personally identifiable information and other sensitive data. The nature of cybersecurity product, identity offerings and related services requires the collection of various types of data. In the operation of our business, we may collect the types of data covered by these laws and regulations including personally identifiable information, information about an individual's health and financial information about individuals. To the extent we are in possession of such data and these various laws and regulations are determined to apply to us, this could require us to adopt additional operational, technological and security measures to protect and manage such information which could increase our costs of operations. Our failure to comply with such laws and regulations could also result in monetary fines and reputational damage which would have a negative impact on our business. These laws and regulations include, but are not limited to, GDPR, CCPA, CPRA, the Electronic Communication Privacy Act (“ECPA”), Computer Fraud and Abuse Act (“CFAA”), the Gramm-Leach-Bliley Act (“GLBA”), and the HIPAA/HITECH Act. In addition to these, other laws and regulations relating to cloud computing, cross-border data transfer restrictions, data collection and data localization may apply to our business as we expand outside of the U.S. market.

Our business is also subject to laws relating to import and export control such as U.S. export licensing requirements, trade and economic sanctions administered by the U.S. Office of Foreign Assets Control and anti-bribery laws such as the FCPA and the U.K. Anti-Bribery Act.

We believe that we are in material compliance with the laws and regulations that are applicable to us.

Many of these laws and regulations, such as those related to data protection and privacy, are frequently being revised and new laws in different jurisdictions are being adopted. Therefore, we must continually evolve our business practices to satisfy these regulatory obligations. We have policies and procedures that we rely on to satisfy these requirements and are transparent with our customers regarding our business practices, product features and types of data that are collected when a customer uses our security solutions. In addition to the

existing regulatory framework applicable to our business, some governments are considering whether to take a more active role in regulating the cybersecurity industry and, in the U.S., there are efforts to have the federal government regulate digital platform companies. New regulations in these two areas could impact our go-to-market model. Therefore, we keep abreast of these potential changes and how they may impact our business.

See the section titled “Risk Factors” for additional information about the laws and regulations we are subject to and the risks of our business associated with such laws and regulations.

Corporate Information

ZeroFox Holdings, Inc. is a holding company incorporated in the state of Delaware. ZeroFox Holdings, Inc. was formerly known as L&F Acquisition Corp. (L&F) and was a blank check, Cayman Islands exempted company, incorporated on August 20, 2020. The Company conducts its business through its wholly-owned, consolidated subsidiaries, primarily ZeroFox, Inc. and Identity Theft Guard Solutions, Inc.

On August 3, 2022, L&F, ZeroFox, Inc., and ID Experts Holdings, Inc. (IDX), consummated the Business Combination as contemplated by the Business Combination Agreement, dated as of December 17, 2021. In connection with the finalization of the Business Combination, L&F changed its name to ZeroFox Holdings, Inc. and changed its jurisdiction of incorporation from the Cayman Islands to the state of Delaware and changed its fiscal year end to January 31.

Our principal executive offices are located at 1834 S. Charles Street, Baltimore, Maryland 21230, and our telephone number is (855) 936-9369. Our website is www.zerofox.com. The information found on, or that can be accessed from or that is hyperlinked to, our website is not part of Annual Report on Form on 10-K

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to these reports are filed with the SEC pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934 (the Exchange Act). Such reports and other information filed or furnished by us with the SEC are available free of charge on our website at <https://ir.zerofox.com/> as soon as reasonably practicable after we file such material with, or furnish it to, the SEC. The SEC maintains a website that contains the materials we file with or furnish to the SEC at www.sec.gov.

Investors and other interested parties should note that we use our media and investor relations website and our social media channels to publish important information about us, including information that may be deemed material to investors. We encourage investors and other interested parties to review the information we may publish through our media and investor relations website and the social media channels listed on our media and investor relations website, in addition to our SEC filings, press releases, conference calls and webcasts.

MANAGEMENT

The following table sets forth the name, age and position of each of our executive officers and directors as of the date hereof. Each such individual was elected an executive officer and/or director effective upon the consummation of the Business Combination and previously served as an executive officer and/or director of ZeroFox, IDX or L&F, as applicable, prior to the consummation of the Business Combination:

| Name | Age | Position |
|-------------------------|-----|---|
| James C. Foster | 44 | Chief Executive Officer and Chairman of the Board |
| Kevin T. Reardon | 50 | Chief Operating Officer |
| Timothy S. Bender | 54 | Chief Financial Officer |
| Michael Price | 44 | Chief Technology Officer |
| John R. Prestridge, III | 62 | Chief Marketing Officer |
| Scott O'Rourke | 48 | Chief Revenue Officer |
| Thomas P. FitzGerald | 56 | General Counsel and Corporate Secretary |
| Peter Barris | 71 | Director |
| Sean Cunningham | 65 | Director |
| Adam Gerchen | 41 | Director |
| Todd P. Headley | 60 | Director |
| Thomas F. Kelly | 70 | Director |
| Sanskriti King | 49 | Director |
| Corey M. Mulloy | 51 | Director |

Directors

James C. Foster is a co-founder of ZeroFox, where he has served as Chairman of the Board and Chief Executive Officer since 2013. From 2010 to 2012, Mr. Foster served as a Senior Vice President at Accuvant, Inc. where he was responsible for accelerating growth and profitability following the acquisition of Ciphent, Inc. in 2010. From 2006 to 2010, Mr. Foster was the founder and Chief Executive Officer of Ciphent, Inc. before its sale to Accuvant. Mr. Foster has a history of working in high-growth cybersecurity startups including Guardent (acquired by Verisign) and Foundstone (acquired by McAfee). Earlier in his career, Mr. Foster worked in various roles supporting the United States Department of Defense and its contractor base. He holds a B.S. in software applications from Capitol University and is a Fellow at The Wharton School of Business at the University of Pennsylvania. Mr. Foster has authored or co-authored over a dozen books relating to cybersecurity including Buffer Overflow Attacks, Writing Security Tools and Exploits, and Sockets Shellcode Porting. We believe Mr. Foster is qualified to serve on our Board due to, among other things, the experience he brings as the founder, Chief Executive Officer and current Chairman of the Board of ZeroFox.

Peter Barris has served as a member of the ZeroFox board of directors since 2014. From 1999 to 2017, Mr. Barris was the Managing General Partner of New Enterprise Associates ("NEA"), a venture capital firm with over \$20 billion of assets under management. After retiring in 2019, Mr. Barris has served as NEA's chairman. Under his leadership, NEA invested in transformative technology companies including CareerBuilder, Tableau, Diapers.com, Groupon, Jet.com, Juniper Networks, Macromedia, Salesforce.com, TiVo, and Workday. Mr. Barris also serves on the board of directors of Groupon, Inc. (Nasdaq: GRPN), Sprout Social, Inc. (Nasdaq: SPT), Berkshire Grey, Inc. (Nasdaq: BGRY) and NextNav Inc. (Nasdaq: NN) and is currently a director of several private companies. Prior to joining NEA, Mr. Barris was President and Chief Operating Officer of Legent Corporation and Senior Vice President of the Systems Software Division of UCCEL Corporation. Prior to his time at Legent Corporation, Mr. Barris spent almost a decade at General Electric Company (NYSE: GE) in a variety of management positions, including Vice President and General Manager at GE Information Services. He is Vice-Chair of the Northwestern University Board of Trustees and serves on the board of trustees of In-Q-Tel and the Brookings Institution. Mr. Barris has also served on the Executive Committee of the Board of the National Venture Capital Association and was a founding member of Venture Philanthropy Partners, a

philanthropic organization in the Washington, D.C. area. Mr. Barris received a B.S.E.E. from Northwestern University and an M.B.A. from the Tuck School of Business at Dartmouth. We believe Mr. Barris is qualified to serve on our Board due to, among other things, his service on the ZeroFox board of directors and his many years of experience leading and investing in transformative technology companies and his public company board experience.

Corey M. Mulloy joined ZeroFox as a director in 2015. He is a partner at Highland Capital Partners, which he joined in 1997. While at Highland, Mr. Mulloy has worked closely with the founders of several portfolio companies, including seven that completed public offerings and twenty that exited through acquisition transactions. Prior to Highland, Mr. Mulloy worked as a financial analyst at Robertson, Stephens & Co., L.L.C., an investment bank, and The Whitman Group. Mr. Mulloy previously served on the board of directors of Gigamon, Inc. (listed on NYSE until 2018: GIMO) and serves as a director of a number of private companies. Mr. Mulloy has served on the Swarthmore College Board of Managers since 2020 and the College's Investment Committee since 2007. Mr. Mulloy received a B.A. in economics from Swarthmore College and an M.B.A. from Harvard Business School. We believe Mr. Mulloy is qualified to serve on our Board due to, among other things, his service on the ZeroFox board of directors, his many years of leadership in investment banking working with portfolio companies that completed public offerings and his public company board experience.

Todd P. Headley joined ZeroFox as a director in 2014. Mr. Headley previously served as a director of Qualys, Inc. (NASDAQ: QLYS) from 2015 to 2018, LogRhythm, Inc. from 2014 to 2018, Phantom Cyber from 2015 to 2018 and was the Chief Financial Officer of Sourcefire, Inc. (listed on NASDAQ until 2013: FIRE) from 2003 until its acquisition by Cisco Systems, Inc. in 2013. Prior to Sourcefire, Mr. Headley held key financial management positions in four venture-backed technology start-ups: Riverbed Technologies, Roadshow, BioNetrix and POMS. Mr. Headley also currently serves on the Executive Board of the Virginia Tech University APEX Center for Entrepreneurs. From 1992-2003 Mr. Headley held key financial management positions in several venture-backed technology start-ups, four of which were successfully acquired. Mr. Headley began his career in 1985 in public accounting with Arthur Andersen LLP. He is a CPA and holds a B.S. in accounting from Virginia Tech. We believe Mr. Headley is qualified to serve on our Board due to, among other things, his service on the ZeroFox board of directors, his many years serving as director of public companies in the technology space and his extensive financial management and accounting background.

Samskriti King joined ZeroFox as a director in 2021. Since 2019, Ms. King has been the Chief Executive Officer of Veracode, Inc., a leading provider of application security testing. She was one of the earliest employees of Veracode when the company was founded over 15 years ago and also served as Veracode's Chief Strategy Officer, Executive Vice President for Product Strategy and Corporate Development and Vice President of Product Marketing and Service Delivery. Prior to Veracode, Ms. King held leadership positions in cybersecurity and technology companies including Verisign and Razorfish. Ms. King currently serves as a director of Progress Software Corporation (NASDAQ: PRGS) and is a member of the Board of Trustees of the Massachusetts Technology Leadership Council. She earned her B.S. in computer science from the University of Strathclyde in Glasgow, Scotland, where she earned the prestigious Charles Babbage Award, awarded to the student with the highest academic achievement in the graduating class. Ms. King received her M.S.E. in computer and information science from the University of Pennsylvania. We believe Ms. King is qualified to serve on our Board due to, among other things, her chief executive leadership experience running an application security testing business and current public company board experience.

Thomas F. Kelly served as President and Chief Executive Officer of IDX from 2017 until the Closing of the Business Combination and was elected a director of ZeroFox upon the Closing. From 2016 to 2017, Mr. Kelly served as a cybersecurity industry consultant. In the prior twenty years, Mr. Kelly was Chief Executive Officer of several software and security companies including AccelOps between 2015 and 2016 (acquired by Fortinet, 2016), Moxie Software, MontaVista Software (acquired by Cavium, 2009), BlueStar Solutions (acquired by Affiliated Computer Services, 2004) and Blaze Software (IPO then acquired, 2000). In the prior 25 years of his career, Mr. Kelly held executive leadership operating roles at several companies including Cirrus

Logic, Cadence Design Systems, and Frame Technology (acquired by Adobe, 1995). Mr. Kelly has served on numerous corporate boards over his career including at FEI, Epicor Software, and Blaze Software, and currently is on the board of directors of Fabrinet (NYSE: FN). Mr. Kelly received a B.S. in economics from Santa Clara University, and serves on several community and academic advisory boards. We believe Mr. Kelly is qualified to serve on our Board due to, among other things, his operational experience as Chief Executive Officer of IDX and extensive public company leadership and public company board experience.

Sean Cunningham joined IDX as a director in 2016 and served as a director of IDX until the Closing of the Business Combination and was elected a director of ZeroFox upon the Closing. Mr. Cunningham is currently Managing Director of ForgePoint Capital, which he joined in 2015. Prior to ForgePoint Capital, Mr. Cunningham led cybersecurity investment strategy at Intel Capital, most recently as Director of Venture Investments for over 15 years. Mr. Cunningham's prior roles at Intel since 1994 also included the role of Marketing Director. Prior to Intel, Mr. Cunningham held various leadership positions at Sequent Computers and at ISC Systems. Mr. Cunningham also serves on the board of directors of a number of other private companies, including DeepSee.ai, Cloudentity, Anitian, and ReversingLabs. Mr. Cunningham has also served on the Gonzaga University School of Business Entrepreneurship Advisory Board. Mr. Cunningham holds a B.B.A. in finance and an M.B.A. from Gonzaga University. We believe Mr. Cunningham is qualified to serve on our Board due to, among other things, his experience as a venture capital investor in cybersecurity technology and guiding successful companies.

Adam Gerchen served as Chief Executive Officer and a director of L&F from 2020 until the Closing of the Business Combination and was elected a director of ZeroFox upon the Closing. Mr. Gerchen has also served as co-founder and Chief Executive Officer of Keller Lenkner, a law firm that has developed unique arbitration strategies and other innovations in mass actions since 2018. Additionally, in order to serve the large number of firm clients, and address the complexity of various areas of law, Mr. Gerchen also built a separate servicing business at Keller Lenkner in 2018 that combines client origination, intake, customer relationship management, IT, and settlement administration. From 2016 to 2017, Mr. Gerchen served as President of Burford Capital Limited (LSE: BUR) ("**Burford**"), the leading global finance firm focused on law. Previously, Mr. Gerchen co-founded and served as Chief Executive Officer of Gerchen Keller Capital ("**GKC**") from 2013 until GKC's sale in 2016 to Buford. Prior to its acquisition, GKC grew into the largest private investment and advisory firm focused exclusively on legal and regulatory risk, raising \$1.4 billion of institutional capital. Across both organizations, products developed for and deployed into the legal sector included single-case litigation finance, portfolio funding, risk management & insurance, claim monetization, post-settlement, bankruptcy & insolvency, international arbitration, and patent and intellectual property. Mr. Gerchen holds a B.A. in economics from Brown University and a J.D. from Harvard Law School. We believe Mr. Gerchen is qualified to serve on our Board due to, among other things, his chief executive experience running L&F and two other successful investment firms.

Executive Officers

For information about James C. Foster, please see "*Directors*" above.

Kevin T. Reardon joined ZeroFox in 2020 as Chief Operating Officer. From 2016 to 2019, Mr. Reardon led Consulting, Strategy and Field Engineering for Symantec Corporation and helped transition the company on its sale to Broadcom, Inc. From 2015 to 2016, Mr. Reardon was Chief Information Security Officer for Blue Coat Systems, which was acquired by Symantec. From 2006 to 2015, Mr. Reardon was at McAfee Security and Intel Security in various senior leadership roles for Operations, Consulting, Strategy and the Office of the Chief Technology Officer. Mr. Reardon holds a B.S. in computer information systems from the University of Scranton.

Timothy S. Bender joined ZeroFox in 2016 as Chief Financial Officer. From 2012 to 2016, Mr. Bender served as Chief Financial Officer of Motionsoft, Inc., a provider of business and management solutions for member-based organizations in the fitness industry. From 2001 to 2012, Mr. Bender served as Vice President,

Accounting and Corporate Controller of Vocus, Inc. (listed on Nasdaq until 2014: VOCS). Mr. Bender holds a B.S.B.A. in accounting from Geneva College and is a CPA (currently inactive).

Michael Price joined ZeroFox in 2015 as its Chief Technology Officer, where he is responsible for leading and setting the vision for its technology. He oversees all aspects of engineering, research and development. Prior to ZeroFox, Mr. Price founded the mobile vulnerability intelligence company, Vulnr, serving as its Chief Executive Officer. From 2011 to 2013, Mr. Price served as the Vice President of Engineering of Appthority, and from 2001 to 2010 Mr. Price worked at McAfee, where he focused initially on enterprise vulnerability management and later served as the regional lead for McAfee Labs in Latin America. Mr. Price holds a B.S. in Security and Risk Analysis from The Pennsylvania State University. He is presently a graduate student at The Citadel, where he studies Intelligence and Security and also currently serves on a volunteer basis in support of State of Maryland and United States Armed Forces cybersecurity efforts.

John R. Prestridge, III joined ZeroFox in 2020 as its Chief Marketing Officer. He is a senior enterprise marketing, product, and sales executive with decades of experience delivering results for B2B software companies. From 2017 to 2020, Mr. Prestridge was Senior Vice President of North America and Global Chief Marketing Officer for EasyVista, Inc., a global information technology service management (ITSM) software company, and from 2009 to 2017, he was Vice President of Marketing and Product Strategy for SunView Software, Inc. Mr. Prestridge also held senior leadership roles in solutions and product marketing at Citrix Systems over his eight-year tenure there.

Scott O'Rourke became the global leader of ZeroFox sales and Chief Revenue Officer in 2017. Prior to taking this role, Mr. O'Rourke was responsible for establishing the ZeroFox Commercial Sales team in 2015 and leading all US-based sales efforts since 2016. Before joining ZeroFox, ZeroFox, Inc., prior to the Business Combination, Mr. O'Rourke held numerous sales leadership roles, including serving as the Vice President of Enterprise Sales at Trustwave and sales positions at Interactions Corporation, Verizon and AT&T. Mr. O'Rourke received a B.S. in civil engineering from Virginia Tech and an M.B.A. in finance from Johns Hopkins University.

Thomas P. FitzGerald joined ZeroFox in 2021 as its General Counsel and Corporate Secretary. From 2013 to 2020, Mr. FitzGerald worked as an attorney at Cisco Systems, Inc. supporting the networking and security businesses, most recently of which he served as Senior Director, Legal where he managed the team of attorneys primarily responsible for Cisco's Security Business Group. Mr. FitzGerald was the Vice President and Deputy General Counsel of Sourcefire, Inc. (listed on NASDAQ until 2013: FIRE) from 2009 until its acquisition by Cisco in 2013. From 1998 to 2009, Mr. FitzGerald worked in private practice at various national law firms in which his practice focused on emerging growth technology companies. Mr. FitzGerald received a B.A. in economics from Trinity College and a J.D. from American University.

Corporate Governance Guidelines and Code of Business Conduct and Ethics

Our Board has adopted Corporate Governance Guidelines that address items such as the qualifications and responsibilities of its directors and director candidates and corporate governance policies and applicable standards. In addition, our Board has adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers and directors, including our Chief Executive Officer, Chief Financial Officer and other executive and senior financial officers. The full text of our Corporate Governance Guidelines and our Code of Business Conduct and Ethics is posted in the Investors section on our website at <https://ir.zerofox.com>. We intend to make any legally required disclosures regarding amendments to, or waivers of, provisions of our code of ethics on our website. Information contained on or accessible through the website is not a part of this prospectus, and the inclusion of the website address in this prospectus is an inactive textual reference only.

Board Composition

When considering whether directors and director nominees have the experience, qualifications, attributes and skills, taken as a whole, to enable our Board to satisfy its oversight responsibilities effectively in light of its

business and structure, our Board focuses primarily on each person's background and experience as reflected in the information discussed in each of the directors' individual biographies set forth above in order to provide an appropriate mix of experience and skills relevant to the size and nature of its business.

In accordance with our Certificate of Incorporation, we have a classified board of directors, with three directors in Class I (Peter Barris, Corey M. Mulloy and Sean Cunningham), each to initially serve for a term expiring at the first annual meeting of stockholders to be held in 2023, two directors in Class II (Samskriti King and Thomas F. Kelly), each to initially serve for a term expiring at the second annual meeting of stockholders to be held in 2024, and three directors in Class III (James C. Foster, Todd Headley, and Adam Gerchen), each to initially serve for a term expiring at the third annual meeting of stockholders to be held in 2025. At each such annual meeting and each succeeding annual meeting, directors shall be elected for a term of three years.

Director Independence

Our Board has determined that each of the directors on our Board other than James C. Foster and Thomas F. Kelly qualifies as independent directors, as defined under the rules of the Nasdaq Stock Market, and that the Board consists of a majority of "independent directors," as defined under the rules of the SEC and the Nasdaq Stock Market relating to director independence requirements. In addition, we are subject to the rules of the SEC and the Nasdaq Stock Market relating to the membership, qualifications, and operations of the audit committee, as discussed below.

Role of Board in Risk Oversight

Our Board is responsible for the oversight of risk management related to the company's business and accomplishes this oversight through the regular reporting to the Board by its committees. The audit committee periodically reviews our accounting, reporting and financial practices, including the integrity of our financial statements, the surveillance of administrative and financial controls and the company's compliance with legal and regulatory requirements. Through its regular meetings with management, including the finance, legal, internal audit and information technology functions, the audit committee will review and discuss all significant areas of the company's business and summarize for the Board all areas of risk and the appropriate mitigating factors. In addition, the compensation committee and the nominating and corporate governance committee will review and report to the Board with regard to areas of risk management that such Board committees oversee.

Committees of the Board

Our Board directs the management of the company's business and affairs, as provided by Delaware law, and conducts its business through meetings of the Board and its standing committees. We have a standing audit committee, compensation committee and nominating and corporate governance committee, each of which operates under a written charter.

In addition, from time to time, special committees may be established under the direction of our Board when the Board deems it necessary or advisable to address specific issues. Current copies of our Board committee charters have been posted on our website, as required by applicable SEC and Nasdaq Stock Market rules. The information on or available through our website is not deemed incorporated in this prospectus and does not form part of this prospectus.

Audit Committee

Our audit committee consists of Todd P. Headley, Peter Barris and Sean Cunningham, with Mr. Headley serving as the Chair. Our Board has determined that each of these individuals satisfies the independence requirements of the Sarbanes-Oxley Act of 2002, as amended, or the Sarbanes-Oxley Act, Rule 10A-3 under the Exchange Act and the applicable listing standards of the Nasdaq Stock Market. Our Board has determined that

each member of our audit committee satisfies the requirements for financial literacy under the applicable Nasdaq Stock Market rules. 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.

Our Board determined that Mr. Headley qualifies as an audit committee financial expert within the meaning of SEC regulations and meets the financial sophistication requirements of the Nasdaq Stock Market rules. In making this determination, our Board considered Mr. Headley's formal education and previous and current experience in financial and accounting roles. Both the company's independent registered public accounting firm and management periodically will meet privately with our audit committee.

The audit committee's responsibilities include, among other things:

- appointing, compensating, retaining, evaluating, terminating and overseeing the company's independent registered public accounting firm;
- discussing with the company's independent registered public accounting firm their independence from management;
- reviewing with management and the company's independent registered public accounting firm the scope and results of their audit;
- pre-approving all audit and permissible non-audit services to be performed by the company's independent registered public accounting firm;
- overseeing the financial reporting process and discussing with management and the company's independent registered public accounting firm the interim and annual financial statements that the company files with the SEC;
- reviewing and monitoring the company's accounting principles, accounting policies, financial and accounting controls and compliance with legal and regulatory requirements; and
- establishing procedures for the confidential anonymous submission of concerns regarding questionable accounting, internal controls or auditing matters.

Compensation Committee

Our compensation committee consists of Corey M. Mulloy and Samskriti King, with Mr. Mulloy serving as the Chair. Each of Mr. Mulloy and Ms. King are non-employee directors, as defined in Rule 16b-3 promulgated under the Exchange Act. Our Board has determined that Mr. Mulloy and Ms. King are "independent" as defined under the applicable Nasdaq listing standards, including the standards specific to members of a compensation committee.

The compensation committee's responsibilities include, among other things:

- reviewing and approving corporate goals and objectives relevant to the compensation of our Chief Executive Officer, evaluating the performance of our Chief Executive Officer in light of these goals and objectives and setting or making recommendations to our Board regarding the compensation of our Chief Executive Officer;
- reviewing and setting or making recommendations to our Board regarding the compensation of the other executive officers;
- making recommendations to our Board regarding the compensation of our directors;
- reviewing and approving or making recommendations to our Board regarding our incentive compensation and equity-based plans and arrangements; and
- appointing and overseeing any compensation consultants.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee consists of Adam Gerchen and Peter Barris, with Mr. Gerchen serving as the Chair. Our Board has determined that each of Adam Gerchen and Peter Barris is “independent” as defined under the applicable listing standards of Nasdaq and SEC rules and regulations.

The nominating and corporate governance committee’s responsibilities include, among other things:

- identifying individuals qualified to become members of our Board, consistent with criteria approved by our Board;
- recommending to our Board the nominees for election to our Board at annual meetings of our stockholders; and
- overseeing an evaluation of our Board and its committees; and
- periodically reviewing and recommending to our Board updates to our corporate governance guidelines, code of business conduct and ethics and related company policies.

Our Board may from time to time establish other committees.

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee has ever served as an officer of the company. None of our directors has an interlocking or other relationship with another board or compensation committee that would require disclosure under Item 407(e)(4) of SEC Regulation S-K.

Related Person Transactions Policy

Our Board has adopted a written Related Person Transactions Policy that sets forth our policies and procedures regarding the identification, review, consideration and oversight of “related person transactions.” Our audit committee will approve only those transactions that it determines are fair to us and in our best interests.

A “Related Person Transaction” is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which ZeroFox or any of its subsidiaries was, is or will be a participant, the amount of which involved exceeds \$25,000 and in which any related person had, has or will have a direct or indirect material interest. A “Related Person” means:

- any person who is, or at any time since the beginning of the company’s last fiscal year was, an executive officer or a member or nominee to become a member of our Board;
- any person who is known by us to be the beneficial owner of more than 5% of our voting stock;
- any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of a director, officer or a beneficial owner of more than 5% of our voting stock, and any person (other than a tenant or employee) sharing the household of such director, nominee for director, executive officer or beneficial owner of more than 5% of our voting stock; or
- any firm, corporation or other entity in which any of the foregoing persons is employed as an executive officer or is a general partner, managing member or principal or in a similar position or in which such person has a 10% or greater beneficial ownership interest.

We have policies and procedures designed to minimize potential conflicts of interest arising from any dealings we may have with our affiliates and to provide appropriate procedures for the disclosure of any real or potential conflicts of interest that may exist from time to time. Specifically, pursuant to our Related Person Transactions Policy, the audit committee will have the responsibility to review related person transactions.

EXECUTIVE AND DIRECTOR COMPENSATION

To achieve ZeroFox's goals, ZeroFox has designed, and intends to modify as necessary, its compensation and benefits program to attract, retain, incentivize and reward deeply talented and qualified executives who share its philosophy and desire to work towards achieving these goals.

ZeroFox believes its compensation program should promote the success of the company and align executive incentives with the long-term interests of its stockholders. ZeroFox's historical compensation programs reflect its startup origins in that they consist primarily of salary and stock option awards. As ZeroFox's needs evolve, ZeroFox intends to continue to evaluate its philosophy and compensation programs as circumstances require.

This section provides an overview of ZeroFox's executive compensation programs, including a narrative description of the material factors necessary to understand the information disclosed in the summary compensation table below. The discussion in this section addresses ZeroFox's executive compensation programs that were in effect prior to the consummation of the Business Combination. Following the consummation of the Business Combination, ZeroFox intends to develop an executive compensation program that is designed to align compensation with ZeroFox's business objectives and the creation of stockholder value, while enabling ZeroFox to attract, retain, incentivize and reward individuals who contribute to the long-term success of ZeroFox. Decisions on the executive compensation program will be made by our Board based upon the recommendations of our compensation committee.

The ZeroFox Board, with input from its Chief Executive Officer, has historically determined the compensation for ZeroFox's named executive officers. The Chief Executive Officer does not participate in the determination of his own compensation. No other executive officers participate in the determination of the compensation of the other executive officers. For the year ended January 31, 2023, our named executive officers were:

- James C. Foster, Chief Executive Officer
- Timothy Bender, Chief Financial Officer
- Scott O'Rourke, Chief Revenue Officer

Summary Compensation Table

The following table sets forth information concerning the compensation of the named executive officers for the year ended January 31, 2023.

| Name and Principal Position | Year | Salary (\$) | Bonus (\$) ⁽¹⁾ | Option Awards (\$) ⁽²⁾ | Non-equity Incentive Compensation (\$) ⁽³⁾ | All Other Compensation (\$) ⁽⁴⁾ | Total (\$) |
|--|------|-------------|---------------------------|-----------------------------------|---|--|------------|
| James C. Foster, Chief Executive Officer | 2023 | 400,000 | 110,000 | — | 200,000 | 12,000 | 722,000 |
| | 2022 | 278,770 | — | — | 175,000 | 12,000 | 465,770 |
| Timothy Bender, Chief Financial Officer | 2023 | 350,000 | 70,000 | 708,535 | 175,000 | — | 1,303,535 |
| | 2022 | 256,500 | — | 160,315 | 115,000 | — | 531,815 |
| Scott O'Rourke, Chief Revenue Officer | 2023 | 300,000 | 50,000 | 590,444 | 306,456 | 24,977 | 1,271,877 |
| | 2022 | 268,852 | — | 160,202 | 281,322 | 14,269 | 724,645 |

- (1) The amounts in this column represent discretionary bonuses earned by executive officer during the years ending January 31, 2023 and January 31, 2022, respectively. The discretionary bonus is more fully described below under the section titled "Discretionary Bonus".

- (2) The amounts in this column represent the aggregate grant-date fair value of awards granted to each named executive officer in the summary table, computed in accordance with FASB ASC Topic 718. See Note 14 to ZeroFox's audited financial statements included elsewhere in this prospectus for a discussion of the assumptions made by ZeroFox in determining the grant-date fair value of ZeroFox's equity awards.
- (3) The amounts in this column represent cash bonuses and commissions earned under our 2023 and 2022 bonus and commission plans based upon the achievement of objectives for the years ended January 31, 2023, and January 31, 2022, respectively. Messrs. Foster and Bender are covered under our Annual Incentive Plan, which is an annual bonus plan, and Mr. O'Rourke is covered under our Sales Management Incentive Plan, which is a commission plan. The Annual Incentive Plan is more fully described below under the section titled "*Bonus Plan*", and the Sales Management Incentive Plan is more fully described below under the section titled "*Commission Plan*."
- (4) The amounts in this column represents a monthly expense allowance for Mr. Foster, and a field marketing allowance for Mr. O'Rourke.

Narrative Disclosure to Summary Compensation Table

For the year ended January 31, 2023, the compensation program for ZeroFox's named executive officers consisted of base salary, discretionary bonuses, incentive compensation delivered in the form of annual incentive bonuses and commissions, stock option awards, and perquisites.

Base Salary

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

Discretionary Bonuses

Discretionary bonuses were earned based upon the Company's achievement of strategic objectives. During the year ended January 31, 2023, the compensation committee approved discretionary bonuses of \$110,000, \$70,000, and \$50,000 for Mr. Foster, Mr. Bender, and Mr. O'Rourke, respectively.

Incentive Bonus Plan

Bonuses are earned based upon the achievement of annual bookings, with payouts equal to 1% of target for each 1% achievement of the annual bookings target up to 100% of the target bonus. Incremental payouts above the target bonus based on the achievement of bookings above the annual bookings target are at the discretion of the compensation committee in the case of Mr. Foster, and at the discretion of the chief executive officer for other participants.

Messrs. Foster and Bender are eligible to earn annual bonuses under our Annual Incentive Plan. For the year ended January 31, 2023, each of Messrs. Foster and Bender had bonus targets equal to \$200,000 and \$175,000, respectively. Bonuses were paid out at 100% of target.

Commission Plan

Commissions are earned based on annual bookings, with a fixed percentage for annual bookings up to the annual bookings target and an incremental percentage for annual bookings above the annual bookings target.

Mr. O'Rourke is eligible for periodic commissions under our Sales Management Incentive Plan. For fiscal 2023, Mr. O'Rourke was paid annual commissions of \$325,000 under this plan.

Discretionary Bonuses

Discretionary bonuses were earned based upon the Company's achievement of strategic objectives. During the year ended January 31, 2023, the compensation committee approved discretionary bonuses of \$110,000, \$70,000, and \$50,000 for Mr. Foster, Mr. Bender, and Mr. O'Rourke, respectively.

Stock Option Awards

Our equity award program is the primary vehicle for offering long-term incentives to our executives. We believe that equity awards provide our executive officers with a strong link to long-term performance, create an ownership culture and help to align the interests of our executive officers and stockholders. Prior to the Business Combination, stock options were granted to ZeroFox's named executive officers under the ZeroFox 2013 Equity Incentive Plan (the "**2013 Equity Incentive Plan**"). Upon the consummation of the Business Combination, outstanding options under the 2013 Equity Incentive Plan were assumed and converted into options of ZeroFox based upon the applicable exchange ratio. Following the Business Combination, equity awards will be made under our Incentive Equity Plan, which was adopted in connection with the consummation of the Business Combination.

Change in Control Features

The 2013 Equity Incentive Plan generally provides that upon a "change in control" (as defined in the 2013 Equity Incentive Plan), the Board may, among other actions, arrange for the assumption of the award or accelerate the vesting of the award. Under our Incentive Equity Plan, in the event of a change in control (as defined in the Incentive Equity Plan), to the extent that ZeroFox or a successor entity does not assume an award or substitute another substantially similar award for an outstanding award, then all such awards held by grantees who remain in ZeroFox's service will become fully vested, and exercisable and/or payable (as applicable) in connection with the transaction, and all forfeiture, repurchase and other restrictions on the awards shall lapse, in which case the awards shall be cancelled upon consummation of the change in control in exchange for the right to receive change in control consideration (if any amount is due) determined by the number of shares subject to each such award and net of any exercise price, subject to the requirements of Section 409A of the Code.

Outstanding Equity Awards at 2023 Fiscal Year End

The following table presents information regarding outstanding equity awards held by ZeroFox's named executive officers as of January 31, 2023.

| | Grant Date | Option Awards ⁽¹⁾ | | Option Exercise Price (\$) | Option Expiration Date |
|-----------------|--------------------------|---|---|----------------------------|------------------------|
| | | Number of Securities Underlying Unexercised Options Exercisable (#) | Number of Securities Underlying Unexercised Options Unexercisable (#) | | |
| James C. Foster | | — | — | — | — |
| Timothy Bender | 01/27/16 ⁽²⁾ | 300,787 | — | 0.60 | 01/27/26 |
| | 08/22/17 ⁽³⁾ | 125,961 | — | 0.77 | 08/22/27 |
| | 03/05/19 ⁽⁴⁾ | 181,623 | 12,108 | 0.98 | 03/05/29 |
| | 02/24/20 ⁽⁵⁾ | 78,736 | 35,784 | 1.23 | 02/24/30 |
| | 05/20/21 ⁽⁶⁾ | 31,312 | 40,257 | 2.24 | 03/01/31 |
| | 02/23/22 ⁽⁷⁾ | 85,883 | — | 8.25 | 02/01/32 |
| Scott O'Rourke | 10/28/15 ⁽⁸⁾ | 50,098 | — | 0.49 | 10/28/25 |
| | 01/27/16 ⁽²⁾ | 42,941 | — | 0.60 | 01/27/26 |
| | 02/14/17 ⁽⁹⁾ | 247,056 | — | 0.70 | 02/14/27 |
| | 03/05/19 ⁽¹⁰⁾ | 98,407 | 44,731 | 0.98 | 03/05/29 |
| | 03/05/19 ⁽¹¹⁾ | 42,583 | 54,751 | 0.98 | 03/05/29 |
| | 11/20/19 ⁽¹²⁾ | 5,725 | — | 1.09 | 11/20/29 |
| | 05/14/20 ⁽¹³⁾ | 2,505 | 3,220 | 1.23 | 05/14/30 |
| | 05/14/20 ⁽¹⁴⁾ | 1,431 | — | 1.23 | 05/14/30 |
| | 05/20/21 ⁽⁶⁾ | — | 85,883 | 2.24 | 03/01/31 |
| | 02/23/22 ⁽⁷⁾ | 71,569 | — | 8.25 | 02/01/32 |

- (1) All stock options were granted pursuant to the 2013 Equity Incentive Plan.
- (2) 25% of the stock options vested on January 27, 2017, and the remainder vested in equal monthly installments over 36 months thereafter, subject to continued service through the applicable vesting date.
- (3) 25% of the stock options will vest on January 18, 2019, and the remainder will vest in equal quarterly installments over 36 months thereafter, subject to continued services throughout the applicable vesting date.
- (4) 25% of the stock options vested on March 1, 2020, and the remainder vest in equal quarterly installments over 36 months thereafter, subject to continued service through the applicable vesting date.
- (5) 25% of the stock options vested on February 24, 2021, and the remainder vest in equal quarterly installments over 36 months thereafter, subject to continued service through the applicable vesting date.
- (6) 25% of the stock options vested on March 1, 2022, and the remainder vest in equal quarterly installments over 36 months thereafter, subject to continued service through the applicable vesting date.
- (7) 25% of the stock options vested on February 1, 2023, and the remainder vest in equal quarterly installments over 36 months thereafter, subject to continued service through the applicable vesting date.
- (8) 25% of the stock options vested on October 17, 2016, and the remainder vested in equal monthly installments over 36 months thereafter, subject to continued service through the applicable vesting date.
- (9) 25% of the stock options vested on February 1, 2018, and the remainder vested in equal quarterly installments over 36 months thereafter, subject to continued service through the applicable vesting date.
- (10) 25% of the stock options vested on March 1, 2020, and the remainder vest in equal quarterly installments over 36 months thereafter, subject to continued service through the applicable vesting date.
- (11) 25% of the stock options vested on January 31, 2021, and the remainder vest in equal quarterly installments over 36 months thereafter, subject to continued service through the applicable vesting date.
- (12) 100% of the stock options vested on November 20, 2019.

- (13) 25% of the stock options vested on February 1, 2021, and the remainder vest in equal quarterly installments over 36 months thereafter, subject to continued service through the applicable vesting date.
- (14) 100% of the stock options vested on May 14, 2020.

Benefits and Perquisites

We provide benefits to our named executive officers on the same basis as provided to all of our employees, including medical, dental and vision insurance; health reimbursement arrangement, life insurance; accidental death and dismemberment insurance; short-and long-term disability insurance; health and dependent care flexible spending accounts; employee assistance program; various voluntary employee-funded coverages; and a tax-qualified Section 401(k) plan to which we may provide discretionary employer contributions. We do not maintain any executive-specific benefit or perquisite programs.

In addition, Mr. Foster received a monthly expense allowance of \$1,000, and Mr. O'Rourke received a discretionary field marketing allowance of \$24,977 during the year ended January 31, 2023.

Executive Officer Employment Agreements

James C. Foster

Executive Employment Agreement

ZeroFox entered into an employment agreement with James C. Foster, our Chief Executive Officer and Chairman, dated January 18, 2023. Pursuant to this employment agreement, Mr. Foster's employment is at-will and may be terminated at any time by us or Mr. Foster. His employment agreement includes obligations relating to the protection of confidential information and the assignment of inventions and intellectual property, as well restrictive covenants regarding non-competition and non-solicitation.

Under his employment agreement, if Mr. Foster is terminated without cause or resigns for good reason (each as defined in his employment agreement), provided he signs and does not revoke a separation agreement that includes a release of claims, then Mr. Foster is eligible to receive (i) 12 months of continued base salary payable in a lump-sum, (ii) payment by the company of the employer-portion of premiums for continued health insurance coverage for 12 months following termination provided Mr. Foster continues his required copayment of premiums, and (iii) 12 months of vesting acceleration of his then-outstanding unvested equity awards. If Mr. Foster is terminated without cause or resigns for good reason within the 3 months prior to or 12 months following a change in control (as defined in the Incentive Equity Plan), provided he signs and does not revoke a separation agreement that includes a release of claims, then Mr. Foster is eligible to receive (x) 18 months of continued base salary plus 100% of his annual target bonus, all payable in a lump-sum, (y) payment by the company of the employer-portion of premiums for continued health insurance coverage for 18 months following termination provided Mr. Foster continues his required copayment of premiums, and (z) the acceleration of vesting of all of his then-outstanding unvested equity awards.

Timothy Bender and Scott O'Rourke

Executive Employment Agreement

ZeroFox entered into employment agreements with Timothy Bender, our Chief Financial Officer and Scott O'Rourke, our Chief Revenue Officer (each an "executive officer"). Each agreement is dated January 18, 2023. Pursuant to each employment agreement, each executive officer's employment is at-will and may be terminated at any time by us or by the executive officer. Each executive officer's employment agreement includes obligations relating to the protection of confidential information and the assignment of inventions and intellectual property, as well restrictive covenants regarding non-competition and non-solicitation.

Under each of these employment agreements, if an executive officer is terminated without cause or resigns for good reason (each as defined in his employment agreement), provided he signs and does not revoke a separation agreement that includes a release of claims, then such executive officer is eligible to receive (i) 6 months of continued base salary payable in a lump-sum, and (ii) payment by the company of the employer-portion of premiums for continued health insurance coverage for 6 months following termination provided the executive officer continues his required copayment of premiums. If an executive officer is terminated without cause or resigns for good reason within the 3 months prior to or 12 months following a change in control (as defined in the Incentive Equity Plan), provided he signs and does not revoke a separation agreement that includes a release of claims, then such executive officer is eligible to receive (x) 12 months of continued base salary plus a pro-rated portion of his annual target bonus, all payable in a lump-sum, (y) payment by the company of the employer-portion of premiums for continued health insurance coverage for 12 months following termination provided the executive officer continues his required copayment of premiums, and (z) the acceleration of vesting of all of his then-outstanding unvested equity awards.

Director Compensation

This section provides information regarding the compensation of our non-executive officer directors for the year ended January 31, 2023. Our non-executive officer directors are also entitled to reimbursement of direct expenses incurred in connection with attending meetings of our Board of Directors or committees thereof. We may provide both cash and equity compensation to our independent directors.

2023 Cash Compensation

The cash compensation amounts set forth below were payable to each non-executive officer director for their service on the Board of Directors of the Company for the year ended January 31, 2023:

- Annual Director Service Retainer—\$32,000
- Annual Retainer for Lead Independent Director—\$20,000
- Annual Retainer for Audit Committee Chair—\$20,000
 - Annual Retainer for members of the Audit Committee (other than the Chair)—\$10,000
- Annual Retainer for Compensation Committee Chair—\$15,000
 - Annual Retainer for members of the Compensation Committee (other than the Chair)—\$5,000
- Annual Retainer for Nominating & Corporate Governance Committee Chair—\$10,000
 - Annual Retainer for Nominating & Corporate Governance Committee Member (other than the Chair)—\$5,000

2023 Equity Compensation

On December 14, 2022, each director identified in the table below was granted 42,918 RSUs, with the shares underlying the RSUs vesting in full on the earlier of the date immediately preceding the Company's next Annual Meeting of Stockholders or immediately prior to the effective date of a Change in Control of the Company (as defined in the Incentive Equity Plan), subject to each director's continued service as a director through the applicable vesting date.

| Name | Fees earned or paid in cash (\$) | Stock awards\$(⁽¹⁾) | All Other Compensation(\$) | Total(\$) |
|-----------------|----------------------------------|----------------------------------|----------------------------|-----------|
| Peter Barris | 23,500 | 200,000 | — | 223,500 |
| Todd Headley | 36,500 | 200,000 | — | 236,000 |
| Sanskriti King | 48,500 ⁽²⁾ | 200,000 | — | 248,500 |
| Adam Gerchen | 21,000 | 200,000 | — | 221,000 |
| Sean Cunningham | 21,000 | 200,000 | — | 221,000 |
| Thomas Kelly | 16,000 | 200,000 | 631,606 ⁽³⁾ | 847,606 |
| Corey Mulloy | 23,500 | 200,000 | — | 223,500 |

- (1) The amounts in this column represent the aggregate grant-date fair value of RSUs granted to each non-executive officer director, computed in accordance with FASB ASC Topic 718. See Note 14 to ZeroFox's audited financial statements included elsewhere in this prospectus for a discussion of the assumptions made by ZeroFox in determining the grant-date fair value of ZeroFox's equity awards.
- (2) In fiscal year 2023, Sanskriti King was the only non-executive officer director with an annual retainer in place prior to the consummation of the Business Combination. Ms. King received \$30,000 in connection with this initial annual retainer, which was superseded by the annual retainer in place after the consummation of the Business Combination (as reflected in the "2023 Cash Compensation" section above).
- (3) In fiscal year 2023, Thomas Kelly earned compensation of \$631,606 related to his employment at the Company. Mr. Kelly's compensation consisted of a base salary of \$628,750 and bonus of \$2,858.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

L&F Related Party Transactions

Founder Shares

In August 2020, the Sponsor paid \$25,000 to cover certain offering and formation costs of L&F in exchange for 5,750,000 Founder Shares. In November 2020, the Sponsor effected a surrender of 1,437,500 Founder Shares to L&F for no consideration, resulting in a decrease in the total number of Founder Shares outstanding to 4,312,500 shares. The Founder Shares included an aggregate of up to 562,500 shares that were subject to forfeiture depending on the extent to which the underwriter's over-allotment option was exercised, so that the number of Founder Shares would equal, on an as-converted basis, 20% of L&F's issued and outstanding ordinary shares after the L&F IPO. As a result of the underwriter's election to fully exercise its over-allotment option on November 25, 2020, no Founder Shares were subject to forfeiture. Subsequent to the initial purchase of the Founder Shares by the Sponsor, the Sponsor transferred 20,000 Founder Shares to Mr. Albert Goldstein and 50,000 Founder Shares to Senator Joseph Lieberman at a nominal purchase price of \$0.004 per Founder Share prior to the closing of the L&F IPO and 39,733 Founder Shares to Mr. Kurt Summers shortly after his being appointed to the L&F Board in December 2021 for no cash consideration.

Private Placement Warrants

On November 23, 2020, simultaneously with the closing of the L&F IPO, L&F completed the private sale of an aggregate of 5,000,000 L&F Private Placement Warrants to the Sponsor at a purchase price of \$1.00 per L&F Private Placement Warrant, generating gross proceeds to the Company of \$5,000,000. In connection with the underwriter's full exercise of its over-allotment option an additional 450,000 L&F Private Placement Warrants were sold to the Sponsor at a price \$1.00 per L&F Private Placement Warrant, generating gross proceeds to the Company of \$450,000.

Following the Domestication, each Sponsor Warrant is exercisable for one share of Common Stock at a price of \$11.50 per share, subject to adjustment. The Sponsor Warrants will be non-redeemable for cash and exercisable on a cashless basis so long as they are held by the Sponsor or its permitted transferees.

The Sponsor and L&F's officers and directors agreed, subject to limited exceptions, not to transfer, assign or sell any of their private placement warrants until 30 days after the completion of the Business Combination.

Common Equity PIPE Financing

Concurrently with the execution of the Business Combination Agreement, L&F entered into the Common Equity Subscription Agreements with the Common Equity PIPE Investors. Pursuant to the Common Equity Subscription Agreements, the Common Equity PIPE Investors agreed to subscribe for and purchase, and L&F agreed to issue and sell to such investors, on the Closing Date, an aggregate of 2,000,000 shares of our Common Stock in exchange for an aggregate purchase price of \$20,000,000.

Several related parties to L&F as summarized below entered into the Common Equity Subscription Agreements, pursuant to which they purchased an aggregate of 1,000,000 shares of Common Stock for aggregate gross proceeds of \$10,000,000.

| Common Equity PIPE Investor | Shares | Amount Subscribed |
|--|---------|-------------------|
| JCH Investments LLC ⁽¹⁾ | 50,000 | \$ 500,000 |
| GCP-OII, LLC ⁽²⁾ | 50,000 | \$ 500,000 |
| L&F Acquisition Holdings Fund, LLC ⁽³⁾ | 150,000 | \$ 1,500,000 |
| Corbin ERISA Opportunity Fund, L.P. ⁽⁴⁾ | 750,000 | \$ 7,500,000 |

- (1) JCH Investments LLC is an entity affiliated with Jeffrey C. Hammes, the former chairman of the L&F Board.
- (2) GCP-OI I, LLC is an entity affiliated with Adam Gerchen, the former chief executive officer and a director of L&F and a member of the Board following the consummation of the Business Combination.
- (3) L&F Acquisition Holdings Fund, LLC is an affiliate of Victory Park Capital Advisors, LLC, an entity affiliated with Richard Levy, a former director of L&F.
- (4) Corbin ERISA Opportunity Fund, L.P. is an affiliate of Corbin Capital Partners, LP, and such entity was a greater than 5% beneficial owner of L&F immediately prior to the consummation of the Business Combination.

Convertible Notes Financing and Convertible Notes Registration Rights Agreement

In connection with signing the Business Combination Agreement, L&F entered into the Convertible Notes Subscription Agreements with the Convertible Notes Investors, in respect of \$150,000,000 aggregate principal amount of the Notes.

Several related parties to L&F as summarized below entered into Convertible Notes Subscription Agreements, pursuant to which they collectively purchased substantially concurrently with the Closing of the Business Combination Notes in an aggregate principal amount of \$30,000,000. Such parties also entered into the Convertible Notes Registration Rights Agreement pursuant to which, among other things, we granted customary registration rights with respect to the shares of Common Stock issuable upon conversion of the Notes.

| Convertible Notes Investor | Amount Subscribed |
|--|------------------------------|
| L&F Acquisition Holdings Fund, LLC ⁽¹⁾ | \$ 7,500,000 |
| Corbin ERISA Opportunity Fund, L.P. ⁽²⁾ | \$ 22,500,000 |

- (1) L&F Acquisition Holdings Fund, LLC is an affiliate of Victory Park Capital Advisors, LLC, an entity affiliated with Richard Levy, a former director of L&F.
- (2) Corbin ERISA Opportunity Fund, L.P. is an affiliate of Corbin Capital Partners, LP, and such entity was a greater than 5% beneficial of L&F immediately prior to the consummation of the Business Combination.

Sponsor Support Letter Agreement

Concurrently with the execution of the Business Combination Agreement, (i) L&F, (ii) the Sponsor, Albert Goldstein and Joseph Lieberman, (iii) ZeroFox, Inc., (iv) IDX, and (v) Jeffrey C. Hammes, Adam Gerchen, Tom Gazdziak and Richard Levy (solely for the limited purposes set forth therein), entered into an Amended and Restated Sponsor Support Letter Agreement. On January 31, 2022, (i) L&F, (ii) the Sponsor and Albert Goldstein, Joseph Lieberman and Kurt Summers (together with the Sponsor, the “**Sponsor Holders**”), (iii) ZeroFox, Inc., (iv) IDX, and (v) Jeffrey C. Hammes, Adam Gerchen, Tom Gazdziak and Richard Levy (solely for the limited purposes set forth therein), entered into a Second Amended and Restated Sponsor Support Letter Agreement (the “**Sponsor Support Letter Agreement**”). Pursuant to the Sponsor Support Letter Agreement, the Sponsor Holders have agreed to subject an aggregate of 1,293,750 shares of Common Stock held by such Sponsor Holders to an earnout, whereby such shares will be forfeited unless certain volume-weighted average share price thresholds are met in trading or are deemed to occur in connection with a Change of Control (as defined in the Business Combination Agreement) within five years from the Closing. The Sponsor Holders also agreed not to transfer, assign or sell any of their Founder Shares until the earlier of one year after the completion of the Business Combination, or earlier if, subsequent to the Business Combination, the closing price of the Common Stock equals or exceeds \$12.00 per share (as adjusted for stock splits, stock capitalizations, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after the Business Combination.

Related Party Loans

On August 28, 2020, the Sponsor agreed to loan L&F an aggregate of up to \$300,000 to cover expenses related to the L&F IPO pursuant to a promissory note (the “**Promissory Note**”). This loan was non-interest bearing and payable upon the completion of the L&F IPO. Prior to the consummation of the L&F IPO, L&F borrowed approximately \$64,126 under the Promissory Note. On November 23, 2020, L&F repaid the Promissory Note in full to the Sponsor.

Administrative Services Agreement

L&F entered into an agreement that provided that, subsequent to the closing of the L&F IPO and continuing until the Business Combination, L&F paid to an affiliate of the Sponsor a total of \$10,000 per month for office space, secretarial and administrative services.

The Sponsor, executive officers and directors, or any of their respective affiliates, also were reimbursed for any out-of-pocket expenses incurred in connection with activities on L&F’s behalf such as identifying potential target businesses and performing due diligence on suitable business combinations. L&F’s audit committee reviewed on a quarterly basis all payments that were made to the Sponsor, officers, directors or their affiliates.

ZeroFox Related Party Transactions

Headquarters’ Lease

ZeroFox currently leases its headquarters at 1834 S. Charles Street, Baltimore, Maryland, 21230 pursuant to the terms of a Lease Agreement dated February 27, 2016 (as amended, the “**ZF HQ Lease**”) with 1830 Charles Street LLC, a subsidiary of Wolf Acquisitions, L.P. Wolf Acquisitions, L.P. is wholly-owned by James C. Foster, ZeroFox’s Chief Executive Officer. Under the terms of the ZF HQ Lease, ZeroFox paid 1830 Charles Street LLC base rent of \$35,170 per month (an amount that increased to \$36,225 per month on March 1, 2022). The current term of the ZF HQ Lease expired on February 28, 2023. The ZF HQ Lease is currently effective on a month-to-month basis. The ZF HQ Lease was approved by ZeroFox’s board of directors and ZeroFox believes that the ZF HQ Lease is on arms’-length terms.

Cyveillance Sublease

On September 30, 2020, ZeroFox acquired the Cyveillance business unit and related assets from Lookingglass Cyber Solutions, Inc. (“**Lookingglass**”). In connection with this transaction, ZeroFox issued Series E redeemable convertible preferred stock to Lookingglass and became a greater than 5% beneficial owner of the Common Stock as a result of the Business Combination. As part of the Cyveillance acquisition, ZeroFox entered into that certain Deed of Sublease, dated September 30, 2020, with Lookingglass as sublandlord (the “**Lookingglass Sublease**”). Under the Lookingglass Sublease, ZeroFox paid Lookingglass \$23,886 monthly base rent (an amount that increased to \$24,844 per month on March 1, 2021 and to \$25,837 per month on March 1, 2022). The Lookingglass Sublease expired on July 31, 2022 and was not renewed. The Lookingglass Sublease was approved by the ZeroFox Board in connection with the Cyveillance acquisition and ZeroFox believes that the Lookingglass Sublease was on arm’s-length terms. In addition, Lookingglass’ Executive Chairman, Gilman Louie, was a member of the board of directors of ZeroFox from October 2020 to May 2022.

Bridge Notes

On December 16, 2021, several ZeroFox related parties purchased ZeroFox PIK Promissory Notes, as summarized below. Such ZeroFox PIK Promissory Notes accrued interest that was paid-in-kind at a rate of 5.0% per annum and matured upon the Closing of the Business Combination. In connection with the consummation of the Business Combination, the repayment of the original principal amount of the ZeroFox PIK Promissory Notes

was offset against amounts owed by such related parties under their respective Common Equity Subscription Agreements (described below).

| Noteholder | Amount Subscribed |
|---|------------------------------|
| Highland Capital Partners 9 Limited Partnership ⁽¹⁾ | \$ 1,179,620 |
| Highland Capital Partners 9-B Limited Partnership ⁽¹⁾ | \$ 508,110 |
| Highland Entrepreneurs' Fund 9 Limited Partnership ⁽¹⁾ | \$ 102,960 |
| New Enterprise Associates 14, L.P. ⁽²⁾ | \$ 2,288,150 |
| Wolf Acquisitions, L.P. ⁽³⁾ | \$ 671,160 |

- (1) Corey Mulloy is a member of the Board. The general partner of each of Highland Capital Partners 9 Limited Partnership, Highland Capital Partners 9-B Limited Partnership and Highland Entrepreneurs' Fund 9 Limited Partnership is Highland Management Partners 9 Limited Partnership whose general partner is Highland Management Partners 9 LLC, of which Mr. Mulloy is a managing member. Following the Closing of the Business Combination, Highland Capital is a greater than 5% beneficial owner of the Common Stock.
- (2) Following the Closing of the Business Combination, New Enterprise Associates 14, L.P. is a greater than 5% beneficial owner of the Common Stock.
- (3) Wolf Acquisitions, L.P. is wholly-owned by James C. Foster, the Chief Executive Officer of ZeroFox. Mr. Foster is Chairman and Chief Executive Officer of ZeroFox and a greater than 5% beneficial owner of the Common Stock.

Participation in the Common Equity PIPE Financing

Several ZeroFox related parties participated in the Common Equity PIPE Financing, as summarized below:

| Common Equity PIPE Investor | Shares | Amount Subscribed |
|--|---------------|------------------------------|
| Highland Capital Partners 9 Limited Partnership | 117,962 | \$ 1,179,620 |
| Highland Capital Partners 9-B Limited Partnership | 50,811 | \$ 508,110 |
| Highland Entrepreneurs' Fund 9 Limited Partnership | 10,296 | \$ 102,960 |
| New Enterprise Associates 14, L.P. | 228,815 | \$ 2,288,150 |
| Wolf Acquisitions, L.P. | 67,116 | \$ 671,160 |

Please see footnotes to the Bridge Notes table above.

Redline Letter Agreement

On December 7, 2021, ZeroFox entered into a letter agreement with Redline Capital Fund Universal Investments, a sub-fund of Redline Capital Fund, FCP-FIS ("**Redline Capital**"), pursuant to which Redline Capital irrevocably waived its right to designate a member of the ZeroFox board of directors and its board observer rights and pursuant to which Redline Capital and its affiliates granted to ZeroFox's chief executive officer an irrevocable proxy to vote all of their shares, which shall be voted proportionally to the overall votes cast by other stockholders of ZeroFox on proposals or resolutions voted on by ZeroFox's stockholders. Following the Closing of the Business Combination, Redline Capital is a greater than 5% beneficial owner of the Common Stock.

A&R Registration Rights Agreement

At the time of the Closing of the Business Combination, ZeroFox Holdings, Inc., the Sponsor Holders, Jefferies and certain former stockholders of ZeroFox, Inc. and IDX (James C. Foster, Thomas F. Kelly, Wolf Acquisitions, L.P., New Enterprises Associates 14, L.P., Highland Capital Partners 9 Limited Partnership, Highland Capital Partners 9-B Limited Partnership, Highland Entrepreneurs' Fund 9 Limited Partnership,

Redline Capital Fund Universal Investments, Peloton Equity I, L.P., Peloton ID Experts, LLC, ForgePoint Capital, BlueCross BlueShield Venture Partners II, L.P., Sandbox Advantage Fund, L.P., Intel Capital Corporation and Lookingglass Cyber Solutions, Inc.) entered into the A&R Registration Rights Agreement pursuant to which, among other things, ZeroFox Holdings, Inc. granted the other parties customary registration rights with respect to shares of Common Stock, and certain former stockholders of ZeroFox, Inc. and IDX were subject to a 180-day lock-up period following execution of the A&R Registration Rights Agreement during which period such stockholders may not transfer their shares (subject to customary exceptions). The transfer restrictions described above are no longer applicable. The lock-up period described above will not apply to any shares acquired in the Common Equity PIPE Financing or to the Notes Shares. Mr. Foster is our Chairman and Chief Executive Officer, Mr. Kelly is a member of our Board, and certain of the other stockholder parties and the Sponsor (excluding the other Sponsor Holders and Jefferies) is a greater than 5% beneficial owner of our Common Stock. See section titled “*Beneficial Ownership of Securities*.”

IDX Related Party Transactions

Following the Closing of the Business Combination, Thomas F. Kelly will continue his employment for one year, assuming the position of Senior Advisor pursuant to Amendment No. 4 to the Employment Agreement between IDX and Thomas F. Kelly, dated December 17, 2021. Thomas F. Kelly is a member of the Board.

In the fiscal year ended December 31, 2021, in connection with his service as IDX’s Chief Executive Officer, Thomas F. Kelly received a base salary of \$325,000, and for his achievements in 2021, he earned a discretionary bonus of \$225,000, which he received in the three-month period ended March 31, 2022.

Participation in the Common Equity PIPE Financing

Several IDX related parties participated in the Common Equity PIPE Financing, as summarized below:

| Common Equity PIPE Investor | Shares | Amount Subscribed |
|---|---------|-------------------|
| ForgePoint Cybersecurity Fund I, L.P. ⁽¹⁾ | 148,233 | \$ 1,482,230 |
| ForgePoint Cyber Affiliates Fund I, L.P. ⁽¹⁾ | 1,723 | \$ 17,230 |
| Peloton Equity I, L.P. ⁽²⁾ | 104,963 | \$ 1,049,630 |
| Peloton ID Experts, LLC ⁽²⁾ | 77,238 | \$ 772,380 |
| BlueCross BlueShield Venture Partners II, L.P. | 142,675 | \$ 1,426,750 |
| Sandbox Advantage Fund, L.P. | 25,178 | \$ 251,780 |

(1) Sean Cunningham is a non-managing member of ForgePoint Cybersecurity GP-I, LLC, and is a member of the Board. Following the Closing of the Business Combination, ForgePoint is a greater than 5% beneficial owner of the Common Stock.

(2) Following the Closing of the Business Combination, Peloton Equity is a greater than 5% beneficial owner of the Common Stock.

BENEFICIAL OWNERSHIP OF SECURITIES

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information regarding the beneficial ownership of our Common Stock as of March 1, 2023, by:

- each person who is known to be the beneficial owner of more than 5% of the outstanding shares of Common Stock;
- each of the Company's directors and named executive officers; and
- all directors and executive officers of the Company 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.

The beneficial ownership percentages set forth in the following table are based on 118,513,684 shares of Common Stock outstanding as of March 1, 2023.

Unless otherwise indicated, the Company believes that all persons named in the table below have sole voting and investment power with respect to the voting securities beneficially owned by them. Unless otherwise indicated, the address of each individual listed below is c/o ZeroFox Holdings, Inc., 1834 S. Charles Street, Baltimore, MD 21230.

| Name of Beneficial Owner | Number of Shares of ZeroFox Common Stock Beneficially Owned | % of Ownership |
|---|---|-------------------|
| Five Percent Holders | | |
| New Enterprise Associates 14, L.P. ⁽¹⁾ | 18,068,513 | 15.2% |
| Highland Capital ⁽²⁾ | 14,157,788 | 11.9% |
| Redline Capital Fund SCSp ⁽³⁾ | 11,259,545 | 9.5% |
| JAR Sponsor ⁽⁴⁾ | 9,652,767 | 7.8% |
| Lookingglass Cyber Solutions, Inc. ⁽⁵⁾ | 8,718,522 | 7.4% |
| James C. Foster ⁽⁶⁾ | 8,649,995 | 7.3% |
| Peloton Equity ⁽⁷⁾ | 7,249,467 | 6.1% |
| ForgePoint ⁽⁸⁾ | 5,988,180 | 5.1% |
| Directors and Executive Officers | | |
| James C. Foster ⁽⁶⁾ | 8,649,995 | 7.3% |
| Peter Barris | — | * |
| Sean Cunningham | — | * |
| Adam Gerchen ⁽⁹⁾ | 50,000 | * |
| Todd P. Headley ⁽¹⁰⁾ | 306,334 | * |
| Thomas F. Kelly | 1,959,258 | 1.7% |
| Sanskriti King ⁽¹¹⁾ | 50,475 | * |
| Corey M. Mulloy ⁽¹²⁾ | 14,157,788 | 11.9% |
| Timothy S. Bender | 878,733 | * |
| Scott O'Rourke ⁽¹³⁾ | 634,597 | * |
| All Directors and Executive Officers of the Company as a Group (14 persons)⁽¹⁴⁾ | 28,740,440 | 23.6% |

* Represents beneficial ownership of less than 1%.

- (1) Based on information supplied by New Enterprise Associates 14, L.P. (“**NEA 14**”) in a Schedule 13D filed with the SEC on August 12, 2022. Consists of 18,068,513 shares held by NEA 14. The shares held directly by NEA 14 may be deemed to be beneficially owned by NEA Partners 14, L.P. (“**NEA Partners 14**”), the sole general partner of NEA 14, and NEA 14 GP, LTD (“**NEA 14 LTD**”), the sole general partner of NEA Partners 14. The individual directors of NEA 14 LTD are Forest Baskett, Anthony A. Florence, Jr., Patrick J. Kerins, Scott D. Sandell, and Peter W. Sonsini (together, the “**NEA 14 Directors**”). NEA Partners 14, NEA 14 LTD, and the NEA 14 Directors may be deemed to share voting and dispositive power with regard to the shares directly held by NEA 14. The address for each of these entities and Mr. Sandell is New Enterprise Associates, 1954 Greenspring Drive, Suite 600, Timonium, Maryland 21093. The address of Mr. Kerins is New Enterprise Associates, 5425 Wisconsin Avenue, Suite 800, Chevy Chase, MD 20815. The address of Messrs. Baskett and Sonsini is New Enterprise Associates, 2855 Sand Hill Road, Menlo Park, California 94025. The address of Mr. Florence is New Enterprise Associates, 104 5th Avenue, 19th Floor, New York, NY 10001. All indirect holders of the above referenced shares disclaim beneficial ownership of all applicable shares except to the extent of their actual pecuniary interest therein.
- (2) Based on information supplied by Highland Capital in a Schedule 13D filed with the SEC on August 12, 2022. Consists of (i) 9,326,445 shares held by Highland Capital Partners 9 Limited Partnership (“**HCP 9**”), (ii) 4,017,272 shares held by Highland Capital Partners 9-B Limited Partnership (“**HCP 9B**”), and (iii) 814,071 shares held by Highland Entrepreneurs’ Fund 9 Limited Partnership (“**HEF 9**”). The general partner of each of HCP 9, HCP 9B, and HEF 9 is Highland Management Partners 9 Limited Partnership (“**Highland 9 GP LP**”), whose general partner is Highland Management Partners 9 LLC (“**Highland 9 GP LLC**”). Highland 9 GP LP and Highland 9 GP LLC may be deemed to have voting and dispositive power over shares held by each of HCP 9, HCP 9B, and HEF 9. Robert Davis, Dan Nova, Paul Maeder, and Corey Mulloy (“**Managing Members**”) are the managing members of Highland 9 GP LLC and may be deemed to share voting and dispositive power over shares held by each of HCP 9, HCP 9B, and HEF 9. The principal business address of each of the foregoing entities and the Managing Members is One Broadway, 14th Floor, Cambridge, Massachusetts 02142.
- (3) Based on information supplied by Redline Capital Fund SCSp in a Schedule 13G filed with the SEC on August 15, 2022. Represents shares issued in the Business Combination held directly by Redline Capital Fund SCSp (“**Redline Capital Fund**”), a legal successor of Redline Capital Fund, FCP-FIS, including its sub-fund Redline Capital Fund Universal Investments. Redline Capital GP SARL (“**Redline Capital GP**”) acts as managing general partner of Redline Capital Fund, and Redline Capital (UK) Limited (“**Redline Adviser**”) serves as the investment adviser to Redline Capital Fund. As the Investment Director of Redline Capital GP and an executive director of Redline Adviser, Tatiana Evtushenkova may be deemed to share investment power, together with each of Redline Capital Fund, Redline Capital GP and Redline Adviser, over the shares held by Redline Capital Fund. The principal business address of Redline Adviser and Ms. Evtushenkova is Victoria House, Bloomsbury Square, London WC1B 4 DA, United Kingdom. The principal business address of the other Redline entities is 26 Avenue Monterey, Luxembourg City, L-2163 Luxembourg. Pursuant to a letter agreement, dated December 7, 2021, Redline Capital Fund and its affiliates granted to ZeroFox’s chief executive officer an irrevocable proxy to vote all of their shares, which shall be voted proportionally to the overall votes cast by other shareholders of ZeroFox on proposals or resolutions voted on by ZeroFox’s stockholders. Alastair Cookson, Executive Director and Partner of Redline Adviser, served as a director of ZeroFox from 2017 until December 7, 2021.
- (4) Includes 5,450,000 shares issuable upon exercise of 5,450,000 Private Placement Warrants purchased by JAR Sponsor LLC in connection with the L&F IPO. MSBD 2020 Series LLC and Victory Park Capital Advisors, LLC, as the voting members of JAR Sponsor LLC, exercise voting control over the entirety of shares held directly by JAR Sponsor LLC. Jeffrey C. Hammes, by virtue of his role as managing member of MSBD 2020 Series LLC has voting and dispositive power over the shares held by JAR Sponsor LLC, and therefore may be deemed to have beneficial ownership of the shares held directly by JAR Sponsor LLC. Richard Levy has voting and dispositive power on behalf of Victory Park Capital, LLC over the shares held by JAR Sponsor LLC, and therefore may be deemed to have beneficial ownership of the shares held directly by JAR Sponsor LLC. The address of JAR Sponsor LLC is 150 North Riverside Plaza, Suite 5200 Chicago, IL 60606.

- (5) Based on information provided by Lookingglass Cyber Solutions, Inc. (“**Lookingglass**”) in a Schedule 13G filed with the SEC on August 15, 2022. Lookingglass is a privately held, operating company, and voting and dispositive decisions with respect to the ZeroFox shares owned by Lookingglass are made collectively by the members of Lookingglass’ senior management team, under the oversight of its five-member board of directors. In making these voting and dispositive decisions, the Lookingglass senior management team generally acts by consensus. Although the composition of the senior management team changes over time, the current senior management team consists of Gilman Louie, Bryan Ware, Donald Gilberg, Dana Mariano, Norman Laudermilch, and Ronald Nielson. The address of Lookingglass is 10740 Parkridge Boulevard, Suite 200, Reston, Virginia, 20191.
- (6) Based on information supplied by Mr. Foster and Wolf Acquisitions, L.P. (“**Wolf**”) in a Schedule 13D filed with the SEC on August 12, 2022. Consists of 8,522,404 shares held directly by Mr. Foster and 127,591 shares held by Wolf. Wolf is wholly-owned by Mr. Foster.
- (7) Consists of (i) 4,176,302 shares held by Peloton Equity I, L.P. (“**Peloton Equity**”) and (ii) 3,073,165 shares held by Peloton ID Experts, LLC (“**Peloton ID**”). Peloton Equity GP (“**Peloton GP**”) is the general partner of Peloton and Peloton ID. Carlos Ferrer and Theodore B. Lundberg are the managing members (the “**Managing Members**”) of Peloton GP. Peloton GP and the Managing Members may be deemed to share voting and dispositive power over the shares held by Peloton Equity and Peloton ID. The business address of the foregoing persons and entities is 66 Field Point Road, 2nd Floor, Greenwich, CT 06830.
- (8) Based on information supplied by ForgePoint in a Schedule 13G filed with the SEC on August 15, 2022. Consists of (i) 68,825 shares held by ForgePoint Cyber Affiliates Fund I, L.P. and (ii) 5,919,355 held by ForgePoint Cybersecurity Fund I, L.P. (together with ForgePoint Cyber Affiliates Fund I, L.P., the “**ForgePoint Funds**”). Donald R. Dixon and Alberto J. Yopez are the managing members of ForgePoint Cybersecurity GP-I, LLC (“**Cybersecurity GP**”), which is the general partner of each of the ForgePoint Funds, and each of Cybersecurity GP and its managing members exercise shared voting and dispositive rights with respect to the shares of stock held by each of the ForgePoint Funds. Sean Cunningham is a non-managing member of ForgePoint Cybersecurity GP-I, LLC. In this capacity, Mr. Cunningham does not have voting or dispositive power over the shares held by the ForgePoint Funds. The address for all entities and individuals affiliated with the ForgePoint Funds is 400 S. El Camino Real, Suite 1050, San Mateo, CA 94402.
- (9) Represents shares held by GCP-OI I, LLC. Adam Gerchen, by virtue of his role as manager of GCP-OI I, LLC has voting and dispositive power over the shares held directly by GCP-OI I, LLC.
- (10) Includes options to purchase 226,731 shares, exercisable as of or within 60 days of March 1, 2023.
- (11) Includes 17,578 unvested restricted shares as to which Ms. King has sole voting power but which are subject to restrictions on transfer, of which 2,512 of such shares will vest within 60 days of March 1, 2023.
- (12) Represents shares held by HCP 9, HCP 9B, and HEF 9 as to which shares Mr. Mulloy may be deemed to share voting and dispositive power, as discussed in footnote (2).
- (13) Includes options to purchase 541,558 shares, exercisable as of or within 60 days of March 1, 2023.
- (14) Includes (i) options to purchase 3,496,164 shares, exercisable as of or within 60 days of March 1, 2023, (ii) 2,512 restricted shares which will vest within 60 days of March 1, 2023, and (iii) shares beneficially owned as discussed in footnotes (6) and (12).

SELLING SECURITYHOLDERS

The Selling Securityholders may offer and sell, from time to time, any or all of the shares of Common Stock or Private Placement Warrants being offered for resale by this prospectus, which consists of:

- up to 89,348,952 shares of Common Stock issued in the Business Combination to certain former stockholders of ZeroFox, Inc. and IDX;
- up to 193,039 shares of Common Stock issued upon the exercise by two of our executives of options assumed by us upon the consummation of the Business Combination;
- up to 134,661 shares of Common Stock issued or issuable upon the exercise of options assumed by us in connection with the consummation of the Business Combination;
- up to 1,625,635 PIPE Shares;
- up to 16,863,708 Notes Shares;
- up to 4,312,500 Founder Shares;
- up to 7,588,430 shares of Common Stock issuable upon the exercise of the Private Placement Warrants; and
- up to 7,588,430 Private Placement Warrants.

As used in this prospectus, the term “*Selling Securityholders*” includes the Selling Securityholders listed in the tables below, and their permitted pledgees, donees, transferees, assignees, successors, designees, successors-in-interest and others who later come to hold any of the Selling Securityholders’ interest in the shares of Common Stock or Private Placement Warrants in accordance with the terms of the applicable agreements governing their respective registration rights, other than through a public sale.

The following tables were prepared based on information provided to us by the Selling Securityholders and provide, as of the date of this prospectus, information regarding the beneficial ownership of our Common Stock and Private Placement Warrants of each Selling Securityholder, the number of securities that may be sold by each Selling Securityholder under this prospectus, and the number of securities that each Selling Securityholder will beneficially own assuming all securities that may be offered pursuant to this prospectus are sold. The first table assumes the conversion of the Notes and the election by us to deliver Notes Shares (and not cash or a combination of cash and Notes Shares). Because each Selling Securityholder may dispose of all, none or some portion of their securities, no estimate can be given as to the number of securities that will be beneficially owned by a Selling Securityholder upon termination of this offering. For purposes of the tables below, however, we have assumed that after termination of this offering none of the securities covered by this prospectus will be beneficially owned by the Selling Securityholders and further assumed that the Selling Securityholders will not acquire beneficial ownership of any additional securities during the offering. In addition, the Selling Securityholders may have sold, transferred or otherwise disposed of, or may sell, transfer or otherwise dispose of, at any time and from time to time, our securities in transactions exempt from the registration requirements of the Securities Act after the date on which the information in the table is presented.

We may amend or supplement this prospectus from time to time in the future to update or change these Selling Securityholders lists and the securities that may be resold.

Please see the section titled “*Plan of Distribution*” for further information regarding the Selling Securityholders’ method of distributing these securities.

| Name of Selling Securityholder | Common Stock | | | |
|--|---|--|--|------------------------------|
| | Shares Beneficially Owned Prior to Offering | Shares Registered for Sale in Offering | Shares Beneficially Owned After Offering | Percent Owned After Offering |
| New Enterprise Associates 14, L.P. ⁽¹⁾ | 18,068,513 | 18,068,513 | — | — |
| Highland Capital Partners ⁽²⁾ | 14,157,788 | 14,157,788 | — | — |
| Monarch Alternative Capital L.P. ⁽³⁾ | — | 13,490,966 | — | — |
| Redline Capital SCS ⁽⁴⁾ | 11,259,545 | 11,259,545 | — | — |
| JAR Sponsor ⁽⁵⁾ | 9,652,767 | 9,652,767 | — | — |
| Lookingglass Cyber Solutions, Inc ⁽⁶⁾ | 8,718,522 | 8,718,522 | — | — |
| James C. Foster ⁽⁷⁾ | 8,649,995 | 8,649,995 | — | — |
| Peloton Equity ⁽⁸⁾ | 7,249,467 | 7,249,467 | — | — |
| ForgePoint ⁽⁹⁾ | 5,988,180 | 5,988,180 | — | — |
| BlueCross BlueShield Venture Partners II, L.P. ⁽¹⁰⁾ | 5,89,710 | 5,555,079 | 34,631 | * |
| Intel Capital Corporation ⁽¹¹⁾ | 5,239,291 | 5,239,291 | — | — |
| Corbin ERISA Opportunity Fund, Ltd. ⁽¹²⁾ | 1,186,869 | 3,206,013 | 510,412 | * |
| Jefferies LLC ⁽¹³⁾ | 2,138,430 | 2,138,430 | — | — |
| Thomas F. Kelly ⁽¹⁴⁾ | 1,959,258 | 1,959,258 | — | — |
| Lane M. Bess and Leticia L. Bess Family Trust ⁽¹⁵⁾ | 1,259,617 | 1,259,617 | — | — |
| Sandbox Advantage Fund, L.P. ⁽¹⁶⁾ | 980,306 | 980,306 | — | — |
| L&F Acquisition Holdings Fund, LLC ⁽¹⁷⁾ | 17,031 | 860,217 | — | — |
| Timothy S. Bender ⁽¹⁸⁾ | 878,733 | 115,118 | 763,615 | * |
| Scott O’Rourke ⁽¹⁹⁾ | 634,597 | 93,039 | 541,558 | * |
| Lane M. Bess ⁽²⁰⁾ | 543,465 | 543,465 | — | — |
| Sanjay Uppal ⁽²¹⁾ | 372,352 | 372,352 | — | — |
| Todd Headley ⁽²²⁾ | 306,334 | 79,603 | 226,731 | * |
| John M. McConnell ⁽²³⁾ | 114,510 | 114,510 | — | — |
| Sanskriti King ⁽²⁴⁾ | 50,475 | 50,475 | — | — |
| Joseph Lieberman ⁽²⁵⁾ | 50,000 | 50,000 | — | — |
| GCP-OI I, LLC ⁽²⁶⁾ | 50,000 | 50,000 | — | — |
| JCH Investments LLC ⁽²⁷⁾ | 50,000 | 50,000 | — | — |
| Kurt Summers ⁽²⁸⁾ | 39,733 | 39,733 | — | — |
| Alsop Louie Capital 4, L.P. ⁽²⁹⁾ | 25,000 | 25,000 | — | — |
| Albert Goldstein ⁽³⁰⁾ | 20,000 | 20,000 | — | — |

| Name of Selling Securityholder | Warrants | | |
|--------------------------------|---|--|--|
| | Warrants Beneficially Owned Prior to Offering | Warrants Registered for Sale in Offering | Warrants Beneficially Owned After Offering |
| JAR Sponsor ⁽³¹⁾ | 5,450,000 | 5,450,000 | — |
| Jefferies LLC ⁽³²⁾ | 2,138,430 | 2,138,430 | — |

* Less than 1%

(1) Consists of 17,839,698 shares issued in the Business Combination and 228,815 PIPE Shares held by New Enterprise Associates 14, L.P. (“NEA 14”). The shares held directly by NEA 14 may be deemed to be

- beneficially owned by NEA Partners 14, L.P. (“**NEA Partners 14**”), the sole general partner of NEA 14, and NEA 14 GP, LTD (“**NEA 14 LTD**”), the sole general partner of NEA Partners 14. The individual directors of NEA 14 LTD are Forest Baskett, Anthony A. Florence, Jr., Patrick J. Kerins, Scott D. Sandell, and Peter W. Sonsini (together, the “**NEA 14 Directors**”). NEA Partners 14, NEA 14 LTD, and the NEA 14 Directors may be deemed to share voting and dispositive power with regard to the shares directly held by NEA 14. All indirect holders of the above referenced shares disclaim beneficial ownership of all applicable shares except to the extent of their actual pecuniary interest therein.
- (2) Consists of (i) 9,208,483 shares issued in the Business Combination and 117,962 PIPE Shares held by Highland Capital Partners 9 Limited Partnership (“**HCP 9**”), (ii) 3,966,461 shares issued in the Business Combination and 50,811 PIPE Shares held by Highland Capital Partners 9-B Limited Partnership (“**HCP 9B**”), and (iii) 803,775 shares issued in the Business Combination and 10,296 PIPE Shares held by Highland Entrepreneurs’ Fund 9 Limited Partnership (“**HEF 9**”). The general partner of each of HCP 9, HCP 9B, and HEF 9 is Highland Management Partners 9 Limited Partnership (“**Highland 9 GP LP**”), whose general partner is Highland Management Partners 9 LLC (“**Highland 9 GP LLC**”). Highland 9 GP LP and Highland 9 GP LLC may be deemed to have voting and dispositive power over shares held by each of HCP 9, HCP 9B, and HEF 9. Robert Davis, Dan Nova, Paul Maeder, and Corey Mulloy (“**Managing Members**”) are the managing members of Highland 9 GP LLC and may be deemed to share voting and dispositive power over shares held by each of HCP 9, HCP 9B, and HEF 9. Mr. Mulloy is a member of our Board and was a director of ZeroFox between 2015 and the Closing Date. See “*Certain Relationships and Related Party Transactions.*”
- (3) Consists of (i) 205,739 Notes Shares issuable upon conversion of \$2,366,000 original principal amount of Notes held by Monarch Customized Opportunistic Fund—Series 1 LP (“**MCOF**”), (ii) 1,165,999 Notes Shares issuable upon conversion of \$13,409,000 original principal amount of Notes held by Monarch Debt Recovery Master Fund Ltd (“**Monarch Debt**”), and (iii) 9,063,041 Notes Shares issuable upon conversion of \$104,225,000 original principal amount of Notes held by MFI ICAV (together with MCOF and Monarch Debt, the “**Funds**”). Also consists of an aggregate of 3,056,187 Notes Shares issuable upon conversion by the Funds assuming that we exercise our option to pay interest in kind and further assumes conversion after all interest payments prior to maturity are paid in kind and the Notes are converted on the second business day prior to maturity. The investment manager of each of the Funds is Monarch Alternative Capital L.P. (“**Monarch Capital**”) and the general partner of Monarch Capital is MDRA GP LP, whose general partner is Monarch GP LLC. Monarch Capital has been delegated voting and disposition authority over the Common Stock issuable upon conversion, and as such, Monarch Capital, MDRA GP LP and Monarch GP LLC may be deemed to share voting and dispositive power over any Notes Shares that may be issued to and held by the Funds. Investment and voting decisions made by the Funds rest with the portfolio managers of Monarch Capital—Michael Weinstock, Andrew Herenstein, Christopher Santana and Adam Sklar. Such portfolio managers make decisions by consensus and, as such, each such individual disclaims beneficial ownership of any Notes Shares that may be issued to and held by the Funds. Upon conversion of any Note, we have the option to settle the conversion in cash, shares of Common Stock or a combination of both. Because each of the Funds does not have the right to obtain any shares of Common Stock upon conversion of any of the Notes, each of the foregoing entities and individuals disclaims beneficial ownership of any shares of Common Stock potentially issuable upon conversion of the Notes held by the Funds, and the inclusion of any shares of Common Stock in this table does not constitute an admission of beneficial ownership for the person or entity named.
- (4) Represents shares issued in the Business Combination held directly by Redline Capital Fund SCSp (“**Redline Capital Fund**”), a legal successor of Redline Capital Fund, FCP-FIS, including its sub-fund Redline Capital Fund Universal Investments. Redline Capital GP SARL (“**Redline Capital GP**”) acts as managing general partner of Redline Capital Fund, and Redline Capital (UK) Limited (“**Redline Adviser**”) serves as the investment adviser to Redline Capital Fund. As the Investment Director of Redline Capital GP and an executive director of Redline Adviser, Tatiana Evtushenkova may be deemed to share investment power, together with each of Redline Capital Fund, Redline Capital GP and Redline Adviser, over the shares held by Redline Capital Fund. Pursuant to a letter agreement, dated December 7, 2021, Redline Capital Fund and its affiliates granted to ZeroFox’s chief executive officer an irrevocable proxy to vote all of their

- shares, which shall be voted proportionally to the overall votes cast by other shareholders of ZeroFox on proposals or resolutions voted on by ZeroFox's stockholders. Alastair Cookson, Executive Director and Partner of Redline Adviser, served as a director of ZeroFox from 2017 until December 7, 2021. See "*Certain Relationships and Related Party Transactions*."
- (5) Consists of 4,202,767 Founder Shares (including 1,266,750 shares that are subject to forfeiture if certain earnout conditions are not satisfied) and 5,450,000 shares issuable upon exercise of 5,450,000 Private Placement Warrants purchased by JAR Sponsor LLC in connection with the L&F IPO. MSBD 2020 Series LLC and Victory Park Capital Advisors, LLC, as the voting members of JAR Sponsor LLC, exercise voting control over the entirety of shares held directly by JAR Sponsor LLC. Jeffrey C. Hammes, by virtue of his role as managing member of MSBD 2020 Series LLC has voting and dispositive power over the shares held by JAR Sponsor LLC, and therefore may be deemed to have beneficial ownership of the shares held directly by JAR Sponsor LLC. Richard Levy has voting and dispositive power on behalf of Victory Park Capital Advisors, LLC over the shares held by JAR Sponsor LLC, and therefore may be deemed to have beneficial ownership of the shares held directly by JAR Sponsor LLC. JAR Sponsor LLC was the sponsor of L&F and Messrs. Hammes and Levy were directors of L&F prior to the Closing. See "*Certain Relationships and Related Party Transactions*."
- (6) Represents shares issued in the Business Combination held directly by Lookingglass Cyber Solutions, Inc. ("**Lookingglass**"). Lookingglass is a privately held, operating company, and voting and dispositive decisions with respect to the ZeroFox shares owned by Lookingglass are made collectively by the members of Lookingglass' senior management team, under the oversight of its five-member board of directors. In making these voting and dispositive decisions, the Lookingglass senior management team generally acts by consensus. Although the composition of the senior management team changes over time, the current senior management team consists of Gilman Louie, Bryan Ware, Donald Gilberg, Dana Mariano, Norman Laudermilch, and Ronald Nielson. Mr. Louie was a director of ZeroFox from 2020 to May 2022. See "*Certain Relationships and Related Party Transactions*."
- (7) Consists of (i) 8,522,404 shares issued in the Business Combination and held directly by Mr. Foster and (ii) 127,591 shares held by Wolf Acquisitions, L.P. ("**Wolf**"), consisting of 60,475 shares issued in the Business Combination and 67,116 PIPE Shares. Wolf is wholly-owned by Mr. Foster. Mr. Foster is our Chairman and Chief Executive Officer, is a co-founder of ZeroFox and has served as Chairman and Chief Executive Officer of ZeroFox since 2013. See "*Certain Relationships and Related Party Transactions*."
- (8) Consists of (i) 4,176,302 shares held by Peloton Equity I, L.P. ("**Peloton Equity**"), consisting of 4,086,760 shares issued in the Business Combination and 89,542 PIPE Shares and (ii) 3,073,165 shares held by Peloton ID Experts, LLC ("**Peloton ID**"), consisting of 3,007,274 shares issued in the Business Combination and 65,891 PIPE Shares. Peloton Equity GP ("**Peloton GP**") is the general partner of Peloton Equity and Peloton ID. Carlos Ferrer and Theodore B. Lundberg are the managing members (the "**Managing Members**") of Peloton GP. Peloton GP and the Managing Members may be deemed to share voting and dispositive power over the shares held by Peloton Equity and Peloton ID. Mr. Lundberg served as Chairman of the Board, and Justin Yang, a partner of Peloton GP, served as a director, of IDX from 2016 until the Closing. See "*Certain Relationships and Related Party Transactions*."
- (9) Consists of (i) 68,825 shares held by ForgePoint Cyber Affiliates Fund I, L.P., consisting of 67,102 shares issued in the Business Combination and 1,723 PIPE Shares and (ii) 5,919,355 held by ForgePoint Cybersecurity Fund I, L.P. (together with ForgePoint Cyber Affiliates Fund I, L.P., the "**ForgePoint Funds**"), consisting of 5,771,132 shares issued in the Business Combination and 148,223 PIPE Shares. Donald R. Dixon and Alberto J. Yopez are the managing members of ForgePoint Cybersecurity GP-I, LLC ("**Cybersecurity GP**"), which is the general partner of each of the ForgePoint Funds, and each of Cybersecurity GP and its managing members exercise shared voting and dispositive rights with respect to the shares of stock held by each of the ForgePoint Funds. Sean Cunningham is a non-managing member of ForgePoint Cybersecurity GP-I, LLC. In this capacity, Mr. Cunningham does not have voting or dispositive power over the shares held by the ForgePoint Funds. Mr. Cunningham is a member of our Board and was a director of IDX from 2016 until the Closing. See "*Certain Relationships and Related Party Transactions*."

- (10) Consists of 5,555,079 shares issued in the Business Combination held by BlueCross BlueShield Venture Partners II, L.P. (the “**Fund**”). BlueCross BlueShield Ventures II, Inc. (the “**GP**”) is the general partner of the Fund. Voting and disposition decisions at the GP with respect to the shares held by the Fund are made by an investment committee. Also includes 34,631 shares issuable upon the exercise of options which the Fund has the right to direct the exercise of, and over which shares the Fund would have sole voting and dispositive power.
- (11) Represents shares issued in the Business Combination held directly by Intel Capital Corporation. Intel Capital Corporation is a wholly-owned subsidiary of Intel Corporation. Intel Capital Corporation shares voting and investment power over its held shares with Intel Corporation.
- (12) Consists of (i) 1,956,521 Notes Shares issuable upon conversion of \$22,500,000 original principal amount of Notes held by Corbin ERISA Opportunity Fund, Ltd. (“**Corbin ERISA**”), (ii) 676,457 PIPE Shares held by Corbin ERISA, (iii) 15,412 shares of Common Stock held by Corbin ERISA received in exchange for Class A Ordinary Shares and (iv) 495,000 shares issuable upon the exercise of 495,000 Public Warrants held by Corbin ERISA. Also consists of an aggregate of 573,035 Notes Shares issuable upon conversion by Corbin ERISA assuming that we exercise our option to pay interest in kind and further assumes conversion after all interest payments prior to maturity are paid in kind and the Notes are converted on the second business day prior to maturity. Corbin Capital Partners, L.P. (“**CCP**”) is the investment manager of Corbin ERISA. CCP and its general partner, Corbin Capital Partners GP, LLC may be deemed beneficial owners of the shares beneficially owned by Corbin ERISA. Craig Bergstrom, as the Chief Investment Officer of CCP, makes voting and investment for Corbin ERISA, but disclaims beneficial ownership of the shares held by them, except to the extent of his pecuniary interest therein. Upon conversion of any Note, we have the option to settle the conversion in cash, shares of Common Stock or a combination of both. Because Corbin ERISA does not have the right to obtain any shares of Common Stock upon conversion of its Notes, each of the foregoing entities and individual disclaims beneficial ownership of any shares of Common Stock potentially issuable upon conversion of the Notes held by Corbin ERISA, and the inclusion of any shares of Common Stock in this table does not constitute an admission of beneficial ownership for the person or entity named.
- (13) Represents 2,138,430 shares issuable upon exercise of 2,138,430 Private Placement Warrants purchased by Jefferies LLC in connection with the L&F IPO. Jefferies was the sole bookrunning manager of the L&F IPO. Jefferies also served as L&F’s financial advisor and as co-placement agent for the Common Equity PIPE Financing and the Convertible Notes Financing in connection with the Business Combination.
- (14) Represents shares issued in the Business Combination. Thomas F. Kelly served as the President and Chief Executive Officer of IDX prior to the Closing and is a member of our Board.
- (15) Mr. Bess is a trustee. See note (20) below.
- (16) Consists of 980,306 shares issued in the Business Combination held by Sandbox Advantage Fund, L.P. (the “**Fund**”). Sandbox Advantage Associates, LLC (the “**GP**”) is the general partner of the Fund. Voting and disposition decisions at GP with respect to the shares held by the Fund are made by a board of managers.
- (17) Consists of (i) 652,173 Notes Shares issuable upon conversion of \$7,500,000 original principal amount of Notes held by and (ii) 17,031 PIPE Shares. Also consists of an aggregate of 191,013 Notes Shares issuable upon conversion by L&F Acquisition Holdings Fund, LLC assuming that we exercise our option to pay interest in kind and further assumes conversion after all interest payments prior to maturity are paid in kind and the Notes are converted on the second business day prior to maturity. L&F Acquisition Holdings Fund, LLC is an affiliate of Victory Park Capital Advisors, LLC, an entity affiliated with Richard Levy, who exercises voting and dispositive power over shares held by L&F Acquisition Holdings Fund, LLC. Mr. Levy was a director of L&F prior to the Closing. Upon conversion of any Note, we have the option to settle the conversion in cash, shares of Common Stock or a combination of both. Because L&F Acquisition Holdings Fund, LLC does not have the right to obtain any shares of Common Stock upon conversion of its Notes, each of the foregoing entities and individual disclaims beneficial ownership of any shares of Common Stock potentially issuable upon conversion of the Notes held by L&F Acquisition Holdings Fund, LLC, and the inclusion of any shares of Common Stock in this table does not constitute an admission of beneficial ownership for the person or entity named. See “*Certain Relationships and Related Party Transactions.*”

- (18) Includes 15,118 shares issued in the Business Combination and 100,000 shares issued upon the exercise of options assumed in the Business Combination. Also includes 763,615 shares issuable upon the exercise of options exercisable within 60 days of March 1, 2023. Mr. Bender is our Chief Financial Officer and served as Chief Financial Officer from 2016 until the Closing.
- (19) Includes 93,039 shares issued upon the exercise of options assumed in the Business Combination. Also includes 535,475 shares issuable upon the exercise of options exercisable within 60 days of March 1, 2023. Mr. O'Rourke is our Chief Revenue Officer and served as Chief Revenue Officer of ZeroFox from 2017 until the Closing.
- (20) Mr. Bess was a director of ZeroFox from 2015 until the Closing.
- (21) Includes 74,998 shares issuable upon the exercise of options exercisable within 60 days of March 1, 2023. Also includes 2,408 shares issued upon the exercise of options assumed in the Business Combination. Mr. Uppal served as Chief Financial Officer of IDX prior to the Closing.
- (22) Includes 79,603 shares issued in the Business Combination. Also, includes 226,731 shares issuable upon the exercise of options exercisable within 60 days of March 1, 2023. Mr. Headley is a member of our Board and was a director of ZeroFox from 2014 until the Closing.
- (23) Includes 57,255 shares issuable upon the exercise of options exercisable within 60 days of March 1, 2023. Mr. McConnell was a director of ZeroFox from 2013 until the Closing.
- (24) Represents shares issued in the Business Combination. Includes 20,090 unvested restricted shares as to which Ms. King has sole voting power but which are subject to restrictions on transfer, of which 2,512 of such shares will vest within 60 days of March 1, 2023. Ms. King is a member of our Board and was a director of ZeroFox from 2021 until the Closing.
- (25) Represents 50,000 Founder Shares (including 15,000 shares that are subject to forfeiture if certain earnout conditions are not satisfied). Mr. Lieberman was a director of L&F prior to the Closing.
- (26) Represents PIPE Shares held by GCP-OI I, LLC. Adam Gerchen, by virtue of his role as manager of GCP-OI I, LLC has voting and dispositive power over the shares held directly by GCP-OI I, LLC. Mr. Gerchen was Chief Executive Officer and a director L&F prior to the Closing and is a member of our Board. See "*Certain Relationships and Related Party Transactions.*"
- (27) Represents PIPE Shares held by JCH Investments LLC. Jeffrey C. Hammes has sole voting and dispositive power over these shares in his capacity as Managing Member of JCH Investments LLC. Mr. Hammes was Chairman and a director of L&F prior to the Closing. See "*Certain Relationships and Related Party Transactions.*"
- (28) Represents 39,733 Founder Shares (including 6,000 shares that are subject to forfeiture if certain earnout conditions are not satisfied). Mr. Summers was a director of L&F prior to the Closing.
- (29) Represent PIPE Shares held by Alsop Louie Capital 4, L.P. ("**Alsop Louie**"). Gilman Louie, Stewart Alsop and James Whims, managing members of Alsop Louie, share voting and investment power over shares held by Alsop Louie. Mr. Louie serves as Chairman (and previously served as Chief Executive Officer) of Lookingglass and was a director of ZeroFox from 2020 to May 2022.
- (30) Represents 20,000 Founder Shares (including 6,000 shares that are subject to forfeiture if certain earnout conditions are not satisfied). Mr. Goldstein was a director of L&F prior to the Closing.
- (31) See note 5 above for information about Private Placement Warrants.
- (32) See note 13 above for information about Private Placement Warrants held by Jefferies LLC.

DESCRIPTION OF SECURITIES

The following is a summary of the general terms of our capital stock and Warrants does not purport to be complete and is subject to, and qualified in its entirety by, reference to the Delaware General Corporation Law (the “**DGCL**”) and our Certificate of Incorporation and Bylaws. Copies of our Certificate and Bylaws are incorporated by reference as exhibits to the registration statement of which this prospectus is a part, and are incorporated herein by reference. See “*Where You Can Find More Information.*”

General

The authorized capital stock of the Company consists of 1,100,000,000 shares of stock, \$0.0001 par value per share, of which 1,000,000,000 shares are designated as Common Stock and 100,000,000 shares are designated as preferred stock.

Common Stock

The Certificate of Incorporation authorizes one class of Common Stock.

Dividend Rights

The DGCL permits a corporation to declare and pay dividends out of “surplus” or, if there is no “surplus”, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. “Surplus” is defined as the excess of the net assets of the corporation over the amount determined to be the capital of the corporation by the board of directors. The capital of the corporation is typically calculated to be (and cannot be less than) the aggregate par value of all issued shares of capital stock. Net assets equals the fair value of the total assets minus total liabilities. The DGCL also provides that dividends may not be paid out of net profits if, after the payment of the dividend, capital is less than the capital represented by the outstanding stock of all classes having a preference upon the distribution of assets. Delaware common law also imposes a solvency requirement in connection with the payment of dividends.

Subject to preferences that may apply to any shares of the Company’s preferred stock outstanding at the time, the holders of Common Stock will be entitled to receive dividends out of funds legally available therefor if the Board, in its discretion, determines to authorize the issuance of dividends and then only at the times and in the amounts that the Board may determine.

Voting Rights

Holders of 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, including the election and removal of directors, except as otherwise required by law. Under Delaware law, the right to vote cumulatively does not exist unless the certificate of incorporation specifically authorizes cumulative voting. The Certificate of Incorporation does not authorize cumulative voting and provides that no stockholder is permitted to cumulate votes at any election of directors. Consequently, the holders of a majority of the outstanding shares of Common Stock can elect all of the directors then standing for election, and the holders of the remaining shares will not be able to elect any directors.

Right to Receive Liquidation Distributions

If the Company becomes subject to a liquidation, dissolution, or winding-up, the assets legally available for distribution to the Company’s stockholders would be distributable ratably among the holders of Common Stock and any participating series of the Company’s 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 any liquidation preferences on, any outstanding shares of the Company’s preferred stock.

Other Matters

All outstanding shares of Common Stock are fully paid and nonassessable. The Common Stock is not entitled to preemptive rights and is 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 Company's stockholders. The Board is empowered to increase or decrease the number of shares of any series of the Company's preferred stock, but not below the number of shares of that series then outstanding, without any further vote or action by the Company's stockholders. The Board is able to authorize the issuance of the Company's preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of Common Stock. The issuance of the Company's 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 the Company and might adversely affect the market price of the Common Stock and the voting and other rights of the holders of Common Stock. There are currently no plans to issue any shares of the Company's preferred stock.

Board of Directors

The Board currently consists of eight directors. The Certificate of Incorporation provides that the number of directors shall be fixed only by resolution of the board of directors. Directors are elected by a plurality of all of the votes cast in the election of directors.

Takeover Defense Provisions

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

Section 203 of the DGCL

The Company is also 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" (as those terms are defined in Section 203 of the DGCL) for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- either the merger 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 merger was approved by the corporation's 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 the Company.

Classified Board of Directors

The Certificate of Incorporation provides that the Board is divided into three classes, designated as Class I, Class II and Class III, as nearly equal in size as is practicable. Accordingly, each class generally consists of one-third of the total number of directors constituting the entire Board. The term of the initial Class I directors will terminate on the date of the first annual meeting of stockholders following the Closing Date, the term of the initial Class II directors will terminate on the date of the second annual meeting of stockholders following the Closing Date, and the term of the initial Class III directors will terminate on the date of the third annual meeting of stockholders following the Closing Date. At each annual meeting of stockholders, successors to the class of directors whose term expires at that annual meeting will be elected for a three-year term.

Removal of Directors

The Certificate of Incorporation provides that stockholders may only remove a director for cause and only by the affirmative vote of the holders of a majority of the issued and outstanding capital stock of the Company entitled to vote in the election of directors, voting together as a single class.

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 directorships. In addition, subject to the rights of holders of any series of the Company’s preferred stock, the number of directors constituting the Board is permitted to be set only by a resolution of the Board. These provisions 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 makes it more difficult to change the composition of the Board and promotes continuity of management.

Stockholder Action; Special Meeting of Stockholders

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

Advance notice requirements for stockholder proposals and director nominations

The Certificate of Incorporation provides that advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Company must be given in the manner and to the extent provided in the Bylaws. The Bylaws provide that, with respect to an annual meeting of the Company’s stockholders, nominations of persons for election to the Board and the

proposal of other business to be transacted by the stockholders may be made only (i) pursuant to the Company's notice of the meeting, (ii) by or at the direction of the Board, (iii) as provided in the certificate of designation for any class or series of preferred stock or (iv) by any stockholder who was a stockholder of record at the time of giving the notice required by the Bylaws, at the record date(s) set by the Board for the purpose of determining stockholders entitled to notice of, and to vote at, the meeting, and at the time of the meeting, and who complies with the advance notice provisions of the Bylaws, including, if applicable, compliance with Rule 14a-19 (the universal proxy rules) under the Exchange Act.

With respect to special meetings of stockholders, only the business specified in the Company's notice of meeting may be brought before the meeting. Nominations of persons for election to the Board may be made only (i) by or at the direction of the Board or (ii) if the meeting has been called for the purpose of electing directors, by any stockholder who was a stockholder of record at the time of giving the notice required by the Bylaws, at the record date(s) set by the Board for the purpose of determining stockholders entitled to notice of, and to vote at, the meeting, and at the time of the meeting, and who complies with the advance notice provisions of the Bylaws.

The advance notice procedures of the Bylaws provide that, to be timely, a stockholder's notice with respect to director nominations or other proposals for an annual meeting must be delivered to the Company's Secretary at the principal executive office of the Company not earlier than the 150th day nor later than 5:00 p.m., local time, on the 120th day prior to the first anniversary of the date of the proxy statement for the preceding year's annual meeting (which anniversary date shall, for purposes of the Company's first annual meeting after our shares of Common Stock are first publicly traded, be deemed to be April 15, 2023). In the event that no annual meeting of stockholders was held in the preceding year, or in the event that the date of the annual meeting is advanced by more than 30 days before or delayed by more than 60 days after the first anniversary of the date of the preceding year's annual meeting, to be timely, a stockholder's notice must be delivered not earlier than the 120th day prior to the date of such annual meeting and not later than 5:00 p.m., local time, on the later of the 90th day prior to the date of such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made.

These provisions might preclude stockholders of the Company 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 the Company.

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 and provides that no stockholder is permitted to cumulate votes at any election of directors.

Amendments to Certificate of Incorporation and Bylaws

Except for those amendments permitted to be made without stockholder approval under Delaware law or the Certificate of Incorporation, the Certificate of Incorporation generally may be amended only if the amendment is first declared advisable by the Board and thereafter approved by holders of a majority of the outstanding stock of the Company entitled to vote thereon. Any amendment of certain provisions in the Certificate of Incorporation requires approval by holders of at least two-thirds of the voting power of the then-outstanding voting securities of the Company entitled to vote thereon, voting together as a single class. These provisions include, among others, provisions related to the classified board structure, board composition, removal of directors, indemnification and exculpation, cumulative voting rights, preferred stock, exclusive forum provisions, provisions related to stockholder action and advance notice, corporate opportunities and amendments to the charter, in each case as summarized herein.

The Board has the power to adopt, amend or repeal any provision of the Bylaws. In addition, shareholders of the Company may adopt, amend or repeal any provision of the Bylaws with the approval by the holders of a majority of the voting power of the shares present in person or by proxy at the meeting of stockholders and entitled to vote on the matter. Any amendment of certain provisions in the Bylaws requires approval by holders of at least two-thirds of the voting power of the then-outstanding voting securities of the Company entitled to vote thereon, voting together as a single class. These provisions include, among others, provisions related to meetings of stockholders, the powers and composition of the Board, removal of directors, indemnification of directors and officers and amendments to the Bylaws.

Authorized but Unissued Capital Stock

Delaware law does not require stockholder approval for any issuance of authorized shares. However, the listing requirements of the Nasdaq Stock Market, which apply if and so long as the Common Stock remains listed on the Nasdaq Stock Market, require stockholder approval of certain issuances equal to or exceeding 20% of the then-outstanding voting power or then-outstanding number of shares of Common Stock. Additional shares that may be issued in the future may be used for a variety of corporate purposes, including future public offerings, to raise additional capital or to facilitate acquisitions.

One of the effects of the existence of unissued and unreserved Common Stock may be to enable the Board to issue shares to persons friendly to current management, which issuance could render more difficult or discourage an attempt to obtain control of the Company by means of a merger, tender offer, proxy contest or otherwise and thereby protect the continuity of management and possibly deprive stockholders of opportunities to sell their shares of Common Stock at prices higher than prevailing market prices.

Exclusive Forum

The Certificate of Incorporation provides that, unless otherwise consented to by the Company in writing, the Court of Chancery of the State of Delaware (the “Court of Chancery”) (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) will, 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 duty (including any fiduciary duty) owed by any current or former director, officer, stockholder, employee or agent of the Company to the Company or the Company’s stockholders; (iii) any action asserting a claim against the Company or any current or former director, officer, stockholders, employee or agent of the Company relating to any provision of the DGCL or the Certificate of Incorporation or the Bylaws or as to which the DGCL confers jurisdiction on the Court of Chancery; (iv) any action asserting a claim against the Company or any current or former director, officer, stockholder, employee or agent of the Company governed by the internal affairs doctrine of the State of Delaware, in each such case unless the Court of Chancery (or such other state or federal court located within the State of Delaware, as applicable) has dismissed a prior action by the same plaintiff asserting the same claims because such court lacked personal jurisdiction over an indispensable party named as a defendant therein. The Certificate of Incorporation further provides that, unless otherwise consented to by the Company in writing to the selection of an alternative forum, the federal district courts of the United States will, to the fullest extent permitted by law, be the sole and exclusive forum for the resolution of any complaint against any person in connection with any offering of the Company’s securities, asserting a cause of action arising under the Securities Act. Any person or entity purchasing or otherwise acquiring any interest in the Company’s securities will be deemed to have notice of and consented to this provision.

Although the Certificate of Incorporation contains the choice of forum provisions described above, it is possible that a court could rule that such provisions are inapplicable for a particular claim or action or that such provisions are unenforceable. For example, under the Securities Act, federal courts have concurrent jurisdiction over all suits brought to enforce any duty or liability created by the Securities Act, and investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. In addition, Section 27 of

the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder, and, therefore, the exclusive forum provisions described above do not apply to any actions brought under the Exchange Act.

Although we believe these provisions will benefit us by limiting costly and time-consuming litigation in multiple forums and by providing increased consistency in the application of applicable law, these exclusive forum provisions may limit the ability of our stockholders to bring a claim in a judicial forum that such stockholders find favorable for disputes with us or our directors, officers or employees, which may discourage such lawsuits against us and our directors, officers and other employees.

Corporate Opportunities

The Certificate of Incorporation provides that, to the fullest extent permitted by applicable law, none of our non-employee directors nor his or her affiliates has any duty to refrain from, directly or indirectly, (x) engaging in the same or similar business activities or lines of business as the Company or any of its affiliates has historically engaged, now engages or proposes to engage at any time or (y) otherwise competing with the Company or its affiliates. In the event that any non-employee director or his or her affiliates acquire knowledge of a potential transaction or other business opportunity which may be a corporate opportunity for the non-employee director, his or her affiliates or the Company, such non-employee director will, to the fullest extent permitted by applicable law, have no duty to communicate or offer such transaction or business opportunity to the Company or any of its affiliates and will not be liable to the Company, its affiliates or the stockholders of the Company for breach of any fiduciary duty as a director or officer of the Company solely by reason of the fact that such non-employee director or his or her affiliate pursues or acquires such opportunity for themselves, offers or directs such opportunity to another person, or does not communicate such opportunity to the Company; provided, that the Company does not renounce its interest in any corporate opportunity expressly offered or presented to any non-employee director solely in his or her capacity as a director of the Company.

Limitations on Liability and Indemnification of Directors and Officers

The DGCL authorizes corporations to limit or eliminate the personal liability of directors and officers to corporations and their stockholders for monetary damages for breaches of fiduciary duties as a director or officer, subject to certain exceptions. The Company's Certificate of Incorporation includes a provision that eliminates the personal liability of directors for monetary damages for any breach of fiduciary duty as a director to the fullest extent permitted by the DGCL as the same exists or as may hereafter be amended from time to time. The effect of these provisions is to eliminate the rights of the Company and its stockholders, through stockholders' derivative suits on the Company's behalf, to recover monetary damages from a director for breach of fiduciary duty as a director, including breaches resulting from grossly negligent behavior. However, exculpation does not apply to any director if the director has breached the duty of loyalty to the corporation or its stockholders, acted not in good faith, acted with intentional misconduct, knowingly violated the law, authorized illegal dividends or redemptions or derived an improper benefit from his or her actions as a director.

The Company's Certificate of Incorporation permits and the Bylaws obligate the Company to indemnify, to the fullest extent permitted by the DGCL, any director or officer of the Company who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "**Proceeding**") by reason of the fact that he or she is or was a director or officer of the Company or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any such Proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The Company will not be obligated to indemnify a person in connection with a Proceeding (or part thereof) initiated

by such person unless the Proceeding (or part thereof) was, or is, authorized by the Board, the Company determines to provide the indemnification or is otherwise required by applicable law. In addition, the Bylaws require the Company, to the fullest extent permitted by law, to pay, in advance of the final disposition of a Proceeding, expenses (including attorneys' fees) actually and reasonably incurred by an officer or director of the Company in defending any Proceeding, upon receipt of a written request therefor (together with documentation reasonably evidencing such expenses) and an undertaking by or on behalf of the person to repay such amounts if it shall ultimately be determined that the person is not entitled to be indemnified under the Bylaws or the DGCL.

The Company has entered into an indemnification agreement with each of its directors and executive officers that provide for indemnification to the maximum extent permitted by Delaware law.

The Company believes that these indemnification and advancement provisions and insurance are useful to attract and retain qualified directors and executive officers. The limitation of liability and indemnification provisions in the Certificate of Incorporation and Bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit the Company and its stockholders. In addition, your investment may be adversely affected to the extent the Company pays the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors or executive officers, we have been informed that in the opinion of the SEC such indemnification is against public policy and is therefore unenforceable.

Rule 144

Pursuant to Rule 144 under the Securities Act ("**Rule 144**"), a person who has beneficially owned restricted shares of our Common Stock or our Warrants for at least six months would be entitled to sell their securities provided that (i) such person is not deemed to have been our affiliate at the time of, or at any time during the three months preceding a sale and (ii) we are subject to the Exchange Act periodic reporting requirements for at least three months before the sale and have filed all required reports under Section 13 or 15(d) of the Exchange Act during the 12 months (or such shorter period as we are required to file reports) preceding the sale.

Persons who have beneficially owned restricted shares of our Common Stock or our Warrants for at least six months but who are our affiliates at the time of, or at 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 only a number of securities that does not exceed the greater of:

- 1% of the total number of our Common Stock then outstanding; or
- the average weekly reported trading volume of our Common Stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

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

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 materials 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 recent consummation of the Business Combination, we are no longer a shell company, and, 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.

Transfer Agent

The Transfer Agent for our Common Stock and Warrants is Continental.

Listing of Common Stock and Warrants

Our Common Stock is listed on The Nasdaq Global Market and our Public Warrants are listed on The Nasdaq Capital Market under the symbols “ZFOX” and “ZFOXW,” respectively.

Warrants

Public Warrants

Each whole Warrant entitles the registered holder to purchase one share of Common Stock at a price of \$11.50 per share, subject to adjustment as discussed below, at any time after 30 days following the Closing, provided in each case that the Company has an effective registration statement under the Securities Act covering the Common Stock issuable upon exercise of the Warrants and a current prospectus relating to them is available (or we permit holders to exercise their Warrants on a cashless basis under the circumstances specified in the Warrant Agreement) and such shares are registered, qualified or exempt from registration under the securities, or blue sky, laws of the state of residence of the holder. Pursuant to the Warrant Agreement, a warrant holder may exercise its Warrants only for a whole number of shares of Common Stock. This means only a whole Warrant may be exercised at a given time by a warrant holder. The Warrants will expire on August 3, 2027, at 5:00 p.m., New York City time, or earlier upon redemption or liquidation.

We will not be obligated to deliver any shares of Common Stock pursuant to the exercise of a Warrant and will have no obligation to settle such Warrant exercise unless a registration statement under the Securities Act with respect to the Common Stock underlying the Warrants is then effective and a prospectus relating thereto is current, subject to our satisfying our obligations described below with respect to registration. No Warrant will be exercisable and we will not be obligated to issue a share of Common Stock upon exercise of a Warrant unless the share of Common Stock issuable upon such Warrant exercise has been registered, qualified or deemed to be exempt under the securities laws of the state of residence of the registered holder of the Warrants. In the event that the conditions in the two immediately preceding sentences are not satisfied with respect to a Warrant, the holder of such Warrant will not be entitled to exercise such Warrant and such Warrant may have no value and expire worthless. In no event will we be required to net cash settle any Warrant.

We have agreed that as soon as practicable, but in no event later than 20 business days after the closing of the Business Combination, we will use our best efforts to file with the SEC a registration statement for the registration, under the Securities Act, of the shares of Common Stock issuable upon exercise of the Warrants. We will use our best efforts to cause the same to become effective and to maintain the effectiveness of such registration statement, and a current prospectus relating thereto, until the expiration of the Warrants in accordance with the provisions of the Warrant Agreement. If a registration statement covering the shares of Common Stock issuable upon exercise of the Warrants is not effective by the 60th business day after the closing of the Business Combination, warrant holders may, until such time as there is an effective registration statement and during any period when we will have failed to maintain an effective registration statement, exercise Warrants

on a “cashless basis” in accordance with Section 3(a)(9) of the Securities Act or another exemption. Notwithstanding the above, if our shares of Common Stock are at the time of any exercise of a Warrant not listed on a national securities exchange such that they satisfy the definition of a “covered security” under Section 18(b)(1) of the Securities Act, we may, at our option, require holders of Public Warrants who exercise their Warrants to do so on a “cashless basis” in accordance with Section 3(a)(9) of the Securities Act and, in the event we so elect, we will not be required to file or maintain in effect a registration statement, and in the event we do not so elect, we will use our best efforts to register or qualify the shares under applicable blue sky laws to the extent an exemption is not available.

Redemption of Warrants when the price per share of our Common Stock equals or exceeds \$18.00. Once the Warrants become exercisable, we may redeem the outstanding Warrants (except as described herein with respect to the Private Placement Warrants):

- in whole and not in part;
- at a price of \$0.01 per Warrant;
- upon a minimum of 30 days’ prior written notice of redemption; and
- if, and only if, the closing price of the shares of Common Stock equals or exceeds \$18.00 per share (as adjusted for share sub-divisions, share capitalizations, reorganizations, recapitalizations and the like) for any 20 trading days within a 30 trading-day period ending three trading days before we send the notice of redemption to the warrant holders.

If and when the Warrants become redeemable by us, we may exercise our redemption right even if we are unable to register or qualify the underlying securities for sale under all applicable state securities laws.

We have established the last of the redemption criterion discussed above to prevent a redemption call unless there is at the time of the call a significant premium to the warrant exercise price. If the foregoing conditions are satisfied and we issue a notice of redemption of the Warrants, each warrant holder will be entitled to exercise his, her or its Warrant prior to the scheduled redemption date. However, the price of the shares of Common Stock may fall below the \$18.00 redemption trigger price (as adjusted for share sub-divisions, share capitalizations, reorganizations, recapitalizations and the like) as well as the \$11.50 warrant exercise price after the redemption notice is issued.

Redemption of Warrants when the price per share of our Common Stock equals or exceeds \$10.00. Once the Warrants become exercisable, we may redeem the outstanding Warrants (except as described herein with respect to the Private Placement Warrants):

- in whole and not in part;
- at a price of \$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 determined by reference to the table below, based on the redemption date and the “fair market value” (as defined below) of our shares of Common Stock except as otherwise described below;
- if, and only if, the closing price of the shares of Common Stock equals or exceeds \$10.00 per share (as adjusted for share sub-divisions, share capitalizations, reorganizations, recapitalizations and the like) for any 20 trading days within the 30 trading-day period ending three trading days before we send the notice of redemption to the warrant holders; and
- if the closing price of the shares of Common Stock for any 20 trading days within a 30 trading day period ending on the third trading day prior to the date on which we send the notice of redemption to the warrant holders is less than \$18.00 per share (as adjusted for share sub-divisions, share capitalizations, reorganizations, recapitalizations and the like), the Private Placement Warrants must also be concurrently called for redemption on the same terms as the outstanding Public Warrants, as described above.

Beginning on the date the notice of redemption is given and until the Warrants are redeemed or exercised, holders may elect to exercise their Warrants on a cashless basis. The numbers in the table below represent the number of shares of Common Stock that a warrant holder will receive upon such cashless exercise in connection with a redemption by us pursuant to this redemption feature, based on the “fair market value” of the shares of Common Stock on the corresponding redemption date (assuming holders elect to exercise their Warrants and such Warrants are not redeemed for \$0.10 per Warrant), meaning for these purposes the volume-weighted average price of our shares of Common Stock during the 10 trading days immediately following the date on which the notice of redemption is sent to the holders of Warrants, and the number of months that the corresponding redemption date precedes the expiration date of the Warrants, each as set forth in the table below. We will provide our warrant holders with the final fair market value no later than one business day after the 10-trading day period described above ends.

The share prices set forth in the column headings of the table below will be adjusted as of any date on which the number of shares issuable upon exercise of a Warrant or the exercise price of a Warrant is adjusted as set forth under the heading “—*Anti-Dilution Adjustments*” below. If the number of shares issuable upon exercise of a Warrant is adjusted, the adjusted share prices in the column headings will equal the share prices immediately prior to such adjustment, multiplied by a fraction, the numerator of which is the number of shares deliverable upon exercise of a Warrant immediately prior to such adjustment and the denominator of which is the number of shares deliverable upon exercise of a Warrant as so adjusted. The number of shares in the table below shall be adjusted in the same manner and at the same time as the number of shares issuable upon exercise of a Warrant. If the exercise price of a Warrant is adjusted, (a) in the case of an adjustment pursuant to the fifth paragraph under the heading “—*Anti-Dilution Adjustments*” below, the adjusted share prices in the column headings will equal the unadjusted share prices multiplied by a fraction, the numerator of which is the higher of the Market Value and the Newly Issued Price as set forth under the heading “—*Anti-Dilution Adjustments*” and the denominator of which is \$10.00 and (b) in the case of an adjustment pursuant to the second paragraph under the heading “—*Anti-Dilution Adjustments*” below, the adjusted share prices in the column headings will equal the unadjusted share prices less the decrease in the exercise price of a Warrant pursuant to such exercise price adjustment.

| Redemption Date (Period to Expiration of Warrants) | Fair Market Value of Shares of Common Stock | | | | | | | | |
|---|---|---------|---------|---------|---------|---------|---------|---------|----------|
| | ≤\$10.00 | \$11.00 | \$12.00 | \$13.00 | \$14.00 | \$15.00 | \$16.00 | \$17.00 | ≥\$18.00 |
| 60 months | 0.261 | 0.281 | 0.297 | 0.311 | 0.324 | 0.337 | 0.348 | 0.358 | 0.361 |
| 57 months | 0.257 | 0.277 | 0.294 | 0.310 | 0.324 | 0.337 | 0.348 | 0.358 | 0.361 |
| 54 months | 0.252 | 0.272 | 0.291 | 0.307 | 0.322 | 0.335 | 0.347 | 0.357 | 0.361 |
| 51 months | 0.246 | 0.268 | 0.287 | 0.304 | 0.320 | 0.333 | 0.346 | 0.357 | 0.361 |
| 48 months | 0.241 | 0.263 | 0.283 | 0.301 | 0.317 | 0.332 | 0.344 | 0.356 | 0.361 |
| 45 months | 0.235 | 0.258 | 0.279 | 0.298 | 0.315 | 0.330 | 0.343 | 0.356 | 0.361 |
| 42 months | 0.228 | 0.252 | 0.274 | 0.294 | 0.312 | 0.328 | 0.342 | 0.355 | 0.361 |
| 39 months | 0.221 | 0.246 | 0.269 | 0.290 | 0.309 | 0.325 | 0.340 | 0.354 | 0.361 |
| 36 months | 0.213 | 0.239 | 0.263 | 0.285 | 0.305 | 0.323 | 0.339 | 0.353 | 0.361 |
| 33 months | 0.205 | 0.232 | 0.257 | 0.280 | 0.301 | 0.320 | 0.337 | 0.352 | 0.361 |
| 30 months | 0.196 | 0.224 | 0.250 | 0.274 | 0.297 | 0.316 | 0.335 | 0.351 | 0.361 |
| 27 months | 0.185 | 0.214 | 0.242 | 0.268 | 0.291 | 0.313 | 0.332 | 0.350 | 0.361 |
| 24 months | 0.173 | 0.204 | 0.233 | 0.260 | 0.285 | 0.308 | 0.329 | 0.348 | 0.361 |
| 21 months | 0.161 | 0.193 | 0.223 | 0.252 | 0.279 | 0.304 | 0.326 | 0.347 | 0.361 |
| 18 months | 0.146 | 0.179 | 0.211 | 0.242 | 0.271 | 0.298 | 0.322 | 0.345 | 0.361 |
| 15 months | 0.130 | 0.164 | 0.197 | 0.230 | 0.262 | 0.291 | 0.317 | 0.342 | 0.361 |
| 12 months | 0.111 | 0.146 | 0.181 | 0.216 | 0.250 | 0.282 | 0.312 | 0.339 | 0.361 |
| 9 months | 0.090 | 0.125 | 0.162 | 0.199 | 0.237 | 0.272 | 0.305 | 0.336 | 0.361 |
| 6 months | 0.065 | 0.099 | 0.137 | 0.178 | 0.219 | 0.259 | 0.296 | 0.331 | 0.361 |
| 3 months | 0.034 | 0.065 | 0.104 | 0.150 | 0.197 | 0.243 | 0.286 | 0.326 | 0.361 |
| 0 months | — | — | 0.042 | 0.115 | 0.179 | 0.233 | 0.281 | 0.323 | 0.361 |

The exact fair market value and redemption date may not be set forth in the table above, in which case, if the fair market value is between two values in the table or the redemption date is between two redemption dates in the table, the number of shares of Common Stock to be issued for each Warrant exercised will be determined by a straight-line interpolation between the number of shares set forth for the higher and lower fair market values and the earlier and later redemption dates, as applicable, based on a 365- or 366-day year, as applicable. For example, if the volume weighted average price of the shares of Common Stock during the 10 trading days immediately following the date on which the notice of redemption is sent to the holders of the Warrants is \$11.00 per share, and at such time there are 57 months until the expiration of the Warrants, holders may choose to, in connection with this redemption feature, exercise their Warrants for 0.277 shares of Common Stock for each whole Warrant. For an example where the exact fair market value and redemption date are not as set forth in the table above, if the volume-weighted average price of the shares of Common Stock during the 10 trading days immediately following the date on which the notice of redemption is sent to the holders of the Warrants is \$13.50 per share, and at such time there are 38 months until the expiration of the Warrants, holders may choose to, in connection with this redemption feature, exercise their Warrants for 0.298 shares of Common Stock for each whole Warrant. In no event will the Warrants be exercisable on a cashless basis in connection with this redemption feature for more than 0.361 shares of Common Stock per Warrant (subject to adjustment). Finally, as reflected in the table above, if the Warrants are out of the money and about to expire, they cannot be exercised on a cashless basis in connection with a redemption by us pursuant to this redemption feature, since they will not be exercisable for any shares of Common Stock.

This redemption feature differs from the typical warrant redemption features used in many other blank check company offerings, which typically only provide for a redemption of Warrants for cash (other than the Private Placement Warrants) when the trading price for the shares of Common Stock exceeds \$18.00 per share for a specified period of time. This redemption feature is structured to allow for all of the outstanding Warrants to be redeemed when the shares of Common Stock are trading at or above \$10.00 per public share, which may be at a time when the trading price of the shares of Common Stock is below the exercise price of the Warrants. We have established this redemption feature to provide us with the flexibility to redeem the Warrants without the Warrants having to reach the \$18.00 per share threshold set forth above. Holders choosing to exercise their Warrants in connection with a redemption pursuant to this feature will, in effect, receive a number of shares of Common Stock for their Warrants based on an option pricing model with a fixed volatility input. This redemption right provides us with an additional mechanism by which to redeem all of the outstanding Warrants, and therefore have certainty as to our capital structure as the Warrants would no longer be outstanding and would have been exercised or redeemed. We will be required to pay the applicable redemption price to warrant holders if we choose to exercise this redemption right and it will allow us to quickly proceed with a redemption of the Warrants if we determine it is in our best interest to do so. As such, 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 the redemption price to the warrant holders.

As stated above, we can redeem the Warrants when the shares of Common Stock are 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 warrant holders with the opportunity to exercise their Warrants on a cashless basis for the applicable number of shares. If we choose to redeem the Warrants when the shares of Common Stock are trading at a price below the exercise price of the Warrants, this could result in the warrant holders receiving fewer shares of Common Stock than they would have received if they had chosen to wait to exercise their Warrants for shares of Common Stock if and when such shares of Common Stock were trading at a price higher than the exercise price of \$11.50.

No fractional shares of Common Stock will be issued upon exercise. If, upon exercise, a holder would be entitled to receive a fractional interest in a share, we will round down to the nearest whole number of shares of Common Stock to be issued to the holder. If, at the time of redemption, the Warrants are exercisable for a security other than the shares of Common Stock pursuant to the Warrant Agreement, the Warrants may be exercised for such security. At such time as the Warrants become exercisable for a security other than the shares

of Common Stock, the Company (or surviving company) will use its commercially reasonable efforts to register under the Securities Act the security issuable upon the exercise of the Warrants.

Holder Election to Limit Exercise. A holder of a Warrant may notify us in writing in the event it elects to be subject to a requirement that such holder will not have the right to exercise such Warrant, to the extent that after giving effect to such exercise, such person (together with such person's affiliates), to the warrant agent's actual knowledge, would beneficially own in excess of 4.9% or 9.8% (or such other amount as specified by the holder) of the shares of Common Stock outstanding immediately after giving effect to such exercise.

Anti-Dilution Adjustments. If the number of outstanding shares of Common Stock is increased by a share capitalization payable in shares of Common Stock, or by a sub-division of Common Stock or other similar event, then, on the effective date of such share capitalization, sub-division or similar event, the number of shares of Common Stock issuable on exercise of each Warrant will be increased in proportion to such increase in the outstanding shares of Common Stock. A rights offering made to all or substantially all holders of Common Stock entitling holders to purchase shares of Common Stock at a price less than the fair market value will be deemed a share capitalization of a number of shares of Common Stock equal to the product of (i) the number of shares of Common Stock actually sold in such rights offering (or issuable under any other equity securities sold in such rights offering that are convertible into or exercisable for shares of Common Stock) and (ii) the quotient of (x) the price per share of Common Stock paid in such rights offering and (y) the fair market value. For these purposes (i) if the rights offering is for securities convertible into or exercisable for shares of Common Stock, in determining the price payable for shares of Common Stock, there will be taken into account any consideration received for such rights, as well as any additional amount payable upon exercise or conversion and (ii) fair market value means the volume weighted average price of shares of Common Stock as reported during the ten (10) trading day period ending on the trading day prior to the first date on which the shares of Common Stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive such rights.

In addition, if we, at any time while the Warrants are outstanding and unexpired, pay a dividend or make a distribution in cash, securities or other assets to all or substantially all the holders of shares of Common Stock on account of such shares of Common Stock (or other securities into which the Warrants are convertible), other than (a) as described above, or (b) certain ordinary cash dividends, then the warrant exercise price will be decreased, effective immediately after the effective date of such event, by the amount of cash and/or the fair market value (as determined by the Board, in good faith) of any securities or other assets paid on each share of Common Stock in respect of such event.

If the number of outstanding shares of Common Stock is decreased by a consolidation, combination, reverse share sub-division or reclassification of shares of Common Stock or other similar event, then, on the effective date of such consolidation, combination, reverse share sub-division, reclassification or similar event, the number of shares of Common Stock issuable on exercise of each Warrant will be decreased in proportion to such decrease in outstanding shares of Common Stock.

Whenever the number of shares of Common Stock purchasable upon the exercise of the Warrants is adjusted, as described above, the warrant exercise price will be adjusted by multiplying the warrant exercise price immediately prior to such adjustment by a fraction (x) the numerator of which will be the number of shares of Common Stock purchasable upon the exercise of the Warrants immediately prior to such adjustment, and (y) the denominator of which will be the number of shares of Common Stock so purchasable immediately thereafter.

In case of any reclassification or reorganization of the outstanding shares of Common Stock (other than those described above or that solely affects the par value of such shares of Common Stock), or in the case of any merger or consolidation of us with or into another corporation (other than a consolidation or merger in which we are the continuing corporation and that does not result in any reclassification or reorganization of our issued and outstanding shares of Common Stock), or in the case of any sale or conveyance to another corporation or entity

of the assets or other property of us as an entirety or substantially as an entirety in connection with which we are dissolved, the holders of the Warrants will thereafter have the right to purchase and receive, upon the basis and upon the terms and conditions specified in the Warrants and in lieu of the shares of Common Stock immediately theretofore purchasable and receivable upon the exercise of the rights represented thereby, the kind and amount of shares of Common Stock or other securities or property (including cash) receivable upon such reclassification, reorganization, merger or consolidation, or upon a dissolution following any such sale or transfer, that the holder of the Warrants would have received if such holder had exercised their Warrants immediately prior to such event. If less than 70% of the consideration receivable by the holders of shares of Common Stock in such a transaction is payable in the form of shares of Common Stock in the successor entity that is listed for trading on a national securities exchange or is quoted in an established over-the-counter market, or is to be so listed for trading or quoted immediately following such event, and if the registered holder of the Warrant properly exercises the Warrant within thirty days following public disclosure of such transaction, the warrant exercise price will be reduced as specified in the Warrant Agreement based on the value of a Warrant immediately prior to the consummation of the applicable event based on the Black-Scholes Warrant Model for a Capped American Call on Bloomberg Financial Markets. The purpose of such exercise price reduction is to provide additional value to holders of the Warrants when an extraordinary transaction occurs during the exercise period of the Warrants pursuant to which the holders of the Warrants otherwise do not receive the full potential value of the Warrants.

The Warrants are issued in registered form under a Warrant Agreement between Continental Stock Transfer & Trust Company, as warrant agent, and the Company. The Warrant Agreement provides that the terms of the Warrants may be amended without the consent of any holder for the purpose of (i) curing any ambiguity or to correct any defective provision or mistake, including to conform the provisions of the Warrant Agreement to the description of the terms of the Warrants and the Warrant Agreement set forth in L&F's prospectus for the L&F IPO, (ii) adjusting the definition of "Ordinary Cash Dividend" as contemplated by and in accordance with the provision of the Warrant Agreement relating thereto or (iii) adding or changing any provisions with respect to matters or questions arising under the Warrant Agreement as the parties to the Warrant Agreement may deem necessary or desirable and that the parties deem to not adversely affect the rights of the registered holders of the Warrants, *provided* that the approval by the holders of at least 50% of the then-outstanding Public Warrants is required to make any change that adversely affects the interests of the registered holders of Public Warrants, and, solely with respect to any amendment to the terms of the Private Placement Warrants, 50% of the then outstanding Private Placement Warrants. You should review a copy of the Warrant Agreement, which is filed as an exhibit to the registration statement of which this prospectus is a part, for a complete description of the terms and conditions applicable to the Warrants.

The Warrants may be exercised upon surrender of the warrant certificate on or prior to the expiration date at the principal corporate trust office of the warrant agent, with the exercise form on the reverse side of the warrant certificate completed and executed as indicated, accompanied by full payment of the exercise price (or on a cashless basis, if applicable), by certified or official bank check payable to us, for the number of Warrants being exercised. The warrant holders do not have the rights or privileges of holders of shares of Common Stock and any voting rights until they exercise their Warrants and receive shares of Common Stock. After the issuance of shares of Common Stock upon exercise of the Warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by stockholders.

We have agreed that, subject to applicable law, any action, proceeding or claim against us arising out of or relating in any way to the Warrant Agreement will be brought and enforced in the courts of the State of New York or the United States District Court for the Southern District of New York, and we irrevocably submit to such jurisdiction, which jurisdiction will be the exclusive forum for any such action, proceeding or claim. This provision applies to claims under the Securities Act but does not apply to claims under the Exchange Act or any claim for which the federal district courts of the United States of America are the sole and exclusive forum.

Private Placement Warrants

The Private Placement Warrants (including the shares of Common Stock issuable upon exercise of such warrants) will not be transferable, assignable or salable until 30 days after the completion of the Business Combination (except to our officers and directors and other persons or entities affiliated with the initial purchasers of the Private Placement Warrants) and they will not be redeemable by us so long as they are held by the Sponsor, members of the Sponsor, Jefferies LLC or their permitted transferees. The Sponsor, Jefferies LLC or their permitted transferees, have the option to exercise the Private Placement Warrants on a cashless basis. Except as described below, the Private Placement Warrants have terms and provisions that are identical to those of the Public Warrants. If the Private Placement Warrants are held by holders other than the Sponsor, Jefferies LLC or their permitted transferees, the Private Placement Warrants will be redeemable by us and exercisable by the holders on the same basis as the Public Warrants. In accordance with Financial Industry Regulatory Authority (“FINRA”) Rule 5110(g)(8)(A), the Warrants purchased by Jefferies LLC will not be exercisable for more than five years from the effective date of the registration statement in connection with the L&F IPO for so long as they are held by Jefferies or any of its permitted transferees.

Except as described above regarding redemption procedures and cashless exercise in respect of the Public Warrants, if holders of the Private Placement Warrants elect to exercise them on a cashless basis, they would pay the exercise price by surrendering his, her or its warrants for that number of shares of Common Stock equal to the quotient obtained by dividing (x) the product of the number of shares of Common Stock underlying the Warrants, multiplied by the excess of the “fair market value” (defined below) of our shares of Common Stock over the exercise price of the Warrants by (y) the fair market value. Solely for purposes of this subsection “Private Placement Warrants,” the “fair market value” will mean the average reported closing price of the shares of Common Stock for the 10 trading days ending on the third trading day prior to the date on which the notice of warrant exercise is sent to the warrant agent.

CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion summarizes certain material U.S. federal income tax considerations of acquiring, holding, and disposing of our Common Stock and/or Warrants. This discussion is based upon the Internal Revenue Code of 1986, as amended (the “**Code**”), its legislative history, the final, temporary and proposed U.S. Treasury Regulations promulgated thereunder, and administrative rulings and judicial decisions now in effect, all of which are subject to change at any time or subject to different interpretations (possibly with retroactive effect). This discussion does not purport to deal with all aspects of U.S. federal income taxation that may be relevant to a person’s decision to acquire, hold, and dispose of our Common Stock and/or Warrants in light of their personal circumstances or to certain types of stockholders that may be subject to special tax treatment, such as, but not limited to, banks and other financial institutions, retirement plans, employee stock ownership plans, regulated investment companies or real estate investment trusts, partnerships or other pass-through entities for U.S. federal income tax purposes (or investors in such entities), tax-exempt entities or organizations, United States expatriates, persons that have a principal place of business or “tax home” outside of the United States, persons subject to special rules under Section 892 of the Code, persons who receive our securities through the exercise of employee stock options or otherwise as compensation, controlled foreign corporations, passive foreign investment companies, corporations that accumulate earnings to avoid U.S. federal income tax, insurance companies, “S” corporations, dealers in securities and foreign currencies, traders in securities that elect to use a mark-to-market method of accounting for their securities, brokers, persons who hold our securities as part of a hedge, straddle, conversion, integrated, or other risk reduction or constructive sale transaction, persons required to report income no later than when such income is reported on an “applicable financial statement,” “U.S. holders” (as defined below) whose functional currency is not U.S. dollars, U.S. holders that hold our stock through non-U.S. brokers or other non-U.S. intermediaries, or persons subject to the alternative minimum tax. In addition, this summary does not include any description of the tax laws of any state, local, or non-U.S. jurisdiction that may be applicable to a particular stockholder and does not consider any aspects of U.S. federal tax law other than income taxation (such as estate and gift tax or Medicare contribution tax laws). In addition, this discussion is limited to (i) persons who hold our Common Stock and/or Warrants, as applicable, as a “capital asset” (generally, property held for investment) within the meaning of Section 1221 of the Code; and (ii) persons who acquire our Common Stock and/or Warrants from us at the original issuance of such Common Stock and/or Warrants, as applicable.

As used herein, the term “U.S. holder” means a beneficial owner of Common Stock and/or Warrants, that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any political subdivision thereof or otherwise treated as a U.S. tax resident for U.S. federal income tax purposes;
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person; or
- an estate the income of which is subject to U.S. federal income taxation regardless of its source.

As used herein, the term “non-U.S. holder” means a beneficial owner of Common Stock and/or Warrants that is neither a U.S. holder nor a partnership or an entity treated as a partnership for U.S. federal income tax purposes.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of Common Stock and/or Warrants, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A beneficial owner that is a

partnership, as well as the partners in such a partnership are urged to consult their tax advisors about the U.S. federal income tax consequences of owning our Common Stock and/or Warrants.

Stockholders and Warrant holders are urged to consult their own tax advisors with respect to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the U.S. federal estate or gift or other rules or under the laws of any state, local or non-U.S. taxing jurisdiction or under any applicable tax treaty.

This discussion is not binding on the Internal Revenue Service (“IRS”). Except as discussed herein, we have not sought, and will not seek, any ruling from the IRS or an opinion from counsel with respect to the statements made in the following discussion. Accordingly, there can be no assurance that the IRS will not take a position contrary to such statements or that any such contrary position taken by the IRS would not be sustained by a court. Stockholders and Warrant holders are urged to consult with their own tax advisors to determine the specific consequences of acquiring, holding, and disposing of our Common Stock and/or Warrants.

Taxation of U.S. Holders of Common Stock

Taxation of Distributions. Distributions received by a U.S. holder generally will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Dividends paid to a U.S. holder that is a taxable corporation generally may qualify for the dividends received deduction if the requisite holding period is satisfied. With certain exceptions (including, but not limited to, dividends treated as investment income for purposes of investment interest deduction limitations), and provided that certain holding period requirements are met, dividends paid to a non-corporate U.S. holder generally will constitute “qualified dividends” that should be subject to tax at the tax rate accorded to long-term capital gains.

Distributions in excess of our current and accumulated earnings and profits will constitute a return of capital that will be applied against and reduce (but not below zero) the U.S. holder’s adjusted tax basis in the Common Stock. Any remaining excess will be treated as gain realized on the sale or other disposition of the Common Stock, as discussed below under “Taxation of U.S. Holders of Common Stock – Disposition (Other than a Redemption) of Common Stock”.

Disposition (Other than a Redemption) of Common Stock. In general, upon a disposition (other than a redemption) of Common Stock, a U.S. holder will realize gain or loss in an amount equal to the difference between the sum of the fair market value of any property and the amount of cash received in such disposition and the U.S. holder’s adjusted tax basis in such Common Stock. A U.S. holder’s adjusted tax basis in our Common Stock generally will equal the U.S. holder’s acquisition cost; a U.S. holder who receives Common Stock pursuant to the exercise of a Warrant will determine the U.S. holder’s adjusted tax basis in the Common Stock so received in accordance with the discussions below regarding “*Taxation of U.S. Holders of Warrants*.”

Gain or loss on the disposition of Common Stock will be long-term capital gain or loss if the U.S. holder has held the stock for more than one year and otherwise as short-term capital gain or loss. All or a portion of any loss that a U.S. holder realizes upon a taxable disposition of the stock may be disallowed if the U.S. holder purchases the same type of stock within 30 days before or after the disposition. The deductibility of capital losses is subject to certain limitations (discussed below—see “*Taxation of U.S. Holders Generally—Tax Rates*”).

Redemption of Common Stock. In general, upon a redemption of Common Stock, the treatment of the transaction for U.S. federal income tax purposes will depend on whether any of the “dividend non-equivalence tests” are satisfied with respect to the redemption. The “dividend non-equivalence tests” are as follows:

- the U.S. holder’s percentage of our total outstanding voting shares that it actually and constructively owns immediately following the distribution is less than 80% of the percentage of our total outstanding voting shares that it actually and constructively owns immediately before the distribution and the U.S. holder has a similar reduction in its percentage ownership of our total outstanding Common Stock;

- as a result of the distribution, the U.S. holder no longer actually or constructively owns any of our outstanding shares of stock; or
- the distribution results in a meaningful reduction of the U.S. holder's proportionate interest in our stock (which is determined based on the U.S. holder's particular facts and circumstances; however, in certain circumstances, in the case of a stockholder holding a small minority (e.g., less than 1%) of our stock, even a small reduction of a U.S. holder's proportionate interest in our stock may satisfy this test).

In determining whether one of the "dividend non-equivalence tests" is satisfied, a U.S. holder must take into account not only shares of our stock that such U.S. holder actually owns, but also shares of our stock that such U.S. holder constructively owns, including shares of our stock actually owned, and in some cases constructively owned, by certain related individuals and certain entities in which the U.S. holder has an interest, or that have an interest in the U.S. holder. Contemporaneous dispositions or acquisitions of shares by a U.S. holder (or persons or entities related to such U.S. holder) may be deemed to be part of a single integrated transaction which will be taken into account in determining whether any of the "dividend non-equivalence tests" have been satisfied. For example, if a U.S. holder sells shares of Common Stock to persons other than us at or about the time we redeem shares of Common Stock held by a U.S. holder, and these transactions are part of an overall plan to reduce or terminate such U.S. holder's proportionate interest in our stock, then the sales to persons other than us may, for U.S. federal income tax purposes, be integrated with the U.S. holder's redemption of Common Stock and, if integrated, should be taken into account in determining whether a U.S. holder satisfies any of the "dividend non-equivalence tests" described above.

If any such test is satisfied, a U.S. holder will realize gain or loss in an amount equal to the difference between the sum of the fair market value of any property and the amount of cash received in such disposition and the U.S. holder's adjusted tax basis in such Common Stock. A U.S. holder's adjusted tax basis in our Common Stock generally will equal the U.S. holder's acquisition cost; a U.S. holder who receives Common Stock pursuant to the exercise of a Warrant will determine the U.S. holder's adjusted tax basis in the Common Stock so received in accordance with the discussions below regarding "*Taxation of U.S. Holders of Warrants*." Any gain or loss that a U.S. holder recognizes in connection with receipt of the redemption generally will be long-term capital gain or loss if the U.S. holder has held the stock for more than one year and otherwise as short-term capital gain or loss. All or a portion of any loss that a U.S. holder realizes upon a taxable redemption of the stock may be disallowed if the U.S. holder purchases the same type of stock within 30 days before or after the redemption. The deductibility of capital losses is subject to certain limitations (discussed below—see "*Taxation of U.S. Holders Generally—Tax Rates*").

If none of the "dividend non-equivalence tests" described above are satisfied, the redemption proceeds generally will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Dividends paid to a U.S. holder that is a taxable corporation generally may qualify for the dividends received deduction if the requisite holding period is satisfied. With certain exceptions (including, but not limited to, dividends treated as investment income for purposes of investment interest deduction limitations), and provided that certain holding period requirements are met, dividends paid to a non-corporate U.S. holder generally will constitute "qualified dividends" that should be subject to tax at the tax rate accorded to long-term capital gains.

Redemption proceeds in excess of our current and accumulated earnings and profits will constitute a return of capital that will be applied against and reduce (but not below zero) the U.S. holder's adjusted tax basis in the Common Stock. Any remaining excess will be treated as gain realized on the sale or other disposition of the Common Stock, as discussed above under "*Taxation of U.S. Holders of Common Stock—Disposition (Other than a Redemption) of Common Stock*."

Taxation of U.S. Holders of Warrants

Possible Constructive Distributions. The terms of the Warrants provide for an adjustment to the number of shares of Common Stock for which the Warrants may be exercised or to the exercise price of the warrants on the

occurrence of certain events. An adjustment which has the effect of preventing dilution generally is not a taxable event. U.S. holders of our Warrants would, however, be treated as receiving a constructive distribution from us if, for example, the adjustment to the number of such shares or to such exercise price increases the U.S. holders' proportionate interest in our assets or earnings and profits (e.g., through an increase in the number of shares of Common Stock that would be obtained upon exercise or through a decrease in the exercise price of the Warrants), including as a result of a distribution of cash or other property to the holders of shares of our Common Stock that is taxable to such holders of such shares as a distribution. Any constructive distribution received by a U.S. holder would be subject to tax in the same manner as distributions, as described above in "*Taxation of U.S. Holders of Common Stock—Taxation of Distributions*" in an amount equal to the fair market value of such increased interest resulting from the adjustment. Generally, a U.S. holder's adjusted tax basis in its Warrants would be increased to the extent any such constructive distribution is treated as a dividend.

Sale or Disposition of Warrants (Other than by Exercise or Lapse). Upon the sale or other taxable disposition of the Warrants (other than by exercise or lapse), a U.S. holder will generally recognize capital gain or loss equal to the difference between the amount realized on the sale or other taxable disposition and the U.S. holder's adjusted tax basis in the Warrants. If we redeem the Warrants for cash or if we purchase Warrants in an open market transaction, such redemption or purchase generally will be treated as a taxable disposition to the U.S. holder. A U.S. holder's tax basis in any Warrants shall equal the U.S. holder's acquisition cost of the Warrants.

Capital gain or loss on the sale or disposition of Warrants (other than by exercise or lapse) will be long-term capital gain or loss if the U.S. holder's holding period in such Warrants is more than one year at the time of the sale or other taxable disposition. The deductibility of capital losses is subject to certain limitations (discussed below—see "*Taxation of U.S. Holders Generally—Tax Rates*").

Exercise of Warrants. A U.S. holder will generally not be required to recognize income, gain or loss upon exercise of Warrants. A U.S. holder's tax basis in Common Stock received upon exercise of the Warrants for cash will be equal to the sum of (1) the U.S. holder's adjusted tax basis in the Warrants exchanged therefor (generally, the acquisition cost of the Warrants) and (2) the exercise price of such Warrants. Whether a U.S. holder's holding period for the Common Stock received upon exercise of a Warrant would commence on the date of exercise of the Warrant or the day following the date of exercise of the Warrant may depend on the facts and circumstances regarding the U.S. holder's acquisition of the Warrant; however, in either case the holding period will not include the period during which the U.S. holder held the Warrant. Once exercised, the U.S. holders will be subject to tax consequences with respect to their ownership of Common Stock acquired via the Warrants as discussed above under "*Taxation of U.S. Holders of Common Stock*."

In certain circumstances, the Warrants may be exercisable on a cashless basis. The U.S. federal income tax treatment of an exercise of a Warrant on a cashless basis is not clear, and could differ from the consequences described above. It is possible that a cashless exercise could be a taxable event. U.S. holders are urged to consult their tax advisors as to the consequences of an exercise of the Warrants on a cashless basis, including with respect to whether the exercise is a taxable event, and their holding period and tax basis in the Common Stock received.

Lapse of Warrants. If a Warrant expires without being exercised, a U.S. holder should recognize a capital loss in an amount equal to such holder's adjusted tax basis in the Warrant. Such loss will be long-term capital loss if, at the time of the expiration, the U.S. holder's holding period in such Warrant is more than one year. The deductibility of capital losses is subject to certain limitations (discussed below—see "*Taxation of U.S. Holders Generally—Tax Rates*").

Taxation of U.S. Holders Generally

Amounts Treated as Capital Gain. Any amounts that are treated pursuant to the discussion above as capital gain generally will be treated as long-term capital gain if the U.S. holder's holding period is greater than one year at the time of the exchange.

Amounts Treated as Dividend Income. Any amounts that are treated pursuant to the discussion above as dividend income generally will be taxable to a non-corporate U.S. holder at long-term capital gains rates as such amounts should constitute "qualified dividend income" subject to such favorable rates.

Tax Rates. In general, the maximum U.S. federal income tax rate on long-term capital gain applicable to non-corporate taxpayers is 20% for sales and exchanges of capital assets held for more than one year. Short-term capital gain (i.e., the gain on capital assets held for one year or less) of non-corporate taxpayers is subject to tax at the same U.S. federal income tax rates as ordinary income. The maximum U.S. federal income tax rate on ordinary income for non-corporate taxpayers with income exceeding certain thresholds is currently 37%. All income and gain of corporate taxpayers is subject to tax at the same U.S. federal income tax rate (currently, 21%). In addition, the characterization of income as capital gain or ordinary income may affect the deductibility of capital losses. A non-corporate taxpayer may deduct capital losses not offset by capital gains against its ordinary income only up to a maximum annual amount of \$3,000. A non-corporate taxpayer may carry forward unused capital losses indefinitely. A corporate taxpayer may deduct capital losses only to the extent of capital gains, with unused losses being carried back three years and forward five years.

Medicare Tax. A U.S. holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (1) the U.S. holder's "net investment income" for the relevant taxable year and (2) the excess of the U.S. holder's modified adjusted gross income for the taxable year over a certain threshold. For individuals, the threshold amount is \$200,000 for single filers, and \$250,000 for married taxpayers filing joint returns (\$125,000 for married individuals filing separate returns), which amounts are not indexed for inflation. Net investment income generally includes dividend income and net gains from the disposition of stock, unless such dividend income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). A U.S. holder that is an individual, estate or trust, is urged to consult its tax advisor regarding the applicability of the Medicare tax to its income and gains in respect of its investment in our Common Stock and/or Warrants.

Taxation of Non-U.S. Holders of Common Stock

Taxation of Distributions. Distributions received by a non-U.S. holder generally will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. In such event, subject to the discussion below concerning FIRPTA (as defined below), such amounts generally will be subject to U.S. income tax withholding at the rate of 30% on the gross amount of any such amount unless either:

- a lower treaty rate applies and the non-U.S. holder furnishes a validly executed IRS Form W-8BEN or W-8BEN-E (or equivalent thereof) evidencing eligibility for that reduced rate to the applicable withholding agent; or
- the non-U.S. holder furnishes an IRS Form W-8ECI to the applicable withholding agent claiming that such amount is effectively connected income.

If an amount treated as dividend income for U.S. income tax purposes is also treated as income that is effectively connected with the non-U.S. holder's conduct of a U.S. trade or business (referred to as "effectively connected income" or "ECI"), the non-U.S. holder generally will be subject to U.S. federal income tax on such ECI at graduated rates, in the same manner as U.S. holders are taxed with respect to such amounts, as discussed

under “*Taxation of U.S. Holders of Common Stock—Taxation of Distributions*”. A non-U.S. holder that is a corporation also may be subject to the 30% branch profits tax with respect to such ECI (subject to certain adjustments, unless reduced or eliminated by an applicable tax treaty).

Distributions in excess of our current and accumulated earnings and profits will constitute a return of capital that will be applied against and reduce (but not below zero) the non-U.S. holder’s adjusted tax basis in the Common Stock. Any remaining excess will be treated as gain realized on the sale or other disposition of the Common Stock, as discussed below under “*Taxation of Non-U.S. Holders of Common Stock—Disposition (Other than a Redemption) of Common Stock*.”

Disposition (Other than a Redemption) of Common Stock. In general, upon a disposition (other than a redemption) of Common Stock, a non-U.S. holder will realize gain or loss in an amount equal to the difference between the sum of the fair market value of any property and the amount of cash received in such disposition and the non-U.S. holder’s adjusted tax basis in such Common Stock. A non-U.S. holder’s adjusted tax basis in our Common Stock generally will equal the non-U.S. holder’s acquisition cost; a non-U.S. holder who receives Common Stock pursuant to the exercise of a Warrant will determine the non-U.S. holder’s adjusted tax basis in the Common Stock so received in accordance with the discussions below regarding “*Taxation of Non-U.S. Holders of Warrants*.”

Generally, subject to the discussion below concerning FIRPTA (as defined below), a non-U.S. holder will not be subject to U.S. federal income tax or withholding tax, unless one of the following tests is satisfied:

- the gain is effectively connected with the non-U.S. holder’s conduct of a trade or business in the United States (and, if the non-U.S. holder is entitled to the benefits of an applicable income tax treaty with the United States with respect to that gain, that gain is attributable to a permanent establishment maintained by the non-U.S. holder in the United States) (the “**ECI Test**”); or
- the non-U.S. holder is an individual who is present in the United States for 183 days or more during the taxable year in which the gain is recognized and certain other conditions are met (the “**183 Day Test**”).

If the non-U.S. holder satisfies the ECI Test, any income or gain that is taxable as a result generally will be subject to U.S. federal income tax, net of certain deductions, at regular U.S. federal income tax rates. If a non-U.S. holder is a corporation, its ECI (subject to certain adjustments) may be subject to an additional U.S. branch profits tax at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty).

If the non-U.S. holder satisfies the 183 Day Test, any gain that is taxable (net of certain U.S.-source losses) will be taxed at a flat rate of 30% (or such lower rate as may be specified by an applicable income tax treaty).

Redemption of Common Stock. In general, upon a redemption of Common Stock, the treatment of the transaction for U.S. federal income tax purposes will depend on whether any of the “dividend non-equivalence tests” described above are satisfied with respect to the redemption. If any such test is satisfied, a non-U.S. holder will realize gain or loss in an amount equal to the difference between the sum of the fair market value of any property and the amount of cash received in such disposition and the non-U.S. holder’s adjusted tax basis in such Common Stock. A non-U.S. holder’s adjusted tax basis in our Common Stock generally will equal the non-U.S. holder’s acquisition cost; a non-U.S. holder who receives Common Stock pursuant to the exercise of a Warrant will determine the non-U.S. holder’s adjusted tax basis in the Common Stock so received in accordance with the discussions below regarding “*Taxation of Non-U.S. Holders of Warrants*.” Generally, subject to the discussion below concerning FIRPTA (as defined below), a non-U.S. holder will not be subject to U.S. federal income tax or withholding tax on gain from a redemption that satisfies any of the “dividend non-equivalence tests” unless the ECI Test or the 183 Day Test is satisfied.

If the non-U.S. holder satisfies the ECI Test, any gain that is taxable as a result generally will be subject to U.S. federal income tax, net of certain deductions, at regular U.S. federal income tax rates. If a non-U.S. holder is

a corporation, its ECI (subject to certain adjustments) may be subject to an additional U.S. branch profits tax at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty).

If the non-U.S. holder satisfies the 183 Day Test, any gain that is taxable (net of certain U.S.-source losses) will be taxed at a flat rate of 30% (or such lower rate as may be specified by an applicable income tax treaty).

If none of the “dividend non-equivalence tests” described above are satisfied, the redemption proceeds generally will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. In such event, subject to the discussion below concerning FIRPTA (as defined below), such amounts generally will be subject to U.S. income tax withholding at the rate of 30% on the gross amount of any such amount unless either:

- a lower treaty rate applies and the non-U.S. holder furnishes an IRS Form W-8BEN or W-8BEN-E evidencing eligibility for that reduced rate to the applicable withholding agent; or
- the non-U.S. holder furnishes an IRS Form W-8ECI to the applicable withholding agent claiming that such amount is effectively connected income.

If an amount treated as dividend income is also treated as effectively connected with the non-U.S. holder’s conduct of a U.S. trade or business, the non-U.S. holder generally will be subject to U.S. federal income tax on such ECI at graduated rates, in the same manner as U.S. holders are taxed with respect to such amounts as discussed above under “*Taxation of U.S. Holders of Common Stock—Taxation of Distributions*.” A non-U.S. holder that is a corporation also may be subject to the 30% branch profits tax with respect to such an amount that is treated as effectively connected with its conduct of a U.S. trade or business, unless reduced or eliminated by a tax treaty.

Redemption proceeds in excess of our current and accumulated earnings and profits will constitute a return of capital that will be applied against and reduce (but not below zero) the non-U.S. holder’s adjusted tax basis in the Common Stock. Any remaining excess will be treated as gain realized on the sale or other disposition of the Common Stock, as discussed above under “*Taxation of Non-U.S. Holders of Common Stock—Disposition (Other than a Redemption) of Common Stock*.”

Non-U.S. holders are urged to consult with their own tax advisors regarding the tax consequences to them of holding Common Stock.

Taxation of Non-U.S. Holders of Warrants

Possible Constructive Distributions. The terms of the Warrants provide for an adjustment to the number of shares of Common Stock for which the Warrants may be exercised or to the exercise price of the Warrants on the occurrence of certain events. An adjustment which has the effect of preventing dilution generally is not a taxable event. Non-U.S. holders of our Warrants would, however, be treated as receiving a constructive distribution from us if, for example, the adjustment to the number of such shares or to such exercise price increases the non-U.S. holders’ proportionate interest in our assets or earnings and profits (e.g., through an increase in the number of shares of Common Stock that would be obtained upon exercise or through a decrease in the exercise price of the Warrants), including as a result of a distribution of cash or other property to the holders of shares of our Common Stock that is taxable to such holders of such shares as a distribution. Any constructive distribution received by a non-U.S. holder would be subject to tax in the same manner as distributions, as described above in “*Taxation of Non-U.S. Holders of Common Stock—Taxation of Distributions*” in an amount equal to the fair market value of such increased interest resulting from the adjustment. Generally, a non-U.S. holder’s adjusted tax basis in its Warrants would be increased to the extent any such constructive distribution is treated as a dividend.

Sale or Disposition of Warrants (Other than by Exercise). Upon the sale or other taxable disposition of any Warrants (other than by exercise), a non-U.S. holder will generally recognize capital gain or loss equal to the

difference between the amount realized on the sale or other taxable disposition and the non-U.S. holder's adjusted tax basis in the Warrants. If we redeem the Warrants for cash or if we purchase Warrants in an open market transaction, such redemption or purchase generally will be treated as a taxable disposition to the non-U.S. holder. A non-U.S. holder's tax basis in any Warrants shall equal the holder's acquisition cost of the Warrants. Subject to the discussion below concerning FIRPTA (as defined below), such non-U.S. holder generally will not be subject to U.S. federal income tax or withholding tax on the sale or disposition of the Warrants, unless the ECI Test or the 183 Day Test is satisfied.

If the non-U.S. holder satisfies the ECI Test, any income or gain that is taxable as a result generally will be subject to U.S. federal income tax, net of certain deductions, at regular U.S. federal income tax rates. If a non-U.S. holder is a corporation, its ECI (subject to certain adjustments) may be subject to an additional U.S. branch profits tax at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty).

If the non-U.S. holder satisfies the 183 Day Test, any gain that is taxable (net of certain U.S.-source losses) will be taxed at a flat rate of 30% (or such lower rate as may be specified by an applicable income tax treaty).

Exercise of Warrants. A non-U.S. holder will generally not be required to recognize income, gain or loss upon exercise of Warrants. A non-U.S. holder's tax basis in Common Stock received upon exercise of the Warrants for cash will be equal to the sum of (1) the non-U.S. holder's adjusted tax basis in the Warrants exchanged therefor (generally, the acquisition cost of the Warrants) and (2) the exercise price of such Warrants. Whether a non-U.S. holder's holding period for the Common Stock received upon exercise of a Warrant would commence on the date of exercise of the Warrant or the day following the date of exercise of the Warrant may depend on the facts and circumstances regarding the non-U.S. holder's acquisition of the Warrant; however, in either case the holding period will not include the period during which the non-U.S. holder held the Warrant. Once exercised, the non-U.S. holders will be subject to tax consequences with respect to their ownership of Common Stock acquired via the Warrants as discussed above under "Taxation of Non-U.S. Holders of Common Stock".

In certain circumstances, the Warrants will be exercisable on a cashless basis. The U.S. federal income tax treatment of an exercise of a Warrant on a cashless basis is not clear, and could differ from the consequences described above. It is possible that a cashless exercise could be a taxable event. Non-U.S. holders are urged to consult their tax advisors as to the consequences of an exercise of a Warrant on a cashless basis, including with respect to whether the exercise is a taxable event, and their holding period and tax basis in the Common Stock received. Once exercised, the non-U.S. holders will be subject to tax consequences with respect to their ownership of Common Stock acquired via the Warrants as discussed above under "Taxation of Non-U.S. Holders of Common Stock".

Non-U.S. holders are urged to consult with their own tax advisors regarding the tax consequences to them of holding Warrants.

Backup Withholding and Information Reporting

Backup withholding and information reporting may apply to amounts paid (or deemed paid) to holders of our Common Stock and/or Warrants and to the proceeds of the sale or other disposition of our Common Stock and/or Warrants.

U.S. Holders. A U.S. holder may be subject to backup withholding at the rate of 24% unless such holder comes within certain exempt categories and, when required, demonstrates this fact, or provides to the applicable withholding agent a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with the applicable requirements of the backup withholding rules. A U.S. holder who does not provide the applicable withholding agent with its correct taxpayer identification number also

may be subject to penalties imposed by the IRS. Any amount paid as backup withholding will be creditable against the U.S. holder's income tax liability, provided the required information is timely furnished to the IRS.

Non-U.S. Holders. A non-U.S. holder may be subject to backup withholding unless the payee certifies that it is not a U.S. person or otherwise establishes an exemption. The payment of the proceeds from the disposition of our Common Stock and/or Warrants to or through the U.S. office of a U.S. or non-U.S. broker will be subject to information reporting and, possibly, backup withholding unless the non-U.S. holder certifies as to its non-U.S. status or otherwise establishes an exemption, provided that the broker does not have actual knowledge that the non-U.S. holder is a U.S. person or that the conditions of any other exemption are not, in fact, satisfied. The proceeds of the disposition by a non-U.S. holder of our Common Stock and/or Warrants to or through a non-U.S. office of a broker generally will not be subject to information reporting or backup withholding. However, if the broker is a U.S. person, a controlled foreign corporation for U.S. federal income tax purposes or a non-U.S. person 50% or more of whose gross income from all sources for specified periods is from activities that are effectively connected with a U.S. trade or business, information reporting generally will apply unless the broker has documentary evidence as to the non-U.S. holder's nonresident status and has no actual knowledge to the contrary. Backup withholding is not an additional tax. Any amount withheld under the backup withholding rules from a payment to a non-U.S. holder will be allowed as a credit against such non-U.S. holder's U.S. federal income tax liability (which might entitle such non-U.S. holder to a refund), provided that the required information is timely furnished to the IRS. Applicable U.S. Treasury Regulations provide presumptions regarding the status of stockholders when payments to the stockholders cannot be reliably associated with appropriate documentation provided to the payer. Copies of information returns that are filed with the IRS may also be made available under the provisions of an applicable treaty or agreement to the tax authorities of the country in which the non-U.S. holder resides or is established.

Each Stockholder and Warrant holder is urged to consult its own tax advisor regarding the information reporting and backup requirements applicable to it.

Foreign Account Tax Compliance Act Withholding

The "Foreign Account Tax Compliance Act" ("**FATCA**") (as set forth in Sections 1471 to 1474 of the Code and the U.S. Treasury Regulations thereunder, including any successor provisions, subsequent amendments and administrative guidance promulgated thereunder) generally imposes a withholding tax of 30% on "withholdable payments" made to a "foreign financial institution" unless the foreign financial institution enters into an agreement with the IRS to collect and provide to the IRS on an annual basis substantial information regarding its U.S. account holders or an exception applies. If a foreign financial institution enters into such an agreement but is unable to obtain the relevant information from its direct and indirect account holders or owners on an annual basis, the foreign financial institution will be required to withhold 30% of any withholdable payment allocable to such account holders, and there is a risk that the IRS may determine that the foreign financial institution is not in compliance with its agreement, resulting in the foreign financial institution becoming subject to the 30% withholding tax on all of the withholdable payments made to it. The term "withholdable payment" generally includes any payment of fixed or determinable, annual or periodic income received from U.S. sources, including U.S. source dividends and interest to the extent not effectively connected with the conduct of a U.S. trade or business, and may include the gross proceeds of a disposition of stock or of debt instruments and "foreign pass-thru payments," in each case with respect to any U.S. investment. The legislation also generally imposes a withholding tax of 30% on withholdable payments made to a non-U.S. entity that is not a foreign financial institution unless such entity provides the withholding agent with a certification identifying the substantial U.S. owners of the entity, which are generally defined as any U.S. persons who directly or indirectly own more than 10% of the entity, or unless an exception applies. We generally will be required to withhold 30% of withholdable payments made to any non-U.S. holder that is a foreign financial institution or other non-U.S. entity unless such stockholder complies with the applicable requirements discussed above. Accordingly, the stockholders may be required to provide certain information to us in order to avoid the imposition of the 30% withholding tax on any withholdable payments made by us. We will not pay additional amounts in respect of amounts withheld.

The foregoing is only a general summary of certain provisions of FATCA. Non-U.S. holders are urged to consult with their own tax advisors regarding the application of FATCA to their investment in our Common Stock and/or Warrants.

Foreign Investment in Real Property Tax Act ("FIRPTA")

A non-U.S. holder's gain from the disposition of a United States Real Property Interest ("USRPI") is generally subject to U.S. federal income tax, withholding and filing requirements and is generally not exempted under applicable income tax treaties. A USRPI generally includes shares in corporations organized in the U.S., the fair market value of whose interests in real property located in the U.S., at any time in a five year testing period, equals or exceeds 50% of the fair market value of the sum of its interests in real property located in the U.S., its interests in real property located outside the U.S., and its other assets used or held for use in a trade or business. Such gain on the disposition of a USRPI recognized by a non-U.S. holder is treated as ECI and the taxable amount is subject to U.S. federal income tax at graduated rates ("FIRPTA Tax").

Dispositions that give rise to gains that may be subject to FIRPTA Tax may require that such FIRPTA Tax be collected by U.S. federal income tax withholding on the part of the purchaser or disposing partnership, as the case may be ("Section 1445 Withholdings"). Section 1445 Withholdings are required at a rate of 15% of the amount realized on the sale or exchange of the shares of the USRPI to the extent allocable to non-U.S. holders. Section 1445 Withholdings are not required if (a) the applicable shares are regularly traded on an established securities market and (b) the non-U.S. stockholder did not, at any time during a specified testing period, hold more than 5% of the stock of such corporation.

Accordingly, if our stock constitutes a USRPI, the disposition of Common Stock and/or Warrants (or the deemed disposition of Common Stock and/or Warrants) by a non-U.S. holder may attract FIRPTA Tax for such non-U.S. holder and such dispositions may give rise to Section 1445 Withholdings. In addition, such non-U.S. holder might be required to file a U.S. federal income tax return for the year in which such disposition is made. We do not expect the Common Stock and/or Warrants to constitute USRPIs.

Other Tax Consequences

State or local taxation may apply to us and our stockholders in various state or local jurisdictions, including those in which we or our stockholders transact business, own property, or reside. The state and local tax treatment in such jurisdictions may differ from the federal income tax treatment described above. Consequently, U.S. holders and non-U.S. holders are urged to consult their own tax advisors regarding the effect of state and local tax laws on an investment in us. In addition, a U.S. holder or non-U.S. holder may be subject to taxation and reporting requirements outside of the United States in respect of its investment in us. Investors are urged to consult their own tax advisors as to state, local, non-U.S. and other tax consequences of holding our Common Stock and/or Warrants.

THE TAX DISCUSSION SET FORTH ABOVE IS FOR GENERAL INFORMATION ONLY AND SHOULD NOT BE CONSIDERED TO DESCRIBE FULLY THE TAX CONSEQUENCES OF AN INVESTMENT IN OUR COMMON STOCK AND/OR WARRANTS. INVESTORS ARE STRONGLY URGED TO CONSULT, AND MUST RELY ON, THEIR OWN TAX ADVISERS WITH RESPECT TO THE TAX CONSEQUENCES OF HOLDING OUR COMMON STOCK AND/OR WARRANTS INCLUDING WITHOUT LIMITATION, THE EFFECT OF U.S. FEDERAL TAXES (INCLUDING TAXES OTHER THAN INCOME TAXES) AND STATE, LOCAL AND NON-U.S. TAX CONSIDERATIONS, AS WELL AS THE POTENTIAL CONSEQUENCES OF ANY CHANGES THERETO MADE BY FUTURE LEGISLATIVE, ADMINISTRATIVE OR JUDICIAL DEVELOPMENTS (WHICH MAY HAVE RETROACTIVE EFFECT).

PLAN OF DISTRIBUTION

The Selling Securityholders, which as used herein includes donees, pledgees, transferees, distributees or other successors-in-interest selling shares of Common Stock, Warrants, or interests in our Common Stock or Warrants received after the date of this prospectus from the Selling Securityholders as a gift, pledge, partnership distribution or other transfer, may, from time to time, sell, transfer, distribute or otherwise dispose of certain of their shares of Common Stock, Warrants or interests in our Common Stock or Warrants on any stock exchange, market, or trading facility on which shares of our Common Stock or Warrants, as applicable, are traded or in private transactions. These dispositions may be at fixed prices, at prevailing market prices at the time of sale, at prices related to the prevailing market price, at varying prices determined at the time of sale, or at negotiated prices.

The Selling Securityholders may use any one or more of the following methods when disposing of their shares of Common Stock, warrants, or interests therein:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- one or more underwritten offerings;
- block trades (which may involve crosses) in which the broker-dealer will attempt to sell the shares of Common Stock or Warrants as agent, but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its accounts;
- an exchange distribution and/or secondary distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- distributions to their employees, partners, members or stockholders;
- short sales (including short sales “against the box”) effected after the date of the registration statement of which this prospectus is a part is declared effective by the SEC;
- through the writing or settlement of standardized or over-the-counter options or other hedging transactions, whether through an options exchange or otherwise;
- in market transactions, including transactions on a national securities exchange or quotations service or over-the-counter market;
- an offering at other than a fixed price on or through the facilities of any stock exchange on which the securities are listed or to or through a market maker other than on that stock exchange;
- by pledge to secure debts and other obligation;
- directly to purchasers, including our affiliates and stockholders, in a rights offering or otherwise;
- privately negotiated transactions, directly or through agents;
- broker-dealers may agree with the Selling Securityholders to sell a specified number of such shares of Common Stock or Warrants at a stipulated price per share or Warrant; and
- through a combination of any of these methods or any other method permitted by applicable law.

The Selling Securityholders may also transfer the securities by gift. The Selling Securityholders may effect the distribution of our Common Stock or Warrants from time to time in one or more transactions either:

- at a fixed price or prices, which may be changed from time to time;
- at market prices prevailing at the time of sale;

- at prices relating to the prevailing market prices; or
- at negotiated prices.

The Selling Securityholders may, from time to time, transfer, distribute (including distributions in kind by registered securityholders that are investment funds), pledge, assign or grant a security interest in some or all of the shares of our Common Stock or warrants owned by them and, if a Selling Securityholder defaults in the performance of its secured obligations, the transferees, distributees, pledgees, assignees or secured parties may offer and sell such shares of Common Stock or Warrants, from time to time, under this prospectus, or under an amendment or supplement to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act amending the list of the Selling Securityholders to include the transferee, distributee, pledgee, assignee or other successors in interest as the Selling Securityholders under this prospectus. The Selling Securityholders also may transfer the shares in other circumstances, in which case the transferees, distributees, pledgees, assignees, or other successors in interest will be the registered beneficial owners for purposes of this prospectus.

A Selling Securityholder that is an entity may elect to make an in-kind distribution of Common Stock or Warrants to its members, partners, or stockholders pursuant to the registration statement of which this prospectus forms a part by delivering a prospectus. To the extent that such transferees are not affiliates of ours, such transferees will receive freely tradable shares of Common Stock or Warrants pursuant to the distribution effected through this registration statement.

We or the Selling Securityholders may agree to indemnify an underwriter, broker-dealer or agent against certain liabilities related to the sale of our Common Stock or Warrants, including liabilities under the Securities Act.

Upon our notification by a Selling Securityholder that any material arrangement has been entered into with an underwriter or broker-dealer for the sale of Common Stock or warrants through a block trade, special offering, exchange distribution, secondary distribution or a purchase by an underwriter or broker-dealer, we will file a supplement to this prospectus, if required, pursuant to Rule 424(b) under the Securities Act, disclosing certain material information, including:

- the name of the Selling Securityholder;
- the number of shares of Common Stock or Warrants, as applicable, being offered;
- the terms of the offering;
- the names of the participating underwriters, broker-dealers or agents;
- any discounts, commissions or other compensation paid to underwriters or broker-dealers and any discounts, commissions or concessions allowed or reallocated or paid by any underwriters to dealers;
- the public offering price;
- the estimated net proceeds to us from the sale of the Common Stock or Warrants, as applicable;
- any delayed delivery arrangements; and
- other material terms of the offering.

Agents, broker-dealers and underwriters or their affiliates may engage in transactions with, or perform services for, the Selling Securityholders (or their affiliates) in the ordinary course of business. The Selling Securityholders may also use underwriters or other third parties with whom such Selling Securityholders have a material relationship. The Selling Securityholders (or their affiliates) will describe the nature of any such relationship in the applicable prospectus supplement.

There can be no assurances that the Selling Securityholders will sell, nor are the Selling Securityholders required to sell, any or all of the Common Stock or Warrants offered under this prospectus.

In connection with the sale of shares of our Common Stock, Warrants or interests therein, the Selling Securityholder may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of our Common Stock or Warrants in the course of hedging the positions they assume. The Selling Securityholders may also sell shares of our Common Stock or Warrants short and deliver these securities to close out their short positions, or loan or pledge shares of our Common Stock or Warrants to broker-dealers that in turn may sell these securities. The Selling Securityholders may also enter into option or other transactions with broker-dealers or other financial institutions or the creation of one or more derivative securities that require the delivery to such broker-dealer or other financial institution of shares of our Common Stock or Warrants offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The aggregate proceeds to the Selling Securityholders from the sale of shares of our Common Stock or Warrants offered by them will be the purchase price of such shares of our Common Stock or Warrants less discounts or commissions, if any. The Selling Securityholders reserve the right to accept and, together with their agents from time to time, to reject, in whole or in part, any proposed purchase of share of our Common Stock or Warrants to be made directly or through agents. We will not receive any of the proceeds from any offering by the Selling Securityholders.

The Selling Securityholders also may in the future resell a portion of our Common Stock or Warrants in open market transactions in reliance upon Rule 144 under the Securities Act, provided that they meet the criteria and conform to the requirements of that rule, or pursuant to other available exemptions from the registration requirements of the Securities Act.

The Selling Securityholders and any underwriters, broker-dealers, or agents that participate in the sale of shares of our Common Stock, Warrants or interests therein may be “underwriters” within the meaning of Section 2(a)(11) of the Securities Act. Any discounts, commissions, concessions, or profit they earn on any resale of shares of our Common Stock or Warrants may be underwriting discounts and commissions under the Securities Act. If any Selling Securityholder is an “underwriter” within the meaning of Section 2(a)(11) of the Securities Act, then the Selling Securityholder will be subject to the prospectus delivery requirements of the Securities Act. Underwriters and their controlling persons, dealers and agents may be entitled, under agreements entered into with us and the Selling Securityholder, to indemnification against and contribution toward specific civil liabilities, including liabilities under the Securities Act.

To the extent required, our Common Stock and Warrants to be sold, the purchase price and public offering price, the names of any agent, dealer or underwriter, and any applicable discounts, commissions, concessions or other compensation with respect to a particular offer will be set forth in an accompanying prospectus supplement or, if appropriate, a post-effective amendment to the registration statement that includes this prospectus. To facilitate the offering of shares of our Common Stock and Warrants offered by the Selling Securityholders, certain persons participating in the offering may engage in transactions that stabilize, maintain, or otherwise affect the price of our Common Stock or Warrants. This may include over-allotments or short sales, which involve the sale by persons participating in the offering of more shares of Common Stock or Warrants than were sold to them. In these circumstances, these persons would cover such over-allotments or short positions by making purchases in the open market or by exercising their over-allotment option, if any. In addition, these persons may stabilize or maintain the price of our Common Stock or Warrants by bidding for or purchasing shares of Common Stock or Warrants in the open market or by imposing penalty bids, whereby selling concessions allowed to dealers participating in the offering may be reclaimed if shares of Common Stock or Warrants sold by them are repurchased in connection with stabilization transactions. The effect of these transactions may be to stabilize or maintain the market price of our Common Stock or Warrants at a level above that which might otherwise prevail in the open market. These transactions may be discontinued at any time. These transactions may be effected on any exchange on which the securities are traded, in the over-the-counter market or otherwise.

Under the A&R Registration Rights Agreement, the Common Equity Subscription Agreements and the Convertible Notes Registration Rights Agreement, we have agreed to indemnify the applicable Selling Securityholders party thereto against certain liabilities that they may incur in connection with the sale of the securities registered hereunder, including liabilities under the Securities Act, and to contribute to payments that the Selling Securityholders may be required to make with respect thereto. In addition, we and the Selling Securityholders may agree to indemnify any underwriter, broker-dealer or agent against certain liabilities related to the selling of the securities, including liabilities arising under the Securities Act.

Under the A&R Registration Rights Agreement, the Common Equity Subscription Agreements, the Warrant Agreement and Convertible Notes Registration Rights Agreement, we have agreed to maintain the effectiveness of the registration statement of which this prospectus forms a part pursuant to such agreements for the period of time required by these agreements and comply with provisions of the applicable securities laws with respect to the sale or other disposition of all securities covered this registration statement during such period in accordance with the intended method or methods of disposition by the sellers thereof set forth in this registration statement.

The Selling Securityholders and other persons participating in the sale or distribution of the shares of the Common Stock will be subject to applicable provisions of the Exchange Act and the related rules and regulations adopted by the SEC, including Regulation M. This regulation may limit the timing of purchases and sales of any of the securities by the Selling Securityholders and any other person. The anti-manipulation rules under the Exchange Act may apply to sales of shares of our Common Stock in the market and to the activities of the Selling Securityholders and their affiliates. Furthermore, Regulation M may restrict the ability of any person engaged in the distribution of the shares of the Common Stock to engage in market-making activities with respect to the particular securities being distributed for a period of up to five business days before the distribution. These restrictions may affect the marketability of the shares of our Common Stock and the ability of any person or entity to engage in market-making activities with respect to the securities.

We are required to pay all fees and expenses incident to the registration of the securities to be offered and sold pursuant to this prospectus. The Selling Securityholders will bear all commissions and discounts, if any, attributable to their sale of securities.

LEGAL MATTERS

The validity of the securities offered hereby will be passed upon for us by Venable LLP.

EXPERTS

The financial statements of ZeroFox Holdings, Inc (f/k/a L&F Acquisition Corp.) as of August 2, 2022 and December 31, 2021 and for the period January 1, 2022 to August 2, 2022 and for the year ended December 31, 2022 appearing in this prospectus have been audited by WithumSmith+Brown, PC, independent registered accounting firm, as stated in their report thereon and included in this prospectus, in reliance upon such report and upon the authority of such firm as experts in accounting and auditing.

The financial statements of ZeroFox Holdings, Inc. as of January 31, 2023 and for the period August 4, 2022 to January 31, 2023 (“the Successor”) and as of January 31, 2022 and for the periods February 1, 2022 to August 3, 2022 and the year ended January 31, 2022 (collectively referred as “the Predecessor”), appearing in this prospectus have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein. Such financial statements have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The financial statements of ID Experts Holdings, Inc. as of August 3, 2022 and for the period January 1, 2022 to August 3, 2022 and as of and for the year ended December 31, 2021, appearing in this prospectus have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein. Such financial statements have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

CHANGE IN ACCOUNTANTS

On August 3, 2022, the Audit Committee of our Board approved the engagement of Deloitte & Touche LLP (“**Deloitte**”) as the Company’s independent registered public accounting firm to audit the Company’s consolidated financial statements for the year ending January 31, 2023, subject to execution of the engagement letter. Deloitte served as the independent registered public accounting firm of each of ZeroFox and IDX prior to the Business Combination. Accordingly, WithumSmith+Brown, PC (“**Withum**”), L&F’s independent registered public accounting firm prior to the Business Combination, was informed on the Closing Date that it would be dismissed and replaced by Deloitte as the Company’s independent registered public accounting firm.

Withum’s report on L&F’s financial statements as of December 31, 2021 and 2020, for the year ended December 31, 2021, for the period from August 20, 2020 (inception) through December 31, 2020, as of August 31, 2022 and the period January 1, 2022 to August 2, 2022 and the related notes to the financial statements (collectively, the “financial statements”), did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles, except for the substantial doubt about the L&F’s ability to continue as a going concern.

During the period from August 20, 2020 (inception) through December 31, 2020, the year ended December 31, 2021, and the subsequent period through August 2, 2022, there were no: (i) disagreements with Withum on any matter of accounting principles or practices, financial statement disclosures or audited scope or procedures, which disagreements if not resolved to Withum’s satisfaction would have caused Withum to make reference to the subject matter of the disagreement in connection with its report or (ii) reportable events as defined in Item 304(a)(1)(v) of Regulation S-K under the Exchange Act, except for the control deficiency disclosed as a material weakness in L&F’s Annual Report on Form 10-K for the year ended December 31, 2021.

The Company has provided Withum with a copy of the disclosures made by the Company in response to Item 4.01 of the Company's "Super" Form 8-K filed on August 9, 2022 and requested that Withum furnish the Company with a letter addressed to the SEC stating whether it agrees with the statements made by the Company in response to that Item 4.01 and, if not, stating the respects in which it does not agree. A letter from Withum is incorporated by reference as Exhibit 16.1 to the registration statement of which this prospectus is a part.

During the period from August 20, 2020 (inception) through December 31, 2021, the year ended December 31, 2021, and the subsequent period through August 3, 2022, the Company did not consult Deloitte with respect to either (i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on the Company's financial statements, and no written report or oral advice was provided to the Company by Deloitte that Deloitte concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement, as that term is described in Item 304(a)(1)(iv) of Regulation S-K under the Exchange Act and the related instructions to Item 304 of Regulation S-K under the Exchange Act, or a reportable event, as that term is defined in Item 304(a)(1)(v) of Regulation S-K under the Exchange Act.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act, with respect to the securities being offered by this prospectus. This prospectus, which constitutes part of the registration statement, does not contain all of the information in the registration statement and its exhibits. For further information with respect to ZeroFox and the securities offered by this prospectus, we refer you to the registration statement and its exhibits. Statements contained in this prospectus as to the contents of any contract or any other document referred to are not necessarily complete, and in each instance, we refer you to the copy of the contract or other document filed as an exhibit to the registration statement. Each of these statements is qualified in all respects by this reference. You can read our SEC filings, including the registration statement, over the internet at the SEC's website at www.sec.gov.

We are subject to the information reporting requirements of the Exchange Act, and we file reports, proxy statements and other information with the SEC. These reports, proxy statements and other information will be available for review at the SEC's website at www.sec.gov. We also maintain a website at www.zerofox.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 contained in, 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 ZeroFox Holdings, Inc. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of ZeroFox Holdings, Inc. and subsidiaries (the Company) as of January 31, 2023, and the related consolidated statements of comprehensive loss, changes in consolidated statements of stockholders' equity (deficit), and cash flows for the period August 4, 2022 to January 31, 2023 ("the Successor") and the consolidated balance sheet as of January 31, 2022 and the related consolidated statements of operations, changes in consolidated statements of redeemable convertible preferred stock and stockholders' deficit, and cash flows for the period February 1, 2022 to August 3, 2022 and the year ended January 31, 2022 (collectively referred to as "the Predecessor"), along with the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of January 31, 2023, and 2022, and the results of its operations and its cash flows for the Successor and Predecessor periods, in conformity with accounting principles generally accepted in the United States of America.

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 and in accordance with auditing standards generally accepted in the United States of America. 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/ Deloitte & Touche LLP

McLean, Virginia
March 29, 2023

We have served as the Company's auditor since 2014.

ZeroFox Holdings, Inc. and Subsidiaries
Consolidated Balance Sheets

| | <u>Successor</u> <u>January 31,</u> <u>2023</u> | <u>Predecessor</u> <u>January 31,</u> <u>2022</u> |
|--|---|---|
| <i>(in thousands, except share data)</i> | | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 47,549 | \$ 10,274 |
| Accounts receivable, net of allowance for doubtful accounts | 29,609 | 17,046 |
| Deferred contract acquisition costs, current | 5,456 | 4,174 |
| Prepaid expenses and other assets | 5,300 | 1,276 |
| Total current assets | 87,914 | 32,770 |
| Property and equipment, net of accumulated depreciation | 671 | 694 |
| Capitalized software, net of accumulated amortization | 253 | 914 |
| Deferred contract acquisition costs, net of current portion | 7,751 | 7,481 |
| Acquired intangible assets, net of accumulated amortization | 262,444 | 14,210 |
| Goodwill | 406,608 | 35,002 |
| Operating lease right-of-use assets | 720 | — |
| Other assets | 550 | 319 |
| Total assets | <u>\$ 766,911</u> | <u>\$ 91,390</u> |
| Liabilities, redeemable convertible preferred stock, and stockholders' equity (deficit) | | |
| Current liabilities: | | |
| Accounts payable | \$ 3,099 | \$ 4,276 |
| Accrued compensation, accrued expenses, and other current liabilities | 18,751 | 7,020 |
| Current portion of long-term debt | 15,938 | 5,970 |
| Deferred revenue, current | 47,977 | 29,532 |
| Operating lease liabilities, current | 406 | — |
| Total current liabilities | 86,171 | 46,798 |
| Deferred revenue, net of current portion | 5,981 | 9,299 |
| Long-term debt, net of deferred financing costs | 157,843 | 45,503 |
| Operating lease liabilities, net of current portion | 427 | — |
| Warrants | 2,581 | 10,709 |
| Sponsor earnout shares | 2,445 | — |
| Deferred tax liability | 22,592 | — |
| Total liabilities | 278,040 | 112,309 |
| Commitments and contingencies (Note 17) | | |
| Redeemable convertible preferred stock | — | 132,229 |
| Stockholders' equity (deficit) | | |
| Successor common stock, \$0.0001 par value; 1,000,000,000 authorized shares; 118,190,135 shares issued and outstanding | 12 | — |
| Predecessor common stock, \$0.00001 par value; 319,462,878 authorized shares, 42,892,897 shares issued and outstanding | — | — |
| Additional paid-in capital | 1,243,637 | 3,873 |
| Accumulated deficit | (754,677) | (156,820) |
| Accumulated other comprehensive loss | (101) | (201) |
| Total stockholders' equity (deficit) | 488,871 | (153,148) |
| Total liabilities, redeemable convertible preferred stock, and stockholders' equity (deficit) | <u>\$ 766,911</u> | <u>\$ 91,390</u> |

See notes to consolidated financial statements.

ZeroFox Holdings, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Loss

| <i>(in thousands, except share and per share data)</i> | Successor | Predecessor | |
|--|---------------------------------------|---------------------------------------|--------------------------------|
| | August 4, 2022 to January 31, 2023 | February 1, 2022 to August 3, 2022 | Year ended January 31, 2022 |
| Revenue | | | |
| Subscription | \$ 31,679 | \$ 27,946 | \$ 45,117 |
| Services | 56,707 | 1,291 | 2,316 |
| Total revenue | 88,386 | 29,237 | 47,433 |
| Cost of revenue | | | |
| Subscription | 18,225 | 8,349 | 15,181 |
| Services | 43,600 | 457 | 1,176 |
| Total cost of revenue | 61,825 | 8,806 | 16,357 |
| Gross profit | 26,561 | 20,431 | 31,076 |
| Operating expenses | | | |
| Research and development | 12,134 | 8,092 | 12,810 |
| Sales and marketing | 35,859 | 18,516 | 29,873 |
| General and administrative | 18,218 | 10,093 | 16,408 |
| Goodwill impairment | 698,650 | — | — |
| Total operating expenses | 764,861 | 36,701 | 59,091 |
| Loss from operations | (738,300) | (16,270) | (28,015) |
| Other income (expense) | | | |
| Interest expense, net | (7,867) | (2,965) | (3,585) |
| Change in fair value of warrant liability | 5,364 | (2,059) | (7,375) |
| Change in fair value of sponsor earnout shares | 9,634 | — | — |
| Total other income (expense) | 7,131 | (5,024) | (10,960) |
| Loss before income taxes | (731,169) | (21,294) | (38,975) |
| (Benefit from) provision for income taxes | (10,522) | 111 | (536) |
| Net loss after tax | \$ (720,647) | \$ (21,405) | \$ (38,439) |
| Net loss per share attributable to common stockholders, basic and diluted | \$ (6.17) | \$ (0.50) | \$ (0.91) |
| Weighted-average shares used in computation of net loss per share attributable to common stockholders, basic and diluted: | 116,862,277 | 43,041,209 | 42,073,351 |
| Other comprehensive (loss) income | | | |
| Foreign currency translation | (101) | 36 | (78) |
| Total other comprehensive (loss) income | (101) | 36 | (78) |
| Total comprehensive loss | \$ (720,748) | \$ (21,369) | \$ (38,517) |

See notes to consolidated financial statements.

ZeroFox Holdings, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity (Deficit)

| <i>(in thousands, except for share data)</i> | L&F Class A Ordinary Shares | | L&F Class B Ordinary Shares | | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Stockholders' Equity (Deficit) |
|---|--------------------------------|-----|--------------------------------|-----|--------------|-------|----------------------------------|------------------------|---|-----------------------------------|
| Balance—August 3, 2022 | 1,006,002 | \$— | 4,312,500 | \$— | — | \$— | \$ 10,205 | \$ (34,030) | \$ — | \$ (23,825) |
| Conversion to ZeroFox Holdings, Inc. Common Stock | (1,006,002) | — | (4,312,500) | — | 5,318,502 | 1 | — | — | — | 1 |
| Issuance of Common Stock to holders of ZeroFox, Inc. | — | — | — | — | 82,030,308 | 8 | 898,224 | — | — | 898,232 |
| Issuance of Common Stock to holders of IDX | — | — | — | — | 27,849,942 | 3 | 304,954 | — | — | 304,957 |
| Issuance of Common Stock to PIPE Subscribers | — | — | — | — | 2,000,000 | — | 20,000 | — | — | 20,000 |
| Exercise of warrants | — | — | — | — | 784,907 | — | 7,632 | — | — | 7,632 |
| Stock-based compensation expense | — | — | — | — | — | — | 2,500 | — | — | 2,500 |
| Exercise of options | — | — | — | — | 206,476 | — | 122 | — | — | 122 |
| Net loss | — | — | — | — | — | — | — | (720,647) | — | (720,647) |
| Foreign currency translation adjustment | — | — | — | — | — | — | — | — | (101) | (101) |
| Balance—January 31, 2023 | — | \$— | — | \$— | 118,190,135 | \$ 12 | \$1,243,637 | \$ (754,677) | \$ (101) | \$ 488,871 |

See notes to consolidated financial statements.

ZeroFox Holdings, Inc. and Subsidiaries
Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Deficit

| (in thousands, except for share data) | Redeemable Convertible Preferred Stock | | | | | | | | | | | | | | | | | | | Common Stock | Additional Paid-in Capital | Accumulated Deficit | | |
|--|---|---|---|---|---|---|---|---|--|--|------------|----------|------------|----------|------------|----------|-----------|---------|-------------|--------------|----------------------------|---------------------|----------|--------------|
| | Series E Redeemable Convertible Preferred Stock | Series D-2 Redeemable Convertible Preferred Stock | Series D-1 Redeemable Convertible Preferred Stock | Series D Redeemable Convertible Preferred Stock | Series C-1 Redeemable Convertible Preferred Stock | Series C Redeemable Convertible Preferred Stock | Series B Redeemable Convertible Preferred Stock | Series A Redeemable Convertible Preferred Stock | Series Seed Redeemable Convertible Preferred Stock | Total Redeemable Convertible Preferred Stock | | | | | | | | | | | | | | |
| Balance—January 31, 2021 | 12,006,090 | \$25,409 | 993,868 | \$1,451 | 5,878,303 | \$8,171 | 13,871,547 | \$21,067 | 11,376,115 | \$13,979 | 21,124,699 | \$19,899 | 26,914,949 | \$22,047 | 15,997,285 | \$10,159 | 9,198,372 | \$2,208 | 117,361,228 | \$124,390 | 41,904,944 | \$— | \$ 2,975 | \$ (118,381) |
| Issuance of Series E convertible preferred stock | 3,221,347 | 7,839 | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 3,221,347 | 7,839 | — | — | — | — |
| Issuance of restricted stock | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 176,317 | — | 34 | — |
| Stock-based compensation expense | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 662 | — |
| Exercise of options | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 811,666 | — | 202 | — |
| Net loss | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | (38,439) |
| Foreign currency translation adjustment | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Balance—January 31, 2022 | 15,227,437 | \$33,248 | 993,868 | \$1,451 | 5,878,303 | \$8,171 | 13,871,547 | \$21,067 | 11,376,115 | \$13,979 | 21,124,699 | \$19,899 | 26,914,949 | \$22,047 | 15,997,285 | \$10,159 | 9,198,372 | \$2,208 | 120,582,575 | \$132,229 | 42,892,927 | \$— | \$ 3,873 | \$ (156,820) |
| Balance—January 31, 2022 | 15,227,437 | \$33,248 | 993,868 | \$1,451 | 5,878,303 | \$8,171 | 13,871,547 | \$21,067 | 11,376,115 | \$13,979 | 21,124,699 | \$19,899 | 26,914,949 | \$22,047 | 15,997,285 | \$10,159 | 9,198,372 | \$2,208 | 120,582,575 | \$132,229 | 42,892,927 | \$— | \$ 3,873 | \$ (156,820) |
| Exercise of warrants | 539,576 | 3,043 | — | — | — | — | — | — | 506,490 | 2,857 | — | — | — | — | — | — | — | — | 1,046,066 | 5,900 | — | — | 862 | — |
| Stock-based compensation expense | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 392,450 | — | 104 | — |
| Exercise of options | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | (21,405) | — |
| Net loss | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Foreign currency translation adjustment | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Balance—August 3, 2022 | 15,767,013 | \$36,291 | 993,868 | \$1,451 | 5,878,303 | \$8,171 | 13,871,547 | \$21,067 | 11,882,605 | \$16,836 | 21,124,699 | \$19,899 | 26,914,949 | \$22,047 | 15,997,285 | \$10,159 | 9,198,372 | \$2,208 | 121,628,641 | \$138,129 | 43,285,377 | \$— | \$ 4,839 | \$ (178,225) |

See notes to consolidated financial statements.

ZeroFox Holdings, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

| (in thousands) | Successor | Predecessor | |
|--|---------------------------------------|---------------------------------------|--------------------------------|
| | August 4, 2022 to January 31, 2023 | February 1, 2022 to August 3, 2022 | Year ended January 31, 2022 |
| Cash flows from operating activities: | | | |
| Net loss | \$ (720,647) | \$ (21,405) | \$ (38,439) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Goodwill impairment | 698,650 | — | — |
| Depreciation and amortization | 366 | 322 | 546 |
| Amortization of software development costs | 25 | 321 | 560 |
| Amortization of acquired intangible assets | 23,056 | 1,604 | 3,022 |
| Amortization of right-of-use assets | 526 | — | — |
| Amortization of deferred debt issuance costs | 24 | 229 | 361 |
| Stock-based compensation | 2,500 | 862 | 696 |
| Loss on sale of asset | — | — | 3 |
| Provision for bad debts | 32 | (7) | 16 |
| Change in fair value of warrants | (5,364) | 2,059 | 7,375 |
| Change in fair value of contingent consideration | — | — | (146) |
| Change in fair value of sponsor earnout shares | (9,634) | — | — |
| Deferred taxes | (10,992) | — | (636) |
| Noncash interest expense | 6,564 | 303 | 69 |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | (3,736) | 3,643 | (3,776) |
| Deferred contract acquisition costs | (1,267) | (109) | (1,517) |
| Prepaid expenses and other assets | (187) | (1,498) | (284) |
| Accounts payable, accrued compensation, accrued expenses, and other current liabilities | (8,274) | (3,073) | 4,766 |
| Operating lease liabilities | (413) | — | — |
| Deferred revenue | 1,365 | 2,926 | 9,680 |
| Other liabilities | — | — | (368) |
| Net cash used in operating activities | (27,406) | (13,823) | (18,072) |
| Cash flows from investing activities: | | | |
| Proceeds from the Trust Account | 34,864 | — | — |
| Business acquisition—IDX, net of cash acquired | (49,803) | — | — |
| Business acquisition—ZeroFox, net of cash acquired | (48,369) | — | — |
| Predecessor business acquisition | — | — | (3,792) |
| Purchases of property and equipment | (313) | (245) | (572) |
| Capitalized software | (278) | (501) | (674) |
| Net cash used in investing activities | (63,899) | (746) | (5,038) |
| Cash flows from financing activities: | | | |
| Proceeds from issuance of convertibles notes, net of issuance costs | 149,872 | — | — |
| Proceeds from the PIPE | 20,000 | — | — |
| Exercise of stock options | 122 | 104 | 202 |
| Proceeds from issuance of debt, net of issuance costs | — | 7,412 | 19,965 |
| Repurchase of class A ordinary shares | (24,626) | — | — |
| Payment of deferred underwriting fee | (6,054) | — | — |
| Repayment of debt | (469) | (469) | (469) |
| Net cash provided by financing activities | 138,845 | 7,047 | 19,698 |
| Foreign currency translation adjustment | (101) | 54 | (78) |
| Net change in cash, cash equivalents, and restricted cash | 47,439 | (7,468) | (3,490) |
| Cash, cash equivalents, and restricted cash, beginning of period | 210 | 10,374 | 13,864 |
| Cash, cash equivalents, and restricted cash, end of period | \$ 47,649 | \$ 2,906 | \$ 10,374 |
| Supplemental Cash Flow Information: | | | |
| Cash paid for interest | \$ 625 | \$ 2,266 | \$ 3,038 |
| Cash paid for income taxes | 75 | 50 | 90 |
| Non-cash investing and financing activities: | | | |
| Exercise of warrants | \$ (7,632) | \$ (5,900) | \$ — |
| Issuance of warrants along with issuance of debt | — | 519 | 528 |
| Note payable issued in connection with Predecessor business acquisition | — | — | 3,750 |
| Issuance of redeemable convertible preferred stock in connection with Predecessor business acquisition | — | — | 7,839 |

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Consolidated Balance Sheets that sum to the total of the same such amounts shown in the Consolidated Statements of Cash Flows.

| | Successor | Predecessor | |
|--|------------------|-----------------|------------------|
| | January 31, 2023 | August 3, 2022 | January 31, 2022 |
| Cash and cash equivalents | \$ 47,549 | \$ 2,806 | \$ 10,274 |
| Restricted cash included in other assets | 100 | 100 | 100 |
| Total cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows | <u>\$ 47,649</u> | <u>\$ 2,906</u> | <u>\$ 10,374</u> |

See notes to consolidated financial statements.

ZEROFOX HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1: Organization and Description of Business

ZeroFox Holdings, Inc. (ZeroFox Holdings) is a holding company incorporated in the state of Delaware. ZeroFox Holdings was formerly known as L&F Acquisition Corp. (L&F) and was a blank check, Cayman Islands exempted company, incorporated on August 20, 2020. ZeroFox Holdings conducts its business through its wholly-owned, consolidated subsidiaries, primarily ZeroFox, Inc. and Identity Theft Guard Solutions, Inc.

The Company provides digital risk protection services and safeguards modern organizations from dynamic security risks across social, mobile, surface, deep web, dark web, email, and collaboration platforms. Using diverse data sources and artificial intelligence-based analysis, the ZeroFox Platform identifies and remediates targeted phishing attacks, credential compromise, data exfiltration, brand hijacking, executive and location threats, and more. The patented ZeroFox Software as a Service (“SaaS”) technology processes and protects electronic posts, messages, and accounts daily across the social and digital landscape, spanning social media platforms, mobile app stores, the deep web, dark web, domains, and more. The Company offers its services on a subscription basis.

On August 3, 2022 (the Closing Date), L&F, ZeroFox, Inc., and ID Experts Holdings, Inc. (IDX), consummated the business combination (the Business Combination) as contemplated by the Business Combination Agreement, dated as of December 17, 2021. In connection with the finalization of the Business Combination, L&F changed its name to ZeroFox Holdings, Inc. and changed its jurisdiction of incorporation from the Cayman Islands to the state of Delaware. The Company changed its fiscal year end to January 31.

The terms “ZeroFox”, “the Company”, and “Successor” refer to ZeroFox Holdings, Inc. and its subsidiaries, including ZeroFox, Inc. and ID Experts Holdings, Inc. after the Closing Date. The term “the Successor Period” refers to the duration of time including the finalization of the Business Combination through the end of current reporting period i.e., August 3, 2022, to January 31, 2023. The term “Predecessor” refers to ZeroFox, Inc. and its subsidiaries prior to the Closing Date. The term “the Year to Date Predecessor Period” refers to the duration of time from the first day of the current fiscal year to just prior to the finalization of the Business Combination i.e., February 1, 2022, to August 3, 2022.

The Company’s Common Stock is listed on The Nasdaq Global Market under the ticker symbol “ZFOX” and its warrants are listed on The Nasdaq Capital Market under the ticker symbol “ZFOXW”.

The Company provides an external cybersecurity platform and related services that protect organizations from threats outside the traditional corporate perimeter. These threats impact organizations, their brands, digital assets, and people, and include targeted phishing attacks, account takeovers, credential theft, data leakage, domain spoofing, and impersonations.

The Company’s cloud-native platform combines protection, intelligence, adversary disruption, and response services into an integrated solution (our Platform).

As result of internal efforts and our acquisition of IDX, the Company also provides data breach response services, and associated identity and privacy protection services, including prevention, detection, forensic services, notification, and recovery assistance.

Segment Information

Operating segments are defined as components of an enterprise for which discrete financial information is made available for evaluation by the chief operating decision maker (CODM) in making decisions regarding resource

allocation and assessing performance. The CODM is the Company's chief executive officer. The CODM views the Company's operations and manages its activities as a single operating segment. The Company's assets are primarily located in the United States.

2: Summary of Significant Accounting Policies

Basis of Presentation

As result of the Business Combination, the Company evaluated if L&F, ZeroFox, or IDX is the predecessor for accounting purposes. The Company considered the application of Rule 405 of Regulation C, the interpretative guidance of the staff of the United States Securities and Exchange Commission (SEC), including factors for the Registrant to consider in determining the predecessor, and analyzed the following: (1) the order in which the entities were acquired, (2) the size of the entities, (3) the fair value of the entities, (4) the historical and ongoing management structure, and (5) how management discusses the Company's business in our Form 10-Q and Form 10-K filings. In considering the foregoing principles of predecessor determination in light of the Company's specific facts and circumstances, management determined that ZeroFox, Inc. is the predecessor for accounting purposes. The financial statement presentation includes the financial statements of ZeroFox, Inc. as "Predecessor" for periods prior to the Closing Date and the financial statements of the Company as "Successor" for the period after the Closing Date, including the consolidation of ZeroFox, Inc. and IDX. The predecessor financial statements for IDX are included separately within this report. Refer to Note 5 for further discussion on the Business Combination.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) as set forth by the Financial Accounting Standards Board (FASB). References to US GAAP issued by the FASB in these notes to the consolidated financial statements are to the FASB Accounting Standards Codifications (ASC).

Emerging Growth Company Status

The Company is an "emerging growth company," (EGC) as defined in the Jumpstart Our Business Startups Act, (the JOBS Act), and may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not EGCs. The Company may take advantage of these exemptions until it is no longer an EGC under the JOBS Act and has elected to use the extended transition period for complying with new or revised accounting standards. As a result of this election, the Company's financial statements may not be comparable to companies that comply with public company FASB standards' effective dates.

The JOBS Act exempts EGCs 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 elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an EGC, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of the Company's financial statements with certain other public companies difficult or impossible because of the potential differences in accounting standards used.

Principles of Consolidation

The accompanying consolidated financial statements include all the accounts of the Company. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with US GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities within these consolidated financial statements. Significant estimates and judgments include but are not limited to: (1) revenue recognition, (2) capitalization of internally developed software costs, (3) fair value of stock-based compensation, (4) valuation of assets acquired and liabilities assumed in business combinations, (5) useful lives of contract acquisition costs and intangible assets, (6) evaluation of goodwill and long lived assets for impairment, (7) valuation of warrants and the Sponsor Earnout Shares (see Note 12), and (8) valuation allowances associated with deferred tax assets. The Company bases its estimates and assumptions on historical experience, expectations, forecasts, and on various other factors that are believed to be reasonable under the circumstances. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may differ from results of prior periods.

Cash and Cash Equivalents

Cash and cash equivalents consist of business checking accounts and money market funds. The Company considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents. Cash and cash equivalents are carried at cost, which, due to their short-term nature, approximates fair value.

Restricted Cash

Cash that is unavailable for general operating purposes is classified as restricted cash and is included with other assets on the Consolidated Balance Sheets. Restricted cash represents amounts pledged as collateral for credit card accounts as contractually required by the Company's lenders.

Revenue Recognition

The Company derives its revenue from providing its customers with subscription access to the Company's External Cybersecurity Platform (subscription revenue) and services (services revenue).

In accordance with ASC 606, *Revenue from Contracts with Customers*, revenue is recognized when a customer obtains control of promised services. The amount of revenue recognized reflects the consideration that the Company expects to be entitled to receive in exchange for those services. To achieve the core principle of this standard, the Company applies the following five steps:

- a) *Identify Contracts with Customers.* The Company considers the terms and conditions of contracts and its customary business practices in identifying contracts with customers in accordance with ASC 606. The Company determines it has a contract with a customer when the contract is approved, the Company can identify each party's rights regarding the services to be transferred, the Company can identify the payment terms for the services, and the Company has determined that the customer has the ability and intent to pay and the contract has commercial substance. The Company applies judgment in determining the customer's ability and intent to pay, which is based on a variety of factors, including the customer's historical payment experience or, in the case of a new customer, credit and financial information pertaining to the customer.
- b) *Identify the Performance Obligations in the Contract.* Performance obligations promised in a contract are identified based on the services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the service either on its own or together with other resources that are readily available from third parties or from the Company, and that are distinct in the context of the contract, whereby the transfer of the services is separately identifiable from other promises in the contract.

- c) *Determine the Transaction Price.* The transaction price is determined based on the consideration to which the Company expects to be entitled in exchange for transferring services to the customer. The Company's typical pricing for its subscriptions and professional services does not result in contracts with significant variable consideration. The Company's arrangements do not contain significant financing components.
- d) *Allocate the Transaction Price to Performance Obligations in the Contract.* If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on the stand-alone selling price (SSP) of each performance obligation, using the relative selling price method of allocation.
- e) *Recognize Revenue When or As Performance Obligations are Satisfied.* Revenue is recognized at the time the related performance obligation is satisfied by transferring the promised service to a customer. For our performance obligations, the Company transfers control over time, as the customer simultaneously receives and consumes the benefits provided by the Company's service.

Subscription Revenue

The Company generates subscription revenue from its External Cybersecurity Platform.

Subscription revenue from the External Cybersecurity Platform includes the sale of subscriptions to access the platform and related support and intelligence services. Subscription revenue is driven by the number of assets protected and the desired level of service. These arrangements do not provide the customer with the right to take possession of the Company's software operating on its cloud platform at any time. These arrangements represent a combined, stand-ready performance obligation to provide access to the software together with related support and intelligence services. Customers are granted continuous access to the External Cybersecurity Platform over the contractual period. Revenue is recognized over time on a ratable basis over the contract term beginning on the date that the Company's service is made available to the customer. The Company's subscription contracts generally have terms of one to three years, which are primarily billed in advance and are non-cancelable.

Services Revenue

The Company generates services revenue by executing engagements for data breach response and intelligence services.

The Company generates breach response revenue primarily from various combinations of notification, project management, communication services, and ongoing identity protection services. Performance periods generally range from one to three years. The Company's breach response contracts are structured as either fixed price or variable price. In fixed price contracts, the Company charges a fixed total price or fixed individual price for the total combination of services. For variable price breach services contracts, the Company charges the breach communications component, which includes notifications and call center, at a fixed total fee, and the Company charges the ongoing identity protection services as incurred using a fixed price per enrollment. The Company generally bills for fixed fees at the time the contract is executed. For larger contracts, the Company bills 50% at the time the contract is executed and the remaining 50% within 30 days of contract execution. For variable price breach contracts, the Company invoices for identity protection services on a monthly basis in arrears.

The Company offers several types of cybersecurity services, including investigative, security advisory and training services. The Company often sells a suite of cybersecurity services along with subscriptions to its External Cybersecurity Platform. All of the Company's advisory and training services are considered distinct performance obligations from the External Cybersecurity Platform subscriptions services within the context of the Company's contracts. Revenue is recognized over time as the customers benefit from these services as they are performed or as control of the promised services is transferred to the customer. These contracts are most

often fixed fee arrangements and less frequently arrangements that are billed at hourly rates. These contracts normally have terms of one year or less.

Contracts with Multiple Performance Obligations

The majority of the Company's contracts with customers contain multiple performance obligations. For these contracts, the Company accounts for individual performance obligations separately. The transaction price is allocated to the separate performance obligations based on the SSP of each performance obligation using the relative selling price method of allocation.

Revenue from Reseller Arrangements

The Company enters into arrangements with third parties that allow those parties to resell the Company's services to end users. The partners negotiate pricing with the end customer and the Company does not have visibility into the price paid by the end customer. For these arrangements, the Company recognizes revenue at the amount charged to the reseller and does not reflect any mark-up to the end user.

Government Contracts

The Company evaluates arrangements with governmental entities containing fiscal funding or termination for convenience provisions, when such provisions are required by law, to determine the probability of possible cancellation. The Company considers multiple factors, including the history with the customer in similar transactions and budgeting and approval processes undertaken by the governmental entity. If the Company determines upon execution of these arrangements that the likelihood of cancellation is remote, it then recognizes revenue for such arrangements once all relevant criteria have been met. If such a determination cannot be made, revenue is recognized upon the earlier of cash receipt or approval of the applicable funding provision by the governmental entity for such arrangements.

Timing of Revenue Recognition

The table below provides revenue earned by timing of revenue for the Successor Period, the Year to Date Predecessor Period, and the year ended January 31, 2022 (in thousands).

| Revenue Recognition Timing | Successor | Predecessor | |
|-----------------------------------|---|---|--|
| | August 4, 2022 to January 31, 2023 | February 1, 2022 to August 3, 2022 | Year Ended January 31, 2022 |
| Over time | \$ 79,025 | \$ 27,946 | \$ 45,117 |
| Point in time | 9,361 | 1,291 | 2,316 |
| Total | <u>\$ 88,386</u> | <u>\$ 29,237</u> | <u>\$ 47,433</u> |

Cost of Revenue

Cost of revenue consists primarily of wages and benefits for software operations, service delivery, and customer support personnel. Cost of revenue also includes all direct costs of maintenance and hosting, as well as the amortization of costs capitalized for the development of the Company's enterprise cloud platform and acquired technology, and allocated overhead, primarily shared IT expenses.

Research and Development

Research and development costs are expensed in the period incurred and consist primarily of payroll and personnel costs, consulting costs, software and webservices, and allocated overhead, primarily shared IT expenses.

General and Administrative

General and administrative costs are expensed in the period incurred and consist primarily of salaries and other related costs, including stock-based compensation, for personnel in the Company's executive and finance functions. General and administrative costs also include professional fees for legal, accounting, auditing, tax and consulting services; travel expenses; and facility-related expenses, which include costs for rent and maintenance of facilities and other operating costs.

Sales and Marketing

Selling and marketing expenses consist primarily of salaries, commissions, stock-based compensation, benefits and bonuses for personnel associated with sales and marketing activities, as well as costs related to advertising, product management, promotional materials, public relations, amortization of acquired customer relationships, other sales and marketing programs, and allocated overhead, primarily shared IT expenses.

Advertising

Advertising costs, which are expensed and included in sales and marketing expense in the period incurred were \$0.4 million, \$0.5 million, and \$0.5 million during the Successor Period, the Year to Date Predecessor Period, and the year ended January 31, 2022, respectively.

Income Taxes

In accordance with ASC 740, *Income Taxes*, income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those assets and liabilities are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. The measurement of a deferred tax asset is reduced, if necessary, by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

ASC 740 prescribes a recognition threshold and a measurement attribute for the consolidated financial statement recognition and measurement of tax positions taken, or expected to be taken, in a tax return, as well as guidance on derecognition, classification, interest, penalties, and consolidated financial statement reporting disclosures. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Company recognizes interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. The Company remains subject to examination by U.S. federal and various state tax authorities for the fiscal years 2019 through 2022.

Under ASC 740, the Company determined that its income tax positions did meet the more-likely-than-not recognition threshold and, therefore, requires no reserve.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC 718, *Compensation — Stock Compensation*. ASC 718 requires that the cost of awards of equity instruments offered in exchange for employee services, including employee stock options and restricted stock awards, be measured based on the grant-date fair value of the award. The Company adopted FASB ASU No. 2016-09, *Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, on February 1, 2019. This ASU involves several aspects of the accounting for share-based payment transactions, including the income tax

consequences, classification of awards as either equity or liabilities, and classification in the consolidated statements of cash flows. The adoption did not have a material impact on the consolidated financial statements of the Company. The Company determines the fair value of options granted using the Black-Scholes-Merton option-pricing model ("Black-Scholes model") and recognizes the cost over the period during which an employee is required to provide service in exchange for the award, generally the vesting period, net of estimated forfeitures. The fair value of restricted stock awards is based on the estimated price of the Company's common stock on the date of grant and is recognized as expense over the requisite service period of the awards, net of estimated forfeitures.

Prior to the Company's stock being publicly traded, the Company was required to estimate the fair value of common stock. The Board of Directors considered numerous objective and subjective factors to determine the fair value of the Company's common stock at each meeting in which awards are approved. The factors considered include, but are not limited to: (i) the results of contemporaneous independent third-party valuations of the Company's common stock; (ii) the prices, rights, preferences, and privileges of the Company's Convertible Redeemable Preferred Stock relative to those of its common stock; (iii) the lack of marketability of the Company's common stock; (iv) actual operating and financial results; (v) current business conditions and projections; (vi) the likelihood of achieving a liquidity event, such as an initial public offering or sale of the Company, given prevailing market conditions; and (vii) precedent transactions involving the Company's shares.

Leases

The Company adopted ASC Topic 842, *Leases* for the fiscal year 2023. Refer to "Standards Issued and Adopted" in this footnote for more information.

The Company determines if an arrangement contains a lease and the classification of that lease, if applicable, at inception. For contracts with lease and non-lease components, we have elected to not allocate the contract consideration, and account for the lease and non-lease components as a single lease component. Operating leases are included in operating lease right-of-use (ROU) assets, operating lease liabilities and operating lease liabilities (net of current portion) in our Consolidated Balance Sheets.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments under the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The implicit rate within our operating leases is generally not determinable and we use our incremental borrowing rate at the lease commencement date to determine the present value of lease payments. The determination of our incremental borrowing rate requires judgment. The Company determines our incremental borrowing rate for each lease using our current borrowing rate, adjusted for various factors including level of collateralization and term to align with the terms of the lease. The operating lease ROU asset also includes any lease prepayments, offset by lease incentives. Certain of our leases include options to extend or terminate the lease. An option to extend the lease is considered in connection with determining the ROU asset and lease liability when it is reasonably certain we will exercise that option. An option to terminate is considered in the determination of the lease term unless it is reasonably certain we will not exercise the option.

Lease expense for lease payments is recognized on a straight-line basis over the term of the lease.

Business Combinations

The Company accounted for the Business Combination using the acquisition method pursuant to ASC 805, *Business Combinations*. The Company determined that ZeroFox, Inc. is a Variable Interest Entity (VIE) as its equity at risk is not sufficient to fund its expected future cash flow needs including funding future projected losses and servicing existing debt obligations. The Company holds a variable interest in ZeroFox, Inc. as it owns 100% of the equity of ZeroFox, Inc. following completion of the Business Combination. The Company is

considered the primary beneficiary of ZeroFox, Inc. as its ownership provides power to direct the activities that most significantly impact ZeroFox, Inc.'s performance and the Company has the obligation to absorb the losses and/or receive the benefits of ZeroFox, Inc., which potentially could be significant. Accordingly, the Company is both the legal and accounting acquirer of ZeroFox, Inc. The Company identified itself as both the legal and accounting acquirer of IDX. As the Company is identified as the accounting acquirer for both ZeroFox, Inc. and IDX, both mergers are considered "forward mergers".

Under the "forward merger" approach of the acquisition method of accounting, the Company allocated the consideration transferred to effect the mergers to the assets acquired and liabilities assumed based on their estimated acquisition-date fair values. The Company recognized the excess of consideration transferred over the fair values of assets acquired and liabilities assumed as goodwill. The Company expensed all transaction related costs of the Business Combination.

Significant estimates in valuing certain identifiable assets include, but are not limited to, the selection of valuation methodologies, future expected cash flows, discount rates, and useful lives. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. Acquisition costs, such as legal and consulting fees, are expensed as incurred and are included in general and administrative expenses in the consolidated statements of comprehensive loss. During the measurement period, which is up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded in the consolidated statements of comprehensive loss. See Note 5 for additional information regarding business combination.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed when a business is acquired. The valuation of intangible assets and goodwill involves the use of the Company's estimates and assumptions and can have a significant impact on future operating results. The Company initially records its intangible assets at fair value. Intangible assets with finite lives are amortized over their estimated useful lives while goodwill is not amortized but is evaluated for impairment at least annually. Goodwill is evaluated for impairment beginning on November 1 of each year or when an assessment of qualitative factors indicates an impairment may have occurred. The quantitative assessment includes an analysis that compares the fair value of a reporting unit to its carrying value including goodwill recorded by the reporting unit.

The Company has a single reporting unit. Accordingly, the impairment assessment for goodwill is performed at the enterprise level. Goodwill is reviewed for possible impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying value. The Company initially assesses qualitative factors to determine if it is necessary to perform the goodwill impairment review. Goodwill is reviewed for impairment if, based on an assessment of the qualitative factors, it is determined that it is more likely than not that the fair value of the reporting unit is less than its carrying value, or the Company decides to bypass the qualitative assessment.

The Company uses a combination of methods to estimate the fair value of its reporting unit including the discounted cash flow, guideline public company, and merger and acquisitions methods. These valuation approaches consider a number of factors that include, but are not limited to, prospective financial information, growth rates, terminal value, discount rates, and comparable multiples from publicly traded companies and merger transactions in the Company's industry. Use of these factors requires the Company to make certain assumptions and estimates regarding industry economic factors and future profitability of its business. Additionally, the Company considers income tax effects from any tax-deductible goodwill (if applicable) on the carrying amount of the reporting unit when measuring the goodwill impairment loss. It is possible that future

changes in such circumstances, or in the variables associated with the judgments, assumptions, and estimates used in assessing the fair value of the reporting unit would require the Company to record a non-cash impairment charge.

The Company considered qualitative factors that would indicate if the fair value of the Company's single reporting unit had declined below its carrying value, including the decline in the price of the Company's Common Stock, market conditions, and macroeconomic factors. Based on this qualitative analysis, the Company concluded that an interim test of goodwill impairment was required.

The Company performed an interim quantitative assessment of the fair value of the Company's single reporting unit and determined its fair value to be \$675.0 million as of October 31, 2022. As the carrying value of the reporting unit was \$1,373.7 million prior to the recognition of the impairment charge, which was above the estimated fair value of the reporting unit, the Company recorded a goodwill impairment charge \$698.7 million during the Successor Period.

Impairment of Long-Lived Assets

Long-lived assets, including intangible assets with finite lives, are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of the assets is measured by a comparison of the carrying amount of an asset or asset group to the future undiscounted cash flows expected to be generated by the asset or asset group. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the asset or asset group. As of January 31, 2023, management does not believe any long-lived assets are impaired and has not identified any assets as being held for disposal.

Warrant Liabilities

The Company evaluates all of its financial instruments, including issued stock purchase warrants, to determine if such instruments are derivatives or contain features that qualify as embedded derivatives, pursuant to ASC 480, *Distinguishing Liabilities from Equity* and FASB ASC 815, *Derivatives and Hedging*. The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative guidance in the ASC 480 and ASC 815. The assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, whether the warrants meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the Company's own Common Stock. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period end date while the warrants are outstanding.

For issued or modified warrants that meet all of the criteria for equity classification, the warrants are required to be recorded as a component of additional paid-in capital at the time of issuance. For issued or modified warrants that do not meet all the criteria for equity classification, the warrants are required to be recorded at their initial fair value on the date of issuance, and each balance sheet date thereafter. The Company recognizes changes in the estimated fair value of the warrants as a non-cash gain or loss on the Consolidated Statement of Comprehensive Loss. The Company assessed both Public and Private Warrants and determined both met the criteria for liability treatment.

Sponsor Earnout Shares

The Company analyzed the terms of the Sponsor Earnout Shares (see Note 12) and determined they are within the scope of ASC 815. The Company determined that the Sponsor Earnout Shares do not meet the requirements to be recognized as an equity instrument as the Company could not conclude the Sponsor Earnout Shares are indexed to the Company's own equity. Therefore, the Company recognizes the Sponsor Earnout Shares as a liability recorded at fair value.

The Sponsor Earnout Shares are not considered outstanding for accounting purposes since they are considered contingently issuable and are therefore, excluded from the calculation of basic earnings per share.

The Company analyzed the terms of the Sponsor Earnout Shares to determine if they meet the definition of “participating securities”, which would require the two-class method of EPS. The holders of the Sponsor Earnout Shares are not entitled to nonforfeitable rights to dividends and as such, the Sponsor Earnout Shares do not meet the definition of “participating securities”.

Fair Value of Financial Instruments

ASC 820-10, *Fair Value Measurements and Disclosures: Overall*, defines fair value, establishes a fair value hierarchy for assets and liabilities measured at fair value, and expands required disclosures about fair value measurements. The fair value of an asset and liability is defined as an exit price and represents the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The three-tier fair value hierarchy, which prioritizes the inputs used to measure fair value, is as follows:

Level 1—Inputs are quoted prices in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2—Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities or 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 or 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.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The Company’s assessment of the significance of an input to the fair value measurement requires judgment and may affect the valuation of the asset or liability being measured and its placement within the fair value hierarchy. The Company effectuates transfers between levels of the fair value hierarchy, if any, as of the date of the actual circumstance that caused the transfer.

Certain assets and liabilities, including goodwill and intangible assets, are subject to measurement at fair value on a non-recurring basis if there are indicators of impairment or if they are deemed to be impaired as a result of an impairment review.

As of January 31, 2023, and August 3, 2022, the Company had outstanding Public Warrants and Private Warrants. The Company measured its Public Warrants based on a Level 1 input, the public price for the Company’s warrants traded on NASDAQ (ticker ZFOXW). The Company measured its Private Warrants based on a Level 2 input, the same price for the Company’s Public Warrants traded on NASDAQ. The Company analyzed the terms and features of the Private Warrants and determined that they were economically similar to the Public Warrants.

As of August 3, 2022, the Company had warrants outstanding that it had assumed from ZeroFox, Inc. as part of the Business Combination and converted into warrants to purchase Company Common Stock. The Company measured these assumed and converted warrants using a Level 2 input, the public price for the Company’s Common Stock traded on NASDAQ (ticker ZFOX), adjusted for the strike price of each assumed and converted warrant.

As of January 31, 2022, the Predecessor measured its outstanding warrants based on Level 3 inputs.

The assumptions used to value all warrants are described in Note 11.

The Company measured the liability for Sponsor Earnout Shares using Level 3 inputs. The methodology and assumptions used to measure the Sponsor Earnout Shares are described in Note 12.

A summary of the changes in the fair value of warrants for the Successor Period, the Year to Date Predecessor Period, and the year ended January 31, 2022, respectively, is as follows (in thousands):

| | Successor | |
|--|-----------------|------------------|
| | Public | Private |
| Warrant liability - August 3, 2022 | \$ 4,226 | \$ 11,351 |
| Exercise of warrants | — | (7,632) |
| Gain due to change in fair value of warrants | (2,853) | (2,511) |
| Warrant liability - January 31, 2023 | <u>\$ 1,373</u> | <u>\$ 1,208</u> |
| | | |
| | Predecessor | |
| | | |
| Warrant liability - January 31, 2021 | | \$ 2,806 |
| Issuance of warrants | | 528 |
| Loss due to change in fair value of warrants | | 7,375 |
| Warrant liability - January 31, 2022 | | <u>\$ 10,709</u> |
| Warrant liability - January 31, 2022 | | <u>\$ 10,709</u> |
| Issuance of warrants | | 519 |
| Exercise of warrants | | (5,900) |
| Loss due to change in fair value of warrants | | 2,059 |
| Warrant liability - August 3, 2022 | | <u>\$ 7,387</u> |

The carrying amounts of accounts receivable, accounts payable, and accrued expenses approximate fair value because of the short maturity terms of these instruments.

The carrying amount of the Convertible Notes (see Note 10) approximates fair value due to the short duration of time that has elapsed since the Convertible Notes have been issued.

Concentration of Credit Risk

The Company maintains cash balances in bank deposit accounts, which, at times, may exceed federally insured limits. Deposits held in interest-bearing checking accounts are insured up to \$250,000. Deposits held in insured cash sweep accounts are insured up to \$150 million. The Company has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk from cash. The Company does not perform ongoing credit evaluations; generally does not require collateral; and establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of customers, historical trends, and other information.

Concentration of Revenue and Accounts Receivable

For the period August 4, 2022, to January 31, 2023, one individual customer accounted for 47% of total consolidated revenue. For the period February 1, 2022 to August 3, 2022 and the year ended January 31, 2022, there was no individual customer that accounted for 10% or more of total consolidated revenue, respectively.

As of January 31, 2023, one customer represented 23% of total accounts receivable. As of January 31, 2022, one customer represented 24% of total accounts receivable.

Accounts Receivable

Accounts receivable represent net realizable amounts due from customers for subscription to the Company's cloud-based software platform and for professional services provided by the Company. Such amounts are recorded net of allowances for bad debts. The Company's estimates of allowances for bad debts are based on contractual terms and historical collection experience. As of January 31, 2023 and 2022, the Company's accounts receivable consisted of the following (in thousands):

| | <u>Successor</u> <u>January 31, 2023</u> | <u>Predecessor</u> <u>January 31, 2022</u> |
|---------------------------------------|---|---|
| Accounts receivable, billed | \$ 22,296 | \$ 17,084 |
| Accounts receivable, unbilled | 7,458 | 30 |
| Less: Allowance for doubtful accounts | (145) | (68) |
| Accounts receivable, net | <u>\$ 29,609</u> | <u>\$ 17,046</u> |

The allowance for doubtful accounts reflects the Company's estimate of probable losses inherent in the accounts receivable balance. The Company determines the allowance based on known troubled accounts, historical experience, and other currently available evidence.

Activity in the allowance for doubtful accounts for the Successor Period and the Predecessor year ended January 31, 2022, was as follows (in thousands):

| | <u>Successor</u> <u>January 31, 2023</u> | <u>Predecessor</u> <u>January 31, 2022</u> |
|--------------------------------|---|---|
| Balance at beginning of period | \$ 133 | \$ 51 |
| Charged to cost and expenses | 32 | 40 |
| Write-offs and recoveries | (20) | (23) |
| Balance at end of period | <u>\$ 145</u> | <u>\$ 68</u> |

Deferred Contract Acquisition Costs

Contract acquisition costs are primarily related to sales commissions and related payroll taxes earned by our sales force and such costs are considered incremental costs to obtain a contract. Sales commissions for initial contracts are deferred and then amortized taking into consideration the pattern of transfer to which the asset relates and may include expected renewal periods where renewal commissions are not commensurate with the initial commissions period. The Company typically recognizes the initial commissions over the longer of the customer relationship (generally estimated to be four to six years) or over the same period as the initial revenue arrangement to which these costs relate. Renewal commissions not commensurate with the initial commissions paid are generally amortized over the renewal period. Commissions earned for professional services arrangements are expensed as incurred in accordance with the practical expedient as the contractual period of the Company's professional services arrangements are one year or less.

A summary of deferred contract acquisition costs activity for the Successor Period, the Year to Date Predecessor Period, and the year ended January 31, 2022, is as follows (in thousands):

| | Successor |
|---|--------------------|
| Deferred contract acquisition costs - August 4, 2022 | \$ 12,091 |
| Capitalization of contract acquisition costs | 4,915 |
| Amortization of deferred contract acquisition costs | (3,799) |
| Deferred contract acquisition costs - January 31, 2023 | \$ 13,207 |
| Deferred contract acquisition costs, current | \$ 5,456 |
| Deferred contract acquisition costs, net of current portion | 7,751 |
| Deferred contract acquisition costs - January 31, 2023 | \$ 13,207 |
| | Predecessor |
| Deferred contract acquisition costs - January 31, 2021 | \$ 10,137 |
| Capitalization of contract acquisition costs | 7,327 |
| Amortization of deferred contract acquisition costs | (5,809) |
| Deferred contract acquisition costs - January 31, 2022 | \$ 11,655 |
| Deferred contract acquisition costs, current | \$ 4,174 |
| Deferred contract acquisition costs, net of current portion | 7,481 |
| Deferred contract acquisition costs - January 31, 2022 | \$ 11,655 |
| Deferred contract acquisition costs - January 31, 2022 | \$ 11,655 |
| Capitalization of contract acquisition costs | 3,574 |
| Amortization of deferred contract acquisition costs | (3,458) |
| Deferred contract acquisition costs - August 3, 2022 | \$ 11,771 |

Property and Equipment

Property and equipment are recorded at cost. Expenditures for major additions and improvements are capitalized. Repairs and maintenance costs are charged to expense as incurred. When property and equipment are retired, or otherwise disposed of, the cost and accumulated depreciation and amortization are removed from the accounts, and any resulting gain or loss is included in the results of operations for the respective period. Depreciation and amortization are computed using the straight-line method.

The estimated useful lives for significant property and equipment categories are as follows:

| Asset Classification | Estimated Useful Life |
|---|-------------------------------------|
| Computer hardware and purchase software | 2 - 3 years |
| Furniture and fixtures | 3 - 7 years |
| Leasehold improvements | Lesser of lease term or useful life |

Capitalized Software Costs

The Company capitalizes internally developed software costs incurred in accordance with ASC 350-40, *Intangibles — Goodwill and Other: Internal-Use Software*. The Company capitalizes payroll, payroll-related costs, and any external direct costs incurred during the application development stage. Costs related to

preliminary project activities and post-implementation activities are expensed as incurred. Internal-use software is amortized on a straight-line basis over its estimated useful life, which is generally three years.

The Company's capitalized software development costs were \$0.3 million, \$0.5 million, and \$0.7 million for the Successor Period, the Year to Date Predecessor Period, and the year ended January 31, 2022, respectively. Amortization expense, which is included in cost of revenue, was \$0.02 million, \$0.3 million, and \$0.6 million, for the Successor Period, the Year to Date Predecessor Period, and the year ended January 31, 2022, respectively.

Future amortization expense for software development costs capitalized as of January 31, 2023, is as follows (in thousands):

| | |
|-------|--------------|
| 2024 | \$ 93 |
| 2025 | 93 |
| 2026 | 67 |
| Total | <u>\$253</u> |

Transaction Fees

All transaction fees and expenses associated with the Business Combination were expensed as incurred. Accordingly, the Company recorded approximately \$1.2 million of professional and other transaction fees related to the Business Combination in general and administrative expenses in the Consolidated Statement of Comprehensive Loss for the Successor Period. The Predecessor recorded approximately \$3.2 million and \$6.3 million of professional and other transaction fees related to the Business Combination in general and administrative expenses in the Consolidated Statement of Comprehensive Loss for the Year to Date Predecessor Period and the year ended January 31, 2022, respectively.

The Company paid a total of \$8.5 million of banking and advisory fees on behalf of the Predecessor at the closing of the Business Combination. The expense related to these banking and advisor fees was not recognized in the Predecessor's financial results as the payment of the banking and advisory fees was contingent on the successful closing of the Business Combination. The Company included the banking and advisory fees as part of the consideration transferred to acquire the Predecessor (see Note 5).

Deferred Revenue

Deferred revenue represents amounts billed for which revenue has not yet been recognized. Deferred revenue that will be recognized during the succeeding period is recorded as current deferred revenue, and the remaining portion is recorded as deferred revenue, net of current portion.

Debt Issuance Costs

Debt issuance costs consist of fees paid in cash to lenders and service providers in connection with the origination of debt, as well as the grant-date fair value of warrants issued to lenders in connection with the origination of debt. These costs are capitalized as debt issuance costs and presented as a direct deduction from the carrying value of the associated debt liability. Debt issuance costs are amortized using the effective interest method and are reflected in interest expense, net, on the Consolidated Statements of Comprehensive Loss.

For the Successor Period, the Year to Date Predecessor Period, and the year ended January 31, 2022, deferred debt issuance costs consisted of the following (in thousands):

| | Successor |
|---|--------------------|
| Deferred debt issuance costs - August 4, 2022 | \$ 120 |
| Direct costs paid | 31 |
| Amortization of debt issuance costs | (24) |
| Deferred debt issuance costs - January 31, 2023 | <u>\$ 127</u> |
| | Predecessor |
| Deferred debt issuance costs - January 31, 2021 | \$ 1,425 |
| Direct costs paid | 35 |
| Grant-date fair value of warrants issued | 528 |
| Amortization of debt issuance costs | (361) |
| Deferred debt issuance costs - January 31, 2022 | <u>\$ 1,627</u> |
| Deferred debt issuance costs - January 31, 2022 | \$ 1,627 |
| Direct costs paid | 118 |
| Grant-date fair value of warrants issued | 518 |
| Amortization of debt issuance costs | (378) |
| Deferred debt issuance costs - August 3, 2022 | <u>\$ 1,885</u> |

Net Loss Per Share Attributable to Common Stockholders

Basic net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net loss attributable to common stockholders is computed by adjusting net loss attributable to common stockholders to reallocate undistributed earnings based on the potential impact of dilutive securities. Diluted net loss per share attributable to common stockholders is computed by dividing the diluted net loss attributable to common stockholders by the weighted average number of common shares outstanding for the period, including potential dilutive common stock. For the purposes of this calculation, outstanding stock options, unvested restricted stock, stock warrants, Sponsor Earnout Shares, and redeemable convertible preferred stock are considered potential dilutive common stock and are excluded from the computation of net loss per share as their effect is anti-dilutive.

The Predecessor's redeemable convertible preferred stock and restricted common stock contractually entitled the holders of such shares to participate in dividends but do not contractually require the holders of such shares to participate in losses of the Predecessor. Accordingly, in periods in which the Predecessor reported a net loss, such losses were not allocated to such participating securities. In periods in which the Predecessor reported a net loss attributable to common stockholders, diluted net loss per share attributable to common stockholders was the same as basic net loss per share attributable to common stockholders, since dilutive common shares are not assumed to be outstanding if their effect is anti-dilutive.

Comprehensive Loss

Comprehensive loss includes net loss as well as other changes in stockholders' deficit that result from transactions and economic events other than those with stockholders. For the Successor Period, the Year to Date Predecessor Period, and the year ended January 31, 2022, there was a difference between net loss and comprehensive loss in the accompanying Consolidated Financial Statements pertaining to foreign currency translation adjustments.

Predecessor Redeemable Convertible Preferred Stock

The Series Preferred of the Predecessor was not mandatorily redeemable. The Series Preferred was contingently redeemable upon the occurrence of a deemed liquidation event and a majority vote of the holders of Series Preferred and Series Seed to redeem all outstanding shares of the Company's redeemable convertible preferred stock. The contingent redemption upon the occurrence of a deemed liquidation was not within the Predecessor's control and therefore the Series Preferred was classified outside of permanent equity in mezzanine equity on the Predecessor's Condensed Consolidated Balance Sheets.

Liquidation Rights—In the event of any liquidation or dissolution of the Predecessor (Liquidation Event), the holders of Predecessor Common Stock were entitled to the remaining assets of the Predecessor legally available for distribution after the payment of the full liquidation preference for all series of outstanding redeemable convertible preferred stock.

Foreign Currency Translation

The functional currency of the Company's subsidiaries is the local currency. For each subsidiary, assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the exchange rates in effect at the Consolidated Balance Sheet date, and revenue and expenses are translated at the average exchange rates prevailing during the month of the transaction. The effects of foreign currency translation adjustments not affecting net income are included in the Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit) under the cumulative translation adjustment account as a component of accumulated other comprehensive loss.

Standards Issued and Adopted

In October 2021, the FASB issued ASU No. 2021-08, Accounting Standards Update No. 2021-08—Business Combinations (Topic 805)—*Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which amends ASC 805 to require acquiring entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination. As a result of the amendments, it is expected that an acquirer will generally recognize and measure acquired contract assets and contract liabilities in a manner consistent with how the acquiree recognized and measured them in its preacquisition financial statements. The standard is effective for the Company for annual reporting periods beginning after December 15, 2022, and early adoption is permitted. The Company elected to early adopt ASU No. 2021-08 for fiscal year 2023. The early adoption of ASU No. 2021-08 permitted the Company to recognized the contract assets acquired as part of the Business Combination at their carrying values rather than remeasuring them at fair value (see Note 5).

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This ASU simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The standard is effective for the Company for annual reporting periods beginning after December 15, 2021, and early adoption is permitted. The Company adopted ASU No. 2019-12 for fiscal year 2023. There was no impact on its consolidated financial statements.

In August 2020, the FASB issued ASU No. 2020-06, Accounting Standards Update No. 2020-06—*Debt—Debt with Conversion and Other Options* (Subtopic 470-20) and *Derivatives and Hedging—Contracts in Entity's Own Equity* (Subtopic 815-40)—*Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts in an entity's own equity. Among other changes, ASU 2020-06 removes the liability and equity separation model for convertible instruments with a cash conversion feature, and

as a result, after adoption, a convertible debt instrument will be accounted for as a single liability measured at its amortized cost and convertible preferred stock will be accounted for as a single equity instrument measured at its historical cost, as long as no other features require bifurcation and recognition as derivatives. Additionally, ASU 2020-06 requires the application of the if-converted method for all convertible instruments in the diluted earnings per share calculation and the inclusion of the effect of share settlement for instruments that may be settled in cash or shares, except for certain liability-classified share-based payment awards. The amendments in this ASU are effective for public entities, excluding smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2021. For all other entities, including the Company, the amendments are effective for fiscal years beginning after December 15, 2023. The Company adopted ASU 2020-06 for fiscal year 2023. The adoption of ASU 2020-06 did not have an impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). This guidance is intended to improve financial reporting for leasing transactions. The Company adopted this standard for fiscal year 2023 and the Company elected to do so using a modified retrospective transition method. That modified retrospective transition method allowed the Company to initially apply the standard at the adoption date and recognize a cumulative-effect adjustment to retained earnings in the opening balance sheet in the period of adoption without restating prior periods. ASC 842 revised prior practice related to accounting for leases under Accounting Standards Codification Topic 840 Leases (ASC 840) for both lessees and lessors and requires lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use (ROU) assets. Under ASC 842, the lease liability is equal to the present value of lease payments, and the ROU asset is based on the lease liability, subject to adjustments, such as for deferred rent and initial direct costs. For income statement purposes, ASC 842 retains a dual model similar to ASC 840, requiring leases to be classified as either operating or finance. For lessees, operating leases result in straight-line expense (similar to prior accounting by lessees for operating leases under ASC 840) while finance leases result in a front-loaded expense pattern (similar to prior accounting by lessees for capital leases under ASC 840).

The Company elected the package of practical expedients permitted under the transition guidance, which, among other things, allows the Company to carry forward the historical lease classification. In addition, the Company made accounting policy elections to combine the lease and non-lease components for all asset categories.

In accounting for the adoption of the new standard, the Company recorded operating lease ROU assets and lease liabilities of \$1.2 million and \$1.3 million, respectively, with the difference due to prepaid and deferred rents that were reclassified to the ROU asset value. No cumulative-effect adjustment to opening retained earnings was required for the adoption of the standard.

The standard did not materially affect the Company's Consolidated Statement of Comprehensive Loss or Consolidated Statement of Cash Flows for the fiscal year ended January 31, 2023. See Note 8 for further details.

Standards Issued, but Not Yet Effective

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, which amends the accounting for credit losses for most financial assets and certain other instruments. The standard requires that entities holding financial assets that are not accounted for at fair value through net income be presented at the net amount expected to be collected. An allowance for credit losses will be a valuation account that will be deducted from the amortized cost basis of the financial asset to present the net carrying value at the amount expected to be collected on the financial asset. The standard is effective for the Company's annual reporting period beginning in fiscal year 2024. The Company does not believe the adoption will have a material impact on its consolidated financial statements.

3: Revenue

Disaggregation of Revenue

The table below provides revenue earned by line of service for the Successor Period, the Year to Date Predecessor Period, and the year ended January 31, 2022 (in thousands).

| Revenue Line | Successor | Predecessor | |
|------------------------|---------------------------------------|---------------------------------------|--------------------------------|
| | August 4, 2022 to January 31, 2023 | February 1, 2022 to August 3, 2022 | Year Ended January 31, 2022 |
| Subscription revenue | \$ 31,679 | \$ 27,946 | \$ 45,117 |
| Services revenue | | | |
| Breach | 54,791 | — | — |
| Other services | 1,916 | 1,291 | 2,316 |
| Total services revenue | 56,707 | 1,291 | 2,316 |
| Total | \$ 88,386 | \$ 29,237 | \$ 47,433 |

The table below provides revenue earned based on geographic locations of our customers for the Successor Period, the Year to Date Predecessor Period, and the year ended January 31, 2022 (in thousands).

| Country | Successor | Predecessor | |
|---------------|---------------------------------------|---------------------------------------|--------------------------------|
| | August 4, 2022 to January 31, 2023 | February 1, 2022 to August 3, 2022 | Year Ended January 31, 2022 |
| United States | \$ 80,674 | \$ 21,916 | \$ 35,859 |
| Other | 7,712 | 7,321 | 11,574 |
| Total | \$ 88,386 | \$ 29,237 | \$ 47,433 |

For the Successor Period, the Year to Date Predecessor Period, and the year ended January 31, 2022, no country other than the United States represented 10% or more of total consolidated revenue.

Contract Assets and Liabilities

The components of contract assets and liabilities consist of the following (in thousands):

| | Successor | Predecessor |
|--|------------------|------------------|
| | January 31, 2023 | January 31, 2022 |
| Assets: | | |
| Accounts receivable, net | \$ 29,609 | \$ 17,046 |
| Deferred contract acquisition costs, current and non-current | \$ 13,207 | \$ 11,655 |
| Liabilities: | | |
| Deferred revenue, current and non-current | \$ 53,958 | \$ 38,831 |

The significant components of the changes in the contract liabilities balances are as follows (in thousands):

| | Successor | Predecessor |
|--|------------------|------------------|
| | January 31, 2023 | January 31, 2022 |
| Revenue recognized that was included in the opening deferred revenue balance | \$ 31,406 | \$ 27,733 |
| Remaining deferred revenue acquired in business acquisition | \$ 21,337 | \$ 256 |

Remaining Performance Obligations

As of January 31, 2023, the Company had approximately \$111.5 million of revenue that is expected to be recognized from remaining performance obligations that are unsatisfied (or partially unsatisfied) under non-cancelable contracts. Of this \$111.5 million, the Company expects to recognize revenue of approximately \$92.6 million in the twelve-month period February 2023 through January 2024, approximately \$13.8 million in the twelve-month period February 2024 through January 2025, and approximately \$5.1 million thereafter.

4: Fair Value Measurements

The following table sets forth by level within the fair value hierarchy the assets (liabilities) carried at fair value (in thousands):

| | Fair value measurements at January 31, 2023 | | | |
|---------------------------------------|---|-------------------|-------------------|-------------------|
| | using: | | | Total |
| | Level 1 | Level 2 | Level 3 | |
| Assets: | | | | |
| Cash equivalents - money market funds | \$ 557 | \$ — | \$ — | \$ 557 |
| Total financial assets | \$ 557 | \$ — | \$ — | \$ 557 |
| Liabilities: | | | | |
| Public warrants | \$ (1,373) | \$ — | \$ — | \$ (1,373) |
| Private warrants | — | (1,208) | — | (1,208) |
| Sponsor earnout shares | — | — | (2,445) | (2,445) |
| Total financial liabilities | \$ (1,373) | \$ (1,208) | \$ (2,445) | \$ (5,026) |

The following table sets forth by level within the fair value hierarchy the liabilities carried at fair value (in thousands):

| | Fair value measurements at January 31, 2022 | | | |
|------------------------------------|---|-------------|--------------------|--------------------|
| | using: | | | Total |
| | Level 1 | Level 2 | Level 3 | |
| Liabilities: | | | | |
| Predecessor Warrants | \$ — | \$ — | \$ (10,709) | \$ (10,709) |
| Total financial liabilities | \$ — | \$ — | \$ (10,709) | \$ (10,709) |

See Note 10 for a discussion of the fair value of debt.

The assumptions used to value the warrants are described in Note 11.

The assumptions used to value the Sponsor Earnout Shares are described in Note 12.

The carrying amounts of accounts receivable, accounts payable, and accrued expenses approximate fair value because of the short maturity terms of these instruments.

5: Acquisitions

The Business Combination

Description of the Business Combination Transaction and Settlement

On December 17, 2021, the Company, ZeroFox, Inc., and IDX entered into a definitive business combination agreement (the Business Combination Agreement). On August 3, 2022 (the Closing Date), under the terms of the

Business Combination Agreement, the Business Combination was completed which included the following transactions or events:

- The domestication of the Company as a Delaware corporation was completed.
- ZF Merger Sub, Inc., an indirect wholly-owned subsidiary of the Company, merged with and into ZeroFox, Inc. (the ZF Merger) on August 3, 2022, with ZeroFox, Inc. as the surviving company in the ZF Merger and continuing (immediately following the ZF Merger) as an indirect, wholly-owned subsidiary of the Company.
- Immediately following the ZF Merger, IDX Merger Sub, Inc., an indirect wholly-owned subsidiary of the Company, merged with and into IDX (the IDX Merger), with IDX as the surviving company in the IDX Merger (referred to herein as Transitional IDX Entity) and continuing (immediately following the IDX Merger) as an indirect, wholly-owned subsidiary of the Company.
- Immediately following the IDX Merger, Transitional IDX Entity merged with and into IDX Forward Merger Sub, LLC, an indirect wholly-owned subsidiary of the Company (the IDX Forward Merger, and together with the ZF Merger and IDX Merger, the “Mergers”), with IDX Forward Merger Sub, LLC as the surviving company in the IDX Forward Merger and continuing (immediately following the IDX Forward Merger) as an indirect, wholly-owned subsidiary of the Company.
- The Company changed its name from L&F Acquisition Corp. to ZeroFox Holdings, Inc.
- The Company’s common stock and public warrants began trading under the tickers ZFOX and ZFOXW, respectively.
- All issued and outstanding Common Stock and Convertible Preferred Stock of both ZeroFox, Inc. and IDX were canceled and converted into the holders’ right to receive shares of the Company’s Common Stock at the exchange ratio of 0.286277 and 0.692629, respectively (the Exchange Ratio), resulting in the Company issuing 82,030,308 and 27,849,942 shares of the Company’s Common Stock to the holders of shares of ZeroFox, Inc. and IDX, respectively.
- All issued and outstanding warrants to purchase shares of Common Stock in ZeroFox, Inc. were assumed by the Company and converted into warrants to purchase shares of the Company’s Common Stock using the Exchange Ratio, resulting in the Company issuing warrants to purchase 860,064 shares of the Company’s Common Stock. The strike price for each set of warrants was similarly adjusted using the Exchange Ratio.
- All issued and outstanding options to purchase ZeroFox, Inc. common stock were assumed by the Company and converted into options to purchase the Company’s Common Stock using the Exchange Ratio, resulting in options to purchase 6,380,458 shares of the Company’s Common Stock. The Company recognized no incremental compensation expense related to the conversion (see Note 14).
- All issued and outstanding options to purchase IDX common stock were assumed by the Company and converted into options to purchase the Company’s Common Stock using the Exchange Ratio, resulting in options to purchase 1,778,919 shares of the Company’s Common Stock. The Company recognized no incremental compensation expense related to the conversion (see Note 14).
- The Company completed a Convertible Notes Financing (see Note 10) obtaining net proceeds of \$149.9 million.
- The Company completed its PIPE investment of \$20.0 million, resulting in \$10.0 million of net cash proceeds. Certain subscribers to the PIPE offset their subscription obligation by forgiving \$5.0 million of notes payable to those subscribers by ZeroFox, Inc. (See Note 10). These PIPE subscribers also received \$0.2 million of cash for interest accrued on the related notes payable. Other subscribers to the PIPE were also holders of shares of IDX common stock and offset their subscription obligation of \$5.0 million by receiving net cash proceeds from the Business Combination.

- Holders of 2,419,687 of L&F Class A Ordinary Shares exercised their redemption rights at a price per share of approximately \$10.18, \$24.6 million in aggregate, resulting in a net amount remaining in L&F's trust account of \$10.2 million. The remaining L&F Class A Ordinary shares were exchanged for an equivalent number of the Company's Common Stock.
- The Company paid aggregate cash consideration to holders of IDX common stock of \$44.5 million.
- The Company repaid an outstanding note payable of ZeroFox, Inc. with a principal amount of \$37.5 million along with a prepayment penalty, accrued interest and legal fees of \$1.2 million in aggregate (see Note 10).
- The Company paid \$24.5 million of transaction related expenses, which included:
 - The payment of a ZeroFox, Inc. banking and advisory fee of \$8.5 million. The fee was included as part of the purchase price paid as part of the ZF Merger. See "The ZF Merger" below. As this banking and advisory fee was contingent upon the successful closure of the Business Combination, the associated expense was neither recognized in the Predecessor Period nor the Successor Period.
 - The payment of L&F deferred underwriting fee of \$6.1 million.
 - The payment of L&F fees for advisory, legal, accounting, and other service providers of \$8.3 million. As these fees were incurred by L&F for work performed prior to the completion of the Business Combination these expenses were neither recognized in the Predecessor Period nor the Successor Period.
 - The payment of IDX's banking and advisory fee of \$1.5 million. The fee was included as part of the purchase price paid for IDX. See "The IDX Merger" below. As this fee was contingent upon the successful completion of the Business Combination, the expense related to this fee is neither recognized in the IDX Predecessor financial statements included within this prospectus nor in the Successor Period.
 - Payment for directors and officers insurance policy of \$1.2 million. The policy was recorded as a prepaid expense. The Company will amortize the prepaid expense on a straight-line basis over the six-year term of the insurance policy into general and administrative expense on the Consolidated Statement of Comprehensive Loss.
 - Certain of the banking and advisory fees and deferred underwriting fees were offset by \$(1.0) million for amounts owed to the Company by the underwriters. As the associated expense was not recognized in the Successor or Predecessor Periods, this reduction of expense was similarly not recognized in the Successor or Predecessor Periods.
- The Company repaid outstanding notes payable of IDX of \$12.5 million in aggregate.

Accounting for the ZF Merger

The following table summarizes the estimated fair value of the purchase consideration paid to affect the ZF Merger (in thousands, except per share data):

| | |
|--|------------|
| Equity value of consideration | |
| Common stock issued to holders of ZeroFox, Inc. | 82,030,308 |
| Closing price per share of the Company's Common Stock (ZFOX) on August 3, 2022 | \$ 10.95 |
| Fair value of Common Stock issued | \$ 898,232 |
| Cash consideration | |
| Repayment of ZeroFox, Inc. debt and interest | 37,674 |
| Payment of ZeroFox, Inc. transaction expenses | 8,500 |
| Repayment of notes payable to PIPE Investors | 5,000 |
| Total consideration paid | \$ 949,406 |

The Company recorded the preliminary allocation of the purchase price to ZeroFox, Inc.'s assets acquired and liabilities assumed based on their fair values as of August 3, 2022. The preliminary purchase price allocation is as follows (in thousands):

| | |
|--|------------|
| Cash and cash equivalents | \$ 2,806 |
| Accounts receivable | 13,961 |
| Deferred contract acquisitions costs, current | 4,909 |
| Prepaid expenses and other assets | 2,201 |
| Property and equipment | 598 |
| Deferred contract acquisitions costs, net of current portion | 6,854 |
| Other assets | 341 |
| Goodwill | 818,797 |
| Intangible assets | 185,000 |
| Total assets acquired | 1,035,467 |
| Accounts payable | 4,310 |
| Accrued liabilities | 3,921 |
| Current portion of long term debt | 938 |
| Deferred revenue, current | 35,432 |
| Deferred revenue, net of current portion | 6,325 |
| Long term debt | 16,851 |
| Warrants liabilities | 7,632 |
| Deferred tax liability | 10,652 |
| Total liabilities assumed | 86,061 |
| Total consideration transferred | \$ 949,406 |

The following table sets forth the amounts allocated to the intangible assets identified, the estimated useful lives of those intangible assets, and the methodologies used to determine the fair values of those intangible assets (dollars in thousands):

| | Fair Value | Useful Life (in years) | Fair Value Methodology |
|----------------------------|-------------------|-----------------------------------|--|
| Trade names and trademarks | \$ 21,000 | 10 | Relief from Royalty method |
| Developed technology | 81,000 | 5 | Relief from Royalty method |
| Customer relationships | 83,000 | 9 | Multi-period Excess Earnings method of the Income Approach |
| | <u>\$185,000</u> | | |

The goodwill of \$818.8 million represents the excess purchase price over the fair value of the net tangible and identifiable intangible assets acquired and liabilities assumed. Qualitative factors that contribute to the recognition of goodwill include certain intangible assets that are not recognized as separate, identifiable intangible assets apart from goodwill. Intangible assets not recognized apart from goodwill consist primarily of expertise and industry know-how of the workforce, developed technology, back-office infrastructure, strong market position, and the assembled workforce of ZeroFox. None of the goodwill recognized is expected to be deductible for income tax purposes.

The measurement period for the assets and liabilities for the ZF Merger remains open for the period of one year following completion of the Business Combination. The Company is finalizing evaluation of the acquired intangible assets and income taxes. The Company does not expect material adjustments to the initial values of acquired assets and liabilities during the remaining term of the measurement period.

The Company has recognized \$29.4 million and \$1.9 million of subscription revenue and services revenue, respectively, for the Successor Period from the business acquired through the ZF Merger.

Accounting for the IDX Merger

The following table summarizes the estimated fair value of the purchase consideration paid to affect the IDX Merger (in thousands, except per share data):

| | |
|--|-------------------|
| Equity value consideration | |
| Common stock issued to holders of IDX | 27,849,942 |
| Closing price per share of the Company's Common Stock (ZFOX) on August 3, 2022 | \$ 10.95 |
| Fair value of Common Stock issued | \$ 304,957 |
| Cash consideration paid to IDX shareholders | 44,447 |
| Cash consideration gross up for offset of PIPE subscribers also IDX holders | 5,000 |
| Repayment of debt and interest | 12,484 |
| Payment of IDX transaction expenses | 1,500 |
| Total consideration paid | <u>\$ 368,388</u> |

The Company recorded the preliminary allocation of the purchase price to IDX's assets acquired and liabilities assumed based on their fair values as of August 3, 2022. The preliminary purchase price allocation is as follows (in thousands):

| | |
|---|-------------------|
| Cash and cash equivalents | \$ 13,727 |
| Accounts receivable | 11,944 |
| Prepaid and other expense | 3,068 |
| Property and equipment | 125 |
| Deferred contract acquisition costs, net of current portion | 177 |
| Goodwill | 286,468 |
| Intangible Assets | 100,500 |
| Other assets | 12 |
| Total assets acquired | \$ 416,021 |
| Accounts payable | \$ 7,568 |
| Accrued liabilities | 6,299 |
| Deferred revenue, current | 9,314 |
| Deferred revenue, net of current portion | 1,522 |
| Deferred tax liability and uncertain tax positions | 22,930 |
| Total liabilities assumed | 47,633 |
| Total consideration transferred | \$ 368,388 |

The following table sets forth the amounts allocated to the intangible assets identified, the estimated useful lives of those intangible assets, and the methodologies used to determine the fair values of those intangible assets (dollars in thousands):

| | <u>Fair value</u> | <u>Useful Life (In Years)</u> | <u>Fair Value Methodology</u> |
|---------------------------------|-------------------|-----------------------------------|--|
| OPM contract | \$ 63,500 | 6 | Multi-period excess earnings method of income approach |
| Trade names and trademarks | 14,300 | 10 | Relief from royalty method |
| Internally-developed technology | 14,800 | 5 | Replacement cost method |
| Customer relationships | 4,000 | 9 | Multi-period excess earnings method of income approach |
| Breach-related contracts | 3,900 | 1 | Multi-period excess earnings method of income approach |
| | <u>\$ 100,500</u> | | |

The goodwill of \$286.5 million represents the excess purchase price over the fair value of the net tangible and identifiable intangible assets acquired and liabilities assumed. Qualitative factors that contribute to the recognition of goodwill include certain intangible assets that are not recognized as separate identifiable intangible assets apart from goodwill. Intangible assets not recognized apart from goodwill consist primarily of expertise and industry know-how of the workforce, developed technology, back-office infrastructure, strong market position and the assembled workforce of IDX. None of the goodwill recognized is expected to be deductible for income tax purposes.

The measurement period for the assets and liabilities for the IDX Merger remains open for the period of one year following completion of the Business Combination. The Company may adjust the value of certain contingent liabilities as new information is obtained. The Company does not expect material adjustments to the initial values of acquired assets and liabilities during the remaining term of the measurement period.

The Company has recognized \$2.3 million and \$54.8 million of subscription revenue and services revenue, respectively, for the Successor Period from the business acquired through the IDX Merger.

Pro forma Results of Operations

The following unaudited pro forma financial information presents the combined results of operations as if the Business Combination had occurred as of February 1, 2021. The unaudited pro forma financial information as presented below is for illustrative purposes and does not purport to represent what the results of operations would actually have been if the Business Combination occurred as of February 1, 2021, or what the results would be for any future periods.

| | Year Ended January 31, | |
|------------------------|---------------------------|---------------------------|
| | 2023 | 2022 |
| (dollars in thousands) | (unaudited) | |
| Revenue | | |
| Subscription | \$ 61,836 | \$ 48,309 |
| Services | 113,870 | 105,439 |
| Total revenue | 175,706 | 153,748 |
| Net loss after tax | <u><u>\$(737,269)</u></u> | <u><u>\$ (61,714)</u></u> |

The unaudited pro forma results reflect the following adjustments:

- amortization expense for acquired intangible assets,
- all acquisition-related expenses are recognized as of February 1, 2021,
- elimination of interest expense for notes paid at the closing of the Business Combination,
- addition of interest expense for the Convertible Notes obtained at the closing of the Business Combination (see Note 10),
- elimination of fair value adjustments for liabilities related to warrants exercised at the closing of the Business Combination, and
- adjustments to the income tax provision.

6: Goodwill and Intangible Assets

A summary of the changes in the fair value of goodwill for the Successor Period, the Year to Date Predecessor Period, and the year ended January 31, 2022, respectively, is as follows (in thousands):

| | Successor |
|---|--------------------------|
| Goodwill - August 4, 2022 | \$ 1,105,258 |
| Impairment | (698,650) |
| Goodwill - January 31, 2023 | <u><u>\$ 406,608</u></u> |
| | Predecessor |
| Goodwill - January 31, 2021 | \$ 28,614 |
| Adjustment related to business acquisitions | 675 |
| Business acquisition | 5,713 |
| Goodwill - January 31, 2022 | <u><u>\$ 35,002</u></u> |
| Goodwill - January 31, 2022 | <u><u>\$ 35,002</u></u> |
| Adjustment related to business acquisitions | — |
| Goodwill - August 3, 2022 | <u><u>\$ 35,002</u></u> |

The Company recorded an impairment charge of \$698.7 million during the Successor Period, as part of its interim test of goodwill. The Company's estimate of the fair value of its single reporting unit of \$675.0 million was below the carrying value of the reporting unit of \$1,373.7 million as of October 31, 2022.

Determining the fair value of our reporting unit requires judgment and the use of significant estimates and assumptions. Given the current competitive and macroeconomic environment and the uncertainties regarding the related impact on the business, there can be no assurance that the estimates and assumptions made for purposes of the Company's interim and annual goodwill impairment tests will prove to be accurate predictions of the future. If the Company's assumptions are not realized, the Company may record additional goodwill impairment charges in the future. It is not possible at this time to determine if any such future impairment charge would result or whether such charge would be material.

The tables below summarize the Company's intangible assets as of January 31, 2023, and the Predecessor's intangible assets as of January 31, 2022 (amounts in thousands, except for useful lives).

| <u>Successor</u> | Weighted Average Useful Life (in years) | <u>As of January 31, 2023</u> | | |
|--------------------------|---|-------------------------------|--------------------------|---------------------|
| | | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Customer relationships | 8.6 | \$ 154,400 | \$ (11,894) | \$ 142,506 |
| Developed technology | 5 | 95,800 | (9,425) | 86,375 |
| Trademarks / trade names | 10 | 35,300 | (1,737) | 33,563 |
| | | <u>\$ 285,500</u> | <u>\$ (23,056)</u> | <u>\$ 262,444</u> |

| <u>Predecessor</u> | Weighted Average Useful Life (in years) | <u>As of January 31, 2022</u> | | |
|--------------------------|---|-------------------------------|--------------------------|---------------------|
| | | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Customer relationships | 6 | \$ 15,450 | \$ (3,239) | \$ 12,211 |
| Developed technology | 5 | 2,560 | (621) | 1,939 |
| Trademarks / trade names | 2 | 140 | (80) | 60 |
| | | <u>\$ 18,150</u> | <u>\$ (3,940)</u> | <u>\$ 14,210</u> |

The Company analyzed if there was an impairment of long-lived assets as of January 31, 2023. The Company determined that the carrying value of its assets were recoverable and accordingly, concluded that no impairment had occurred.

The tables below summarizes the future amortization of the Company's intangible assets as of January 31, 2023 (amounts in thousands).

| | |
|---|-------------------|
| Fiscal 2024 | \$ 42,981 |
| Fiscal 2025 | 38,968 |
| Fiscal 2026 | 38,968 |
| Fiscal 2027 | 38,968 |
| Fiscal 2028 | 29,542 |
| Thereafter | 73,017 |
| Total amortization of intangible assets expense | <u>\$ 262,444</u> |

On the Company's Consolidated Statement of Comprehensive Loss, the Company recognizes expense for the amortization of customer relationships within sales and marketing expense, expense for the amortization of developed technology within cost of subscription revenue, and expense for the amortization of trademarks and trade names within general and administrative expense.

The Company recognized amortization of intangible assets expense in the accompanying Consolidated Statements of Comprehensive Loss for the for the Successor Period, the Year to Date Predecessor Period, and the year ended January 31, 2022, as follows (in thousands):

| | <u>Successor</u> <u>August 4,</u> <u>2022 to</u> <u>January 31,</u> <u>2023</u> | <u>Predecessor</u> <u>February 1,</u> <u>2022 to</u> <u>August 3,</u> <u>2022</u> | <u>Year</u> <u>Ended</u> <u>January 31,</u> <u>2022</u> |
|--|---|---|--|
| Cost of revenue - subscription | \$ 9,425 | \$ 260 | \$ 481 |
| Sales and marketing | 11,894 | 1,308 | 2,478 |
| General and administrative | 1,737 | 36 | 63 |
| Total amortization of acquired intangible assets | <u>\$ 23,056</u> | <u>\$ 1,604</u> | <u>\$ 3,022</u> |

7: Property and Equipment

Property and equipment as of January 31, 2023 and 2022 consisted of the following (in thousands):

| | <u>Successor</u> <u>January 31,</u> <u>2023</u> | <u>Predecessor</u> <u>January 31,</u> <u>2022</u> |
|--|---|---|
| Computer hardware and purchased software | \$ 907 | \$ 2,136 |
| Furniture and fixtures | 20 | 337 |
| Leasehold improvements | 114 | 243 |
| Total property and equipment | 1,041 | 2,716 |
| Less: accumulated depreciation | (370) | (2,022) |
| Property and equipment, net | <u>\$ 671</u> | <u>\$ 694</u> |

Depreciation and amortization expense for the Successor Period, the Year to Date Predecessor Period and the year ended January 31, 2022 was \$0.4 million, \$0.3 million, and \$0.5 million, respectively.

The table below provides the net values of property and equipment by geographic location as of January 31, 2023 and 2022 (in thousands):

| | <u>Successor</u> <u>January 31,</u> <u>2023</u> | <u>Predecessor</u> <u>January 31,</u> <u>2022</u> |
|-----------------------------|---|---|
| United States | \$ 473 | \$ 476 |
| India | 121 | 119 |
| Chile | 77 | 99 |
| Property and equipment, net | <u>\$ 671</u> | <u>\$ 694</u> |

8: Leases

The Company has operating leases for office facilities and office equipment. Our leases have remaining terms of less than one year to approximately three years, some of which include options to renew.

Our total net cost for operating leases for the Successor Period and the Year to Date Predecessor Period was \$1.6 million.

Included in the measurement of the lease liability at January 31, 2023, is \$1.6 million in cash payments for operating leases which were made during the Successor Period and the Year to Date Predecessor Period.

Supplemental balance sheet information related to lease liabilities was as follows:

| <i>(in thousands, except lease term and discount rate)</i> | January 31, 2023 |
|--|-----------------------------|
| Operating leases | |
| Operating ROU assets | \$ 720 |
| Operating lease liabilities, current | \$ 406 |
| Operating lease liabilities, net of current portion | 427 |
| Total operating lease liabilities | \$ 833 |
| Weighted average remaining lease term | 1.7 years |
| Weighted average discount rate | 4.8% |

Maturities of operating lease liabilities at January 31, 2023 were as follows:

| | |
|-------------------------|--------|
| <i>(in thousands)</i> | |
| Year ending January 31, | |
| 2024 | \$ 754 |
| 2025 | 538 |
| 2026 | 64 |
| Total lease payments | 1,356 |
| Less: imputed interest | (523) |
| Total lease payments | \$ 833 |

Rent expense related to operating leases for office facilities was \$0.9 million the year ending January 31, 2022.

9: Accrued Compensation, Accrued Expenses, and Other Current Liabilities

Accrued compensation, accrued expenses, and other current liabilities as of January 31, 2023 and 2022 consisted of the following (in thousands):

| | Successor January 31, 2023 | Predecessor January 31, 2022 |
|---|---|---|
| Accrued employee compensation | \$ 1,098 | \$ 500 |
| Accrued commissions | 1,408 | 2,010 |
| Accrued bonuses | 3,893 | 1,366 |
| Accrued payroll-related expenses | 242 | 630 |
| Other current liabilities | 12,110 | 2,514 |
| Total accrued compensation, accrued expenses, and other current liabilities | \$ 18,751 | \$ 7,020 |

10: Debt

The tables below summarize key terms of the Company's debt that was outstanding as of January 31, 2023 and the Predecessor's debt as of January 31, 2022 (amounts in thousands, except for interest rates).

| Successor | As of January 31, 2023 | | | | | | |
|-----------------------------------|---------------------------|-------------------------|------------------|---------------------------|--|--------------------------|--------------------|
| | Stated Interest Rate | Effective Interest Rate | Gross Balance | Unamortized Debt Discount | Unamortized Deferred Debt Issuance Costs | Discount on Note Payable | Net Carrying Value |
| Lender | | | | | | | |
| Stifel Bank | 8.50% | 8.50% | \$ 15,000 | \$ — | \$ — | \$ — | \$ 15,000 |
| InfoArmor | 5.50% | 5.50% | 2,344 | — | — | — | 2,344 |
| Convertible notes | 7.00% Cash / 8.75% PIK | 8.53% | 156,564 | — | (127) | — | 156,437 |
| | | | <u>\$173,908</u> | <u>\$ —</u> | <u>\$ (127)</u> | <u>\$ —</u> | <u>\$173,781</u> |
| Current portion of long-term debt | | | | | | | \$ 15,938 |
| Long-term debt | | | | | | | 157,843 |
| | | | | | | | <u>\$ 173,781</u> |

| Predecessor | As of January 31, 2022 | | | | | | |
|-----------------------------------|------------------------|-------------------------|------------------|---------------------------|--|--------------------------|--------------------|
| | Stated Interest Rate | Effective Interest Rate | Gross Balance | Unamortized Debt Discount | Unamortized Deferred Debt Issuance Costs | Discount on Note Payable | Net Carrying Value |
| Lender | | | | | | | |
| Stifel Bank | 4.50% | 6.50% | \$ 15,000 | \$ (96) | \$ (574) | \$ — | \$ 14,330 |
| Orix Growth Capital, LLC | 10.00% | 12.13% | 30,000 | (349) | (608) | — | 29,043 |
| InfoArmor | 5.50% | 5.50% | 3,281 | — | — | (213) | 3,068 |
| PIPE Investors | 5.00% | 5.00% | 5,032 | — | — | — | 5,032 |
| | | | <u>\$ 53,313</u> | <u>\$ (445)</u> | <u>\$ (1,182)</u> | <u>\$ (213)</u> | <u>\$ 51,473</u> |
| Current portion of long-term debt | | | | | | | \$ 5,970 |
| Long-term debt | | | | | | | 45,503 |
| | | | | | | | <u>\$ 51,473</u> |

Orix Note

On January 7, 2021, the Predecessor entered into a loan and security agreement with Orix Growth Capital, LCC (Orix) for \$30.0 million, which is subordinated to the Stifel loan and is collateralized by substantially all of the assets of the Company. In conjunction with the loan and security agreement, warrants were issued to Orix (see Note 11 for discussion of warrants). The loan and security agreement provided for an immediate advance, upon loan closing, of \$20.0 million, which the Company drew in full. The remaining \$10.0 million shall be made in no more than three disbursements in increments of at least \$2.5 million any time after March 31, 2021 and before March 31, 2022, as selected by ZeroFox. Advances under the agreement pay cash interest monthly at 10.00% per annum. The loan matures and all unpaid principal and interest is due in full on January 7, 2026. The loan also carries an end of term clause equal to 3% of the total amount borrowed if repaid on or before January 7, 2023, or 2% if repaid thereafter and prior to the maturity date.

On February 10, 2022, the Predecessor amended its loan and security agreement with Orix. From the amended loan and security agreement with Orix, in February 2022, the Predecessor borrowed \$7.5 million, from which it received approximately \$7.4 million of proceeds net of issuance cost of \$0.1 million, and issued 161,112 warrants to purchase Series E redeemable convertible preferred stock at an exercise price of \$1.86205. The cumulative outstanding principal of the loan was \$37.5 million.

In connection with the Business Combination, the Company repaid the amounts due to Orix in full totaling \$38.7 million, including a prepayment penalty of \$1.2 million. The Company recognized the prepayment penalty in interest expense, net on the Consolidated Statement of Comprehensive Loss in the Successor Period.

The terms of the loan and security agreements with Orix included financial covenants whereby the Predecessor must be in compliance with the following: a) at any time, the ratio of Total Debt (as defined in the loan and security agreements) to Annual Recurring Revenue ("ARR") (as defined in the loan and security agreements) shall not be more than 1.00:1.00, and b) the Predecessor shall maintain a minimum ARR, which increases over time, as defined in the loan and security agreements, measured as of the last day of each quarter. The Predecessor was in compliance with its financial covenants as of August 3, 2022.

Bridge Notes

In December of 2021, the Predecessor issued \$5.0 million in bridge notes (\$4.8 million of which were issued to related parties) to certain investors "PIPE Investors" in the potential PIPE (see Note 16). The bridge notes accrue interest at 5% per annum (computed on the basis of a 365-day year), which is paid-in-kind as an addition to the principal balance of the bridge notes. The bridge notes are due at the earlier of the twelve-month anniversary of their issuance or the closing of the respective PIPE. Upon the closing of a PIPE, the bridge note holder may direct the Predecessor to satisfy its payment obligations under the bridge note by paying the holder/investor's obligation under the PIPE.

In connection with the Business Combination, the notes and accrued interest owed to PIPE Investors were settled. The interest accrued through the date of the Business Combination of \$0.2 million was paid to the PIPE Investors note holders in cash. The principal value of the related notes owed by the Predecessor of \$5.0 million was offset against obligations the note holders had with the Company as part of the PIPE Subscription Agreement. The Company included the \$5.0 million as part of the purchase price paid to complete the ZF Merger (see Note 5).

Stifel Note

On January 7, 2021, the Predecessor entered into a loan and security agreement with Stifel Bank ("Stifel") for \$10.0 million, which is collateralized by substantially all of the assets of the Predecessor. In conjunction with the loan and security agreement, warrants were issued to Stifel (see Note 11 for discussion of warrants). The loan and security agreement provided for an immediate advance, upon loan closing, of \$10.0 million, which the Predecessor drew in full. Advances under the agreement pay cash interest monthly at the greater of the prime rate as reported in the Wall Street Journal plus 1.00%, or 4.50% per annum. If any loan payment is not made within 10 days of the payment due date, the Predecessor will incur a late fee equal to the lesser of (i) 5.00% of the unpaid amount or (ii) the maximum amount permitted to be charged under applicable law, not in any case to be less than twenty-five dollars. The loan matures and all unpaid principal and interest is due in full on January 7, 2024.

The loan and security agreement with Stifel contains a provision whereby, in the Event of Default, the obligation will bear additional interest at a rate equal to 4%. Management evaluated Events of Default and determined the non-credit related events of default represent an embedded derivative that must be bifurcated and accounted for separately from the loan and security agreement. The default rate derivative is treated as a liability, initially measured at fair value with subsequent changes in fair value recorded in earnings. Management has assessed the

probability of occurrence for a non-credit default event and determined the likelihood of a referenced event to be remote. Therefore, the estimated fair value of the default rate derivative was negligible as of January 31, 2023 and 2022, and no amount was recorded.

The terms of the loan and security agreement Stifel include financial covenants whereby the Predecessor must be in compliance with the following: a) at any time, the ratio of Total Debt (as defined in the loan and security agreements) to Annual Recurring Revenue ("ARR") (as defined in the loan and security agreements) shall not be more than 1.0:1.0, and b) the Predecessor shall maintain a minimum ARR, which increases over time, as defined in the loan and security agreements, measured as of the last day of each quarter.

On December 8, 2021, the Predecessor amended its loan and security agreement with Stifel. The amendment reset the minimum ARR covenant for future periods and provided for an additional borrowing of \$5.0 million, for which the Company borrowed \$5.0 million in December 2021 and issued 161,113 warrants to purchase Series E redeemable convertible preferred stock at an exercise price of \$1.86205. As of January 31, 2023, the outstanding principal of the loan includes \$15.0 million of principal borrowed.

In connection with the Business Combination, the Company amended its loan and security agreement with Stifel Bank. The amendment superseded the financial covenants with which the Company must be in compliance. The amended financial covenants include the following commitments: a) a balance of cash held at Stifel Bank in an amount equal to or greater than the amount of outstanding debt and b) minimum liquidity (as defined in the loan and security agreement). The Company was in compliance with its financial covenants as of January 31, 2023.

In connection with the Business Combination, the Company recorded the debt outstanding with Stifel Bank at fair value. The Company determined the fair value of these notes to be the principal value and accrued interest outstanding at the date of the Business Combination

The loan with Stifel Bank is secured by all assets of the Company.

InfoArmor Note

On June 7, 2021, the Predecessor issued a \$3.8 million promissory note payable to InfoArmor, Inc. in connection with its acquisition of Vigilante. The promissory note accrues interest at 5.5% per annum (computed on the basis of a 365 day year). Principal and interest payments of \$0.2 million are paid quarterly over the four-year term of the loan maturing on June 7, 2025. As of January 31, 2023, \$0.9 million was recorded in current portion of long-term debt in the consolidated financial statements.

In connection with the Business Combination, the Company recorded the debt outstanding with InfoArmor at fair value. The Company determined the fair value of these notes to be the principal value and accrued interest outstanding at the date of the Business Combination.

The loan with InfoArmor is unsecured.

Convertible Notes

On August 3, 2022, the Company closed subscription agreements with certain purchasers to sell \$150.0 million aggregate principal amount of unsecured convertible notes due 2025 (the Convertible Notes). In connection with the Business Combination, the Company completed the Convertible Notes financing of \$150.0 million.

The Convertible Notes include a cash interest option of 7% per annum, payable quarterly, and a payment-in-kind (PIK) interest option of 8.75% per annum. The Convertible Notes include a default rate of interest feature. In the event of default by the Company, the rate of interest will be increased by 2.00% per annum. The Convertible Notes are convertible into shares of Company Common Stock, or a combination of cash and Company Common Stock, at the Company's election, at an initial conversion price of \$11.50, subject to customary anti-dilution provisions. The Convertible Notes mature on August 3, 2025.

The Company may, at its election, force conversion of the Convertible Notes after the first anniversary of their issuance if the volume-weighted average trading price of the Company's Common Stock is greater than or equal to 150% of the conversion price for more than 20 trading days during a period of 30 consecutive trading days. After the second anniversary of their issuance this provision drops to greater than or equal to 130% of the conversion price for more than 20 trading days during a period of 30 consecutive trading dates. In the event that a holder of the Convertible Notes elect to convert, the Company will be obligated to pay an amount equal to outstanding principal and interest (accrued and unpaid), at the initial conversion rate of 86.9565 shares of Common Stock per \$1,000 of outstanding principal and accrued interest.

Each holder of a Note will have the right to cause the Company to repurchase for cash all or a portion of the Convertible Notes held by such holder upon the occurrence of a fundamental change (as defined in the indenture governing the Convertible Notes), at a price equal to 100% of the principal plus accrued and unpaid interest, plus any remaining amounts that would be owed to, but excluding, the maturity date. In the event of a conversion in connection with a Fundamental Change, the conversion price will be adjusted in accordance with a Fundamental Change make-whole table. The Company analyzed the features of the make-whole table and concluded that it did not require bifurcation pursuant to ASC 815 as the variables that could affect the settlement amount would be inputs to a fixed-for-fixed forward option on equity shares and as such, may be considered indexed to the Company's own equity.

At January 31, 2023, the net carrying amount of the Convertible Notes of \$156.4 million (reflected as long term debt on the Consolidated Balance Sheet) compares to the fair value of \$97.2 million. The fair value of the Convertible Notes is categorized as a Level 3 liability in the fair value hierarchy.

11: Warrants

ZeroFox Holdings, Inc. Public Warrants and Private Warrants

At January 31, 2023, there were 8,625,000 Public Warrants and 7,588,430 Private Warrants outstanding. The Public Warrants became exercisable on September 2, 2022 which was 30 days after the completion of the Business Combination. The Public Warrants will expire five years from the completion of the Business Combination or earlier upon redemption or liquidation.

Redemption Features

The Company may redeem the entirety of outstanding warrants (except as described with respect to the Private Warrants) at a price of \$0.01 per warrant, with a minimum 30 days prior written notice of redemption, if the closing price of the share of Company Common Stock equals or exceeds \$18.00 per share for any 20 trading days within a 30-trading day period.

The Company may redeem the entirety of outstanding warrants (except as described with respect to the Private Warrants) at a price of \$0.10 per warrant, with a minimum 30 days prior written notice of redemption, if the closing price of the share of Company Common Stock equals or exceeds \$10.00 per share for any 20 trading days within a 30-trading day period.

If the Company calls the Public Warrants for redemption, as described above, management will have the option to require any holder that wishes to exercise the Public Warrants to do so on a "cashless basis," as described in the warrant agreement. The exercise price and number of shares of Company Common Stock issuable upon exercise of the Public Warrants may be adjusted in certain circumstances including in the event of a share dividend, extraordinary dividend or recapitalization, reorganization, merger or consolidation. The Public Warrants will not be adjusted for the issuance of shares of Company Common Stock at a price below its exercise price. Additionally, in no event will the Company be required to net cash settle the Public Warrants.

The Private Warrants are identical to the Public Warrants except for certain features. The Private Warrants will be exercisable on a cashless basis and be non-redeemable, except as described above, so long as they are held by

the initial purchasers or their permitted transferees. If the Private Warrants are held by someone other than the initial purchasers or their permitted transferees, the Private Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants. Further, in accordance with FINRA Rule 5110(g)(8)(A), the Private Warrants purchased by one of the initial purchasers will not be exercisable for more than five years from the effective date of the registration statement filed in connection with the Company's Initial Public Offering for so long as they are held by such initial purchaser.

Fair Value of ZeroFox Holdings, Inc. Public Warrants and Private Warrants

The Company analyzed the rights and features of the Public Warrants and Private Warrants to determine the appropriate fair value estimation approach. Both the public and private warrants give the holder the option to purchase one share of Company Common Stock at a strike price of \$11.50. The Company's Public Warrants are traded on NASDAQ under the ticker "ZFOXW" providing an observable price for the warrants. Accordingly, the Company uses the closing price of the Public Warrants on the balance sheet date as an indicator of their fair value. Although the Private Warrants are not subject to the same early redemption feature as the Public Warrants and are not publicly traded, the Private Warrants are subject to the same make-whole provisions as the Public Warrants if not held by the initial purchaser or permitted transferee and as such, are considered economically similar to the Public Warrants. As such, the Company uses the same indicator of fair value as the Public Warrants for the Private Warrants.

The closing price for the Company's Public Warrants as of August 3, 2022, was \$0.49 per warrant, resulting in an initial fair value of \$4.2 million and \$3.7 million for the Public Warrants and Private Warrants, respectively.

The public closing price for the Company's Public Warrants as of January 31, 2023, was \$0.16 per warrant, resulting in a fair value of \$1.4 million and \$1.2 million for the Public Warrants and Private Warrants, respectively.

The Company recorded the change in the fair value of both the Public Warrants and Private warrants to change in fair value of warrant liability on the Consolidated Statement of Comprehensive Loss.

Predecessor Warrants

In conjunction with the SLWF II loan issued on June 1, 2017, SLWF II received a warrant to purchase 1,924,790 shares of common stock. The warrant expires on June 1, 2027. The warrant is exercisable at an exercise price of the lesser of (i) \$0.20 or (ii) the lowest value of a share of the Predecessor's common stock as determined by any future Section 409(A) valuation. The warrant contains a provision stating that if a Qualified Financing (as defined in the warrant agreement) occurs, the holder may elect to convert the warrant into a warrant to purchase the Future Round Securities issued in the Qualified Financing. As of the date the financial statements were available to be issued, this provision had not been executed.

In conjunction with the Hercules loan issued on June 26, 2019, Hercules is entitled to receive an aggregate number of Preferred Stock warrants equal to 4.00% of the applicable term advance divided by either (i) the "Next Round" preferred stock price, if completed by July 31, 2020 or (ii) the C-1 preferred stock price of \$1.23. The Predecessor did not meet the Next Round milestone; therefore, Hercules received a warrant to purchase 487,805 shares of C-1 preferred stock. The warrant expires on June 26, 2029. On May 7, 2021, in conjunction with the amendment to the Hercules loan and security agreement and the immediate advance of \$5.0 million, Hercules received a warrant to purchase 160,546 shares of C-1 preferred stock with the same terms as the warrants issued on June 26, 2020.

In conjunction with the Stifel loan issued on January 7, 2021, Stifel received a warrant to purchase 107,408 shares of Series E preferred stock for an exercise price of \$1.86 per share. The Series E preferred warrant expires on January 7, 2031. In connection with the Stifel amendment on December 8, 2021, Stifel received a warrant to purchase 161,113 shares of Series E preferred stock for an exercise price of \$1.86 per share. The Series E preferred warrant expires on December 8, 2031. The fair value of the Series E preferred warrants was \$0.9 million as of January 31, 2022.

In conjunction with the Orix loan issued on January 7, 2021, Orix received a warrant to purchase 644,451 shares of Series E preferred stock for an exercise price of \$1.86 per share. The Series E preferred warrant expires on January 7, 2031. The fair value of the Series E preferred warrant was \$2.0 million as of January 31, 2022.

The exercise prices for the Series E preferred warrants are subject to anti-dilution adjustments in certain circumstances, including upon certain issuances of capital stock.

Warrants to purchase 124,903 shares of Series A preferred stock and warrants to purchase 146,341 shares of Series B preferred stock were outstanding at January 31, 2022 and 2021. The Series A preferred warrant expires on May 22, 2025, and the Series B preferred warrant expires on September 1, 2026.

The fair values of the Predecessor's warrants issued before July 8, 2021 are determined using the Black-Scholes model. After July 8, 2021, as a result of the potential merger with a SPAC, the Predecessor began utilizing a Probability-Weighted Expected Return Method ("PWERM") to determine the fair value of the Company's warrants issued. The Predecessor utilized a PWERM relying on (1) a Black-Scholes-Merton model to value a continued operations scenario where the Predecessor remained a private entity (the "Stay Private Scenario") and (2) a transaction scenario that reflected the merger with a SPAC (the "Transaction Scenario").

In February 2022, along with the amendment to the loan and security agreement with Orix, the Predecessor issued 161,112 warrants to purchase Predecessor Series E redeemable convertible preferred stock at an exercise price of \$1.86205.

On July 28, 2022, the holder of Series C-1 warrants exercised its right to purchase Predecessor redeemable convertible preferred shares. The holder elected to net exercise its warrants resulting in the issuance of 506,490 shares of Predecessor Series C-1 redeemable convertible preferred shares.

On July 29, 2022, a holder of Series E warrants exercised its right to purchase Predecessor redeemable convertible preferred shares. The holder elected to net exercise its warrants resulting in the issuance of 539,576 shares of Predecessor Series E redeemable convertible preferred shares.

Upon completion of the Business Combination, the outstanding Predecessor Warrants were assumed by the Company and converted into warrants to purchase Company Common Stock using the Exchange Ratio (see Note 5). The exercise price of each Predecessor Warrant was similarly adjusted using the Exchange Ratio. Details of the Predecessor Warrants are as follows:

| <u>Underlying Predecessor Security</u> | <u>Predecessor Warrants Outstanding on August 3, 2022</u> | <u>Converted to Warrants to Purchase ZeroFox Holdings, Inc. Common Stock</u> | <u>As Converted Exercise Price per Warrant</u> | <u>Shares of ZeroFox Holdings, Inc. Common Stock following Net Exercise</u> |
|--|---|--|--|---|
| Series A | 124,903 | 71,514 | \$ 2.24 | 66,068 |
| Series B | 146,341 | 83,788 | \$ 2.87 | 75,585 |
| Common | 1,924,790 | 551,022 | \$ 0.70 | 524,236 |
| Series E | 268,521 | 153,741 | \$ 6.50 | 119,018 |
| | | <u>860,065</u> | | <u>784,907</u> |

On August 5, 2022, and August 8, 2022, holders of Predecessor Warrants elected to exercise their warrants on a net basis. The Company applied the treasury stock method to the net exercise. The net exercise resulted in the Company issuing 784,907 shares of Company Common Stock for the Predecessor Warrants. As of January 31, 2023, all Predecessor Warrants have been exercised.

Fair Value of Predecessor Warrants

The initial fair values of the Predecessor Warrants were determined using a Black-Scholes model. The assumptions used in estimating the fair values of the Predecessor's warrants at issuance are as follows:

| Assumptions | At Issuance | | | | |
|--|--|---------------------|-----------------|-------------------|-------------------|
| | Series E Warrants | Series C-1 Warrants | Common Warrants | Series B Warrants | Series A Warrants |
| Initial Valuation Date: | February 10, 2022, December 8, 2021 & January 27, 2021 | June 26, 2019 | June 1, 2017 | September 1, 2016 | May 22, 2015 |
| Exercise price of the warrant | \$ 1.86205 | \$ 1.23390 | \$ 0.20000 | \$ 0.82200 | \$ 0.64050 |
| Expected term of the warrant (in years) | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| Price of the underlying share - stay private | \$ 2.20 - \$3.79 | \$ 1.25 | \$ 0.20 | \$ 0.82 | \$ 0.74 |
| Volatility | 36.38% - 40.64% | 51.90% | 60.00% | 60.41% | 66.74% |
| Risk-free rate | 0.87% - 2.03% | 2.05% | 2.21% | 1.57% | 2.21% |

As a result of the potential Business Combination (see Note 5), the Predecessor began utilizing a Probability-Weighted Expected Return Method ("PWERM") to determine the fair value of the Predecessor Warrants. The Predecessor utilized a PWERM relying on (1) a Black-Scholes model to value continued operations scenario where the Predecessor remained a private entity and (2) a transaction scenario that reflected the Business Combination.

The assumptions used in estimating the fair values of the Predecessor Warrants as of January 31, 2022, the final balance sheet presented that utilized the Predecessor's PWERM method, are as follows:

| Assumptions | January 31, 2022 | | | | |
|--|-------------------|---------------------|-----------------|-------------------|-------------------|
| | Series E Warrants | Series C-1 Warrants | Common Warrants | Series B Warrants | Series A Warrants |
| Exercise price of the warrant | \$ 1.86205 | \$ 1.23390 | \$ 0.20000 | \$ 0.82200 | \$ 0.64050 |
| Price of the underlying share - stay private | \$ 2.94 | \$ 2.76 | \$ 1.85 | \$ 3.70 | \$ 3.70 |
| Volatility | 36.71% | 36.95% | 38.11% | 39.30% | 44.69% |
| Risk-free rate | 1.78% | 1.77% | 1.64% | 1.57% | 1.42% |
| Price of the underlying share after conversion | \$ 5.64 | \$ 5.64 | \$ 2.82 | \$ 5.64 | \$ 5.64 |
| Expected term of the warrant (in years) | 0.4 - 9.9 | 0.4 - 8.2 | 0.4 - 5.3 | 0.4 - 4.6 | 0.4 - 3.3 |
| Fair value | \$ 3.20 | \$ 3.71 | \$ 2.21 | \$ 4.05 | \$ 4.21 |
| Number of warrants | 912,972 | 648,350 | 1,924,790 | 146,341 | 124,903 |
| Liability (in thousands) | \$ 2,922 | \$ 2,408 | \$ 4,260 | \$ 593 | \$ 526 |

Upon completion of the Business Combination, the outstanding Predecessor Warrants were assumed by the Company and converted into warrants to purchase Common Stock of the Company. For the purposes of estimating the fair value of the Predecessor Warrants, the Company estimated the fair value of each warrant as the closing price per share of the Company's Common Stock (ZFOX) on August 3, 2022, less the exercise price per warrant. The table below illustrates the fair value estimate for each set of Predecessor Warrants:

| Underlying Predecessor Security | As Converted Exercise Price per Warrant | Converted to Warrants to Purchase ZeroFox Holdings, Inc. Common Stock | Estimated Fair Value per Warrant | Aggregate Estimated Fair Value (in thousands) |
|---------------------------------|---|---|----------------------------------|---|
| Series A | \$ 2.24 | 71,514 | \$ 8.71 | \$ 623 |
| Series B | \$ 2.87 | 83,788 | \$ 8.08 | 677 |
| Common | \$ 0.70 | 551,022 | \$ 10.25 | 5,648 |
| Series E | \$ 6.50 | 153,741 | \$ 4.45 | 684 |
| | | 860,065 | | \$ 7,632 |

The fair value of the Predecessor Warrants was recognized as a liability at fair value as part of the accounting for the ZF Merger (see Note 5).

12: Sponsor Earnout Shares

The sponsor and certain directors of L&F agreed, upon closing of the Business Combination, to subject 1,293,750 of their shares (Sponsor Earnout Shares) of Company Common Stock to potential forfeiture if triggering events do not occur during the earnout period. The earnout period begins on the Closing Date of the Business Combination, August 3, 2022, and extends to the five-year anniversary of the Closing Date. There are three triggers where, upon achievement of the trigger, one third of the Sponsor Earnout Shares are deemed earned and no longer subject to forfeiture. The three triggers are:

1. Triggering event I - the first date on which the volume-weighted average price per share of Company Common Stock is equal to or greater than \$12.50 for at least 20 days within any 30 consecutive trading days,
2. Triggering event II - the first date on which the volume-weighted average price per share of Company Common Stock is equal to or greater than \$15.00 for at least 20 days within any 30 consecutive trading days, and
3. Triggering event III - the first date on which the volume-weighted average price per share of Company Common Stock is equal to or greater than \$17.50 for at least 20 days within any 30 consecutive trading days.

In the case of a change of control of the Company, the triggering events above will be considered met if the shareholders of the Company receive cash, securities, or other assets per share that equal or exceed the price targets described above.

From the Closing date to January 31, 2023, no triggering events had been achieved.

Sponsor Earnout Shares Fair Value

The Company performed Monte Carlo simulations to estimate the achievement of each of the triggering events, the volume-weighted average stock price at the estimated time at which the triggering events were achieved, and the duration of time required to achieve the triggering events. From the Monte Carlo results, the Company calculated an average, discounted fair value per share of each of the one-third tranches of Sponsor Earnout Shares subject to potential forfeiture. The table below documents the Monte Carlo assumptions, inputs, and the fair value results at each balance sheet date:

| | January 31, 2023 | August 3, 2022 |
|---|---------------------|-------------------|
| Per Share Price of Company Common Stock | \$ 3.62 | \$ 10.95 |
| Annual Equity Volatility | 65.00% | 50.00% |
| Risk-Free Rate of Return | 3.70% | 2.86% |
| Fair Value per Share Tranche I | \$ 2.12 | \$ 10.06 |
| Fair Value per Share Tranche II | \$ 1.88 | \$ 9.32 |
| Fair Value per Share Tranche III | \$ 1.67 | \$ 8.63 |
| Aggregate Fair Value (in thousands) | \$ 2,445 | \$12,079 |

The Company recognized the initial liability of \$12.1 million as part of the closing of the Business Combination, with an offset to opening retained earnings. The Company recognized the liability as part of the Business Combination as the potential forfeiture mechanism of the Sponsor Earnout Shares only became effective as a direct result of the successful closing of the Business Combination. The Company recorded the change in the fair market value of the Sponsor Earnout Shares to change in fair market value of Sponsor Earnout Shares on the Consolidated Statement of Comprehensive Loss.

13: Common Stock, Redeemable Convertible Preferred Stock, and Stockholders' Equity (Deficit)

The authorized capital stock of the Company consists of 1,100,000,000 shares of stock, \$0.0001 par value per share, of which 1,000,000,000 shares are designated as Common Stock and 100,000,000 shares are designated as Preferred Stock.

Common Stock

The Company has issued and outstanding 118,190,135 shares of Common Stock as of January 31, 2023. Holders of Common Stock are entitled to one vote for each share.

Dividend Rights

Subject to the preferences that may apply to any shares of the Company's preferred stock outstanding at the time, the holders of Common Stock will be entitled to receive dividends, out of funds legally available for the payment of dividends, if the Board of Directors, in its discretion, authorizes the issuance of dividends. The Company's Board of Directors has not declared any dividends related to Company Common Stock as of January 31, 2023, and through the date these financial statements were available to be issued.

Right to Receive Liquidation Distributions

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

Preferred Stock

The Board of Directors of the Company has not issued any classes or series of preferred stock as of January 31, 2023, and through the date these financial statements were available to be issued.

The Board of Directors of the Company is authorized, subject to limitations prescribed by law, to issue preferred stock in one or more series, to establish the number of shares to be included in each series, and to fix the designation, powers, preferences, voting power, and conversion rights of the shares of each series without further vote or action by the Company's stockholders. The Board of Directors is empowered to increase or decrease the number of shares of any series of the Company's Preferred Stock, but not below the number of shares of that series then outstanding, without any further vote or action by the Company's stockholders.

The Predecessor's capital structure includes the following classes of securities:

Predecessor Common Stock

The Predecessor's common stock contains the following rights:

Liquidation Rights — In the event of any liquidation or dissolution of the Predecessor ("Liquidation Event"), the holders of predecessor's common stock are entitled to the remaining assets of the Predecessor legally available for distribution after the payment of the full liquidation preference for all series of the Predecessor's outstanding redeemable convertible preferred stock ("Preferred Stock").

Dividends and Voting Rights — The holders of the Predecessor's common stock are entitled to receive dividends if declared by the Predecessor, but not until all dividends on all series of the Predecessor's redeemable convertible preferred stock have been either paid or declared and segregated. Holders of the Predecessor's common stock have the right to one vote per share.

Predecessor Redeemable Convertible Preferred Stock

The Company's redeemable convertible preferred stock consists of (in thousands, except share data):

| | Predecessor | | | |
|---|---------------------------------------|-------------------|----------------------------------|-------------------|
| | February 1, 2022 to August 3, 2022 | | Year Ended January 31, 2022 | |
| | Shares Issued and Outstanding | Amount | Shares Issued and Outstanding | Amount |
| Convertible preferred stock—Series E, \$0.00001 par value—authorized 19,033,653 shares; (liquidation preference \$28,354,249) | 15,767,013 | \$ 36,291 | 15,227,437 | \$ 33,248 |
| Convertible preferred stock—Series D, \$0.00001 par value—authorized 14,833,942 shares; (liquidation preference \$21,222,496) | 13,871,547 | 21,067 | 13,871,547 | 21,067 |
| Convertible preferred stock—Series D-2, \$0.00001 par value—authorized 993,868 shares (liquidation preference \$1,216,439) | 993,868 | 1,451 | 993,868 | 1,451 |
| Convertible preferred stock—Series D-1, \$0.00001 par value—authorized shares 5,878,303 (liquidation preference \$8,094,053) | 5,878,303 | 8,171 | 5,878,303 | 8,171 |
| Convertible preferred stock—Series C-1, \$0.00001 par value—authorized 16,208,756 shares (liquidation preference \$14,037,000) | 11,882,605 | 16,836 | 11,376,115 | 13,979 |
| Convertible preferred stock—Series C, \$0.00001 par value—authorized 21,124,700 shares (liquidation preference \$19,999,999) | 21,124,699 | 19,899 | 21,124,699 | 19,899 |
| Convertible preferred stock—Series B, \$0.00001 par value—authorized 26,914,949 shares (liquidation preference \$22,124,088) | 26,914,949 | 22,047 | 26,914,949 | 22,047 |
| Convertible preferred stock—Series A, \$0.00001 par value—authorized 16,122,188 shares (liquidation preference \$10,246,261) | 15,997,285 | 10,159 | 15,997,285 | 10,159 |
| Convertible preferred stock—Series seed, \$0.00001 par value—authorized 9,198,372 shares (liquidation preference \$2,285,795) | 9,198,372 | 2,208 | 9,198,372 | 2,208 |
| | <u>121,628,641</u> | <u>\$ 138,129</u> | <u>120,582,575</u> | <u>\$ 132,229</u> |

Predecessor Redeemable convertible preferred stock — Series E — In September 2020, in connection with the Cyveillance Acquisition, the Predecessor issued 8,110,058 shares of Series E Predecessor redeemable convertible preferred stock ("Series E") with a fair value of \$2.09 per share. As a result of these shares being issued the Predecessor incurred issuance costs of \$0.1 million. The difference between the carrying value of Series E and the liquidation preference of Series E, as defined below, is equal to the issuance costs. Such difference is not being accreted as Series E is not mandatorily redeemable, and the Predecessor did not believe that a deemed liquidation event was probable of occurring. Subsequent to September 2020, an additional 7,117,379 shares of Series E redeemable convertible preferred stock were issued with an aggregate fair value totaling approximately \$16.4 million.

Predecessor Redeemable convertible preferred stock — Series D, Series D-1, and Series D-2 — In December 2019, the Predecessor issued 13,871,547 shares of Series D Predecessor redeemable convertible preferred stock ("Series D") at \$1.529930 per share for aggregate proceeds of \$21.2 million, less issuance costs of \$0.2 million. The difference between the carrying value of Series D and the liquidation preference of Series D, as defined

below, is equal to the issuance costs. Such difference is not being accreted as Series D is not mandatorily redeemable, and the Predecessor did not believe that a deemed liquidation event was probable of occurring.

The sale of Series D on December 20, 2019 triggered the automatic redemption of the convertible notes. The outstanding principal and accrued interest on the notes payable of \$8.6 million was redeemed for 5,878,303 shares of Series D-1 with a fair value per share of \$1.39 and 993,868 shares of Series D-2 with a fair value per share of \$1.46. Therefore, as a result of the redemption, the Predecessor recorded redeemable convertible Series D-1 preferred stock of \$8.2 million and redeemable convertible Series D-2 preferred stock of \$1.5 million. The difference between the value of the Series D-1 and Series D-2 redeemable convertible preferred stock recorded of \$9.6 million and the outstanding principal and accrued interest on the notes payable of \$8.6 million was equal to \$1.1 million, which was recorded as a loss on debt extinguishment.

Predecessor Redeemable convertible preferred stock — Series C-1 — In May 2018, the Predecessor issued 11,376,115 shares of Series C-1 Predecessor redeemable convertible preferred stock (“Series C-1”) at \$1.233901 per share for aggregate proceeds of \$14.0 million, less issuance costs of \$0.1 million. The difference between the carrying value of Series C-1 and the liquidation preference of Series C-1, as defined below, is equal to the issuance costs. Such difference is not being accreted as Series C-1 is not mandatorily redeemable, and the Predecessor did not believe that a deemed liquidation event was probable of occurring.

Predecessor Redeemable convertible preferred stock — Series C — In April 2017, the Predecessor issued 21,124,699 shares of Series C Predecessor redeemable convertible preferred stock (“Series C”) at \$0.946759 per share for aggregate proceeds of \$20.0 million, less issuance costs of \$0.1 million. The difference between the carrying value of Series C and the liquidation preference of Series C, as defined below, is equal to the issuance costs. Such difference is not being accreted as Series C is not mandatorily redeemable, and the Predecessor did not believe that a deemed liquidation event was probable of occurring.

Predecessor Redeemable convertible preferred stock — Series B — In November 2015, the Predecessor issued 25,176,396 shares of Series B Predecessor redeemable convertible preferred stock (“Series B”) at \$0.822 per share for aggregate proceeds of \$20.7 million, less issuance costs of \$0.1 million. The difference between the carrying value of Series B and the liquidation preference of Series B, as defined below, is equal to the issuance costs. Such difference is not being accreted as Series B is not mandatorily redeemable, and the Predecessor did not believe that a deemed liquidation event was probable of occurring.

The sale of Series B on November 20, 2015, triggered the redemption of outstanding convertible notes payable held by several strategic investors of the Predecessor. The outstanding principal and accrued interest on the notes payable totaled \$1.3 million, which was converted into 1,738,553 shares of Series B, with a value of \$1.4 million. The difference of \$0.1 million represents, on average, a 6.2% discount on the selling price of Series B as required under the provisions of the convertible notes payable. The value of the discount was recognized on the date of the conversion.

Predecessor Redeemable convertible preferred stock — Series A — In April 2014, the Predecessor issued 15,997,285 shares of Series A Predecessor redeemable convertible preferred stock (“Series A”) at \$0.6405 per share for aggregate proceeds of \$10.2 million, less issuance costs of \$0.1 million. The difference between the carrying value of Series A and the liquidation preference of Series A, as defined below, is equal to the issuance cost. Such difference not being accreted as Series A is not mandatorily redeemable and the Predecessor did not believe that a deemed liquidation event was probable of occurring.

Predecessor Series E, Series D-2, Series D-1, Series D, Series C-1, Series C, Series B, and Series A (*collectively the “Series Preferred”*) contain the following rights:

Conversion and Redemption Provisions — Series Preferred is mandatorily convertible upon either a Qualified IPO, which is defined in the Predecessor’s certificate of incorporation as the closing of the sale of shares of

Predecessor Common Stock to the public at a price of at least five (5) times the Predecessor Series D Original Issue Price (defined in the Predecessor's certificate of incorporation as \$1.529930 per share, subject to adjustment based on the occurrence of certain events) in a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, resulting in at least \$30,000,000 of proceeds, net of the underwriting discount and commissions, to the Predecessor or the vote of the holders of a majority of the Series Preferred and Series Seed and the vote of a majority of the Series D, Series D-1 and Series D-2. The requisite holders approved the mandatory conversion of the Series Preferred by written consent on December 18, 2021. The holders of the Predecessor's Series Preferred are entitled to convert their shares into Predecessor common stock on demand. The number of shares of Predecessor common stock issued upon conversion is determined based on the number of converted Series Preferred and the conversion ratio. The conversion ratio is calculated by dividing the original issue price by the conversion price then in effect. The conversion price can be adjusted based on the occurrence of certain events, as defined in the certificate of incorporation. The table below depicts the original issue date, original issue price, conversion price, and conversion ratio, including all changes to conversion prices and conversion ratios from each Series Preferred original issue date through January 31, 2022.

| Predecessor Preferred Stock Series | Original Issue Date | Effective Date of Conversion Price | Original Issue Price | Conversion Price | Conversion Ratio |
|---|----------------------------|---|-----------------------------|-------------------------|-------------------------|
| Series A | April 14, 2014 | November 20, 2015 | \$ 0.640 | \$ 0.320 | 2.0 |
| Series B | November 20, 2015 | November 20, 2015 | \$ 0.822 | \$ 0.411 | 2.0 |
| Series C | April 26, 2017 | April 26, 2017 | \$ 0.947 | \$ 0.473 | 2.0 |
| Series C-1 | May 31, 2018 | May 31, 2018 | \$ 1.234 | \$ 0.617 | 2.0 |
| Series D | December 20, 2019 | December 20, 2019 | \$ 1.530 | \$ 0.765 | 2.0 |
| Series D-1 | December 20, 2019 | December 20, 2019 | \$ 1.224 | \$ 0.612 | 2.0 |
| Series D-2 | December 20, 2019 | December 20, 2019 | \$ 1.377 | \$ 0.688 | 2.0 |
| Series E | September 30, 2020 | September 30, 2020 | \$ 1.862 | \$ 0.931 | 2.0 |

The Series Preferred is not mandatorily redeemable. The Series Preferred is contingently redeemable upon the occurrence of a deemed liquidation event and a majority vote of the holders of Series Preferred and Series Seed to redeem all outstanding shares of the Predecessor's redeemable convertible preferred stock. The contingent redemption upon the occurrence of a deemed liquidation is not within the Predecessor's control and therefore the Series Preferred is classified outside of permanent equity in mezzanine equity on the Predecessor's Consolidated Balance Sheet.

Liquidation Rights — In the event of any liquidation, the holders of shares of Series Preferred shall be entitled to be paid, on a pari passu basis, an amount per share equal to the original issue price, plus all declared but unpaid dividends prior to the payment of the liquidation preference for the holders of Series Seed or any distribution to holders of the Predecessor's common stock.

Dividends — The holders of Predecessor's Series Preferred are entitled to receive noncumulative dividends in the amount of 8% of the original issuance price if, and only if, declared by the Board. The holders of Series Preferred, prior to, and in preference to, any dividends paid on Series Seed and common stock. Holders of Series Preferred are entitled to receive dividends on an as-if-converted basis at the same rate as common stockholders, if and when dividends are declared, and are entitled to a number of votes per share equal to the number of shares of common stock into which such shares are convertible. As of January 31, 2022, no dividends have been declared or paid.

Voting Rights — Voting rights are consistent with the rights of holders of common stock, except for special rights to approve certain Predecessor actions or appoint a member of the Board, except as otherwise required by law.

Predecessor Redeemable convertible preferred stock — Series Seed — On June 21, 2013, the Predecessor issued 7,645,871 shares of Series Seed at \$0.2485 per share for aggregate proceeds of \$1.9 million, less offering

costs of \$0.1 million. One of the investors who purchased Series Seed on June 21, 2013, also received a warrant, at no additional cost, to acquire an additional 115,000 shares of Series Seed at \$0.01 per share. The cash proceeds received on the initial sale of Series Seed were first allocated to the fair value of the warrant issued and recorded as a warrant liability in the amount of \$0.03 million, with the remainder of the cash proceeds, totaling \$1.9 million, allocated to the carrying value of Series Seed.

The sale of Series Seed on June 21, 2013, triggered the redemption of outstanding convertible notes payable held by early investors in the Predecessor. The outstanding principal and accrued interest on the notes payable totaled \$0.3 million, which was converted into 1,437,501 shares of Series Seed, with a value of \$0.4 million. The difference of \$0.1 million represents a 20% discount on the selling price of Series Seed as required under the provisions of the notes payable. The value of the discount was recognized on the date of conversion.

On June 26, 2013, the warrant issued on June 21, 2013 was exercised. At exercise, the Predecessor issued 115,000 shares of Series Seed and recognized the value of Series Seed equal to the cash proceeds from the exercise of \$1,150, plus the fair value of the warrant as recognized on issuance of \$0.03 million, for a total of \$0.03 million.

The difference between the carrying value of Series Seed and the liquidation preference of Series Seed, as defined below, is equal to the issuance costs, plus the fair value of the warrant on the date of grant. Such difference is not being accreted as Series Seed is not mandatorily redeemable, and the Predecessor did not believe that a deemed liquidation event was probable of occurring.

Predecessor Series Seed contains the following rights:

Conversion and Redemption Provisions — Series Seed is mandatorily convertible upon either a Qualified IPO, which is defined in the Predecessor's certificate of incorporation as the closing of the sale of shares of Common Stock to the public at a price of at least five (5) times the Predecessor Series D Original Issue Price (defined in the Company's certificate of incorporation as \$1.529930 per share, subject to adjustment based on the occurrence of certain events) in a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, resulting in at least \$30,000,000 of proceeds, net of the underwriting discount and commissions, to the Predecessor or the vote of the holders of a majority of the Series Preferred and Series Seed and the vote of a holders a majority of the Series D, Series D-1 and Series D-2. The requisite holders approved the mandatory conversion of the Series Seed by written consent on December 18, 2021. The holders of the Series Seed are entitled to convert their shares into Predecessor common stock on demand. The number of shares of common stock issued upon conversion is determined based on the number of converted Series Seed and the conversion ratio, which varies based upon the occurrence of certain events. The conversion ratios for Series Seed are described in the table below.

| Predecessor Preferred Stock Series | Original Issue Date | Effective Date of Conversion Price | Original Issue Price | Conversion Price | Conversion Ratio |
|---|----------------------------|---|-----------------------------|-------------------------|-------------------------|
| Seed Series | June 21, 2013 | June 21, 2013 | \$ 0.249 | \$ 0.249 | 1.0 |
| Seed Series | November 20, 2015 | November 20, 2015 | \$ 0.249 | \$ 0.124 | 2.0 |

The Series Seed is not mandatorily redeemable. The Series Seed is contingently redeemable upon the occurrence of a deemed liquidation event and a majority vote of the holders of Series Preferred and Series Seed to redeem all outstanding shares of the Predecessor's redeemable convertible preferred stock. The contingent redemption upon the occurrence of a deemed liquidation is not within the Predecessor's control and therefore the Series Seed is classified outside of permanent equity in mezzanine equity on the Predecessor's Consolidated Balance sheet.

Liquidation Rights — In the event of any liquidation event, the holders of shares of Series Seed are entitled to an amount per share equal to the original issue price, plus all declared but unpaid noncumulative dividends, after the payment of the full liquidation preference to Series A, Series B, Series C, Series C-1, Series D, Series D-1 and Series D-2, but prior to any distributions to holders of common stock.

Dividends and Voting Rights — The holders of Series Seed are entitled to receive noncumulative dividends in the amount of 8% of the original Series Seed issue price if, and only if, declared by the Board. Holders of Series Seed are entitled to receive dividends on an as-if-converted basis at the same rate as common stockholders, if dividends are declared, and are entitled to the number of votes per share equal to the number of shares of common stock into which such shares are convertible. As of January 31, 2022, no dividends have been declared or paid. Voting rights are consistent with the rights of holders of common stock, except for special rights to approve certain Predecessor actions or appoint a member of the Board, except as otherwise required by law.

The Company's and Predecessor's common stock reserved for future issuance is as follows:

| | Successor January 31, 2023 | Predecessor January 31, 2022 |
|--|---|---|
| Series Seed redeemable convertible preferred stock | — | 18,396,744 |
| Series A redeemable convertible preferred stock | — | 31,994,570 |
| Series B redeemable convertible preferred stock | — | 53,829,898 |
| Series C redeemable convertible preferred stock | — | 42,249,398 |
| Series C-1 redeemable convertible preferred stock | — | 22,752,230 |
| Series D redeemable convertible preferred stock | — | 27,743,094 |
| Series D-1 redeemable convertible preferred stock | — | 11,756,606 |
| Series D-2 redeemable convertible preferred stock | — | 1,987,736 |
| Series E redeemable convertible preferred stock | — | 30,454,874 |
| Common stock warrants | 16,213,430 | 1,924,790 |
| Series A redeemable convertible preferred stock warrants | — | 249,806 |
| Series B redeemable convertible preferred stock warrants | — | 292,682 |
| Series C-1 redeemable convertible preferred stock warrants | — | 1,296,700 |
| Series E redeemable convertible preferred stock warrants | — | 1,825,944 |
| Stock options issued and outstanding | 7,869,050 | 21,715,815 |
| Restricted stock units issued and outstanding | 2,802,426 | — |
| Sponsor earn-out shares | 1,293,750 | — |
| Shares available for future grant under the 2022 plan | 15,829,510 | — |
| Shares available for future grant under the 2013 plan | — | 1,193,436 |
| | <u>44,008,166</u> | <u>269,664,323</u> |

14: Stock-Based Compensation

Conversion of Stock-Based Awards

As part of the Business Combination, the Company assumed all of the issued and outstanding options to purchase the Common Stock of ZeroFox, Inc. and IDX and converted them into options to purchase the Company's Common Stock (Company Options). The number of Company Options issued along with the associated strike prices were converted using the Exchange Ratios of the Business Combination (see Note 5). The Company issued options to purchase a total of 8,159,377 shares of the Company's Common Stock, 6,380,458 going to holders of options to purchase ZeroFox, Inc. common stock and 1,778,919 going to holders of options to purchase IDX common stock. The vesting schedules, remaining term, and provisions (other than the adjusted number of underlying shares and exercise prices) of the Company Options issued, are identical to the vesting schedules, remaining term, and other provisions of the ZeroFox, Inc. and IDX options that were converted.

The conversion did not adjust vesting conditions of the options and did not require the Company to change the classification of the options. The Company recognized no incremental compensation cost as a result of the

conversion. The Company recognized stock-based compensation expense based on the estimated fair value of the awards as calculated on their respective grant dates.

The Company issued no stock options from the Closing Date of the Business Combination to January 31, 2023.

ZeroFox Holdings, Inc 2022 Incentive Equity Plan

On August 3, 2022, the Company adopted the 2022 ZeroFox Holdings, Inc. Incentive Equity Plan (the 2022 Plan). The 2022 Plan became effective on the closing of the Business Combination, which also occurred on August 3, 2022. The 2022 Plan provides for the issuance of up to 11,750,135 shares of Common Stock to employees, officers, directors, consultants, and advisors in the form of stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards (RSUs), dividend equivalents, and other stock or cash-based awards. On November 30, 2022, the Board of Directors approved an increase to the number of shares available for issuance under the 2022 plan, effective January 1, 2023. Pursuant to the terms of the 2022 Plan agreement, the shares available for issuance increased by 5% of the shares of Common Stock issued and outstanding at December 31, 2022, or 5,909,396 shares. As of January 31, 2023, there were 15,829,510 shares of Common Stock available for issuance under the 2022 Plan.

Stock-based awards are granted at exercise prices not less than 100% of the fair value of the stock at the date of grant. The Company determines fair value as the closing per share price of its Common Stock on the date the stock-based award is granted. The term of any stock-based award issued under the 2022 Plan may not exceed 10 years from the date of grant. The Company intends to issue new shares to satisfy share options upon exercise.

ZeroFox Holdings, Inc. Employee Stock Purchase Plan

On August 3, 2022, the Company adopted the ZeroFox Holdings, Inc. 2022 Employee Stock Purchase Plan (ESPP). The ESPP is designed to allow eligible employees of the Company and its subsidiaries to purchase shares of Company Common Stock with their accumulated payroll deductions. As of January 31, 2023, and through the date these financial statements were available to be issued, the Company had not implemented and made available the ESPP to its employees.

Stock Options

The Company estimates the fair value of stock options on the date of grant using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires estimates of highly subjective assumptions, which affect the fair value of each stock option. As the Company did not issue any stock options from the Closing Date of the Business Combination to January 31, 2023, this section describes how any such stock-based awards will be fair valued by the Company when they are issued. This section also describes how the Predecessor Companies valued their stock-based awards.

Expected Volatility

As the Company does not have a significant trading history of the shares of its Common Stock to date, the expected volatility will be based on the average historical stock price volatility of comparable publicly-traded companies in its industry peer group, financial, and market capitalization data. The Predecessor Companies utilized the same estimation approach.

Expected Term

The expected term of the Company's options represents the period that the stock-based awards are expected to be outstanding. The Predecessor Companies utilized the same estimation approach.

The Company will estimate the expected term of its employee awards using the SAB Topic 14 Simplified Method allowed by the FASB and SEC, for calculating expected term as it has limited historical exercise data to provide a reasonable basis upon which to otherwise estimate expected term. The Predecessor Companies utilized the same estimation approach. Certain of the Predecessor Companies' options began vesting prior to the grant date, in which case the Predecessor Company used the remaining vesting term at the grant date in the expected term calculation.

Risk-Free Interest Rate

The Company will estimate its risk-free interest rate by using the yield on actively traded non-inflation-indexed U.S. treasury securities with contract maturities equal to the expected term. The Predecessor Companies utilized the same estimation approach.

Dividend Yield

The Company has neither declared nor paid dividends to date and does not anticipate declaring dividends. As such, the dividend yield will be estimated to be zero. The Predecessor Companies utilized the same estimation approach.

Fair Value of Underlying Common Stock

The Company will use the closing price of its Common Stock (ZFOX) on the grant date of the stock-based award to represent the fair value of the underlying Common Stock.

The Predecessor Companies' common stock was not publicly traded. As a result, the Predecessor Companies were required to estimate the fair value of their common stock. The Board of Directors of each respective Predecessor Company considered numerous objective and subjective factors to determine the fair value of the respective Predecessor Company's common stock at each meeting in which awards are approved. The factors considered included, but were not limited to: (i) the results of contemporaneous independent third-party valuations of the respective Predecessor Company's common stock; (ii) the prices, rights, preferences, and privileges of the respective Predecessor Company's series of Preferred Stock relative to those of its common stock; (iii) the lack of marketability of the respective Predecessor Company's common stock; (iv) actual operating and financial results of the respective Predecessor Company; (v) current business conditions and projections; (vi) the likelihood of achieving a liquidity event for the respective Predecessor Company, such as an initial public offering or sale of the Predecessor Company, given prevailing market conditions; and (vii) precedent transactions involving the respective Predecessor Company's shares.

The Company used the weighted-average assumptions in the table below to estimate the fair value of stock options. There are no values for the Successor as the Successor has not issued any stock options during the Successor Period.

| Assumptions | Successor | Predecessor | |
|---|-----------------------------|---------------------------|-----------------------------|
| | January 31, 2023 | August 3, 2022 | January 31, 2022 |
| Weighted-average risk-free rate | N/A | 1.48% | 1.42% |
| Weighted-average expected term of the option (in years) | N/A | 6.07 | 6.06 |
| Weighted-average expected volatility | N/A | 38.92% | 38.09% |
| Weighted-average dividend yield | N/A | 0.00% | 0.00% |

A summary of option activity for the Successor Period and the Year to Date Predecessor Period, is as follows (Aggregate Intrinsic Value in thousands):

| <u>Successor</u> | <u>Shares</u> | <u>Weighted-Average Exercise Price</u> | <u>Weighted-Average Remaining Contractual Term (in years)</u> | <u>Aggregate Intrinsic Value</u> |
|--|------------------|--|---|----------------------------------|
| Outstanding as of August 4, 2022 | 8,159,377 | \$ 1.5360 | 6.01 | \$ 17,004 |
| Granted | — | — | | |
| Exercised | (206,476) | 0.5952 | | |
| Cancelled | (83,851) | 2.9681 | | |
| Outstanding as of January 31, 2023 | <u>7,869,050</u> | 1.5454 | 6.07 | 16,325 |
| Vested as of January 31, 2023 | <u>5,772,232</u> | 0.9591 | 5.39 | 15,359 |
| Vested and expected to vest as of January 31, 2023 | <u>7,135,156</u> | \$ 1.3793 | 5.88 | \$ 15,987 |

| <u>Predecessor</u> | <u>Shares</u> | <u>Weighted-Average Exercise Price</u> | <u>Weighted-Average Remaining Contractual Term (in years)</u> | <u>Aggregate Intrinsic Value</u> |
|--|-------------------|--|---|----------------------------------|
| Outstanding as of February 1, 2022 | 21,715,815 | \$ 0.4398 | 6.28 | \$ 51,688 |
| Granted | 1,214,500 | 2.3920 | | |
| Exercised | (392,450) | 0.2659 | | |
| Cancelled | (252,159) | 1.4633 | | |
| Outstanding as of August 3, 2022 | <u>22,285,706</u> | 0.5377 | 6.45 | 50,864 |
| Vested as of August 3, 2022 | <u>14,783,495</u> | 0.2660 | 5.41 | 37,757 |
| Vested and expected to vest as of August 3, 2022 | <u>19,659,894</u> | \$ 0.4662 | 6.17 | \$ 46,276 |

The Company did not grant any options during the Successor Period. The weighted-average grant-date fair value of options granted during the Year to Date Predecessor Period and for the year ended January 31, 2022, was \$1.0000 and \$0.6709, respectively. The total intrinsic value of options exercised during the Successor Period was \$0.6 million. The total intrinsic value of options exercised during the Year to Date Predecessor Period and for the year ended January 31, 2022 was \$1.0 million and \$1.7 million, respectively.

RSUs

The fair value of restricted stock unit awards (RSUs) is based on the closing price of our Common Stock on the date of grant.

The Predecessor did not grant RSUs during the Year to Date Predecessor Period or prior year ending January 31, 2022. A summary of RSU activity for the Successor Period is as follows:

| <u>Successor</u> | <u>Shares</u> | <u>Weighted-Average Grant Date Fair Value</u> |
|------------------------------------|------------------|---|
| Outstanding as of August 4, 2022 | — | \$ — |
| Granted | 2,827,426 | \$ 4.64 |
| Vested | — | \$ — |
| Cancelled | (25,000) | \$ 4.63 |
| Outstanding as of January 31, 2023 | <u>2,802,426</u> | <u>\$ 4.64</u> |

RSUs granted under our stock incentive plans generally vest over a period of one to four years. Our outstanding RSUs vest upon the satisfaction of a service-based vesting condition.

Stock-Based Compensation Expense

The Company recognized non-cash, stock-based compensation expense in the accompanying Consolidated Statements of Comprehensive Loss for the Successor Period, the Year to Date Predecessor Period, and the year ended January 31, 2022, as follows (in thousands):

| | <u>Successor</u> <u>August 4,</u> <u>2022 to</u> <u>January 31,</u> <u>2023</u> | <u>Predecessor</u> | |
|--|---|---|--|
| | | <u>February 1,</u> <u>2022 to</u> <u>August 3,</u> <u>2022</u> | <u>Year Ended</u> <u>January 31,</u> <u>2022</u> |
| Cost of revenue - subscription | \$ 97 | \$ 18 | \$ 50 |
| Cost of revenue - services | 36 | 2 | — |
| Research and development | 452 | 114 | 97 |
| Sales and marketing | 518 | 218 | 222 |
| General and administrative | 1,397 | 510 | 327 |
| Total stock-based compensation expense | <u>\$ 2,500</u> | <u>\$ 862</u> | <u>\$ 696</u> |

Unrecognized compensation cost related to outstanding stock options totaled \$4.2 million as of January 31, 2023, which is expected to be recognized over a weighted-average remaining period of 2.4 years.

Unrecognized compensation cost related to outstanding RSUs totaled \$11.2 million as of January 31, 2023, which is expected to be recognized over a weighted-average remaining period of 3.3 years.

15: Income Taxes

U.S. and foreign components of the loss before income taxes for the Successor Period, the Year to Date Predecessor Period, and the year ended January 31, 2022, were as follows (in thousands):

| | <u>Successor</u> <u>August 4,</u> <u>2022 to</u> <u>January 31,</u> <u>2023</u> | <u>Predecessor</u> | |
|--------------------------------|---|---|--|
| | | <u>February 1,</u> <u>2022 to</u> <u>August 3,</u> <u>2022</u> | <u>Year Ended</u> <u>January 31,</u> <u>2022</u> |
| U.S. loss | \$(734,326) | \$ (19,370) | \$ (40,031) |
| Foreign income (loss) | 3,157 | (1,924) | 1,056 |
| Total loss before income taxes | <u>\$(731,169)</u> | <u>\$ (21,294)</u> | <u>\$ (38,975)</u> |

The provision for consolidated income taxes for the Successor Period, the Year to Date Predecessor Period, and the year ended January 31, 2022, were as follows (in thousands):

| | Successor August 4, 2022 to January 31, 2023 | Predecessor February 1, 2022 to August 3, 2022 | Year Ended January 31, 2022 |
|-------------------------------------|--|--|-----------------------------------|
| Current tax expense | | | |
| Federal | \$ — | \$ — | \$ — |
| Foreign | 177 | 106 | 100 |
| State and local | 292 | 5 | — |
| | 469 | 111 | 100 |
| Deferred tax expense | | | |
| Federal | (9,360) | (2,780) | (5,387) |
| Foreign | — | — | — |
| State and local | (2,281) | (911) | (299) |
| | (11,641) | (3,691) | (5,686) |
| Less: change in valuation allowance | 650 | 3,691 | 5,050 |
| Net income tax (benefit) expense | <u>\$ (10,522)</u> | <u>\$ 111</u> | <u>\$ (536)</u> |

The reported income tax provision differs from the amount computed by applying the statutory U.S. federal income tax rate to the loss before income taxes due to nondeductible expenses, such as the goodwill impairment, and the impact of state taxes, as well as the change in the valuation allowance. A reconciliation of the statutory US income tax rate to the effective income tax rate for the Successor Period, the Year to Date Predecessor Period, and the year ended January 31, 2022, as follows:

| | Successor August 4, 2022 to January 31, 2023 | Predecessor February 1, 2022 to August 3, 2022 | Year Ended January 31, 2022 |
|--------------------------------|--|--|-----------------------------------|
| U.S. statutory rate | 21.00% | 21.00% | 21.00% |
| State taxes | 0.21 | 3.35 | 0.77 |
| Goodwill impairment | (20.07) | — | — |
| Transaction costs | — | (3.23) | — |
| Fair value adjustments | — | (2.03) | — |
| Other permanent differences | 0.41 | (1.05) | (6.61) |
| Changes in valuation allowance | (0.09) | (17.32) | (12.96) |
| Other | (0.02) | (1.24) | (0.83) |
| Net income tax expense | <u>1.44%</u> | <u>-0.52%</u> | <u>1.37%</u> |

Deferred income taxes reflect temporary differences in the recognition of revenue and expenses for income tax reporting and consolidated financial statement purposes. Deferred income taxes as of January 31, 2023, and 2022 consisted of the following (in thousands):

| | <u>Successor</u> <u>January 31,</u> <u>2023</u> | <u>Predecessor</u> <u>January 31,</u> <u>2022</u> |
|--|---|---|
| Deferred tax assets: | | |
| Net operating losses - federal and state | \$ 36,057 | \$ 31,697 |
| Research and development expenditures | 4,793 | — |
| Deferred revenue | 3,019 | 2,273 |
| Interest expense | 2,544 | — |
| Accruals | 1,240 | 856 |
| Stock-based compensation | 574 | 66 |
| Other | 308 | — |
| Lease liability | 204 | — |
| Depreciation and amortization | 112 | 546 |
| Allowance for doubtful accounts | 35 | 17 |
| Charitable contributions | 3 | 3 |
| Total deferred tax assets before valuation allowance | 48,889 | 35,458 |
| Valuation allowance | (5,720) | (32,063) |
| Total deferred tax assets | 43,169 | 3,395 |
| Deferred tax liabilities: | | |
| Intangible assets | (61,109) | — |
| Contract acquisition costs | (3,256) | (2,854) |
| Goodwill | (258) | (541) |
| Right-of-use assets | (177) | — |
| Other | (7) | — |
| Total deferred tax liabilities | (64,807) | (3,395) |
| Net deferred tax liability | <u>\$ (21,638)</u> | <u>\$ —</u> |

The net deferred tax liability presented on the Successor's balance sheet at January 31, 2023 includes liabilities for uncertain tax positions of \$0.9 million.

The Company recognizes the tax benefit of a position when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits of the position. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized. At January 31, 2023, the Successor recorded gross unrecognized tax benefits of approximately \$0.8 million, \$0.7 million of which, if recognized, would impact the Successor's effective tax rate. Interest and penalties accrued related to uncertain tax positions were \$0.1 million at January 31, 2023. The Predecessor had no unrecognized tax benefits recorded as of January 31, 2022. The Company anticipates a \$0.2 million decrease in unrecognized tax benefits within the next 12 months from the expiration of statute of limitations.

The change in gross unrecognized tax benefits, excluding accrued interest and penalties, were as follows (in thousands):

| | <u>Successor</u> <u>January 31,</u> <u>2023</u> | <u>Predecessor</u> <u>January 31,</u> <u>2022</u> |
|--------------------------------|---|---|
| Balance at beginning of period | \$ — | \$ — |
| Business acquisition | 838 | — |
| Balance at end of period | <u>\$ 838</u> | <u>\$ —</u> |

The Company has established a valuation allowance to offset the portion of its deferred tax assets that will reverse subsequent to the reversal of the Company's deferred tax liabilities, and certain net operating loss ("NOL") carryforwards that have separate return limitations. The Company increased the valuation allowance in the current year by \$0.7 million. The Company will continue to evaluate the realizability of its deferred tax assets.

The following table provides a rollforward of the Company's valuation allowance for its deferred tax assets (in thousands):

| | <u>Successor</u> <u>January 31,</u> <u>2023</u> | <u>Predecessor</u> <u>January 31,</u> <u>2022</u> |
|--------------------------------|---|---|
| Balance at beginning of period | \$ 5,070 | \$ 27,013 |
| Increases to allowance | 650 | 5,050 |
| Balance at end of period | <u>\$ 5,720</u> | <u>\$ 32,063</u> |

The Company had NOL carryforwards available to offset future federal and state taxable income of approximately \$145.6 million and \$79.6 million, respectively, as of January 31, 2023. \$49.6 million of the federal NOL carryforwards are subject to expiration between tax years 2033 and 2037. \$49.5 million of the state NOL carryforwards are subject to expiration in varying amounts beginning tax year 2023. The remaining federal and state NOL carryforwards have no expiration.

The NOL carryforwards are subject to an annual limitation under Section 382. The Section 382 limitation will not affect our ability to realize the NOL carryforwards provided we have sufficient taxable income, subject to the annual limitation.

The Company's federal income tax returns for fiscal year 2019 through fiscal year 2022 remained open under the statute of limitations and are subject to examination by tax authorities. In addition, as of January 31, 2023, the Company had various state income tax returns that remained open under the respective statutes of limitations and are subject to examination by tax authorities. The longest period for which any of the Company's state income tax returns remained open and subject to examination by tax authorities is for fiscal year 2018 through fiscal year 2022. As of January 31, 2023, the Company was not under examination by federal or state tax authorities.

16: Related Party Transactions

Baltimore Headquarters Lease

The Company leases office space in Baltimore, Maryland. The lessor is owned and operated by the Company's chief executive officer. The Company incurred rent expense of \$0.2 million during the Successor Period and the Predecessor incurred rent expense of \$0.2 million during the Year to Date Predecessor Period. The Company capitalized \$0.1 million leasehold improvements during the Successor Period. As of January 31, 2023, the Company had leasehold improvements of \$0.1 million, net of accumulated depreciation of \$0.1 million. As of

January 31, 2022, the Predecessor had leasehold improvements of \$0.2 million, net of accumulated depreciation of \$0.2 million. As of January 31, 2023, and January 31, 2022, the Company and the Predecessor, respectively, did not have any prepaid rent. The lessor holds a \$0.1 million security deposit that is refundable at the end of the lease term.

Cyveillance Acquisition Sublease and Transition Support Agreement

As part of the consideration for the Cyveillance Acquisition, the Predecessor issued Predecessor Series E redeemable convertible preferred stock to LookingGlass. As a result, LookingGlass is a related party of the Predecessor. Through the conversion of Predecessor stock to Common Stock of the Company as part of the Business Combination, LookingGlass is a related party of the Company. Effective September 30, 2020, as part of the Cyveillance Acquisition, the Predecessor entered into a sublease agreement with LookingGlass for office space in Reston, Virginia. The Predecessor incurred rent expense of \$0.2 million and \$0.3 million for the Year to Date Successor Period and the year ended January 31, 2022, respectively. The initial term of the sublease ended on July 31, 2022, and the Predecessor elected not to renew. The Predecessor and LookingGlass also entered into a transition support agreement. The Predecessor incurred no expense and \$0.2 million of expense for the six months ended July 31, 2022, and the year ended January 31, 2022, respectively. The related party transactions have concluded as of July 31, 2022.

PIPE Investors Notes

The Predecessor accrued \$0.2 million of payment-in-kind (PIK) interest for notes payable with related parties during the Year to Date Predecessor Period (see Note 5). The interest accrued through the date of the Business Combination was paid in cash to the note holders on the date of the Business Combination. The principal value of the related notes owed by the Predecessor of \$4.8 million was offset against obligations the note holders had with the Company as part of the PIPE Subscription Agreement.

17: Commitments and Contingencies

Sales and Other Taxes

The Company's cloud solutions and services are subject to sales and other taxes in certain jurisdictions where the Company does business. The Company bills sales and other taxes to customers and remits these to the respective government authorities. Taxing jurisdictions have differing rules and regulations, which are subject to varying interpretations that may change over time. There may be assessments for sales tax jurisdictions in which the Company has not accrued a sales tax liability. The Company has been unable to assess the probability, or estimate the amount, of this exposure. There were no pending reviews as of January 31, 2023.

Prior to January 1, 2022, IDX did not collect U.S. sales and use tax from its customers for its services. During 2020, IDX engaged an external tax consultant to perform a full U.S. sales tax nexus study and analysis. IDX accrued and reflected historical liabilities in its financial statements and was filing Voluntary Disclosure Agreements (VDA) in relevant U.S. jurisdictions. Beginning January 1, 2022, IDX began collecting, reporting, and remitting appropriate U.S. sales tax from its customers in all applicable jurisdictions. As of January 31, 2023, the Company recorded an accrual of \$1.5 million for IDX sales and use taxes that were not remitted prior to January 31, 2022.

Employee Benefit Plan

The Predecessor's 401(k) plan (the "Predecessor's 401(k) Plan") was established in 2014 to provide retirement and incidental benefits for its employees. As allowed under Section 401(k) of the Internal Revenue Code, the Predecessor's 401(k) Plan provides tax-deferred salary deductions for eligible employees. Contributions to the Predecessor's 401(k) Plan are limited to a maximum amount as set periodically by the Internal Revenue Service. To date, the Company has not made any contributions to the Predecessor's 401(k) Plan.

The Company maintains a separate defined contribution 401(k) plan, whereby legacy IDX employees meeting certain requirements are eligible to participate. For additional information, refer to Note 13 of the IDX financial statements included in this prospectus. The Company contributed \$0.1 million to the plan during the Successor Period.

General Litigation

In the ordinary course of business, the Company is involved in various disputes. In the opinion of management, the amount of liability, if any, resulting from the final resolution of these matters will not have a material impact on the Company's consolidated financial position, results of operations, or cash flows. The Company was not involved in any pending litigation as of January 31, 2023.

Warranties and Indemnification

The Company's enterprise cloud platform is typically warranted to perform in a manner consistent with general industry standards that are reasonably applicable and materially in accordance with the Company's online help documentation under normal use and circumstances.

The Company's arrangements generally include certain provisions for indemnifying customers against liabilities if its services infringe a third-party's intellectual property rights. To date, the Company has not incurred any material costs because of such obligations and has not accrued any liabilities related to such obligations in the accompanying consolidated financial statements.

The Company has also agreed to indemnify its directors and executive officers for costs associated with any fees, expenses, judgments, fines, and settlement amounts incurred by any of these persons in any action or proceeding to which any of those persons is, or is threatened to be, made a party by reason of the person's service as a director or officer, including any action by the Company, arising out of that person's services as the Company's director or officer or that person's services provided to any other company or enterprise at the Company's request. The Company maintains director and officer insurance coverage that would generally enable the Company to recover a portion of any future amounts paid. The Company may also be subject to indemnification obligations by law with respect to the actions of its employees under certain circumstances and in certain jurisdictions.

Purchase Commitments

The Company has a non-cancelable purchase commitment of \$27.0 million related to five months of outsourced credit monitoring services provided to the Company's largest customer as of January 31, 2023. The dollar amount and length of this commitment is determined by the customer's exercise of annual option periods.

18: Net Loss per Share Attributable to Common Stockholders

The Company follows the two-class method when computing net loss per share of common stock because it has issued securities, other than common stock, that contractually entitle the holders to participate in dividends and earnings. These participating securities include the Company's restricted common stock, which has non-forfeitable rights to participate in any dividends declared on the Company's common stock. The two-class method requires all earnings for the period to be allocated between common stock and participating securities based upon their respective rights to receive distributed and undistributed earnings.

Under the two-class method, for periods with net income, basic net income per share of common stock is calculated by dividing the net income attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period. Net income attributable to common stockholders is calculated by subtracting from net income the portion of current year earnings that the participating securities would have been entitled to receive pursuant to their dividend rights had all of the year's earnings been distributed. No such adjustment to earnings is made during periods with a net loss, as the holders of the participating securities have no obligation to fund losses.

Diluted net income per share of common stock is computed under the two-class method by using the weighted average number of shares of common stock outstanding plus, for periods with net income attributable to common stockholders, the potential dilutive effects of unvested restricted stock, stock options, warrants, and preferred stock.

Due to net losses for the Successor Period, the Year to Date Predecessor Period, and the year ended January 31, 2022, basic and diluted net loss per share were the same, as the effect of potentially dilutive securities would have been anti-dilutive to the calculation of net loss per share.

The following table sets forth computation of basic loss per share attributable to common stockholders (in thousands, except share and per share data):

| | Successor August 3, 2022 to January 31, 2023 | Predecessor February 1, 2022 to August 3, 2022 | Year Ended January 31, 2022 |
|--|--|--|-----------------------------------|
| Numerator: | | | |
| Net loss | \$ (720,647) | \$ (21,405) | \$ (38,439) |
| Net loss per share attributable to common stockholders | \$ (720,647) | \$ (21,405) | \$ (38,439) |
| Denominator: | | | |
| Weighted-average common stock outstanding | 116,862,277 | 43,041,209 | 42,073,351 |
| Net loss per share attributable to common stockholders - basic and diluted | \$ (6.17) | \$ (0.50) | \$ (0.91) |

The following potentially dilutive securities were not included in the calculation of weighted average common shares outstanding, as their effects would have been anti-dilutive for the Successor Period, the Year to Date Predecessor Period, and the year ended January 31, 2022.

| | Successor August 4, 2022 to January 31, 2023 | Predecessor February 1, 2022 to August 3, 2022 | Year Ended January 31, 2022 |
|--|--|--|-----------------------------------|
| Preferred stock (on an as-converted basis) | | | |
| Series Seed redeemable convertible preferred stock | — | 18,396,744 | 18,396,744 |
| Series A redeemable convertible preferred stock | — | 31,994,570 | 31,994,570 |
| Series B redeemable convertible preferred stock | — | 53,829,898 | 53,829,898 |
| Series C redeemable convertible preferred stock | — | 42,249,398 | 42,249,398 |
| Series C-1 redeemable convertible preferred stock | — | 22,790,767 | 22,752,230 |
| Series D redeemable convertible preferred stock | — | 27,743,094 | 27,743,094 |
| Series D-1 redeemable convertible preferred stock | — | 11,756,606 | 11,756,606 |
| Series D-2 redeemable convertible preferred stock | — | 1,987,736 | 1,987,736 |
| Series E redeemable convertible preferred stock | — | 30,490,064 | 29,473,913 |
| Total common stock reserved | — | 241,238,877 | 240,184,189 |
| Common stock | | | |
| Restricted common stock | — | — | 158,773 |
| Sponsor earn-out shares | 1,293,750 | — | — |
| Total common stock | 1,293,750 | — | 158,773 |

| | Successor August 4, 2022 to January 31, 2023 | Predecessor | |
|--|--|---|-----------------------------------|
| | | February 1, 2022 to August 3, 2022 | Year Ended January 31, 2022 |
| Warrants | | | |
| Common stock warrants | 16,220,756 | 1,924,790 | 1,924,790 |
| Series A redeemable convertible preferred stock warrants | — | 249,806 | 249,806 |
| Series B redeemable convertible preferred stock warrants | — | 292,682 | 292,682 |
| Series C-1 redeemable convertible preferred stock warrants | — | 1,247,369 | 1,296,700 |
| Series E redeemable convertible preferred stock warrants | — | 2,079,870 | 1,552,273 |
| Total warrants | 16,220,756 | 5,794,517 | 5,316,251 |
| Options to purchase common stock | | | |
| Issued and outstanding | 7,926,307 | 22,178,814 | 20,695,388 |
| Restricted stock units | | | |
| Issued and outstanding | 747,405 | — | — |

19: Subsequent Events

On January 26, 2023, the Company entered into an agreement to lease 15,023 square feet of a building to be used for general office space in Portland, Oregon. As of the date the consolidated financial statements were available to be issued, in accordance with the lease agreement the Company has not made any rental payments, taken possession of the premise, or been given the right to control the premise.

The lease agreement provides that the Company will pay approximately \$1.7 million in total base rate during the three-year term of the lease, in addition to payments for operating expenses.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of ZeroFox Holdings, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of ID Experts Holdings, Inc. and subsidiary (the “Company”) as of August 3, 2022 and December 31, 2021, the related consolidated statements of income, redeemable convertible preferred stock and stockholders’ deficit, and cash flows, for the period January 1, 2022 to August 3, 2022 and the year ended December 31, 2021, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of August 3, 2022 and December 31, 2021, and the results of its operations and its cash flows for the period January 1, 2022 to August 3, 2022 and the year ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

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 and in accordance with auditing standards generally accepted in the United States of America. 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/ Deloitte & Touche LLP

McLean, Virginia
March 29, 2023

We have served as the Company’s auditor since 2022.

ID Experts Holdings, Inc. and Subsidiary
Consolidated Balance Sheets

| <i>(in thousands, except share data)</i> | August 3, 2022 | December 31, 2021 |
|--|---------------------------|------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 16,284 | \$ 17,986 |
| Accounts receivable, net of allowance for doubtful accounts of \$65 and \$179, respectively | 11,937 | 9,997 |
| Deferred contract acquisition costs, current | 1,843 | 825 |
| Prepaid expenses and other assets | 1,232 | 953 |
| Total current assets | 31,296 | 29,761 |
| Property and equipment, net | 125 | 127 |
| Deferred contract acquisition costs, net of current portion | 189 | 263 |
| Deferred tax asset | 2,584 | 1,229 |
| Other long-term assets, net | — | 37 |
| Total assets | <u>\$ 34,194</u> | <u>\$ 31,417</u> |
| Liabilities, redeemable convertible preferred stock, and stockholders' deficit | | |
| Current liabilities: | | |
| Accounts payable | \$ 7,548 | \$ 7,286 |
| Accrued compensation, accrued expenses, and other current liabilities | 6,256 | 6,606 |
| Deferred revenue, current | 9,314 | 7,560 |
| Current portion of convertible debt, carried at fair value | 3,034 | 2,445 |
| Current portion of long-term debt | 3,333 | 1,667 |
| Total current liabilities | 29,485 | 25,564 |
| Deferred revenue—net of current portion | 1,522 | 2,116 |
| Accrued expenses, long term | 954 | 750 |
| Long term debt—net of current portion | 6,100 | 8,319 |
| Total liabilities | 38,061 | 36,749 |
| Commitments and contingencies (see Note 18) | | |
| Redeemable convertible preferred stock | | |
| A-1 redeemable convertible preferred stock, \$0.0001 par value; 6,000,000; shares authorized, 5,882,350 shares issued and outstanding at August 3, 2022, and December 31, 2021, liquidation preference of \$10,000 at August 3, 2022, and December 31, 2021 | 10,000 | 10,000 |
| A-2 redeemable convertible preferred stock, \$0.0001 par value; 27,000,000; shares authorized, 26,194,324 and 26,069,330 shares issued and outstanding at August 3, 2022, and December 31, 2021, respectively, liquidation preference of \$55,166 at August 3, 2022, and liquidation preference of \$54,902 at December 31, 2021 | 55,166 | 54,902 |
| Total redeemable convertible preferred stock | 65,166 | 64,902 |
| Stockholders' deficit | | |
| Common stock, \$0.0001 par value; 53,000,000 authorized shares; 13,225,071 and 11,671,845 shares issued and outstanding at August 3, 2022 and December 31, 2021, respectively | 1 | 1 |
| Additional paid-in capital | 2,058 | — |
| Accumulated deficit | (71,092) | (70,235) |
| Total stockholders' deficit | (69,033) | (70,234) |
| Total liabilities, redeemable convertible preferred stock, and stockholders' deficit | <u>\$ 34,194</u> | <u>\$ 31,417</u> |

See notes to consolidated financial statements

ID Experts Holdings, Inc. and Subsidiary
Consolidated Statements of Income

| | Period January 1, 2022, to August 3, 2022 | Year Ended December 31, 2021 |
|--|---|------------------------------------|
| <i>(in thousands, except share data)</i> | | |
| Revenue ⁽¹⁾ | \$ 66,758 | \$ 106,072 |
| Cost of revenue ⁽¹⁾ | 52,254 | 82,745 |
| Gross profit | 14,504 | 23,327 |
| Operating expenses | | |
| Research and development | 3,325 | 4,941 |
| Sales and marketing ⁽¹⁾ | 4,594 | 7,181 |
| General and administrative ⁽¹⁾ | 5,758 | 6,873 |
| Total operating expenses | 13,677 | 18,995 |
| Income from operations | 827 | 4,332 |
| Other (expense) | | |
| Interest expense, net | (314) | (483) |
| Other expense ⁽¹⁾ | (585) | (717) |
| Change in fair value of warrant liabilities | (133) | (1,943) |
| Total other expense | (1,032) | (3,143) |
| (Loss) income before income taxes | (205) | 1,189 |
| Income taxes | 652 | 1,716 |
| Net (loss) income after tax | \$ (857) | \$ (527) |
| Net (loss) income attributable to common stockholders, basic | \$ (857) | \$ (32,978) |
| Net (loss) income attributable to common stockholders, diluted | \$ (857) | \$ (32,978) |
| Net (loss) income per share attributable to common stockholders, basic | \$ (0.07) | \$ (2.80) |
| Net (loss) income per share attributable to common stockholders, diluted | \$ (0.07) | \$ (2.80) |
| Weighted-average shares used in computation of net (loss) income per share attributable to common stockholders, basic: | 12,854,967 | 11,777,989 |
| Weighted-average shares used in computation of net (loss) income per share attributable to common stockholders, diluted: | 12,854,967 | 11,777,989 |

(1) See Note 16 for amounts attributable to related parties included in these line items.

See notes to consolidated financial statements

ID Experts Holdings, Inc. and Subsidiary
Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Deficit

| (in thousands, except for share data) | Preferred Stock | | | | | | | | |
|---------------------------------------|-----------------------------|----------|-----------------------------|----------|--------------|--------|----------------------------|---------------------|-----------------------|
| | Series A-1 Redeemable | | Series A-2 Redeemable | | | | | | |
| | Convertible Preferred Stock | | Convertible Preferred Stock | | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Stockholders' Deficit |
| | Shares | Amount | Shares | Amount | Shares | Amount | | | |
| Balance—December 31, 2020 | 5,882,350 | \$ 5,000 | 26,069,330 | \$27,451 | 9,674,164 | \$ 1 | \$ 585 | \$ (37,895) | \$ (37,309) |
| Common stock issued | — | — | — | — | 1,997,681 | — | 70 | — | 70 |
| Stock-based compensation expense | — | — | — | — | — | — | 29 | — | 29 |
| Change in preferred shares fair value | — | 5,000 | — | 27,451 | — | — | (684) | (31,767) | (32,451) |
| Warrant reclassification | — | — | — | — | — | — | — | (46) | (46) |
| Net loss | — | — | — | — | — | — | — | (527) | (527) |
| Balance—December 31, 2021 | 5,882,350 | \$10,000 | 26,069,330 | \$54,902 | 11,671,845 | \$ 1 | \$ — | \$ (70,235) | \$ (70,234) |
| Preferred stock issued | — | — | 124,994 | 264 | — | — | — | — | — |
| Common stock issued | — | — | — | — | 1,553,226 | — | 2,042 | — | 2,042 |
| Stock-based compensation expense | — | — | — | — | — | — | 16 | — | 16 |
| Net loss | — | — | — | — | — | — | — | (857) | (857) |
| Balance—August 3, 2022 | 5,882,350 | \$10,000 | 26,194,324 | \$55,166 | 13,225,071 | \$ 1 | \$ 2,058 | \$ (71,092) | \$ (69,033) |

See notes to consolidated financial statements.

ID Experts Holdings, Inc. and Subsidiary
Consolidated Statements of Cash Flows

| <i>(in thousands)</i> | Period January 1, 2022, to August 3, 2022 | Year Ended December 31, 2021 |
|--|---|---------------------------------|
| Cash flows from operating activities: | | |
| Net (loss) income | \$ (857) | \$ (527) |
| Adjustments to reconcile net loss (income) to net (cash used in) provided by operating activities: | | |
| Depreciation and amortization | 46 | 121 |
| Amortization of debt issuance cost | 2 | 4 |
| Stock-based compensation | 16 | 28 |
| Gain on warrant exercised | (8) | — |
| Change in fair value of warrants | 133 | 1,943 |
| Change in fair value of debt | 589 | 712 |
| Deferred tax (benefit) expense | (1,354) | 199 |
| Other | (116) | 175 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (1,823) | (1,346) |
| Deferred contract acquisition costs | (944) | (69) |
| Other long-term assets | 36 | — |
| Prepaid expenses and other assets | (278) | (69) |
| Accounts payable | 262 | 920 |
| Accrued compensation, accrued expenses, and other current liabilities | 1,843 | 850 |
| Deferred revenue | 1,160 | 427 |
| Net cash (used in) provided by operating activities | (1,293) | 3,368 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (44) | (125) |
| Net cash used in investing activities | (44) | (125) |
| Cash flows from financing activities: | | |
| Exercise of stock options | 191 | 70 |
| Payment of debt issuance cost | — | (2) |
| Repayment of debt | (556) | — |
| Principal payments on capital lease obligations | — | (68) |
| Principal issued from refinance | — | — |
| Principal extinguished as part of the refinance | — | — |
| Net cash (used in) provided by financing activities | (365) | — |
| Net (decrease) increase in cash, restricted cash, and cash equivalents | (1,702) | 3,243 |
| Cash, cash equivalents, and restricted cash beginning of period | 17,986 | 14,743 |
| Cash, cash equivalents, and restricted cash end of period | <u>\$ 16,284</u> | <u>\$ 17,986</u> |
| Supplemental Cash Flow Information: | | |
| Cash paid for interest | \$ 307 | \$ 489 |
| Cash paid for income taxes | 107 | 2,350 |
| Transaction costs included in accounts payable and accrued expenses | — | 690 |
| Non-cash financing and investing activities: | | |
| Warrant exercise | | |
| Increase in redeemable convertible preferred stock | \$ (264) | \$ — |
| Decrease in accrued expense | 2,122 | — |
| Increase in retained earnings | (8) | — |
| Increase in additional paid in capital | (1,850) | — |
| Warrant reclassification | — | 46 |
| Increase in fair value preferred shares | — | 32,451 |
| Decrease in accumulated deficit | — | (31,767) |
| Decrease in additional paid in capital | — | (684) |

See notes to consolidated financial statements

ID EXPERTS HOLDINGS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AUGUST 3, 2022, AND THE PERIOD JANUARY 1, 2022, TO AUGUST 3, 2022, AND THE YEAR ENDED DECEMBER 31, 2021

1: Organization and Description of Business

ID Experts Holdings, Inc., and subsidiary (IDX) believes it has a leading position in the United States by revenue as a provider of data breach response services, and associated identity and privacy protection services, to both government and commercial entities. IDX's data breach solutions include prevention, detection, forensic services, notification, and recovery assistance. IDX's membership subscriptions include credit and non-credit monitoring, prevention tools, and unlimited recovery assistance. ID Experts Holdings, Inc. was incorporated in the State of Delaware in 2016 at which time Identity Theft Guard Solutions, Inc. (ITGS), the primary operating entity, became the wholly-owned subsidiary of ID Experts Holdings, Inc. in 2016 during its recapitalization. IDX serves clients throughout the United States of America and is located in Portland, Oregon.

On December 15, 2021, IDX's Board of Directors approved a business combination agreement, which was entered into as of December 17, 2021, and announced publicly on December 20, 2021. The business combination agreement details a transaction where IDX was to be merged with ZeroFox, Inc. (ZeroFox) and L&F Acquisition Corp. (L&F), a special purpose acquisition corporation (SPAC) and publicly traded company. IDX and ZeroFox are both the legal and accounting acquirees and L&F is the legal and accounting acquiror. On the date of the Business Combination, L&F changed its name to ZeroFox Holdings, Inc. (ZeroFox Holdings). See Note 2b for additional information.

2: Summary of Significant Accounting Policies

a. Basis of Presentation

The consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America (US GAAP) set forth by the Financial Accounting Standards Board (FASB). References to U.S. GAAP issued by the FASB in these notes to the consolidated financial statements are to the FASB Accounting Standards Codification (ASC). IDX presented financial statements from the beginning of the year to the acquisition date of August 3, 2022.

b. Emerging Growth Company Status

IDX is an emerging growth company (EGC), as defined in the Jumpstart Our Business Startups Act, (the JOBS Act), and may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not EGCs. IDX may take advantage of these exemptions until it is no longer an EGC under Section 107 of the JOBS Act and has elected to use the extended transition period for complying with new or revised accounting standards. As a result of this election, IDX's financial statements may not be comparable to companies that comply with the effective dates of public company FASB standards.

IDX merged with L&F on August 3, 2022. The surviving company, ZeroFox Holdings, will remain an emerging growth company until the earliest of (i) the last day of the surviving company's first fiscal year following the fifth anniversary of the completion of the L&F's initial public offering, (ii) the last day of the fiscal year in which ZeroFox Holdings has total annual gross revenue of at least \$1.235 billion, (iii) the last day of the fiscal year in which ZeroFox Holdings is deemed to be a large accelerated filer, which means the market value of ZeroFox Holding's common stock that is held by non-affiliates exceeds \$700.0 million as of the prior July 31 or (iv) the date on which ZeroFox Holdings has issued more than \$1.0 billion in non-convertible debt securities during the prior three-year period.

c. Principles of Consolidation

The accompanying consolidated financial statements include all the accounts of IDX. All intercompany balances and transactions have been eliminated in consolidation.

d. Use of Estimates

The preparation of financial statements in conformity with US GAAP requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the amounts of revenue and expenses reported during the period. Such estimates include assumptions used in the allocation of revenue, long-lived assets, liabilities, depreciable lives of assets, stock-based compensation, and deferred income taxes. Actual results could differ from those estimates and such differences may be material to the consolidated financial statements.

e. Cash and Cash Equivalents

Cash and cash equivalents consist of business checking accounts. IDX considers all highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents. IDX generally places its cash and cash equivalents with major financial institutions deemed to be of high-credit-quality in order to limit its credit exposure. IDX maintains its cash accounts with financial institutions where, at times, deposits exceed federal insurance limits. Cash and cash equivalents are carried at cost, which due to their short-term nature, approximate fair value.

f. Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. Amounts collected on accounts receivable are included in net cash provided by operating activities in the Consolidated Statements of Cash Flows. IDX maintains an allowance for doubtful accounts for estimated losses resulting from its accounts receivable portfolio. In establishing the required allowance, management considers historical losses adjusted for current market conditions, IDX's customers' financial condition, any amounts of receivables in dispute, and the current receivables aging and historic payment patterns. IDX reviews its allowance for doubtful accounts at least quarterly. Accounts receivable are presented on the Consolidated Balance Sheets, net of allowance for doubtful accounts.

Receivables, net of allowance for doubtful accounts as of August 3, 2022, and December 31, 2021, consist of the following (in thousands):

| | August 3, 2022 | December 31, 2021 |
|--------------------------|------------------|-------------------|
| Billed trade receivables | \$ 4,158 | \$ 2,942 |
| Unbilled receivables | 7,779 | 7,055 |
| Total | <u>\$ 11,937</u> | <u>\$ 9,997</u> |

The allowance for doubtful accounts reflects IDX's estimate of probable losses inherent in the accounts receivable balance. IDX determines the allowance based on known troubled accounts, historical experience, and other currently available evidence.

The following table summarizes activity for the allowance for doubtful accounts for the period January 1, 2022, to August 3, 2022, and the year ended December 31, 2021, (in thousands):

| | January 1, 2022, to August 3, 2022 | Year Ended December 31, 2021 |
|--|---|---------------------------------|
| Beginning balance | \$ 179 | \$ 13 |
| Additional charged to costs and expenses | (117) | 172 |
| Deductions ⁽¹⁾ | 3 | (6) |
| Ending balance | <u>\$ 65</u> | <u>\$ 179</u> |

⁽¹⁾ Represents write-offs and recoveries of prior year charges.

g. Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, including respective accrued interest balances, in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy requires that IDX maximize the use of observable inputs and minimize the use of unobservable inputs. The levels of the fair value hierarchy are described below:

Level 1 – Inputs are quoted prices in active markets for identical assets or liabilities that IDX can access at the measurement date.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities or 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 or 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.

Refer to Note 17 for additional information on how IDX determines fair value for its assets and liabilities.

h. Property and Equipment

Property and equipment assets are stated at the cost of acquisition, less accumulated depreciation and amortization. Property and equipment assets under capital leases are stated at the present value of minimum lease payments and amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset. Depreciation and amortization of property, equipment, and leasehold improvements are computed using the straight-line method.

The estimated useful lives for property and equipment categories are as follows:

| Asset Classification | Estimated Useful Life |
|-------------------------------|-------------------------------------|
| Office and computer equipment | 3 years |
| Software | 5 years |
| Furniture and fixtures | 7 years |
| Leasehold improvements | Lesser of lease term or useful life |

IDX periodically reviews the carrying value of its long-lived assets, including property and equipment, for impairment whenever events or circumstances indicate that the carrying amount of such assets may not be fully

recoverable. For long-lived assets to be held and used, impairments are recognized when the carrying amount of a long-lived asset group is not recoverable and exceeds fair value. The carrying amount of a long-lived asset group is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset group. An impairment loss is measured as the amount by which the carrying amount of a long-lived asset group exceeds its fair value. No impairment losses were recognized for the period January 1, 2022, to August 3, 2022, and the year ended December 31, 2021.

i. Revenue Recognition

In accordance with ASC 606, revenue is recognized when a customer obtains control of promised products or services. The amount of revenue recognized reflects the consideration that IDX expects to be entitled to receive in exchange for those products or services. To achieve the core principle of this standard, IDX applies the following five steps:

- a) Identify Contracts with Customers,
- b) Identify the Performance Obligations in the Contract,
- c) Determine the Transaction Price,
- d) Allocate the Transaction Price to Performance Obligations in the Contract, and
- e) Recognize Revenue When or As Performance Obligations are Satisfied.

For arrangements with multiple performance obligations, IDX allocates total consideration to each performance obligation on a relative fair value basis based on management's estimate of stand-alone selling price (SSP).

The following table illustrates the timing of IDX's revenue recognition:

| | January 1, 2022, to August 3, 2022 | Year Ended December 31, 2021 |
|---------------------------------|---|------------------------------------|
| Breach - point in time | 12.6% | 8.3% |
| Breach - over time | 83.4% | 88.5% |
| Membership services - over time | 4.0% | 3.2% |

Breach Services

IDX's breach services revenue consists of contracts with various combinations of notification, project management, communication services, and ongoing identity protection services. Performance periods generally range from one to three years. Payment terms are generally between thirty and sixty days. Contracts generally do not contain significant financing components. The pricing for IDX's breach services contracts is structured as either fixed price or variable price. In fixed price contracts, a fixed total price or fixed per-impacted-individual price is charged for the total combination of services. For variable price breach services contracts, the breach communications component, which includes notifications and call center, is charged at a fixed total fee and ongoing identity protection services are charged as incurred using a fixed price per enrollment. Fixed fees are generally billed at the time the statement of work is executed and are due upon receipt. Large fixed fee contracts are typically billed 50% upfront and due upon receipt with the remaining 50% invoiced 30 days later with net 30 terms. For variable price contracts the charges for identity protection services are billed monthly for the prior month and are due net 30.

Membership Services

IDX provides membership services through its employer groups and strategic partners as well as directly to end-users through its website. Membership services consist of multiple, bundled identity and privacy product offerings and provide members with ongoing identity protection services. For membership services, revenue is recognized ratably over the service period. Performance periods are generally one year. Payments from employer groups and strategic partners are generally collected monthly. Payments from end-users are collected up front.

Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. No losses on uncompleted contracts were recognized for the period January 1, 2022, to August 3, 2022, and the year ended December 31, 2021.

Significant Judgments

Significant judgments and estimates are required under ASC 606. Due to the complexity of certain contracts, the actual revenue recognition treatment required under ASC 606 for IDX's arrangements may be dependent on contract-specific terms and may vary in some instances. IDX's contracts with customers often include promises to transfer multiple services including project management services, notification services, call center services, and identity protection services. Determining whether services are distinct performance obligations that should be accounted for separately requires significant judgment.

IDX is required to estimate the total consideration expected to be received from contracts with customers, including any variable consideration. Once the estimated transaction price is established, amounts are allocated to performance obligations on a relative SSP basis. IDX's breach business derives revenue from two main performance obligations: (i) notification and (ii) combined call center and identity protection services (see Note 7).

At contract inception, IDX assesses the products and services promised in the contract to identify each performance obligation and evaluates whether the performance obligations are capable of being distinct and are distinct within the context of the contract. Performance obligations that are not both capable of being distinct and are distinct within the context of the contract are combined and treated as a single performance obligation in determining the allocation and recognition of revenue. Determining whether products and services are considered distinct performance obligations requires significant judgment. In determining whether products and services are considered distinct performance obligations, IDX assesses whether the customer can benefit from the products and services on their own or together with other readily available resources and whether our promise to transfer the product or service to the customer is separately identifiable from other promises in the contract.

Judgment is required to determine the SSP for each distinct performance obligation. IDX rarely sells its individual breach services on a standalone basis and accordingly, IDX is required to estimate the range of SSPs for each performance obligation. In instances where the SSP is not directly observable because IDX does not sell the service separately, IDX reviews information that includes historical discounting practices, market conditions, cost-plus analysis, and other observable inputs to determine an appropriate SSP. IDX typically has more than one SSP for individual performance obligations due to the stratification of those items by classes of customers, size of breach, and other circumstances. In these instances, IDX may use other available information such as service inclusions or exclusions, customizations to notifications, or varying lengths of call center or identity protection services in determining the SSP.

If a group of agreements are so closely related to each other that they are in effect part of a single arrangement, such agreements are deemed to be one arrangement for revenue recognition purposes. IDX exercises judgment to evaluate the relevant facts and circumstances in determining whether the separate agreements should be accounted for separately or as, in substance, a single arrangement. IDX's judgments about whether a group of contracts comprises a single arrangement can affect the allocation of consideration to the distinct performance obligations, which could have an effect on results of IDX's operations for the periods presented.

IDX has not experienced significant refunds to customers. IDX's estimates related to revenue recognition may require significant judgment and the change in these estimates could have an effect on IDX's results of operations during the periods involved.

Contract Balances

The timing of revenue recognition may differ from the timing of invoicing to customers and these timing differences result in receivables, contract assets, or contract liabilities (deferred revenue) on the Consolidated Balance Sheets. IDX records a contract asset when revenue is recognized prior to invoicing and records a deferred revenue liability when revenue is expected to be recognized after invoicing. For IDX's breach services agreements, customers are typically invoiced at the beginning of the arrangement for the entire contract. When the breach agreement includes variable components related to as-incurred identity protection services, customers are invoiced monthly for the duration of the enrollment or call center period.

Unbilled accounts receivable, which consists of services billed one month in arrears, was \$7.8 million and \$7.1 million as of August 3, 2022, and December 31, 2021, respectively. These unbilled amounts are included in accounts receivable as IDX has the unconditional right to receive this consideration.

Contract assets are presented as other receivables within the Consolidated Balance Sheets and primarily relate to IDX's rights to consideration for work completed but not billed on service contracts. Contract assets are transferred to receivables when IDX invoices the customer. Contract liabilities are presented as deferred revenue and relate to payments received for services that are yet to be recognized in revenue.

IDX recognized \$5.1 million of revenue that was included in deferred revenue at the end of the preceding year during the period January 1, 2022, to August 3, 2022. All other deferred revenue activity is due to the timing of invoices in relation to the timing of revenue, as described above. IDX expects to recognize as revenue approximately 56% of its August 3, 2022, deferred revenue balance in the remainder of 2022, 29% in the period January 1, 2023, to August 3, 2023, and the remainder thereafter.

In instances where the timing of revenue recognition differs from that of invoicing, IDX has determined that its contracts do not include a significant financing component. The primary purpose of invoicing terms is to provide customers with simplified and predictable ways of purchasing IDX's services and not to facilitate financing arrangements.

Government Contracts

IDX evaluates arrangements with governmental entities containing fiscal funding or termination for convenience provisions, when such provisions are required by law, to determine the probability of possible cancellation. IDX considers multiple factors including the history with the customer in similar transactions and the budgeting and approval processes undertaken by the governmental entity. If IDX determines upon execution of these arrangements that the likelihood of cancellation is remote, it then recognizes revenue for such arrangements once all relevant criteria have been met. If such a determination cannot be made, revenue is recognized upon the earlier of cash receipt or approval of the applicable funding provision by the governmental entity for such arrangements.

j. Contract Costs

IDX capitalizes costs to obtain a contract or fulfill a contract. These costs are recorded as deferred contract acquisitions costs on the Consolidated Balance Sheets. Costs to obtain a contract for a new customer are amortized on a straight-line basis over the estimated period of benefit. IDX determined the estimated period of benefit by taking into consideration the contractual term. IDX periodically reviews the carrying amount of the capitalized contract costs to determine whether events or changes in circumstances have occurred that could affect the period of

benefit. Amortization expense associated with costs to fulfill a contract is recorded to cost of services on the Consolidated Statements of Income. Amortization expense associated with costs to obtain a contract (sales commissions) is recorded to sales and marketing expense on the Consolidated Statements of Income.

k. Cost of Services

Cost of services consists of fees to outsourced service providers for credit monitoring, call center operation, notification mailing, insurance, and other miscellaneous services and internal labor costs. Costs incurred for breach service contracts represent fulfillment costs. These costs are deferred within capitalized contract costs and recognized in relation to revenue recorded over the combined service and membership terms. The remainder of cost of services are expensed as incurred. Relevant depreciation and amortization are included in cost of services.

l. Research and Development

Research and development expenses primarily consist of personnel costs and contractor fees related to the bundling of other third-party software products that are offered as one combined package within IDX's product offerings. Personnel costs include salaries, bonuses, stock-based compensation, employer-paid payroll taxes, and an allocation of our facilities, benefits, and internal IT costs. Research and development costs are expensed as incurred.

m. Long-term Debt

Convertible notes and amounts borrowed under credit agreements are recorded as long-term debt on the Consolidated Balance Sheets, at principal, net of debt discounts and issuance costs. The debt discounts and issuance costs are amortized to interest expense on the Consolidated Statements of Income using the straight-line method over the contractual term of the note if that method is not materially different from the effective interest rate method. Cash interest payments are due either quarterly or semi-annually in arrears and IDX accrues interest expense monthly based on the annual coupon rate. See Note 4 for further discussion regarding the convertible notes and credit agreements.

n. Debt Issuance Costs

Fees paid to lenders and service providers in connection with the origination of debt are capitalized as debt issuance costs and presented as a direct deduction from the carrying value of the associated debt liability. As of August 3, 2022, and December 31, 2021, the debt issuance costs presented on the Consolidated Balance Sheets as a reduction to debt were negligible for both periods presented.

o. Advertising

Advertising costs are expensed as incurred. Advertising costs amounted to \$0.8 million and \$1.2 million, for the period January 1, 2022, to August 3, 2022, and for the year ended December 31, 2021, respectively.

p. Stock-Based Compensation

IDX grants stock options to purchase common stock to employees with exercise prices equal to the fair market value of the underlying stock as determined by the Board of Directors and management. The Board of Directors, with the assistance of outside valuation experts, determines the fair value of the underlying stock by considering several factors including historical and projected financial results, the risks IDX faced on the grant date, the preferences of IDX's debt holders and preferred stockholders, and the lack of liquidity of IDX's common stock.

The fair value of each stock option award is estimated using the Black-Scholes-Merton valuation model. Such value is recognized as expense over the requisite service period using the straight-line method, net of forfeitures as they occur.

Excess tax benefits of awards that relate to stock option exercises are reflected as operating cash inflows. Stock-based compensation expense recognized in the Consolidated Statements of Income for options were negligible for all periods presented.

q. Earnings (Loss) per Share

Series A-1 and A-2 Preferred Stock are participating securities due to their rights to receive dividends. IDX calculates EPS under the two-class method. In the two-class method, all earnings (distributed and undistributed) are allocated to each class of common stock and participating securities. The allocation between common stock and participating securities is based upon the rights to dividends for the two types of securities.

For periods of net income and when the effects are not anti-dilutive, IDX calculates diluted earnings per share by dividing net income available to common shareholders by the weighted average number of common shares plus the weighted average number of common shares assuming the conversion of IDX's convertible notes, as well as the impact of all potentially dilutive common shares. Potentially dilutive common shares consist primarily of common stock options using the treasury stock method. For periods of net loss, shares used in the diluted earnings (loss) per share calculation equals the amount of shares in the basic EPS calculation as including potentially dilutive shares would be anti-dilutive.

r. Concentrations of Credit Risk

Financial instruments that potentially subject IDX to concentrations of credit risk consist principally of cash balances and trade accounts receivable. IDX maintains cash balances at two financial institutions. The balances occasionally exceed federally insured limits. As of August 3, 2022, balances exceeded federally insured limits by \$16.0 million. IDX has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk from cash. Concentrations of credit with respect to accounts receivables are generally limited due to the large number of customers in IDX's customer base which are dispersed across different industries.

IDX generated 73% and 79% of its revenue from the U.S. Government for the period January 1, 2022, to August 3, 2022, and the year ended December 31, 2021, respectively. The U.S. Government pays invoices in less than thirty days and is deemed to be a low credit risk. On August 3, 2022, and December 31, 2021, accounts receivables from the U.S. Government made up 64% and 69% of IDX's outstanding accounts receivables, respectively.

s. Income Taxes

IDX provides for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax effect of differences between recorded assets and liabilities and their respective tax basis along with operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period the rate change becomes effective. IDX recognizes the effect of income tax positions only if those positions are more likely than not of being sustained in the event of a tax audit. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. IDX records interest related to unrecognized tax benefits in income tax expense.

Deferred tax assets are reduced by a valuation allowance when in management's opinion it is more likely than not that some portion or all the deferred tax assets will not be realized. IDX considers the future reversal of existing taxable temporary differences, taxable income in prior carryback years, projected future taxable income, and tax planning strategies in making this assessment. IDX's valuation allowance is based on all available

positive and negative evidence, including its recent financial operations, evaluation of positive and negative evidence with respect to certain specific deferred tax assets (including evaluating sources of future taxable income) to support the realization of the deferred tax assets.

IDX's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. Tax authorities may have the ability to review and adjust net operating loss or tax credit carryforwards that were generated prior to these periods if utilized in an open tax year. As of August 3, 2022, IDX's income tax returns for the years ended December 31, 2018 through August 3, 2022, are subject to examination by the Internal Revenue Service and applicable state and local taxing authorities.

t. Sales and Use Taxes

IDX collects sales tax in various jurisdictions. IDX records the amount of sales tax as a payable to the related jurisdiction upon collection from customers. IDX files a sales tax return with the jurisdictions and remits the amounts indicated on the return on a periodic basis.

u. Segment Reporting

Operating segments are identified as components of an enterprise for which separate discrete financial information is available for evaluation by the chief operating decision maker, the chief executive officer, or decision-making group, in making decisions on how to allocate resources and assess performance. IDX views its operations and manages its business as one operating segment. All revenue has been generated and all assets are held in the United States.

v. Deferred Rent and Lease Incentives

Rent expense and lease incentives from IDX's operating leases are recognized on a straight-line basis over the lease term. IDX's operating lease includes rent escalation payment terms and a rent-free period. Deferred rent represents the difference between actual operating lease payments and straight-line rent expense over the term of the lease.

w. Standards Issued and Adopted

In May 2021, the FASB issued ASU 2021-04, Earnings per Share ("Topic 260"), Debt – Modifications and Extinguishments ("Subtopic 470-50"), Compensation – Stock Compensation ("Topic 718"), and Derivatives and Hedging – Contracts in Entity's Own Equity ("Subtopic 815-40"). ASU 2021-04 clarifies the accounting by issuers for modifications or exchanges of equity-classified warrants and is effective for fiscal years starting after December 15, 2021. IDX adopted ASU 2021-04 effective as of January 1, 2022. The adoption of ASU 2021-04 did not have an impact on the consolidated financial statements.

x. Standards Issued but Not Yet Effective

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This guidance is intended to improve financial reporting for leasing transactions. The standard is effective for the Company for annual reporting periods beginning after December 15, 2021, and early adoption is permitted. Upon adoption, the Company will be required to record right-of-use assets and lease liabilities on its Consolidated Balance Sheets for leases which were historically classified as operating leases. The Company expects the adoption to have a material increase on the assets and liabilities recorded on its Consolidated Balance Sheets. The Company does not expect a material impact to its Consolidated Statement of Comprehensive Loss or Consolidated Statement of Cash Flows following adoption.

In June 2016 the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments, which amends the accounting for credit losses for most financial assets and certain other instruments. The standard requires that entities holding financial assets that are not accounted for at fair value through net income be presented at the net amount expected to be collected. An allowance for credit losses will be a valuation account that will be deducted from the amortized cost basis of the financial asset to present the net carrying value at the amount expected to be collected on the financial asset. The standard is effective for the Company for annual reporting periods beginning in fiscal year 2023. The Company does not believe the adoption will have a material impact on its consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, Simplifying the Accounting for Income Taxes (Topic 740). The amendments will remove certain exceptions for recognizing deferred taxes for investments, performing intra-period allocation and calculating income taxes in interim periods. The ASU also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. The amendments are effective for annual periods beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022. IDX is currently evaluating the impact of ASU 2019-12 on its consolidated financial statements and related disclosures.

In March 2020, the FASB issued ASU No. 2020-06, Accounting for Convertible Instruments and Contracts in an Entity's Own Equity (Topics: 470-20, 815-40). The standards reduce the number of accounting models for convertible instruments and allows more contracts to qualify for equity classification. The standard also amends diluted EPS calculations for convertible instruments and amends the requirements for a contract (or embedded derivative) that is potentially settled in an entity's own shares to be classified in equity. The standard is effective for the Company for all interim and annual periods of our fiscal year ending December 31, 2024. Early adoption is permitted. IDX is currently evaluating the impact of ASU 2020-06 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). ASU 2020-06 simplifies the accounting for convertible instruments by eliminating large sections of the existing guidance in this area. It also eliminates several triggers for derivative accounting, including a requirement to settle certain contracts by delivering registered shares. The standard is effective for the Company for all interim and annual periods of our fiscal year ending December 31, 2024. Early adoption is permitted. IDX is currently evaluating the impact of ASU 2020-06 on its consolidated financial statements.

3: Property and Equipment, net

Property and equipment, net consisted of the following amounts on August 3, 2022, and December 31, 2021 (in thousands):

| | August 3, 2022 | December 31, 2021 |
|--|-------------------|----------------------|
| Furniture and office equipment | \$ 351 | \$ 603 |
| Computer equipment and software | 503 | 521 |
| Leasehold improvements | 69 | 73 |
| Total property and equipment | 923 | 1,197 |
| Less accumulated depreciation and amortization | (798) | \$ (1,070) |
| Total property and equipment, net | \$ 125 | \$ 127 |

Depreciation and amortization expense related to property and equipment was less than \$0.1 million and \$0.1 million, for the period January 1, 2022, to August 3, 2022, and the year ended December 31, 2021, respectively.

4: Long-term Debt

The below table presents details of IDX's debt on August 3, 2022, and December 31, 2021 (in thousands):

| | August 3, 2022 | December 31, 2021 |
|--------------------------------------|-------------------|----------------------|
| Current maturity term loan | \$ 3,333 | \$ 1,667 |
| Total | \$ 3,333 | \$ 1,667 |
| Long-term debt | | |
| Term loan, net of debt issuance cost | 6,100 | 8,319 |
| Total long-term debt | <u>\$ 9,433</u> | <u>\$ 9,986</u> |

The future contractual maturities for the long-term debt outstanding as of August 3, 2022, are summarized as follows (in thousands):

| | Future Payments |
|------------------------------|--------------------|
| 2022 (Remaining quarters) | \$ 1,111 |
| 2023 | 3,333 |
| 2024 | 3,333 |
| 2025 | 1,668 |
| Total | \$ 9,445 |
| Less net debt issuance costs | (12) |
| Total long-term debt | <u>\$ 9,433</u> |

Term Loan

On December 29, 2020, IDX executed the amended and restated loan and security agreement. This resulted in the extinguishment of the original term loan and established a new term loan of \$10.0 million. The new term loan matures June 1, 2025, and bears interest at the prime referenced rate plus 1.5%, which was 6.25% as of August 3, 2022. Monthly principal payments began on July 1, 2022. IDX began making interest-only payments on a monthly basis beginning on February 1, 2021. The loan is subject to certain standardized financial covenants and the carrying value of the term loan approximates its fair value. IDX was in compliance with its debt covenants as of August 3, 2022.

5: Convertible Debt Loan

In December 2018, IDX entered into a convertible debt loan with several of its existing investors for \$1.4 million. The convertible debt loan matures on December 20, 2022, and bears 12% interest, paid at maturity. The related party lenders have the option to convert the note in conjunction with a qualified financing at 80% of the share price paid by other investors. The related party lenders receive 150% of the outstanding value of notes and accrued interest in conjunction with a sale of IDX. IDX, with consent from the related party lenders, may prepay the convertible debt loan without penalty. The convertible debt loan is a general, unsecured obligation of IDX.

IDX has elected to fair value the convertible debt loan. At the end of each period, IDX calculates the fair value of the convertible debt and any changes are recorded within other expense in the Consolidated Statements of Income. There has been no change in fair value from a change in credit quality. IDX recorded changes in fair value of \$0.6 million and \$0.7 million, for the period January 1, 2022, to August 3, 2022, and the year ended December 31, 2021, respectively. See Note 17 for additional information on fair value measurement.

6: Warrants

The following table summarizes activity for IDX's preferred and common stock warrants for the period January 1, 2022, to August 3, 2022, and the year ended December 31, 2021:

| | January 1, 2022, to August 3, 2022 | Year Ended December 31, 2021 |
|--|---|------------------------------------|
| <u>Preferred stock warrants</u> | | |
| Beginning balance | 125,000 | 125,000 |
| Warrants exercised | (125,000) | — |
| Ending balance | — | 125,000 |
| <u>Common stock warrants</u> | | |
| Beginning balance | 1,280,506 | 1,280,506 |
| Warrants exercised | (1,280,506) | — |
| Ending balance | — | 1,280,506 |

Preferred Stock Warrants

In connection with a related party term loan modification dated December 18, 2018, IDX issued 125,000 preferred stock warrants with an exercise price of \$0.0001.

IDX calculates the fair value of the vested Series A-2 preferred stock warrant at the end of each reporting period. IDX recorded a change in fair value of the preferred stock warrant of \$0.0 million and \$0.2 million, for the period January 1, 2022, to August 3, 2022, the year ended December 31, 2021, respectively. IDX presents the change in fair value of warrant liabilities in the Consolidated Statements of Income.

On February 14, 2022, the related party exercised its preferred stock warrants, reducing the warrant liability included within accrued expenses on the Consolidated Balance Sheets. The non-cash exercise resulted in an increase of 124,994 A-2 preferred stock shares, which are presented as redeemable convertible preferred stock on the Consolidated Balance Sheets.

Common Stock Warrants

In February 2015, IDX issued 300,000 common stock warrants at a strike price of \$0.60 to a client/vendor. The common stock warrants are exercisable upon a Liquidation Event as defined in the agreement i.e., the first occurrence of any sale of IDX's assets, a merger, or a firm underwritten public offering of common stock. The warrants expire on February 10, 2025. IDX calculates the fair value of the vested common stock warrant at the end of each reporting period. IDX recorded a change in fair value of the common stock warrant of \$0.1 million and \$1.7 million, for the period January 1, 2022, to August 3, 2022, the year ended December 31, 2021, respectively. IDX presents the change in fair value of warrant liabilities in the Consolidated Statements of Income, and the change in fair value of common stock warrant in accrued expenses on the Consolidated Balance Sheets.

On July 26, 2022, the client/vendor exercised its common stock warrants, reducing the warrant liability included within accrued expenses on the Consolidated Balance Sheets. The cash exercise resulted in an increase of 300,000 shares of common stock.

In connection with a related party term loan dated August 2, 2016, IDX issued 980,506 common stock warrants with an exercise price of \$0.0001. The value of these common stock warrants was initially recorded as a reduction of the face value of debt on issuance with an offset to additional paid in capital. The warrants' value is

recorded to interest expense using the effective interest method over the life of the debt. These common stock warrants were fully expensed as of December 31, 2020.

On February 14, 2022, the related party exercised its common stock warrants, reducing the warrant liability included within accrued expenses on the Consolidated Balance Sheets by \$0.3 million. The non-cash exercise resulted in an increase of 980,460 shares of common stock.

7: Revenue from Contracts with Customers

Performance Obligations

IDX's primary performance obligations under breach services contracts are notification services and combined call center and identity protection services. IDX reviewed the contracts and established which services were distinct. With each performance obligation, the customer can benefit from the service either on its own or together with other resources readily available in the marketplace and it is therefore, separately identifiable from other promises in the contract.

The following table summarizes breach revenue from contracts with customers for the period January 1, 2022, to August 3, 2022, and the year ended December 31, 2021, (in thousands):

| | January 1, 2022, to August 3, 2022 | Year Ended December 31, 2021 |
|--|---------------------------------------|---------------------------------|
| Notification services | \$ 8,386 | \$ 8,834 |
| Call center and identity protection services | 55,692 | 93,885 |
| Total breach services | <u>\$ 64,078</u> | <u>\$ 102,719</u> |

Notification Services

IDX's notification and mailing services include project management, postage, and setup costs to develop notification templates that will be printed and mailed to the customer's impacted population. These notifications are typically printed by IDX's third-party printers and mailed via USPS. IDX recognizes revenue for notification services upfront upon the date that the notifications are mailed, which typically coincides with the call center start date. IDX is deemed to be the principal in these transactions as it is primarily responsible for fulfilling the obligation, has full discretion in price setting, and controls the notification services before the resulting notifications are transferred to the customer.

Call Center and Identity Protection Services

Call center services consist of fees charged to setup an incident-specific call center and website for the population of impacted individuals. The call center component of IDX's services serves as a facilitation of its identity protection services and revenue is recognized ratably over the term of the arrangement, which typically lasts for 15 months total (3 months for the call center/enrollment period plus 12 months of identity protection services). Identity Protection services consist of fees charged to continually monitor individuals' credit and identity. Additional services are bundled with identity protection services such as non-credit reporting, alerts, and insurance. IDX typically invoices for these services upfront for fixed price contracts. For variable price contracts, IDX typically invoices the call center services upfront and the notification services and identity protection services on a monthly basis, as incurred, over the enrollment period. The timing and content of billings may vary based on individual contracts, but such variances usually only occur with the largest breach contracts.

Membership Services

IDX recognized revenue from membership services of \$2.7 million and \$3.3 million, of total revenue for the period January 1, 2022, to August 3, 2022, and the year ended December 31, 2021, respectively. No single membership services customer exceeded 10% of total revenue during the period January 1, 2022, to August 3, 2022, and the year ended December 31, 2021.

Timing of Revenue Recognition

Breach services contracts contain distinct performance obligations and have a portion of revenue recognized up front and a portion recognized over time. The transaction price is allocated based upon SSP and has resulted in a portion being recognized point in time and a portion recognized over time.

Contract Costs

IDX recognized amortization expense of capitalized contract costs of \$7.8 million and \$8.7 million, for the period January 1, 2022, to August 3, 2022, and the year ended December 31, 2021, respectively. Contract costs include fulfillment costs and costs to obtain contracts. IDX recognized no impairment losses in any of the periods presented on the Consolidated Statements of Income.

Remaining Performance Obligations

Remaining performance obligations represent contracted revenue that has not yet been recognized, which includes contract liabilities and amounts that will be billed and recognized as revenue in future periods. IDX had \$86.6 million of remaining performance obligations as of August 3, 2022. The approximate percentages of the total value of remaining performance obligations IDX expects to recognize as revenue in future periods are as follows (in thousands):

| | 0-12 Months | 13-24 Months | Over 24 Months | Total Remaining Performance Obligations |
|---------------------|-------------|--------------|----------------|---|
| Breach | 98% | 2% | 0% | \$ 85,932 |
| Membership services | 100% | 0% | 0% | 678 |
| Total | 98% | 2% | 0% | \$ 86,610 |

8: Leases

IDX has two leases related to office equipment and one lease related to office space. The two office equipment leases and the office space lease are operating leases. IDX's operating leases have varying maturity dates through the year ending 2025.

Rental payments under operating leases are recognized on a straight-line basis over the term of the lease including any periods of free rent. IDX's rental expenses were \$0.2 million and \$0.4 million, for the period January 1, 2022, to August 3, 2022, the year ended December 31, 2021, respectively.

Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of August 3, 2022, are (in thousands):

| Years ending December 31: | Future Payments |
|------------------------------|-----------------|
| 2022 (Remaining quarters) | \$ 178 |
| 2023 | 149 |
| 2024 | 48 |
| Total minimum lease payments | \$ 375 |

9: Redeemable Convertible Preferred Stock

Series A-1 Redeemable Convertible Preferred Stock

On July 29, 2016, IDX's Board of Directors approved the issuance of up to 6,000,000 shares of Series A-1 preferred stock with a par value \$0.0001. The original issuance price per share of the Series A-1 preferred stock was \$0.85. Series A-1 preferred stock is recorded at the maximum redemption value per the agreement in redeemable convertible preferred stock on the Consolidated Balance Sheets.

Dividends

If IDX declares a dividend on common stock, the stockholders of Series A-1 preferred stock are entitled to receive an amount equal to the dividend they would receive if the shares were converted to common stock. If IDX declares a dividend on a class of shares that is not convertible to common stock, the convertible preferred stockholders receive an amount determined by (A) dividing the amount of the dividend payable on each class of stock by the original price of such class and (B) multiplying the fraction by the original issue price of the convertible preferred stock. The convertible preferred stockholders must receive their pro-rata dividends before or concurrent with any dividend payable to common stockholders. IDX and its Board of Directors have not declared any dividends related to IDX's Series A-1 preferred stock.

Liquidation

In a liquidation event, excluding a public offering, stockholders of the Series A-1 preferred stock shall receive any declared and unpaid dividends, plus the higher of a liquidation preference of \$0.85 per share, or the value the stockholders would receive if shares were converted to common stock and Series B preferred stock.

Redemption

The Series A-1 preferred stock is redeemable at the option of the stockholders seven years after original issuance. This redemption option is outside of the Company's control and therefore, the Company classifies the Series A-1 preferred stock as temporary equity in the Consolidated Balance Sheets. The redemption price of Series A-1 preferred stock is the higher of (i) the fair market value of the shares upon conversion to common stock or (ii) the original issuance price plus any declared and unpaid dividends. The fair market value of the shares shall not exceed any amount which is greater than two times the original issue price.

Conversion

Stockholders may convert their preferred shares into an equal quantity of common stock and Series B preferred stock at their election. In the event of a Qualified IPO, which is defined in IDX's amended and restated certificate of incorporation as upon the closing of the sale of shares of common stock to the public at a price of \$2.6325 per share, resulting in at least \$50,000,000 in gross proceeds, the Series A-1 preferred stock automatically convert to common stock and Series B preferred stock.

Voting

Stockholders of Series A-1 preferred stock are entitled to cast the number of votes equal to the number of whole shares of common stock their preferred shares would convert into as of the record date.

Series A-2 Redeemable Convertible Preferred Stock

On July 29, 2016, IDX's Board of Directors approved the issuance of up to 27,000,000 of Series A-2 preferred stock, par value \$0.0001. The original issuance price per share of the Series A-2 preferred stock was \$1.053. IDX records Series A-2 preferred stock at its maximum redemption value per the agreement in redeemable convertible preferred stock on the Consolidated Balance Sheets.

Dividends

If IDX declares a dividend on common stock, the stockholders of Series A-2 preferred stock are entitled to receive an amount equal to the dividend they would receive if the shares were converted to common stock. If IDX declares a dividend on a class of shares that is not convertible to common stock, the convertible preferred stockholders receive an amount determined by (A) dividing the amount of the dividend payable on each class of share by the original price of such class and (B) multiplying the fraction by the original issue price of the convertible preferred stock. The convertible preferred stockholders must receive their pro-rata dividends before or concurrent with any dividend payable to the common stockholders. IDX and its Board of Directors have not declared any dividends related to IDX's convertible Preferred A-2 stock.

Liquidation

In a liquidation event, excluding a public offering, the stockholders of the Series A-2 preferred stock shall receive any declared and unpaid dividends, plus the higher of a liquidation preference of \$1.053 per share, or the value the stockholders would receive if shares were converted to common stock and Series B preferred stock.

Redemption

The Series A-2 preferred stock is redeemable at the option of the stockholders seven years after original issuance. This redemption option is outside of IDX's control and therefore, IDX classifies the Series A-2 preferred stock as temporary equity in the Consolidated Balance Sheets. The redemption price of the Series A-2 preferred stock is the higher of (i) the fair market value of the shares upon conversion to common stock or (ii) the original issuance price plus any declared and unpaid dividends. The fair market value of the shares shall not exceed any amount which is greater than two times the original issue price.

Conversion

Stockholders may convert their preferred shares into an equal quantity of common stock and Series B preferred stock at their election. In the event of a Qualified IPO, which is defined in IDX's amended and restated certificate of incorporation as upon the closing of the sale of shares of common stock to the public at a price of \$2.6325 per share, resulting in at least \$50,000,000 in gross proceeds, the Series A-2 preferred stock automatically convert to common and Series B preferred stock.

Voting

Holders of Series A-2 preferred stock are entitled to cast the number of votes equal to the number of whole shares of common stock their preferred shares would convert into as of the record date.

10: Stockholders' Deficit

Series B Preferred Stock

On July 29, 2016, IDX's Board of Directors approved the issuance of up to 33,000,000 shares of Series B preferred stock with a par value of \$0.0001. Stockholders of Series B preferred stock are not entitled to vote and do not have preferential dividend rights.

In the event of a liquidation event, excluding a public offering, Stockholders of Series B preferred stock receive, following all preferential distributions made to Series A-1 preferred stock and Series A-2 preferred stock, any declared and unpaid dividends and a liquidation preference of \$0.361 per share. As of August 3, 2022, and December 31, 2021, no Series B preferred stock was outstanding.

Common Stock

As of August 3, 2022, and December 31, 2021, IDX had authorized 53,000,000 shares of common stock with a par value of \$0.0001. Stockholders of common stock are entitled to one vote per share, to receive dividends if and when declared by the Board of Directors, and upon liquidation or dissolution, receive a portion of the assets available for distributions to stockholders, subject to preferential amounts owed to stockholders of IDX's preferred stock.

Common stockholders have no preemptive or other subscription rights and there are no redemption or sinking fund provisions with respect to such shares. Common stock is subordinate to preferred stock with respect to dividend rights and rights upon liquidation, winding up, and dissolution of IDX.

IDX and its Board of Directors have not declared any dividends related to IDX's common stock.

11: Income Taxes

The income (loss) before income taxes is solely from domestic sources.

The provision for income taxes for the period January 1, 2022, to August 3, 2022, and the year ended December 31, 2021, consists of the following (in thousands):

| | January 1, 2022, to August 3, 2022 | Year Ended December 31, 2021 |
|--------------------------------------|---------------------------------------|---------------------------------|
| Current tax provision: | | |
| Federal | \$ 1,645 | \$ 913 |
| State | 361 | 604 |
| Total current tax expense | \$ 2,006 | \$ 1,517 |
| Deferred tax (benefit) expense: | | |
| Federal | \$ (1,129) | \$ 186 |
| State | (225) | 13 |
| Total deferred tax (benefit) expense | \$ (1,354) | \$ 199 |
| Income tax expense | <u>\$ 652</u> | <u>\$ 1,716</u> |

The income tax provision differs from the amount computed by applying the statutory federal income tax rate of 21% to the income (loss) before income tax as a result of the following differences (in thousands):

| | January 1, 2022, to August 3, 2022 | Year Ended December 31, 2021 |
|---|---------------------------------------|---------------------------------|
| Income taxes at statutory rate | \$ (43) | \$ 250 |
| State income tax, net of federal benefit | (12) | 242 |
| Permanent items | 4 | 25 |
| Non-deductible transaction costs | 625 | 368 |
| Non-deductible convertible debt and warrant expense | 150 | 553 |
| Stock-based compensation | (145) | — |
| Tax credits | (25) | (53) |
| Loss of attributes | 25 | 59 |
| Uncertain tax positions | 106 | 145 |
| Other | (21) | 86 |
| Valuation allowance | (12) | 41 |
| Income tax expense | <u>\$ 652</u> | <u>\$ 1,716</u> |

The key differences resulting in income tax expense (benefit) that differs from the statutory rate for the period January 1, 2022 to August 3, 2022 relate to the impact of non-deductible transaction costs and convertible debt and warrant expenses offset by the benefit of stock-based compensation. The key differences resulting in income tax expense (benefit) that differ from the statutory rate for the year ended December 31, 2021 relate to the impact of non-deductible transaction costs and convertible debt and warrant expenses as well as the accrual of uncertain tax positions.

The temporary differences that give rise to the Company's deferred tax assets and liabilities as of August 3, 2022, and December 31, 2021, are as follows (in thousands):

| | August 3, 2022 | December 31, 2021 |
|--|----------------|-------------------|
| Net operating losses | \$ 137 | \$ 143 |
| Accrued expenses | 709 | 843 |
| Deferred revenue | 985 | 423 |
| Tax credits | — | 12 |
| Stock-based compensation | 46 | 43 |
| Capitalized research and development expense | 803 | — |
| Other, net | 53 | 11 |
| Deferred assets, gross: | 2,733 | 1,475 |
| Fixed and intangible assets | (7) | (7) |
| Other, net | (54) | (139) |
| Valuation allowance | (88) | (100) |
| Net deferred tax assets | \$ 2,584 | \$ 1,229 |

As of August 3, 2022, and December 31, 2021, the Company had state net operating loss carryforwards available of approximately \$2.6 million and \$2.7 million, respectively, to offset future taxable income, if any, for state income tax purposes. As of August 3, 2022, state net operating loss carryforwards begin to expire in 2027.

The Company recorded valuation allowances of \$0.1 million, and \$0.1 million as of August 3, 2022 and December 31, 2021, respectively. The valuation allowance at August 3, 2022 represents a partial reserve against the Company's state net operating losses. In evaluating its valuation allowance, the Company considers all available positive and negative evidence, including future reversal of existing taxable temporary differences, taxable income in prior carryback years, projected future taxable income, tax planning strategies, and recent financial operations. Realization of the Company's deferred tax assets is dependent on generating sufficient taxable income prior to the expiration of net operating loss. Management believes that it is more-likely-than-not that the results of future operations will generate sufficient taxable income to realize the balance of the deferred tax assets as of August 3, 2022.

The Company recognizes a tax benefit from an uncertain tax position when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more-likely-than-not recognition at the effective date to be recognized. As of August 3, 2022, and December 31, 2021, the unrecognized tax benefits recorded were approximately \$0.8 million and \$0.7 million, respectively. The Company does not anticipate a significant

change in the unrecognized tax benefits within the next 12 months. If the unrecognized tax positions were recognized, an income tax benefit of \$0.7 million would be recognized.

| | <u>August 3, 2022</u> | <u>December 31, 2021</u> |
|--|-----------------------|--------------------------|
| Uncertain tax positions: | | |
| Balance at beginning of year | \$ 681 | \$ 485 |
| Accrual for positions taken in prior year | — | 211 |
| Accrual for positions taken in current year | 173 | 60 |
| Reversals due to lapse of statute of limitations | (16) | (37) |
| Decreases for positions taken in a prior year | — | (38) |
| Balance at end of year | <u>\$ 838</u> | <u>\$ 681</u> |
| Interest | 56 | 42 |
| Penalties | 60 | 43 |
| Net of tax attributes | — | (16) |
| Total at end of year | <u>\$ 954</u> | <u>\$ 750</u> |

Accrued interest and penalties related to unrecognized tax benefits are classified as income tax expense. As of August 3, 2022, and December 31, 2021, interest and penalties of \$0.1 million and \$0.1 million, respectively, have been accrued. IDX files federal income tax returns in the U.S. and various state jurisdictions. As of August 3, 2022, the Company's statutes of limitations are open for most federal and state filings for the years ended December 31, 2018 through December 31, 2021 and the period January 1, 2022 to August 3, 2022. Net operating loss and credit carryforwards from all years are subject to examination and adjustments for the three years following the year in which the carryforwards are utilized. The Company is not currently undergoing any federal or state income tax examinations.

12: Accrued Expenses

IDX accrues expenses related to payroll, taxes, rent, and other expenses within accrued expenses on the Consolidated Balance Sheets. The table below provides detail of the accrued expenses as of August 3, 2022, and December 31, 2021, (in thousands):

| | <u>August 3, 2022</u> | <u>December 31, 2021</u> |
|---|-----------------------|--------------------------|
| Accrued payroll, bonus, and employee benefits | \$ 1,765 | \$ 2,099 |
| Accrued sales tax payable | 1,751 | 1,368 |
| Accrued taxes payable | 1,640 | 95 |
| Other accrued expenses | 1,077 | 1,010 |
| Deferred rent | 23 | 45 |
| Accrued warrant liability | — | 1,989 |
| Total accrued expenses | <u>\$ 6,256</u> | <u>\$ 6,606</u> |

13: Retirement Plan

IDX maintains a defined contribution 401(k) plan, whereby employees meeting certain requirements are eligible to participate. Eligible participants may contribute a portion of their compensation to the plan. IDX may make

matching contributions in a percentage set by IDX each plan year. IDX may make discretionary contributions to the plan at its option. IDX contributed to the plan \$0.2 million and \$0.3 million, for the period January 1, 2022, to August 3, 2022, and the year ended December 31, 2021, respectively.

14: Stock Incentive Plan

In August 2016, IDX adopted the 2016 Equity Incentive Plan (the 2016 Plan) in which incentive equity awards were authorized to be issued to key employees, officers, directors, and consultants of IDX. Under the terms of the 2016 Plan a maximum of 6,287,732 shares of common stock are available for issuance. IDX may grant shares of common stock in the form of incentive stock options, nonqualified stock options, restricted stock grants, non-restricted stock grants, or restricted stock units. Options granted under the 2016 Plan have a term of ten years and vest over a period of up to 48 months, subject to modification by the Board of Directors. The exercise price of the options may not be granted at a price less than 100% of the fair value of the common stock on the date of grant. In August 2017, IDX terminated the 2016 Plan and all shares available for issuance were rolled into the 2017 Plan (defined below). As of August 3, 2022, there were 265,000 awards outstanding and no shares available for issuance under the 2016 Plan.

In August 2017, IDX adopted the 2017 Equity Incentive Plan (the 2017 Plan) in which incentive equity awards were authorized to be issued to key employees, officers, directors, and consultants of IDX. Under the terms of the 2017 Plan a maximum of 8,785,330 shares of common stock are available for issuance and future cancellations and forfeitures from the 2016 Plan role into the available pool automatically. IDX may grant shares of common stock in the form of incentive stock options, nonqualified stock options, restricted stock grants, non-restricted stock grants, or restricted stock units. Options granted under the 2017 Plan have a term of ten years and vest over a period of up to 60 months, subject to modification by the Board of Directors. The exercise price of the options may not be granted at a price less than 100% of the fair value of the common stock on the date of grant. As of August 3, 2022, there were 2,313,442 awards outstanding and 299,217 shares available for issuance under the 2017 Plan.

IDX recognizes stock-based compensation expense in general and administrative expenses in the accompanying Consolidated Statements of Income. The amount of stock-based compensation expense IDX recognized was negligible for all periods presented. The remaining stock compensation expense will be recognized in the remaining quarters of 2022 through 2026. The stock-based compensation expense will be recognized over an average period of 3.06 years.

IDX used the Black-Scholes-Merton pricing model to fair value options awarded. The weighted average fair value of options granted during the period January 1, 2022, to August 3, 2022, and the year ended December 31, 2021, was \$1.97 and \$0.09, respectively. IDX used a simplified method to estimate the expected term of the options. IDX utilized a divided yield rate of 0% as it does not expect to issue dividends. IDX's estimated volatility based on the average historical volatility of similar entities with publicly traded shares. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve at the date of grant. The weighted average assumptions for the period January 1, 2022, to August 3, 2022, and the year ended December 31, 2021, are as follows:

| <u>Assumptions</u> | <u>August 3, 2022</u> | <u>December 31, 2021</u> |
|---|---------------------------|------------------------------|
| Weighted-average risk-free rate | 2.20% | 0.60% |
| Weighted-average expected term of the option (in years) | 7.00 | 7.00 |
| Weighted-average expected volatility | 35.00% | 36.00% |
| Weighted-average dividend yield | 0.00% | 0.00% |

Stock option activity during the period January 1, 2022, to August 3, 2022, is as follows:

| <i>(Aggregate Intrinsic Value in thousands)</i> | Shares | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value |
|---|------------------|---------------------------------|--|---------------------------|
| Outstanding as of January 1, 2022 | 2,843,372 | \$ 0.14 | 7.3 | \$ 5,768 |
| Granted | 72,500 | \$ 1.97 | | |
| Exercised | (272,766) | \$ 0.04 | | |
| Cancelled | (62,424) | \$ 0.38 | | |
| Outstanding as of August 3, 2022 | <u>2,580,682</u> | \$ 0.20 | 6.5 | \$ 11,998 |
| Vested as of August 3, 2022 | <u>1,556,944</u> | \$ 0.17 | 5.3 | \$ 7,300 |

The weighted average grant date fair value of options exercised during the period January 1, 2022, to August 3, 2022, and the year ended December 31, 2021, was \$0.04 and \$0.24, respectively. The intrinsic value of options exercised during the period January 1, 2022, to August 3, 2022, and the year ended December 31, 2021, was \$1.3 million and \$0.2 million, respectively. The fair value of shares vested during the period January 1, 2022, to August 3, 2022, and the year ended December 31, 2021, was \$1.4 million and \$0.4 million, respectively.

15: Earnings (Loss) per Share

Earnings (loss) Per Share (EPS) is calculated under the two-class method under which all earnings (distributed and undistributed) are allocated to each class of common stock and participating securities based on their respective rights to receive dividends. The Series A-1 and A-2 preferred shares meet the definition of participating securities as they are entitled to receive nonforfeitable dividends equivalent to the dividends paid to the holders of common stock. The following tables present the calculations basic and diluted EPS calculations for the periods January 1, 2022, to August 3, 2022, and year ended December 31, 2021 (non-share data in thousands):

| | January 1, 2022, to August 3, 2022 | Year Ended December 31, 2021 |
|---|---------------------------------------|---------------------------------|
| Net loss applicable to common equity | \$ (857) | \$ (527) |
| Less: deemed dividend to preferred shareholders | — | (32,451) |
| Net loss applicable to common stockholders | <u>\$ (857)</u> | <u>\$ (32,978)</u> |
| Total weighted-average common shares outstanding | 12,854,967 | 10,797,483 |
| Total weighted-average warrant common shares added to basic | | |
| EPS | — | 980,506 |
| Total weighted-average basic shares outstanding | 12,854,967 | 11,777,989 |
| Net loss per share, basic and diluted | \$ (0.07) | \$ (2.80) |

Certain classifications of equity awards were excluded from the computation of dilutive EPS because inclusion of these awards would have had an anti-dilutive effect. The following table reflects the awards excluded:

| | January 1, 2022, to August 3, 2022 | Year Ended December 31, 2021 |
|--------------------------------|---------------------------------------|---------------------------------|
| Employee stock options | 2,568,200 | 2,612,413 |
| Conversion of preferred shares | 32,181,076 | 32,076,680 |

16: Related Party Transactions

IDX has a convertible loan due to several stockholders (see Note 5). IDX did not pay any loan fees or interest on the convertible debt loan to its stockholders for the period January 1, 2022, to August 3, 2022, and the year ended December 31, 2021.

IDX recognized revenue from contracts with affiliates of minority stockholders of \$0.6 million and \$1.2 million, and recognized expense from contracts with affiliates of majority stockholders of \$0.1 million and \$0.5 million, during the period January 1, 2022, to August 3, 2022, and the year ended December 31, 2021, respectively. IDX recognized expense of \$0.1 million in cost of revenue for the period January 1, 2022, to August 3, 2022, in the Consolidated Statements of Income. IDX recognized expense of \$0.5 million in cost of revenue and a negligible amount in sales and marketing for the year ended December 31, 2021, in the Consolidated Statements of Income.

17: Fair Value Measurements

IDX used the following methods and significant assumptions to estimate fair value for certain liabilities measured and carried at fair value on a recurring basis:

Convertible debt – IDX calculates the fair value by taking into consideration the original term to maturity, weighing the possible outcomes, and the current yield for similar debt. IDX then calculates the present value of future cash flows by utilizing market-based discount rate assumptions.

The following table presents additional information about financial assets measured at fair value (in thousands):

| Fair value measurements at August 3, 2022 | | | | |
|---|----------|---------|---------|----------|
| | using: | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Cash and cash equivalents | \$16,284 | \$ — | \$ — | \$16,284 |
| Total fair value of assets measured on a recurring basis | 16,284 | — | — | 16,284 |
| Liabilities: | | | | |
| Convertible debt | — | — | 3,034 | 3,034 |
| Total financial liabilities measured on a recurring basis | \$ — | \$ — | \$3,034 | \$ 3,034 |

| Fair value measurements at December 31, 2021 | | | | |
|---|----------|---------|---------|----------|
| | using: | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Cash and cash equivalents | \$17,986 | \$ — | \$ — | \$17,986 |
| Total fair value of assets measured on a recurring basis | 17,986 | — | — | 17,986 |
| Liabilities: | | | | |
| Warrant liabilities | \$ — | \$ — | \$1,989 | \$ 1,989 |
| Convertible debt | — | — | 2,445 | 2,445 |
| Total fair value of liabilities measured on a recurring basis | \$ — | \$ — | \$4,434 | \$ 4,434 |

The following table presents additional information about financial assets measured at fair value on a recurring basis for which IDX used significant unobservable inputs (Level 3):

| | January 1, 2022, to August 3, 2022 | Year Ended December 31, 2021 |
|--------------------------------|---|------------------------------------|
| <u>Convertible Debt</u> | | |
| Beginning balance | \$ 2,445 | \$ 1,733 |
| Loss from change in fair value | 589 | 712 |
| Ending balance | <u>\$ 3,034</u> | <u>\$ 2,445</u> |

IDX values the convertible debt using the fair value option. The convertible debt is a level 3 measured instrument (see Note 5, Convertible Debt Loan). IDX determined the fair value based on a scenario-based approach that considers the provisions of the convertible debt. The following table outlines the significant unobservable inputs as of August 3, 2022, and December 31, 2021:

| <u>Unobservable inputs</u> | August 3, 2022 | December 31, 2021 |
|--|-------------------|----------------------|
| Probabilities of conversion provisions | 95% | 75% |
| Estimated timing of conversions | 0.37 years | 0.97 years |
| Time period to maturity | 0.37 years | 0.97 years |
| Risk-adjusted discount rate | 23.26% | 23.26% |

The following table presents additional information about financial assets measured at fair value on a recurring basis for which IDX used significant unobservable inputs (Level 3):

| | January 1, 2022, to August 3, 2022 | Year Ended December 31, 2021 |
|--------------------------------|---|------------------------------------|
| <u>Warrant liability</u> | | |
| Beginning balance | \$ 1,989 | — |
| Warrant reclassification | (272) | 46 |
| Warrant exercised | (1,850) | — |
| Loss from change in fair value | 133 | 1,943 |
| Ending balance | <u>\$ —</u> | <u>\$ 1,989</u> |

IDX values the preferred stock warrant using the fair value option. The preferred stock warrant is a level 3 measured instrument. The following table outlines the significant unobservable inputs as of August 3, 2022, and December 31, 2021:

| <u>Unobservable inputs</u> | August 3, 2022 | December 31, 2021 |
|----------------------------|-------------------|----------------------|
| Volatility rate | N/A | 33% |
| Term | N/A | 7 years |
| Discount Rate | N/A | 1.44% |

IDX values the common stock warrant using the fair value option. The common stock warrant is a level 3 measured instrument. The following table outlines the significant unobservable inputs as of August 3, 2022, and December 31, 2021:

| <u>Unobservable inputs</u> | August 3, 2022 | December 31, 2021 |
|----------------------------|-------------------|----------------------|
| Volatility rate | N/A | 33% |
| Term | N/A | 4 years |
| Discount Rate | N/A | 1.12% |

18. Commitments and Contingencies

From time to time, IDX may become involved in routine litigation arising in the ordinary course of business. While the results of such litigation cannot be predicted with certainty, management believes that the final outcome of such matters is not likely to have a material effect on IDX's financial position or results of operations or cash flows.

IDX has entered into a non-cancelable purchase commitment of \$58.9 million related to eleven months of outsourced credit monitoring services provided to IDX's largest customer as of August 3, 2022. The amount and duration of this commitment is determined by the customer's exercise of annual option periods.

19. Subsequent Events

IDX has evaluated subsequent events through the date these financial statements were available to be issued, and concluded that there are no material subsequent events which would require adjustment to or disclosure in the accompanying financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of ZeroFox Holdings, Inc. (f/k/a L&F Acquisition Corp.)

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of ZeroFox Holdings, Inc. (f/k/a L&F Acquisition Corp.) (the “Company”) as of August 2, 2022 and December 31, 2021, and the related consolidated statements of operations, changes in shareholders’ deficit and cash flows for the periods from January 1, 2022 through August 2, 2022 and January 1, 2021 to December 31, 2021, 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 consolidated financial position of the Company as of August 2, 2022 and December 31, 2021, and the results of its operations and its cash flows for the periods from January 1, 2022 through August 2, 2022 and January 1, 2021 to December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

/s/ WithumSmith+Brown, PC

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

New York, New York
March 29, 2023

PCAOB ID Number 100

ZEROFOX HOLDINGS, INC. (FORMERLY L&F ACQUISITION CORP.)
CONSOLIDATED BALANCE SHEETS

| | August 2, 2022 | December 31, 2021 |
|--|----------------------|-----------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 110,451 | \$ 575,739 |
| Prepaid expenses | 121,000 | 9,167 |
| Total current assets | 231,451 | 584,906 |
| Cash held in Trust Account | 34,864,489 | 175,110,029 |
| Total assets | \$ 35,095,940 | \$ 175,694,935 |
| Liabilities, redeemable stock, and stockholders' deficit | | |
| Current liabilities: | | |
| Accrued expenses | 8,732,380 | 2,785,180 |
| Accrued offering costs | 350,000 | 350,000 |
| Deferred underwriting fee payable | 6,037,500 | — |
| Class A ordinary shares tendered for redemption, 2,419,687 shares at \$10.17 per share at August 2, 2022 | 24,626,039 | — |
| Total current liabilities | 39,745,919 | 3,135,180 |
| Deferred underwriting fee payable | — | 6,037,500 |
| Warrant liabilities | 7,897,351 | 18,637,420 |
| Total liabilities | 47,643,270 | 27,810,100 |
| Commitments and contingencies | | |
| Class A ordinary shares subject to possible redemption, 17,250,000 shares at \$10.15 at December 31, 2021 | — | 175,087,500 |
| Shareholders' deficit | | |
| Preference shares, \$0.0001 par value; 1,000,000 shares authorized; no shares issued and outstanding | — | — |
| Class A ordinary shares, \$0.0001 par value; 500,000,000 shares authorized; 1,006,002 shares issued and outstanding at August 2, 2022 (not including 2,419,687 shares tendered for redemption at August 2, 2022) and no shares issued and outstanding at December 31, 2021 (not including 17,250,000 shares subject to redemption) | 101 | — |
| Class B ordinary shares, \$0.0001 par value; 50,000,000 shares authorized; 4,312,500 shares issued and outstanding at August 2, 2022 and December 31, 2021 | 431 | 431 |
| Additional paid-in capital | 10,205,388 | — |
| Accumulated deficit | (22,753,250) | (27,203,096) |
| Total Shareholders' deficit | (12,547,330) | (27,202,665) |
| Total liabilities, redeemable stock, and shareholders' deficit | \$ 35,095,940 | \$ 175,694,935 |

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

ZEROFOX HOLDINGS, INC. (FORMERLY L&F ACQUISITION CORP.)
CONSOLIDATED STATEMENTS OF OPERATIONS

| | For the Period January 1, 2022 to August 2, 2022 | For the Period January 1, 2021 to December 31, 2021 |
|--|---|--|
| General and Administrative Expenses | \$ 6,300,656 | \$ 3,847,917 |
| Loss from operations | (6,300,656) | (3,847,917) |
| Other income | | |
| Change in fair value of warrant liabilities | 10,740,070 | 9,425,504 |
| Interest earned on marketable investments held in Trust Account | 132,978 | 20,499 |
| Total other income | 10,873,048 | 9,446,003 |
| Net income | \$ 4,572,392 | \$ 5,598,086 |
| Weighted average shares outstanding of Class A ordinary shares | 11,306,838 | 17,250,000 |
| Basic and diluted net income per ordinary share, Class A ordinary shares | \$ 0.29 | \$ 0.26 |
| Weighted average shares outstanding of Class B ordinary shares | 4,312,500 | 4,312,500 |
| Basic and diluted net income per ordinary share, Class B ordinary shares | \$ 0.29 | \$ 0.26 |

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

ZEROFOX HOLDINGS, INC. (FORMERLY L&F ACQUISITION CORP.)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

| | Class A Ordinary Shares | | Class B Ordinary Shares | | Additional Paid-in Capital | Accumulated Deficit | Shareholders' Deficit |
|--|----------------------------|---------------|----------------------------|---------------|----------------------------------|------------------------|--------------------------|
| | Shares | Amount | Shares | Amount | | | |
| Balance—January 1, 2021 | — | \$ — | 4,312,500 | \$ 431 | \$ — | \$ (32,801,182) | \$ (32,800,751) |
| Net income | | | | | | 5,598,086 | 5,598,086 |
| Balance—December 31, 2021 | — | — | 4,312,500 | 431 | — | (27,203,096) | (27,202,665) |
| Net income | | | | | | 4,572,392 | 4,572,392 |
| Reclassification of Class A ordinary shares from temporary equity to equity following expiration of shareholder redemption right | 1,006,002 | 101 | | | 10,205,388 | | 10,205,489 |
| Accretion for Class A ordinary shares to redemption amount | | | | | | (122,546) | (122,546) |
| Balance—August 2, 2022 | <u>1,006,002</u> | <u>\$ 101</u> | <u>4,312,500</u> | <u>\$ 431</u> | <u>\$ 10,205,388</u> | <u>\$ (22,753,250)</u> | <u>\$ (12,547,330)</u> |

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

ZEROFOX HOLDINGS, INC. (FORMERLY L&F ACQUISITION CORP.)
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For the Period January 1, 2022 to August 2, 2022 | For the Period January 1, 2021 to December 31, 2021 |
|---|---|--|
| Cash flows from operating activities: | | |
| Net income | \$ 4,572,392 | \$ 5,598,086 |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Changes in fair value of warrant liabilities | (10,740,070) | (9,425,504) |
| Interest earned on marketable investments held in Trust Account | (132,978) | (20,498) |
| Changes in operating assets and liabilities: | | |
| Prepaid expenses | (111,833) | 286,491 |
| Accrued expenses | 5,947,201 | 2,658,236 |
| Net cash used in operating activities | (465,288) | (903,189) |
| Cash flows from investing activities: | | |
| Cash withdrawn from Trust Account in connection with redemption | 140,378,518 | — |
| Net cash provided by investing activities | 140,378,518 | — |
| Cash flows from financing activities: | | |
| Redemption of ordinary shares | (140,378,518) | — |
| Net cash used in financing activities | (140,378,518) | — |
| Net change in cash, cash equivalents, and restricted cash | (465,288) | (903,189) |
| Cash, cash equivalents, and restricted cash, beginning of period | 575,739 | 1,478,928 |
| Cash, cash equivalents, and restricted cash, end of period | <u>\$ 110,451</u> | <u>\$ 575,739</u> |

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

**ZEROFOX HOLDINGS, INC. (FORMERLY L&F ACQUISITION CORP.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 — DESCRIPTION OF ORGANIZATION AND BUSINESS OPERATIONS

ZeroFox Holdings, Inc., formerly known as L&F Acquisition Corp. (the “Company”), is a blank check company incorporated as a Cayman Islands exempted company on August 20, 2020. The Company was incorporated for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses or entities. On November 23, 2021, L&F Acquisition Holdings, LLC. (“Merger Sub”), a Delaware corporation and a wholly owned subsidiary of L&F Acquisition Corp., was formed.

As of August 2, 2022, the Company had not commenced any operations. All activity through August 2, 2022 relates to the Company’s identifying a target company for a business combination, and activities in connection with the proposed business combination with ZeroFox, Inc. and ID Experts Holdings, Inc. (“IDX” and, together with ZeroFox, the “Target Companies”) (the “Business Combination”). The Company will not generate any operating revenues until after the completion of the Business Combination. The Company generates non-operating income in the form of interest income from the proceeds derived from the Initial Public Offering.

The Company’s Common Stock is listed on The Nasdaq Global Market under the ticker symbol “ZFOX” and its warrants are listed on The Nasdaq Capital Market under the ticker symbol “ZFOXW”. Prior to completion of the Business Combination, the Company’s Common Stock and warrants were traded under the ticker symbols “LNFA” and “LNFAW”, respectively.

Business Combination

On December 17, 2021, the Company, entered into a Business Combination Agreement (as it may be amended, supplemented or otherwise modified from time to time, the “Business Combination Agreement”), by and among the Company, L&F Acquisition Holdings, LLC, a Delaware limited liability company (“L&F Holdings”), ZF Merger Sub, Inc., a Delaware corporation (“ZF Merger Sub”), IDX Merger Sub, Inc., a Delaware corporation (“IDX Merger Sub”), IDX Forward Merger Sub, LLC, a Delaware limited liability company (“IDX Forward Merger Sub”), ZeroFox, Inc., a Delaware corporation (“ZeroFox”), and ID Experts Holdings, Inc., a Delaware corporation (“IDX”). The Business Combination Agreement and the transactions contemplated thereby were approved by the Boards of Directors of each of the Company, ZeroFox and IDX and have been approved by the requisite stockholders of ZeroFox and IDX (See Note 6).

On August 3, 2022 (the “Closing Date”), the Company, ZeroFox, Inc., and IDX, consummated the Business Combination as contemplated by the Business Combination Agreement.

In connection with the finalization of the Business Combination, the Company changed its name to ZeroFox Holdings, Inc., its jurisdiction of incorporation from the Cayman Islands to the state of Delaware, and its fiscal year end to January 31.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and in accordance with Article 8 of Regulation S-X of the Securities and Exchange Commission (the “SEC”). In the opinion of management, the accompanying consolidated financial statements include all adjustments which are both normal and recurring in nature and necessary for a fair presentation of the financial position, operating results, and cash flows for the periods presented.

These consolidated financial statements present the condition and operations of the Company up to the Closing Date. Following the Closing Date, the Company reports its condition and operations consolidated with the Target Companies as filed separately on Form 10-K (the “Successor Financial Statements”). The Successor Financial Statements include the related accounting effects of the closing of the Business Combination.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Change in Fiscal Year

In connection with the closing of the Business Combination, the Company changed its fiscal year from December 31 to January 31. The January 31 fiscal year conforms with the fiscal year of ZeroFox, Inc. As a result of the change in fiscal year, the Company has a one-month transition period beginning on January 1, 2022 and ending on January 31, 2022. The Company has included the Transition Period in its Consolidated Financial Statements in this prospectus. Operating results for the Transition Period compared to the same period in the prior year are presented in Note 11.

Emerging Growth Company

The Company is an “emerging growth company,” as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

Further, 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 (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of the Company’s financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial

statements, which management considered in formulating its estimate, could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ significantly from those estimates.

Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less when purchased to be cash equivalents. The Company did not have any cash equivalents as of August 2, 2022, and December 31, 2021.

Marketable Investments Held in Trust Account

At December 31, 2021, substantially all of the assets held in the Trust Account were held in a money market fund that only holds U.S. Treasury Securities.

Offering Costs

Offering costs consisted of legal, accounting and other expenses incurred through the Initial Public Offering that were directly related to the Initial Public Offering. Offering costs were allocated to the separable financial instruments issued in the Initial Public Offering based on a relative fair value basis, compared to total proceeds received. Offering costs associated with warrant liabilities were expensed as incurred in the Consolidated Statements of Operations. Offering costs associated with the Class A ordinary shares issued were initially charged to temporary equity and then accreted to ordinary shares subject to redemption upon the completion of the Initial Public Offering.

Class A Ordinary Shares Subject to Possible Redemption

The Company accounts for its Class A ordinary shares subject to possible redemption in accordance with the guidance in Accounting Standards Codification (“ASC”) Topic 480 “Distinguishing Liabilities from Equity.” Class A ordinary shares subject to mandatory redemption are classified as a liability instrument and are measured at fair value. Conditionally redeemable ordinary shares (including ordinary shares that feature redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company’s control) are classified as temporary equity. At all other times, ordinary shares are classified as shareholders’ equity. The Company’s Class A ordinary shares feature certain redemption rights that are considered to be outside of the Company’s control and subject to occurrence of uncertain future events. Accordingly, December 31, 2021, Class A ordinary shares subject to possible redemption are presented as temporary equity outside of the shareholders’ equity section of the Company’s Consolidated Balance Sheets.

The Company recognizes changes in redemption value immediately as they occur and adjusts the carrying value of redeemable ordinary shares to equal the redemption value at the end of each reporting period. Immediately upon the closing of the Initial Public Offering, the Company recognized the accretion from initial book value to redemption amount value. The change in the carrying value of redeemable Class A ordinary shares resulted in charges against additional paid-in capital and accumulated deficit.

On August 2, 2022, the Company held an extraordinary meeting of its shareholders at which time a quorum of the shareholders voted to approve the Business Combination. In accordance with the governing documents of the Company, holders of Class A ordinary shares had until two business days prior to the shareholder vote (July 29, 2022) to exercise their redemption rights (the Redemption Deadline). By the Redemption Deadline, the holders of 2,419,687 Class A ordinary shares elected to exercise their redemption rights and the holders of 1,006,002 Class A ordinary shares did not. The Company reclassified the shares tendered for redemption to current liabilities on the Consolidated Balance Sheets. After the Redemption Deadline the holders of 1,006,002 Class A ordinary shares no longer had a redemption right and as such, the Company reclassified those shares from temporary equity to Class A ordinary shares and additional paid in capital within shareholders’ deficit on the Consolidated Balance Sheets.

At August 2, 2022, and December 31, 2021, the Class A ordinary shares reflected in the Consolidated Balance Sheets are reconciled in the following table:

| | |
|--|-----------------------|
| Class A ordinary shares subject to possible redemption at January 1, 2021 | \$ 175,087,500 |
| Class A ordinary shares subject to possible redemption at December 31, 2021 | \$ 175,087,500 |
| Class A ordinary shares subject to possible redemption at January 1, 2022 | \$ 175,087,500 |
| Plus: | |
| Accretion of carrying value to redemption value | 122,546 |
| Less: | |
| Redemption of Class A ordinary shares | (140,378,518) |
| Reclassification to equity of Class A ordinary shares following expiration of redemption right | (10,205,489) |
| Class A ordinary shares tendered for redemption | (24,626,039) |
| Class A ordinary shares subject to possible redemption at August 2, 2022 | \$ — |

Income Taxes

The Company accounts for income taxes under ASC Topic 740, "Income Taxes," which prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The Company's management determined that the Cayman Islands is the Company's major tax jurisdiction. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. As of August 2, 2022, and December 31, 2021, there were no unrecognized tax benefits and no amounts accrued for interest and penalties. The Company is currently not aware of any issues under review that could result in significant payments, accruals or material deviation from its position.

The Company is considered to be an exempted Cayman Islands company with no connection to any other taxable jurisdiction and is presently not subject to income taxes or income tax filing requirements in the Cayman Islands or the United States. As such, the Company's tax provision was zero for the periods presented. The Company's management does not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months.

Net Income Per Ordinary Share

The Company complies with accounting and disclosure requirements of the Financial Accounting Standards Board ("FASB") ASC Topic 260, "Earnings Per Share". Net income per ordinary share is computed by dividing net income by the weighted average number of ordinary shares outstanding for the period. Accretion associated with the redeemable shares of Class A ordinary shares is excluded from earnings per share as the redemption value approximates fair value.

The calculation of diluted income (loss) per share does not consider the effect of the warrants issued in connection with the (i) Initial Public Offering, and (ii) the private placement since the exercise of the warrants is

contingent upon the occurrence of future events. The warrants are exercisable to purchase 16,213,430 Class A ordinary shares in the aggregate. As of August 2, 2022, and December 31, 2021, the Company did not have any other dilutive securities or other contracts that could, potentially, be exercised or converted into ordinary shares and then share in the earnings of the Company. As a result, diluted net income (loss) per ordinary share is the same as basic net loss (loss) per ordinary share for the periods presented.

The following table reflects the calculation of basic and diluted net income per ordinary share (in dollars, except per share amounts):

| | For the Period January 1, 2022 to August 2, 2022 | | For the Period January 1, 2021 to December 31, 2021 | |
|--|---|----------------|--|----------------|
| | Class A | Class B | Class A | Class B |
| <i>Basic and diluted net income per ordinary share</i> | | | | |
| Numerator: | | | | |
| Allocation of net income, as adjusted | 3,309,955 | 1,262,438 | 4,478,469 | 1,119,617 |
| Denominator: | | | | |
| Basic and diluted weighted average shares outstanding | 11,306,838 | 4,312,500 | 17,250,000 | 4,312,500 |
| Basic and diluted net income per ordinary share | <u>\$ 0.29</u> | <u>\$ 0.29</u> | <u>\$ 0.26</u> | <u>\$ 0.26</u> |

Concentration of Credit Risk

The Company has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of \$250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Company's financial condition, results of operations, and cash flows. Financial instruments that potentially subject the Company to concentrations of credit risk consist of a cash account in a financial institution, which, at times, may exceed the Federal Depository Insurance Coverage of \$250,000. The Company has not experienced losses on this account and management believes the Company is not exposed to significant risks on such account.

Fair Value of Financial Instruments

The fair value of the Company's assets and liabilities, which qualify as financial instruments under ASC Topic 820, "Fair Value Measurement," approximates the carrying amounts represented in the Company's Consolidated Balance Sheets, primarily due to their short-term nature, other than warrant liabilities (see Note 9).

Fair Value Measurements

Fair value is defined as the price that would be received for sale of an asset or paid for transfer of a liability, in an orderly transaction between market participants at the measurement date. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). These tiers include:

Level 1: defined as observable inputs such as quoted prices (unadjusted) for identical instruments in active markets;

Level 2: defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and

Level 3: defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

In some circumstances, the inputs used to measure fair value might be categorized within different levels of the fair value hierarchy. In those instances, the fair value measurement is categorized in its entirety in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement.

Warrant Liabilities

The Company does not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. The Company evaluates all of its financial instruments, including issued stock purchase warrants, to determine if such instruments are derivatives or contain features that qualify as embedded derivatives, pursuant to ASC 480 and FASB ASC Topic 815, “Derivatives and Hedging” (“ASC 815”). The Company accounts for the warrants as either equity-classified or liability-classified instruments based on an assessment of the warrants’ specific terms and applicable authoritative guidance in the FASB Accounting Standards Codification (“ASC”) 480, Distinguishing Liabilities from Equity (“ASC 480”) and ASC 815, Derivatives and Hedging (“ASC 815”). The assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the Company’s own ordinary shares, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period end date while the warrants are outstanding.

For issued or modified warrants that meet all of the criteria for equity classification, the warrants are required to be recorded as a component of additional paid-in capital at the time of issuance. For issued or modified warrants that do not meet all the criteria for equity classification, the warrants are required to be recorded at their initial fair value on the date of issuance, and each balance sheet date thereafter. Changes in the estimated fair value of the warrants are recognized as a non-cash gain or loss on the Consolidated Statements of Operations. The Company assessed both Public and Private Warrants and determined both met the criteria for liability treatment.

Recent Accounting Standards

In October 2021, the FASB issued ASU No. 2021-08, Accounting Standards Update No. 2021-08 Business Combinations (Topic 805) Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which amends ASC 805 to require acquiring entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination. As a result of the amendments, it is expected that an acquirer will generally recognize and measure acquired contract assets and contract liabilities in a manner consistent with how the acquiree recognized and measured them in its preacquisition financial statements. The standard is effective for the Company for annual reporting periods beginning after December 15, 2022, and early adoption is permitted. The Company elected to early adopt ASU No. 2021-08 for its fiscal year 2023. There was no impact to the Company’s consolidated financial statements for the period January 1, 2022 to August 2, 2022. The Company expects that the adoption of ASU No. 2021-08 will simplify the accounting for the anticipated merger transaction (see Note 6), as it will permit the Company to record the contract assets and liabilities acquired from ZeroFox and/or IDX to be recorded at book value rather than an estimated fair value.

Management does not believe that any other recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on the Company’s consolidated financial statements.

NOTE 3 — INITIAL PUBLIC OFFERING

Pursuant to the Initial Public Offering, the Company sold 15,000,000 Units at a purchase price of \$10.00 per Unit. In connection with the underwriter’s full exercise of the over-allotment option on November 25, 2020, the Company sold an additional 2,250,000 Units, at a purchase price of \$10.00 per Unit. Each Unit consists of one

Class A ordinary share and one-half of one redeemable warrant (“Public Warrant”). Each whole Public Warrant entitles the holder to purchase one Class A ordinary share at an exercise price of \$11.50 per whole share (see Note 8).

NOTE 4 — PRIVATE PLACEMENT

Simultaneously with the closing of the Initial Public Offering, JAR Sponsor, LLC (the Sponsor) purchased an aggregate of 5,000,000 Private Placement Warrants at a price of \$1.00 per Private Placement Warrant, for an aggregate purchase price of \$5,000,000 and Jefferies LLC purchased an aggregate of 1,859,505 Private Placement Warrants at a price of approximately \$1.21 per Private Placement Warrant, for an aggregate purchase price of approximately \$2,250,000. In connection with the underwriter’s full exercise of its over-allotment option, the Company also consummated the sale of an additional 728,925 Private Placement Warrants, 450,000 of which were sold to the Sponsor at \$1.00 per Private Placement Warrant and 278,925 of which were sold to Jefferies LLC at approximately \$1.21 per Private Placement Warrant, respectively, generating total proceeds of \$787,500. Each Private Placement Warrant is exercisable to purchase one Class A ordinary share at a price of \$11.50 per share, subject to adjustment (see Note 8). A portion of the proceeds from the Private Placement Warrants was added to the proceeds from the Initial Public Offering held in the Trust Account. If the Company does not complete the Business Combination or a proposed alternative business combination within the Extended Combination Period, the proceeds from the sale of the Private Placement Warrants will be used to fund the redemption of the Public Shares (subject to the requirements of applicable law) and the Private Placement Warrants will expire worthless. In accordance with FINRA Rule 5110(g)(8)(A), the Private Placement Warrants purchased by Jefferies LLC will not be exercisable for more than five years from the effective date of the registration statement filed in connection with the Company’s Initial Public Offering for so long as they are held by the Jefferies LLC.

NOTE 5 — RELATED PARTY TRANSACTIONS

Founder Shares

On August 28, 2020, the Sponsor paid \$25,000 to cover certain offering and formation costs of the Company in consideration for 5,750,000 Class B ordinary shares (the “Founder Shares”). On November 13, 2020, the Sponsor effected a surrender of 1,437,500 Founder Shares to the Company for no consideration, resulting in a decrease in the total number of Class B ordinary shares outstanding to 4,312,500 shares. The Founder Shares included an aggregate of up to 562,500 shares that were subject to forfeiture depending on the extent to which the underwriter’s over-allotment option was exercised, so that the number of Founder Shares would equal, on an as-converted basis, approximately 20% of the Company’s issued and outstanding ordinary shares after the Initial Public Offering. As a result of the underwriter’s election to fully exercise their over-allotment option on November 25, 2020, no Founder Shares are currently subject to forfeiture.

The Sponsor has agreed, subject to limited exceptions, not to transfer, assign or sell any of the Founder Shares until the earliest of: (A) one year after the completion of the Business Combination or a proposed alternative business combination and (B) subsequent to the Business Combination or a proposed alternative business combination, (x) if the closing price of the Class A ordinary shares equals or exceeds \$12.00 per share (as adjusted for share sub-divisions, share capitalizations, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after the Business Combination or a proposed alternative business combination, or (y) the date on which the Company completes a liquidation, merger, share exchange or other similar transaction that results in all of the Public Shareholders having the right to exchange their Class A ordinary shares for cash, securities or other property.

Administrative Support Agreement

Commencing on November 18, 2020, the Company entered into an agreement to pay the Sponsor up to \$10,000 per month for office space, utilities, secretarial and administrative support services. Upon completion of the Business Combination or a proposed alternative business combination or its liquidation, the Company will cease

paying these monthly fees. For these services, the Company incurred \$80,000 and \$120,000 for the period January 1, 2022, to August 2, 2022, and the period January 1, 2021 to December 31, 2021, respectively. As of August 2, 2022, \$33,049 was included in accrued expenses. The Company had no outstanding accrued liability for this administrative support agreement as of December 31, 2021.

NOTE 6 — COMMITMENTS AND CONTINGENCIES

Registration and Shareholders Rights

Pursuant to a registration and shareholders rights agreement entered into on November 23, 2020, the holders of the Founder Shares, Private Placement Warrants, and any warrants that may be issued upon conversion of Working Capital Loans (and any Class A ordinary shares issuable upon the exercise of the Private Placement Warrants and warrants that may be issued upon conversion of the Working Capital Loans) will have registration rights to require the Company to register a sale of any of securities held by them. The holders of these securities are entitled to make up to three demands, excluding short form demands, that the Company register such securities. In addition, the holders have certain “piggy-back” registration rights with respect to registration statements filed subsequent to completion of the Business Combination or a proposed alternative business combination. The registration rights agreement does not contain liquidating damages or other cash settlement provisions resulting from delays in registering the Company’s securities. The Company will bear the expenses incurred in connection with the filing of any such registration statements.

Underwriting Agreement

The underwriter is entitled to a deferred fee of \$0.35 per Unit, or \$6,037,500 in the aggregate. The deferred fee will become payable to the underwriter from the amounts held in the Trust Account solely in the event that the Company completes the Business Combination or a proposed alternative business combination, subject to the terms of the underwriting agreement. The deferred fee is included as a current liability as of August 2, 2022, as the Business Combination was completed on August 3, 2022 at which time the fee was paid.

Business Combination Consideration

In accordance with the terms and subject to the conditions of the Business Combination Agreement, at the effective times of the Mergers, among other things:

1. Each outstanding share of common stock (including shares of common stock issued upon the mandatory conversion of shares of preferred stock) of ZeroFox, other than ZF Dissenting Shares (as defined in the Business Combination Agreement) and ZF Canceled Shares (as defined in the Business Combination Agreement), will be automatically canceled and converted into a right to receive a fraction of a share of the Company’s Common Stock determined in accordance with the Business Combination Agreement on the basis of a pre-money enterprise value of ZeroFox of \$866,250,000 and a price of \$10.00 per share of the Company’s Common Stock and
2. Each outstanding share of common stock and preferred stock of IDX, other than IDX Dissenting Shares (as defined in the Business Combination Agreement) and IDX Canceled Shares (as defined in the Business Combination Agreement), will be automatically canceled and converted into a right to receive:
 - a. For common stock and series A-1 and series A-2 preferred stock, a fraction of a share of the Company’s Common Stock,
 - b. For common stock and series A-1 and series A-2 preferred stock, a portion of \$50,000,000 in cash consideration (subject to certain adjustments for cash, working capital, debt and transaction expenses, and net of liquidation preferences, as provided in the Business Combination Agreement), and

- c. For series A-1, series A-2 and series B preferred stock, a liquidation preference amount of \$0.361, in each case, in accordance with the Business Combination Agreement and on the basis of a pre-money enterprise value of IDX of \$338,750,000 and a price of \$10.00 per share of the Company's Common Stock.

On the Closing Date, in accordance with the Business Combination Agreement, the business combination consideration was distributed to the relevant parties.

Advisory Services

The Company entered into an advisory agreement with Jefferies LLC ("Jefferies"). Jefferies acted as the Company's exclusive financial advisor and exclusive capital markets advisor in connection with the Business Combination. Jefferies provided the Company with mergers and acquisition and equity capital markets financial advice and assistance in connection with a possible acquisition or other business transaction. If the Business Combination with ZeroFox and IDX did not occur, the Company would not have been required to pay any contingent fees in connection with this agreement.

As of August 2, 2022, the Company had recorded in accrued liabilities \$1,546,450 for the financial and capital markets advisory services provided by Jefferies. As part of the completion of the Business Combination, Jefferies was paid the outstanding amount.

The Company entered into an agreement with Stifel, Nicolaus & Company, Incorporated ("Stifel"). Stifel endeavored to obtain one or more commitments for the Financing (individually a "Commitment" and collectively the "Commitments") from one or more financial institutions or other sources other than any affiliates of the Company, ZeroFox or IDX (the "Investors"). If the Business Combination did not occur, the Company would not have been required to pay any contingent fees in connection with this agreement.

Common Equity Investment

Concurrently with the execution of the Business Combination Agreement, the Company entered into subscription agreements (the "Common Equity Subscription Agreements") with certain investors, including, among others, Victory Park Capital, certain existing stockholders of ZeroFox (certain funds affiliated with New Enterprise Associates, Highland Capital and Alsop Louie Partners (the "ZF Investors")), and certain existing stockholders of IDX (certain funds affiliated with Blue Venture Fund, Peloton Equity and ForgePoint Capital (the "IDX Investors")). Pursuant to the Common Equity Subscription Agreements, the investors agreed to subscribe for and purchase, and the Company agreed to issue and sell to such investors, on the Closing Date (as defined in the Business Combination Agreement), an aggregate of 2,000,000 shares of the Company's Common Stock in exchange for an aggregate purchase price of \$20,000,000 (the "Common Equity PIPE Financing").

In addition, on December 16, 2021, the ZF Investors purchased payment-in-kind (PIK) promissory notes issued by ZeroFox (the "ZF PIK Promissory Notes") for an aggregate purchase price of \$5,000,000. Such ZF PIK Promissory Notes accrue interest that will be paid-in-kind at a rate of 5.0% per annum.

As part of the completion of the Business Combination, the ZF PIK Promissory Notes were offset against the ZF Investors obligations under their Common Equity Subscription Agreements and were paid \$0.2 million in accrued interest.

Convertible Notes Investment

On December 17, 2021, the Company entered into convertible note subscription agreements (the "Convertible Note Subscription Agreements") with affiliates of Monarch Alternative Capital LP, Victory Park Capital and Corbin Capital (the "Note Investors"), in respect of \$150,000,000 aggregate principal amount of unsecured

convertible notes due in 2025 (the “Notes”) to be issued in connection with the closing of the Business Combination (the “Convertible Notes Financing”). The principal terms of the Notes are set forth in the form of indenture attached as an exhibit to the Convertible Note Subscription Agreements, which indenture shall be entered into by the Company, the guarantors party thereto and the indenture trustee (the “Indenture”), and the form of global note attached thereto. The Notes will bear interest at a rate of 7.00% per annum, payable quarterly in cash; provided, that the issuer may elect to pay interest in kind at 8.75% per annum, and the Notes will be convertible at an initial conversion price of \$11.50, subject to customary anti-dilution adjustments, including with respect to stock-splits and stock dividends, dividends and other distributions, above-market tender offers, below-market rights offerings and spin-offs (the “Conversion Price”), and shall mature on the date that is three years following the closing of the Convertible Notes Financing. The post-Business Combination company may, at its election, force conversion of the Notes after the first anniversary of the issuance of the Notes (the “Conversion Trigger Date”), subject to a holder’s prior right to convert, if the volume-weighted average trading price of the post-Business Combination company’s common stock (x) for the first year after the Conversion Trigger Date, is greater than or equal to 150% of the conversion price for more than 20 trading days during a period of 30 consecutive trading days and (y) for the second year after the Conversion Trigger Date, is greater than or equal to 130% of the conversion price for more than 20 trading days during a period of 30 consecutive trading days.

Each holder of a Note will have the right to cause the post-Business Combination company to repurchase for cash all or a portion of the Notes held by such holder at any time upon the occurrence of a “fundamental change”, a customary definition provided in the Indenture (a “Fundamental Change”), at a price equal to par plus accrued and unpaid interest. In the event of a conversion in connection with a Fundamental Change, the Conversion Price will be adjusted by a usual and customary Fundamental Change “make-whole table” to be agreed in the Indenture. The Indenture will include restrictive covenants that, among other things, will limit the ability of the post-Business Combination company to incur senior debt in excess of \$50,000,000, subject to certain qualifications and exceptions set forth in the Indenture. The Indenture also will include customary events of default.

Contemporaneously with the completion of the Business Combination, the Company completed the Convertible Notes Financing.

NOTE 7 — SHAREHOLDERS’ DEFICIT

Preference Shares — The Company is authorized to issue 1,000,000 preference shares with a par value of \$0.0001 per share, with such designations, voting and other rights and preferences as may be determined from time to time by the Company’s board of directors. At August 2, 2022 and December 31, 2021, there were no preference shares issued or outstanding.

Class A Ordinary Shares — The Company is authorized to issue 500,000,000 Class A ordinary shares, with a par value of \$0.0001 per share. Holders of Class A ordinary shares are entitled to one vote for each share. At December 31, 2021, 17,250,000 Class A ordinary shares were issued and outstanding subject to possible redemption. The Class A ordinary shares are presented as temporary equity on the Company’s December 31, 2021, Consolidated Balance Sheet.

On May 3, 2022, the Company held an extraordinary general meeting pursuant to which the Company’s shareholders approved extending the date by which the Company had to complete a business combination from May 23, 2022, to August 24, 2022. In connection with the approval of the extension, shareholders elected to redeem 13,824,311 Class A ordinary shares.

On July 29, 2022, the Redemption Deadline, the holders of 2,419,687 Class A Ordinary shares exercised their redemption rights. The Company recorded a liability of \$24,636,039 within current liabilities on its Consolidated

Balance Sheet for the redemption of these shares. As of August 2, 2022, the Company recorded the remaining 1,006,002 Class A shares in equity on its Consolidated Balance Sheet as the holders' redemption rights had expired.

Class B Ordinary Shares — The Company is authorized to issue 50,000,000 Class B ordinary shares, with a par value of \$0.0001 per share. Holders of the Class B ordinary shares are entitled to one vote for each share. At August 2, 2022, and December 31, 2021, there were 4,312,500 Class B ordinary shares issued and outstanding.

Only holders of the Class B ordinary shares will have the right to vote on the appointment of directors prior to the Business Combination or a proposed alternative business combination. Holders of Class A ordinary shares and Class B ordinary shares will vote together as a single class on all other matters submitted to a vote of shareholders, except as required by law.

The Class B ordinary shares will automatically convert into Class A ordinary shares concurrently with or immediately following the consummation of the Business Combination or a proposed alternative business combination on a one-for-one basis, subject to adjustment. In the case that additional Class A ordinary shares or equity-linked securities are issued or deemed issued in connection with the Business Combination or a proposed alternative business combination, the number of Class A ordinary shares issuable upon conversion of all Founder Shares will equal, in the aggregate, 20% of the total number of Class A ordinary shares outstanding after completion of this offering, plus the total number of Class A ordinary shares issued, or deemed issued or issuable upon conversion or exercise of any equity-linked securities or rights issued or deemed issued, by the Company in connection with or in relation to the consummation of the Business Combination or a proposed alternative business combination, excluding any Class A ordinary shares or equity-linked securities exercisable for or convertible into Class A ordinary shares issued, or to be issued, to any seller the Business Combination or a proposed alternative business combination and any Private Placement Warrants issued to the Sponsor, officers or directors upon conversion of Working Capital Loans; provided that such conversion of Founder Shares will never occur on a less than one-for-one basis.

NOTE 8 — WARRANTS

At August 2, 2022, and December 31, 2021, there were 8,625,000 Public Warrants and 7,588,430 Private Placement Warrants outstanding. No fractional shares will be issued upon exercise of the Public Warrants. The Public Warrants will become exercisable on the later of (a) 30 days after the completion of the Business Combination or a proposed alternative business combination and (b) one year from the closing of the Initial Public Offering. The Public Warrants will expire five years from the completion of the Business Combination or a proposed alternative business combination or earlier upon redemption or liquidation.

The Company will not be obligated to deliver any Class A ordinary shares pursuant to the exercise of a warrant and will have no obligation to settle such warrant exercise unless a registration statement under the Securities Act with respect to the Class A ordinary shares underlying the warrants is then effective and a prospectus relating thereto is current, subject to the Company satisfying its obligations with respect to registration. No warrant will be exercisable and the Company will not be obligated to issue a Class A ordinary share upon exercise of a warrant unless the Class A ordinary share issuable upon such warrant exercise has been registered, qualified or deemed to be exempt under the securities laws of the state of residence of the registered holder of the warrants.

The Company has agreed that as soon as practicable, but in no event later than 20 business days, after the closing of the Business Combination or a proposed alternative business combination it will use its best efforts to file with the SEC a registration statement for the registration, under the Securities Act, of the Class A ordinary shares issuable upon exercise of the warrants. The Company will use its best efforts to cause the same to become effective and to maintain the effectiveness of such registration statement and a current prospectus relating thereto until the expiration of the warrants in accordance with the provisions of the warrant agreement. If a registration statement covering the Class A ordinary shares issuable upon exercise of the warrants is not effective by the

sixtieth (60th) business day after the closing of the Business Combination or a proposed alternative business combination, warrant holders may, until such time as there is an effective registration statement and during any period when the Company will have failed to maintain an effective registration statement, exercise warrants on a “cashless basis” in accordance with Section 3(a)(9) of the Securities Act or another exemption. Notwithstanding the above, if the Class A ordinary shares are at the time of any exercise of a warrant not listed on a national securities exchange such that they satisfy the definition of a “covered security” under Section 18(b)(1) of the Securities Act, the Company may, at its option, require holders of Public Warrants who exercise their warrants to do so on a “cashless basis” in accordance with Section 3(a)(9) of the Securities Act and, in the event the Company so elects, the Company will not be required to file or maintain in effect a registration statement, and in the event the Company does not so elect, it will use its best efforts to register or qualify the shares under applicable blue sky laws to the extent an exemption is not available.

Redemption of warrants when the price per Class A ordinary share equals or exceeds \$18.00

Once the warrants become exercisable, the Company may redeem the outstanding warrants (except as described with respect to the Private Placement Warrants):

- in whole and not in part;
- at a price of \$0.01 per warrant;
- upon a minimum of 30 days’ prior written notice of redemption; and
- if, and only if, the closing price of the Class A ordinary shares equals or exceeds \$18.00 per share (as adjusted) for any 20 trading days within a 30-trading day period ending three business days before the Company sends the notice of redemption to the warrant holders.

If and when the warrants become redeemable by the Company, the Company may exercise its redemption right even if it is unable to register or qualify the underlying securities for sale under all applicable state securities laws.

Redemption of warrants when the price per Class A ordinary share equals or exceeds \$10.00

Once the warrants become exercisable, the Company may redeem the outstanding warrants (except as described with respect to the Private Placement Warrants):

- in whole and not in part;
- at a price of \$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 determined based on the redemption date and the fair market value of the Class A ordinary shares;
- if, and only if, the closing price of the Class A ordinary shares equal or exceeds \$10.00 per public share (as adjusted) for any 20 trading days within the 30-trading day period ending three trading days before the Company sends the notice of redemption of the warrant holders; and
- if the closing price of the Class A ordinary shares for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date on which the Company sends the notice of redemption to the warrant holders is less than \$18.00 per share (as adjusted), the Private Placement Warrants must also be concurrently called for redemption on the same terms as the outstanding Public Warrants.

If the Company calls the Public Warrants for redemption, as described above, its management will have the option to require any holder that wishes to exercise the Public Warrants to do so on a “cashless basis,” as described in the warrant agreement. The exercise price and number of ordinary shares issuable upon exercise of the Public Warrants may be adjusted in certain circumstances including in the event of a share dividend, extraordinary dividend or recapitalization, reorganization, merger or consolidation. However, except as described below, the Public Warrants will not be adjusted for issuances of ordinary shares at a price below its exercise price. Additionally, in no event will the Company be required to net cash settle the Public Warrants. If the Company is unable to complete the Business Combination or a proposed alternative business combination within the Extended Combination Period and the Company liquidates the funds held in the Trust Account, holders of Public Warrants will not receive any of such funds with respect to their Public Warrants, nor will they receive any distribution from the Company’s assets held outside of the Trust Account with respect to such Public Warrants. Accordingly, the Public Warrants may expire worthless.

In addition, if (x) the Company issues additional Class A ordinary shares or equity-linked securities for capital raising purposes in connection with the closing of the Business Combination or a proposed alternative business combination at an issue price or effective issue price of less than \$9.20 per Class A ordinary share (with such issue price or effective issue price to be determined in good faith by the Company’s board of directors and, in the case of any such issuance to the Sponsor or its affiliates, without taking into account any Founder Shares held by the Sponsor or such affiliates, as applicable, prior to such issuance) (the “Newly Issued Price”), (y) the aggregate gross proceeds from such issuances represent more than 60% of the total equity proceeds, and interest thereon, available for the funding of the Business Combination or a proposed alternative business combination on the date of the consummation of the Business Combination or a proposed alternative business combination (net of redemptions), and (z) the volume weighted average trading price of the Class A ordinary shares during the 10 trading day period starting on the trading day prior to the day on which the Company consummates the Business Combination or a proposed alternative business combination (such price, the “Market Value”) is below \$9.20 per share, the exercise price of the warrants will be adjusted (to the nearest cent) to be equal to 115% of the higher of the Market Value and the Newly Issued Price, and the \$18.00 per share redemption trigger price will be adjusted (to the nearest cent) to be equal to 180% of the higher of the Market Value and the Newly Issued Price, and the \$10.00 per share redemption trigger price will be adjusted (to the nearest cent) to be equal to the higher of the Market Value and the Newly Issued Price.

The Private Placement Warrants are identical to the Public Warrants, except that the Private Placement Warrants and the Class A ordinary shares issuable upon the exercise of the Private Placement Warrants will not be transferable, assignable or salable until 30 days after the completion of the Business Combination or a proposed alternative business combination, subject to certain limited exceptions. Additionally, the Private Placement Warrants will be exercisable on a cashless basis and be non-redeemable, except as described above, so long as they are held by the initial purchasers, Jefferies LLC or their permitted transferees. If the Private Placement Warrants are held by someone other than the initial purchasers, Jefferies LLC or their permitted transferees, the Private Placement Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants. Further, in accordance with FINRA Rule 5110(g)(8)(A), the Private Placement Warrants purchased by Jefferies LLC will not be exercisable for more than five years from the effective date of the registration statement filed in connection with the Company’s Initial Public Offering for so long as they are held by the Jefferies LLC.

NOTE 9 — FAIR VALUE MEASUREMENTS

The fair value of the Company’s financial assets and liabilities reflects management’s estimate of amounts that the Company would have received in connection with the sale of the assets or paid in connection with the transfer of the liabilities in an orderly transaction between market participants at the measurement date. In connection with measuring the fair value of its assets and liabilities, the Company seeks to maximize the use of observable

inputs (market data obtained from independent sources) and to minimize the use of unobservable inputs (internal assumptions about how market participants would price assets and liabilities). The following fair value hierarchy is used to classify assets and liabilities based on the observable inputs and unobservable inputs used in order to value the assets and liabilities:

Level 1: Quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Observable inputs other than Level 1 inputs. Examples of Level 2 inputs include quoted prices in active markets for similar assets or liabilities and quoted prices for identical assets or liabilities in markets that are not active.

Level 3: Unobservable inputs based on our assessment of the assumptions that market participants would use in pricing the asset or liability.

On December 31, 2021, assets held in the Trust Account were comprised of \$175,110,029 in a money market fund which is invested in U.S. Treasury Securities. During the period January 1, 2022, to August 2, 2022, and the year ended December 31, 2021, the Company did not withdraw any interest income from the Trust Account. In July 2022, the balance of the Trust Account was withdrawn and transferred to the Company's cash account in order to satisfy redemptions of the Company's class A common stock and complete the Business Combination.

The following table presents information about the Company's assets and liabilities that are measured at fair value on a recurring basis at August 2, 2022, and December 31, 2021, and indicates the fair value hierarchy of the valuation inputs the Company utilized to determine such fair value.

| Description | Level | August 2, 2022 | December 31, 2021 |
|---|-------|----------------|-------------------|
| Assets: | | | |
| Marketable investments held in Trust Account - U.S. Treasury Securities Money Market Fund | 1 | \$ — | \$175,110,029 |
| Liabilities | | | |
| Warrant liabilities - Public Warrants | 1 | 4,045,126 | 6,028,013 |
| Warrant Liabilities - Private Placement Warrants | 3 | 3,852,225 | 12,609,407 |

Transfers to/from Levels 1, 2 and 3 are recognized at the end of the reporting period in which a change in valuation technique or methodology occurs. The estimated fair value of the Public Warrants transferred from a Level 3 measurement to a Level 1 fair value measurement during the year ended December 31, 2021 was \$5,778,750.

The following table presents the changes in the fair value of Level 3 warrant liabilities for the period January 1, 2022, to August 2, 2022, and the year ended December 31, 2021:

| | |
|---|----------------------|
| Fair Value as of December 31, 2021 | \$ 12,609,407 |
| Change in fair value | (8,757,182) |
| Fair value as of August 2, 2022 | \$ 3,852,225 |
| Fair value as of January 1, 2021 | \$ 28,062,924 |
| Change in fair value | (9,674,767) |
| Transfer of Public Warrants to level 1 | (5,778,750) |
| Fair Value as of December 31, 2021 | \$ 12,609,407 |

The Private Warrants were valued as of November 23, 2020 and subsequent periods using a Modified Black Scholes Option Pricing Model, which is considered to be a Level 3 fair value measurement. The Modified Black Scholes model's primary unobservable input is the expected volatility of the ordinary shares. The expected volatility as of the Initial Public Offering date was derived from observable public warrant pricing on comparable 'blank-check' companies without an identified target. The expected volatility as of subsequent valuation dates was implied from the Company's own public warrant pricing. A Monte Carlo simulation methodology was used in estimating the fair value of the Public Warrants as of November 23, 2020 and December 31, 2020, for periods where no observable traded price was available, using the same expected volatility as was used in measuring the fair value of the Private Warrants. For periods subsequent to the detachment of the Public Warrants from the Units, the close price of the Public Warrant price was used as the fair value as of each relevant date.

The key inputs into the Black-Scholes-Merton model for the Private Placement Warrants were as follows:

| <u>Input</u> | <u>August 2, 2022</u> | <u>December 31, 2021</u> |
|-------------------------|---------------------------|------------------------------|
| Risk-Free interest rate | 3.01% | 1.26% |
| Trading days per year | 252 | 252 |
| Expected term (years) | 5 | 5 |
| Volatility | 3.00% | 22.00% |
| Exercise Price | \$ 11.50 | \$ 11.50 |
| Stock Price | \$ 10.28 | \$ 10.03 |

NOTE 10 — SUBSEQUENT EVENTS

The Company evaluated subsequent events and transactions that occurred after the Consolidated Balance Sheet date up to the date that the consolidated financial statements were issued. Other than as described in below, the Company did not identify any subsequent events that would have required adjustment or disclosure in the consolidated financial statements.

On August 3, 2022, the Company, ZeroFox, Inc., and ID Experts Holdings, Inc. (IDX), consummated the Business Combination as contemplated by the Business Combination Agreement, dated as of December 17, 2021. In connection with the finalization of the Business Combination, the Company changed its name to ZeroFox Holdings, Inc., changed its jurisdiction of incorporation from the Cayman Islands to the state of Delaware, and changed its fiscal year end to January 31.

NOTE 11 — TRANSITION PERIOD FINANCIAL INFORMATION

In connection with the closing of the Business Combination, the Company changed its fiscal year from December 31 to January 31. The January 31 fiscal year conforms with the fiscal year of ZeroFox, Inc. As a result of the change in fiscal year, the Company has a one-month transition period beginning on January 1, 2022 and ending January 31, 2022. The Company has included the Transition Period in its consolidated financial statements in this prospectus. The following table presents certain unaudited comparative financial information of the same period of the prior year:

| | The Month Ended January 31, 2022 | The Month Ended January 31, 2021 (unaudited) |
|---|---|--|
| General and Administrative Expenses | \$ 493,099 | \$ 31,151 |
| Loss from operations | 493,099 | 31,151 |
| Other (expense) income | | |
| Change in fair value of warrant liabilities | 2,250,390 | (1,681,502) |
| Interest earned on marketable investments held in Trust Account | 759 | 24 |
| Total other income (expense) | 2,251,149 | (1,681,478) |
| Net income (loss) | <u>\$ 1,758,050</u> | <u>\$ (1,712,629)</u> |
| Weighted average shares outstanding of Class A ordinary shares | <u>17,250,000</u> | <u>17,250,000</u> |
| Basic and diluted net income (loss) per ordinary share, Class A ordinary shares | <u>\$ 0.08</u> | <u>\$ (0.08)</u> |
| Weighted average shares outstanding of Class B ordinary shares | <u>4,312,500</u> | <u>4,312,500</u> |
| Basic and diluted net income (loss) per ordinary share, Class B ordinary shares | <u>\$ 0.08</u> | <u>\$ (0.08)</u> |

PART II**INFORMATION NOT REQUIRED IN PROSPECTUS****Item 13. Other Expenses of Issuance and Distribution.**

The following is an estimate of the expenses that the registrant may incur in connection with the securities being registered hereby. All amounts shown are estimates except for the SEC registration fee.

| | |
|---|---------------|
| Securities and Exchange Commission registration fee | \$ 85,282.34* |
| Accounting fees and expenses | ** |
| Legal fees and expenses | ** |
| Financial printing and miscellaneous expenses | ** |
| Total | ** |

* Includes the total amount of \$85,254.67 of fees previously paid under the Prior Registration Statement.

** These fees are calculated based on the securities offered and the number of issuances and accordingly cannot be defined at this time.

Item 14. Indemnification of Directors and Officers.

Section 145(a) of the General Corporation Law of the State of Delaware (the “**DGCL**”) provides, in general, that a corporation may indemnify any person who was or is a party to or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the corporation), because he or she is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorneys’ fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit, or proceeding, if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

Section 145(b) of the DGCL provides, in general, that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the right of the corporation to procure a judgment in its favor because the person is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorneys’ fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made with respect to any claim, issue, or matter as to which he or she shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or other adjudicating court determines that, despite the adjudication of liability but in view of all of the circumstances of the case, he or she is fairly and reasonably entitled to indemnity for such expenses that the Court of Chancery or other adjudicating court shall deem proper.

Section 145 of the DGCL further provides that to the extent a director or officer of a corporation has been successful on the merits or otherwise in the defense of any action, suit, or proceeding referred to in Section 145(a) or (b) of the DGCL, or in defense of any claim, issue, or matter therein, such person shall be indemnified against expenses (including attorneys’ fees) actually and reasonably incurred by such person in connection therewith; that indemnification provided for by Section 145 of the DGCL shall not be deemed

exclusive of any other rights to which the indemnified party may be entitled; and the indemnification provided for by Section 145 of the DGCL shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of such person's heirs, executors, and administrators. Section 145(g) of the DGCL provides, in general, that a corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify the person against such liability under Section 145 of the DGCL.

Section 102(b)(7) of the DGCL provides that a corporation's certificate of incorporation may contain a provision eliminating or limiting the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that such provision shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit.

Additionally, the registrant's certificate of incorporation (the "**Certificate of Incorporation**") and amended and restated bylaws (the "**Bylaws**") limit the liability of the registrant's directors to the fullest extent permitted by the DGCL, and provide that the registrant will indemnify its directors to the fullest extent permitted by the DGCL.

ZeroFox Holdings, Inc. (the "**Company**") has entered into and expects to continue to enter into agreements to indemnify its directors, executive officers, and other employees as determined by our board of directors. Under the terms of such indemnification agreements, the Company is required to indemnify each of its directors and officers, to the fullest extent permitted by applicable law by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified.

The Company also maintains a general liability insurance policy, which covers certain liabilities of directors and officers of the registrant arising out of claims based on acts or omissions in their capacities as directors or officers.

Item 15. Recent Sales of Unregistered Securities.

The following list sets forth information as to all of the registrant's 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. Capitalized terms used and not defined in this Item 15 have the meanings given to them in the prospectus which forms a part of this registration statement.

Organizational Issuance

On August 28, 2020, the Sponsor paid \$25,000, or approximately \$0.004 per share, to cover certain of L&F's offering costs in exchange for 5,750,000 Class B ordinary shares. Such securities were issued in connection with L&F's organization pursuant to the exemption from registration contained in Section 4(a)(2) of the Securities Act, in a transaction by an issuer not involving a public offering. On November 13, 2020, the Sponsor effected a surrender of 1,437,500 founder shares to L&F for no consideration, resulting in a decrease in the total number of Class B ordinary shares outstanding to 4,312,500 shares.

Unregistered Issuance in Connection with IPO

On November 23, 2020, L&F consummated an initial public offering of 15,000,000 units, at an offering price of \$10.00 per Unit, and private placements with (i) the Sponsor of 5,000,000 Private Placement Warrants at

a price of \$1.00 per warrant and (ii) Jefferies of 1,859,505 Private Placement Warrants at a price of approximately \$1.21 per warrant. L&F granted the Jefferies a 45-day option to purchase up to 2,250,000 additional units at the public offering price to cover over-allotments, if any. On November 23, 2020, Jefferies exercised the over-allotment option in full. Concurrently with the closing of the over-allotment option on November 25, 2020, L&F consummated private placements with (a) the Sponsor of an additional 450,000 Sponsor Warrants at a price of \$1.00 per unit and (ii) Jefferies of an additional 278,925 Sponsor Warrants at a price of approximately \$1.21 per unit. Such securities were issued pursuant to the exemption from registration contained in Section 4(a)(2) of the Securities Act, in transactions by an issuer not involving a public offering.

Issuance of Shares in Business Combination

In connection with the Closing, the Company issued an aggregate of 87,045,565 of Common Stock to former stockholders of ZeroFox, Inc. and IDX, who had approved the Business Combination prior to the filing of the registration statement on Form S-4. Such shares were issued in exchange for securities of ZeroFox and IDX in accordance with the exchange ratios provided in the Business Combination Agreement in accordance with the exemption from registration contained in Section 4(a)(2) of the Securities Act, in a transaction by an issuer not involving a public offering.

Common Equity PIPE Financing and Convertible Notes Financing

Pursuant to the Common Equity Subscription Agreements entered into on December 17, 2021, by and among L&F and the PIPE Investors, the Company issued and sold to the PIPE Investors (substantially concurrently with the consummation of the Mergers) an aggregate of 2,000,000 shares of Common Stock, for an aggregate purchase price of \$20 million.

Pursuant the Convertible Notes Subscription Agreements entered into on December 17, 2021, by and among L&F and Convertible Notes Investors, the Company issued and sold to the Convertible Notes Investors (substantially concurrently with the consummation of the Mergers) an aggregate of \$150 million principal amount of Notes, for an aggregate purchase price of \$150 million.

The Notes and the shares of Common Stock sold to PIPE Investors were issued pursuant to the exemption from registration contained in Section 4(a)(2) of the Securities Act, in transactions by an issuer not involving a public offering.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits.

| Exhibit Number | Description of Exhibit | Incorporated by Reference | | | |
|----------------|--|---------------------------|------------------|-------------|-------------|
| | | Form | Exhibit or Annex | Filing Date | File Number |
| 2.1† | Business Combination Agreement, dated as of December 17, 2021, by and among L&F Acquisition Corp., L&F Acquisition Holdings, LLC, ZF Merger Sub, Inc., IDX Merger Sub, Inc., IDX Forward Merger Sub, LLC, ZeroFox, Inc., and ID Experts Holdings, Inc. | 424B3 | A | 07/14/2022 | 333-262570 |
| 3.1 | Certificate of Incorporation of ZeroFox Holdings, Inc. | 8-K | 3.1 | 08/09/2022 | 001-39722 |
| 3.2 | Amended and Restated Bylaws of ZeroFox Holdings, Inc. as of December 6, 2022 | 8-K | 3.2 | 12/06/2022 | 001-39722 |

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| 4.1 | Specimen Warrant Certificate of L&F Acquisition Corp. | S-1/A | 4.3 | 11/12/2020 | 333-249497 |
| 4.2 | Warrant Agreement, dated November 24, 2020, by and between L&F Acquisition Corp. and Continental Stock Transfer & Trust Company, as warrant agent | 8-K | 4.1 | 11/23/2020 | 001-39722 |
| 4.3 | Indenture dated as of August 3, 2022, by and between ZeroFox Holdings, Inc. and Wilmington Trust, National Association, as trustee | 8-K | 4.3 | 08/09/2022 | 001-39722 |
| 4.4 | Form of 7.00%/8.75% Convertible Senior Cash/PIK Toggle Notes due 2025 (included in Exhibit 4.3) | 8-K | 4.4 | 08/09/2022 | 001-39722 |
| 4.5 | Specimen Common Stock Certificate of ZeroFox Holdings, Inc. | S-4/A | 4.6 | 04/08/2022 | 333-262570 |
| 5.1* | Opinion of Venable LLP | | | | |
| 10.1 | Form of Common Equity Subscription Agreement | 424B3 | D | 07/14/2022 | 333-262570 |
| 10.2 | Form of Convertible Notes Subscription Agreement | 424B3 | E | 07/14/2022 | 333-262570 |
| 10.3 | Second Amended and Restated Sponsor Support Letter Agreement, dated as of January 31, 2022, by and among L&F Acquisition Corp., JAR Sponsor, LLC, ZeroFox, Inc., ID Experts Holdings, Inc., Albert Goldstein, Joseph Lieberman, Kurt Summers, and certain other individuals named therein | 424B3 | F | 07/14/2022 | 333-262570 |
| 10.4† | Amended and Restated Registration Rights Agreement, dated as of August 3, 2022, by and among ZeroFox Holdings, Inc. and the Stockholders party thereto | 8-K | 10.4 | 08/09/2022 | 001-39722 |
| 10.5 | ZeroFox Holdings, Inc. 2022 Incentive Equity Plan | 424B3 | H | 07/14/2022 | 333-262570 |
| 10.6 | Form of Restricted Stock Unit Award the ZeroFox Holdings, Inc 2022 Incentive Equity Plan—Director Version | 10-K | 10.6 | 03/30/2023 | 001-39722 |
| 10.7 | Form of Restricted Stock Unit Award the ZeroFox Holdings, Inc 2022 Incentive Equity Plan—Employee Version | 10-K | 10.7 | 03/30/2023 | 001-39722 |
| 10.8 | ZeroFox Holdings, Inc. 2022 Employee Stock Purchase Plan | 424B3 | I | 07/14/2022 | 333-262570 |
| 10.9 | ID Experts Holdings, Inc. 2016 Stock Option and Grant Plan | S-8 | 99.03 | 11/14/2022 | 333-268337 |
| 10.10 | ID Experts Holdings, Inc. 2017 Equity Incentive Plan | S-8 | 99.04 | 11/14/2022 | 333-268337 |

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| 10.11 | Form of L&F Acquisition Corp. Indemnity Agreement | S-1/A | 10.5 | 11/12/2020 | 333-249497 |
| 10.12 | Form of ZeroFox Holdings, Inc. Indemnification Agreement | 8-K | 10.8 | 08/09/2022 | 001-39722 |
| 10.13 | Lease Agreement, dated February 27, 2016, by and between ZeroFox, Inc. and 1830 Charles Street LLC | S-4/A | 10.13 | 04/08/2022 | 333-262570 |
| 10.14 | Amendment No. 1 to Lease Agreement, dated March 1, 2021, by and between ZeroFox, Inc. and 1830 Charles Street LLC | S-4/A | 10.14 | 04/08/2022 | 333-262570 |
| 10.15 | The ZeroFox, Inc. 2013 Equity Incentive Plan, as amended | S-4/A | 10.17 | 04/08/2022 | 333-262570 |
| 10.16 | Form of Option Grant Agreement under the ZeroFox, Inc. 2013 Equity Incentive Plan | S-4/A | 10.18 | 04/08/2022 | 333-262570 |
| 10.17 | Form of Restricted Stock Grant Agreement under the ZeroFox, Inc. 2013 Equity Incentive Plan | S-4/A | 10.19 | 04/08/2022 | 333-262570 |
| 10.18 | Letter Agreement, dated December 7, 2021, by and between ZeroFox, Inc. and Redline Capital Management S.A. acting on behalf and for the account of Redline Capital Fund Universal Instruments, a sub-fund of Redline Capital Fund, FCP-FIS | S-4/A | 10.23 | 04/08/2022 | 333-262570 |
| 10.19 | Deed of Sub-Sublease | S-4 | 10.24 | 02/07/2022 | 333-262570 |
| 10.20§ | Contract (Order No. 24361819F0014) between U.S. Office of Personnel Management and Identity Theft Guard Solutions, LLC dated December 21, 2018 | S-4/A | 10.24 | 07/01/2022 | 333-262570 |
| 10.21 | Registration Rights Agreement, dated as of August 3, 2022, by and among ZeroFox Holdings, Inc. and the Holders of the Notes Party Thereto | 8-K | 10.27 | 08/09/2022 | 001-39722 |
| 10.22† | Loan and Security Agreement dated as of January 7, 2021 by and among Stifel Bank, ZeroFox, Inc., and certain guarantor subsidiaries party thereto | 8-K | 10.28 | 08/09/2022 | 001-39722 |
| 10.23† | First Amendment and Joinder to Loan and Security Agreement dated as of June 7, 2021 | 8-K | 10.29 | 08/09/2022 | 001-39722 |
| 10.24 | Second Amendment and Waiver to Loan and Security Agreement dated as of December 8, 2021 | 8-K | 10.30 | 08/09/2022 | 001-39722 |
| 10.25 | Third Amendment to Loan and Security Agreement dated as of December 16, 2021 | 8-K | 10.31 | 08/09/2022 | 001-39722 |
| 10.26 | Fourth Amendment to Loan and Security Agreement dated as of February 10, 2022 | 8-K | 10.32 | 08/09/2022 | 001-39722 |
| 10.27 | Fifth Amendment to Loan and Security Agreement dated as of August 3, 2022 | 8-K | 10.33 | 08/09/2022 | 001-39722 |

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| 10.28 | <u>Amendment P00014 dated September 20, 2022, to Contract (Order No. 24361819F0014) between U.S. Office of Personnel Management and Identity Theft Guard Solutions, LLC dated December 21, 2018</u> | S-1 | 10.20 | | 333-267200 |
| 10.29 | <u>Sixth Amendment and Joinder to Loan and Security Agreement</u> | 10-Q | 10.1 | 12/14/2022 | 001-39722 |
| 10.30 | <u>ZeroFox Holdings, Inc. 2023 Executive Incentive Plan</u> | 10-K | 10.29 | 03/30/2023 | 001-39722 |
| 10.31 | <u>Employment Agreement, dated January 18, 2023, between ZeroFox Holdings, Inc. and James C. Foster</u> | 10-K | 10.30 | 03/30/2023 | 001-39722 |
| 10.32 | <u>Employment Agreement, dated January 18, 2023, between ZeroFox Holdings, Inc. and Kevin T. Reardon</u> | 10-K | 10.31 | 03/30/2023 | 001-39722 |
| 10.33 | <u>Employment Agreement, dated January 18, 2023, between ZeroFox Holdings, Inc. and Timothy S. Bender</u> | 10-K | 10.32 | 03/30/2023 | 001-39722 |
| 10.34 | <u>Employment Agreement, dated January 18, between ZeroFox Holdings, Inc. and Michael Price</u> | 10-K | 10.33 | 03/30/2023 | 001-39722 |
| 10.35 | <u>Employment Agreement, dated January 18, between ZeroFox Holdings, Inc. and John R. Prestridge, III</u> | 10-K | 10.34 | 03/30/2023 | 001-39722 |
| 10.36 | <u>Employment Agreement, dated January 18, 2023, between ZeroFox Holdings, Inc. and Scott O'Rourke</u> | 10-K | 10.35 | 03/30/2023 | 001-39722 |
| 10.37 | <u>Employment Agreement, dated January 18, between ZeroFox Holdings, Inc. and Thomas P. FitzGerald</u> | 10-K | 10.36 | 03/30/2023 | 001-39722 |
| 10.38 | <u>Employment Agreement between Identity Theft Guard Solutions, Inc. and Thomas F. Kelly, dated August 9, 2017</u> | S-4 | 10.26 | 02/07/2022 | 333-262570 |
| 10.39 | <u>Amendment No. 1 to Employment Agreement between Identity Theft Guard Solutions, Inc. and Thomas F. Kelly, dated May 21, 2020</u> | S-4 | 10.27 | 02/07/2022 | 333-262570 |
| 10.40 | <u>Amendment No. 2 to Employment Agreement between Identity Theft Guard Solutions, Inc. and Thomas F. Kelly, dated August 25, 2021</u> | S-4 | 10.28 | 02/07/2022 | 333-262570 |
| 10.41 | <u>Amendment No. 3 to Employment Agreement between Identity Theft Guard Solutions, Inc. and Thomas F. Kelly, dated November 3, 2021</u> | S-4 | 10.29 | 02/07/2022 | 333-262570 |
| 10.42 | <u>Amendment No. 4 to Employment Agreement between Identity Theft Guard Solutions, Inc. and Thomas F. Kelly, dated December 17, 2021</u> | S-4 | 10.30 | 02/07/2022 | 333-262570 |
| 16.1 | <u>Letter from WithumSmith+Brown PC to the SEC, dated August 9, 2022</u> | 8-K | 16.1 | 08/09/2022 | 001-39722 |

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| 21.1 | List of subsidiaries of the Company. | 8-K | 21.1 | 08/09/2022 | 001-39722 |
| 23.1* | Consent of Deloitte & Touche LLP, independent registered public accounting firm of ID Experts Holdings, Inc. | | | | |
| 23.2* | Consent of Deloitte & Touche LLP, independent registered public accounting firm of ZeroFox Holdings, Inc. | | | | |
| 23.3* | Consent of WithumSmith+Brown, PC, independent registered public accounting firm of L&F Acquisition Corp. | | | | |
| 23.4* | Consent of Venable LLP (included in Exhibit 5.1 hereto) | | | | |
| 24.1* | Power of Attorney (included on signature page to this Registration Statement on Form S-1) | | | | |
| 101.INS | Inline XBRL Instance Document | | | | |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Linkbase Document | | | | |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document | | | | |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document | | | | |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document | | | | |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document | | | | |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) | | | | |
| 107* | Filing Fee Table | | | | |

* Filed herewith.

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

§ Portions of this exhibit have been redacted in compliance with Regulation S-K Item 601(a)(6).

(b) Financial Statement Schedules.

All schedules have been omitted because the information required to be set forth in the schedules is either not applicable or is shown in the financial statements or notes thereto.

Item 17. Undertakings.

The undersigned registrant hereby undertakes:

(1) to file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

- (i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;
- (ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement); and
- (iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that: paragraphs (i), (ii) and (iii) do not apply if the registration statement is on Form S-1 and the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended, that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement;

(2) that, for the purpose of determining any liability under the Securities Act, each such post-effective amendment 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;

(3) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering;

(4) that, for the purpose of determining liability under the Securities Act to any purchaser:

each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness; *provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use; and

(5) that, for the purpose of determining liability of the registrant under the Securities Act to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

- (i) any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;
- (ii) any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;
- (iii) the portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of an undersigned registrant; and
- (iv) any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

Insofar as indemnification for liabilities arising under the Securities Act 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 Securities 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 Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Baltimore, State of Maryland, on March 31, 2023.

ZEROFOX HOLDINGS, INC.

By: /s/ James C. Foster
 Name: James C. Foster
 Title: Chairman of the Board and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints James C. Foster, Timothy S. Bender, and Thomas P. FitzGerald, and each of them, as his or her true and lawful attorneys-in-fact, proxies and agents, each with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, 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 attorneys-in-fact, proxies and agents 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 each of said attorneys-in-fact, proxies and agents, or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement 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/ James C. Foster</u> James C. Foster | Chief Executive Officer, Chairman of the Board (Principal Executive Officer) | March 31, 2023 |
| <u>/s/ Timothy S. Bender</u> Timothy S. Bender | Chief Financial Officer (Principal Financial and Accounting Officer) | March 31, 2023 |
| <u>/s/ Peter Barris</u> Peter Barris | Director | March 31, 2023 |
| <u>/s/ Sean Cunningham</u> Sean Cunningham | Director | March 31, 2023 |
| <u>/s/ Adam Gerchen</u> Adam Gerchen | Director | March 31, 2023 |
| <u>/s/ Todd P. Headley</u> Todd P. Headley | Director | March 31, 2023 |

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| | | |
|---|----------|----------------|
| <u>/s/ Thomas F. Kelly</u> Thomas F. Kelly | Director | March 31, 2023 |
| <u>/s/ Samskriti King</u> Samskriti King | Director | March 31, 2023 |
| <u>/s/ Corey M. Mulloy</u> Corey M. Mulloy | Director | March 31, 2023 |



March 31, 2023

ZeroFox Holdings, Inc.
 1834 South Charles Street
 Baltimore, Maryland 21230

Re: Registration Statement on Form S-1

Ladies and Gentlemen:

We have acted as counsel to ZeroFox Holdings, Inc, a Delaware corporation (the “**Company**”), in connection with the Registration Statement on Form S-1, as amended (the “**Registration Statement**”) filed on the date hereof with the Securities and Exchange Commission (the “**Commission**”), relating to the registration under the Securities Act of 1933, as amended (the “**Securities Act**”) of: (a) the issuance by the Company of up to an aggregate of 16,213,419 shares of common stock, par value \$0.0001 per share (“**Common Stock**”), of the Company, consisting of (i) up to 7,588,430 shares of Common Stock (the “**Private Placement Warrant Shares**”) that are issuable upon the exercise of 7,588,430 private placement warrants (the “**Private Placement Warrants**”), (ii) up to 8,624,989 shares of Common Stock (the “**Public Warrant Shares**”) that are issuable upon the exercise of 8,624,989 public warrants (the “**Public Warrants**”) and (iii) up to 173,155 shares of Common Stock (the “**IDX Option Shares**”) issuable upon the exercise by a former director and two former consultants of ID Experts Holdings, Inc. of options (the “**IDX Options**”) assumed by the Company in connection with the consummation of the business combination (the “**Business Combination**”) as described in more detail in the Registration Statement; (b) the offer and sale by the Selling Securityholders (as such term is defined in the Registration Statement) of up to an aggregate of 120,066,925 shares of Common Stock consisting of (i) 89,348,952 shares of Common Stock (the “**ZeroFox and IDX Holders Shares**”) issued as merger consideration pursuant to that certain Business Combination Agreement, dated as of December 17, 2021 (as amended, the “**Business Combination Agreement**”), in connection with the consummation of the Business Combination, as described in more detail in the Registration Statement, (ii) 193,039 shares of Common Stock (the “**Issued Option Shares**”) issued to two executives of the Company upon the exercise of their options assumed by the Company upon consummation of the Business Combination, (iii) up to 134,661 shares of Common Stock (the “**Option Shares**”) issued or issuable upon the exercise of options assumed (the “**Assumed Options**”) by the Company in connection with the consummation of the Business Combination, (iv) 1,625,635 shares of Common Stock (the “**PIPE Shares**”) issued in a private placement in connection with the consummation of the Business Combination, (v) up to 16,863,708 shares of Common Stock (the “**Convertible Notes Shares**”) that are issuable upon the conversion of certain 7.00%/8.75% Convertible Senior Cash/PIK Toggle Notes due 2025 of the

Company (the “**Convertible Notes**”) issued in a private placement in connection with the consummation of the Business Combination, (vi) 4,312,500 shares of Common Stock (the “**Founder Shares**”) originally issued in a private placement in connection with the initial public offering of L&F Acquisition Corp., a Cayman Islands exempted company (“**L&F**”) and, as part of the Business Combination, converted into 4,312,500 shares of Common Stock in connection with the Domestication (as defined below), in which L&F changed its name to ZeroFox Holdings, Inc.; and (vii) up to 7,588,430 Private Placement Warrant Shares; and (c) the offer and sale by certain of the Selling Securityholders of up to 7,588,430 Private Placement Warrants. This opinion is being furnished in connection with the requirements of Item 601(b)(5) of Regulation S-K under the Securities Act, and no opinion is expressed herein as to any matter pertaining to the contents of the Registration Statement or related prospectus or prospectus supplement other than as expressly stated herein.

In connection with our opinions expressed below, we have examined originals or copies, certified or otherwise identified to our satisfaction, of the following documents (hereinafter collectively referred to as the “**Documents**”):

1. The Registration Statement and the related form of prospectus included therein in the form in which it was transmitted to the Commission under the Securities Act;
2. The Certificate of Incorporation of the Company, certified by the Secretary of State of the State of Delaware (the “**Charter**”);
3. The Amended and Restated Bylaws of the Company;
4. Resolutions adopted by the Board of Directors of the Company relating to, among other matters, (i) the issuance of the Private Placement Warrant Shares, the Public Warrant Shares, the ZeroFox and IDX Holders Shares, the Issued Option Shares, the Option Shares, the PIPE Shares, the Convertible Notes Shares, the Founder Shares, the IDX Option Shares, the Private Placement Warrants and the Convertible Notes, (ii) the Warrant Agreement (as defined herein) and the Business Combination Agreement and (iii) the filing of the Registration Statement (the “**Resolutions**”);
5. The Warrant Agreement, dated as of November 23, 2020 (the “**Warrant Agreement**”), by and between the L&F and Continental Stock Transfer & Trust Company, a New York corporation;
6. The Business Combination Agreement; and

7. Such other documents and matters as we have deemed necessary or appropriate to express the opinions set forth below, subject to the assumptions, limitations and qualifications stated herein.

In expressing the opinions set forth below, we have assumed the following:

1. Each individual executing any of the Documents, whether on behalf of such individual or another person, is legally competent to do so.
2. Each individual executing any of the Documents on behalf of a party (other than the Company) is duly authorized to do so.
3. Each of the parties (other than the Company) executing any of the Documents has duly and validly executed and delivered each of the Documents to which such party is a signatory, and such party's obligations set forth therein are legal, valid and binding and are enforceable in accordance with all stated terms.
4. All Documents submitted to us as originals are authentic. The form and content of all Documents submitted to us as unexecuted drafts do not differ in any respect relevant to this opinion from the form and content of such Documents as executed and delivered. All Documents submitted to us as certified or photostatic copies conform to the original documents. All signatures on all Documents are genuine. All public records reviewed or relied upon by us or on our behalf are true and complete. All representations, warranties, statements and information contained in the Documents are true and complete. There has been no oral or written modification of or amendment to any of the Documents, and there has been no termination, waiver or amendment of any provision of any of the Documents, by action or omission of the parties or otherwise.
5. Upon the issuance of any of the Private Placement Warrant Shares, the Public Warrant Shares, the Option Shares, the Former IDX Employee Option Shares and the Convertible Notes Shares, the total number of shares of Common Stock issued and outstanding will not exceed the total number of shares of Common Stock that the Company is then authorized to issue under the Charter.
6. We note that the Company was initially incorporated as L&F under the laws of the Cayman Islands and was domesticated as a corporation in the State of Delaware in accordance with Section 388 ("**Section 388**") of the Delaware General Corporation Law (the "**Domestication**"). We have assumed all matters determinable under the laws of the Cayman Islands, including without limitation that (i) immediately prior to the Domestication, the Company was duly organized, validly existing and in good standing under the laws of the

Cayman Islands, (ii) the Company had full power, authority and legal right to domesticate in the State of Delaware pursuant to Section 388, (iii) the laws of the Cayman Islands permitted the Company to domesticate in the State of Delaware pursuant to Section 388, (iv) the discontinuation of the Company from the Cayman Islands was duly authorized by all necessary corporate action as provided in its governing documents and was duly effected in accordance with Cayman Islands law, (v) any and all consents, approvals and authorizations from applicable Cayman Island governmental authorities required to authorize and permit the Company to domesticate in the State of Delaware pursuant to Section 388 were obtained, (vi) the issued and outstanding ordinary shares of the Company as an exempted company incorporated under the laws of the Cayman Islands immediately prior to the Domestication were validly issued, fully paid and nonassessable, and (vii) all share issuances and documents related thereto that were authorized by the Company prior to the Domestication were done in accordance with the applicable governing documents of the Company as a Cayman Islands exempted company and the laws of the Cayman Islands.

We render this opinion only with respect to, and express no opinion herein concerning the application or effect of the laws of any jurisdiction other than, the existing Delaware General Corporation Law and, solely with respect to whether or not the Private Placement Warrants are the valid and binding obligations of the Company, the existing laws of the State of New York. We express no opinion as to the applicability or effect of federal or state securities laws, including the securities laws of the State of Delaware or the State of New York, or as to federal or state laws regarding fraudulent transfers. To the extent that any matter as to which our opinion is expressed herein would be governed by the laws of any jurisdiction other than the State of Delaware or, for the limited purpose set forth above, the State of New York, we do not express any opinion on such matter. The opinions expressed herein are subject to the effect of any judicial decision which may permit the introduction of parol evidence to modify the terms or the interpretation of agreements.

This opinion is qualified by, and is subject to, and we render no opinion with respect to, the following limitations and exceptions to the enforceability of the Private Placement Warrants:

1. The effect of the laws of bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent conveyance, assignment for the benefit of creditors, and other similar laws now or hereinafter in effect relating to or affecting the rights and remedies of creditors, including the effect of statutory or other laws regarding fraudulent transfers or preferential transfers; and

2. The effect of general principles of equity and similar principles, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, public policy and unconscionability, and the possible unavailability of specific performance, injunctive relief, or other equitable remedies, regardless of whether considered in a proceeding in equity or at law.

In connection with our opinions expressed in the paragraphs below, we have assumed that, at or prior to the time of the delivery of any shares of Common Stock, the Registration Statement will have been declared effective under the Securities Act that the registration will apply to the offer and sale of such shares of Common Stock and will not have been modified or rescinded and that there will not have occurred any change in law affecting the validity of the issuance of such shares of Common Stock.

Based upon the foregoing, and subject to the assumptions, limitations and qualifications stated herein, we are of the opinion that:

1. The issuance of the Public Warrant Shares has been duly authorized and, when issued and delivered upon exercise of the Public Warrants in the manner and for the consideration stated in the Public Warrants, the Public Warrant Shares will be validly issued, fully paid and non-assessable.

2. The issuance of the Private Placement Warrant Shares has been duly authorized and, when issued and delivered upon exercise of the Private Placement Warrants in the manner and for the consideration stated in the Private Placement Warrants, the Private Placement Warrant Shares will be validly issued, fully paid and non-assessable.

3. The issuance of the IDX Option Shares has been duly authorized and, when issued and delivered upon exercise of the IDX Options in the manner and for the consideration stated in the IDX Options, the IDX Option Shares will be validly issued, fully paid and non-assessable.

4. The issuance of the ZeroFox and IDX Holders Shares has been duly authorized and the ZeroFox and IDX Holders Shares are validly issued, fully paid and non-assessable.

5. The issuance of the Issued Option Shares has been duly authorized and the Option Shares are validly issued, fully paid and non-assessable.

6. The issuance of the Option Shares has been duly authorized and, when issued and delivered upon exercise of the Assumed Options in the manner and for the consideration stated in the Assumed Options, the Option Shares will be validly issued, fully paid and non-assessable.
7. The issuance of the PIPE Shares has been duly authorized and the PIPE Shares are validly issued, fully paid and non-assessable.
8. The issuance of the Convertible Notes Shares has been duly authorized and, when issued and delivered upon conversion of the Convertible Notes in accordance with the Convertible Notes, the Convertible Notes Shares will be validly issued, fully paid and non-assessable.
9. The issuance of the Founder Shares has been duly authorized and the Founder Shares are validly issued, fully paid and non-assessable.
10. The Private Placement Warrants constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms.

The opinions expressed herein are limited to the matters specifically set forth herein and no other opinion shall be inferred beyond the matters expressly stated. We assume no obligation to supplement this opinion if any applicable law changes after the date hereof or if we become aware of any fact that might change the opinions expressed herein after the date hereof.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to our name under the caption "Legal Matters" in the prospectus that forms a part of the Registration Statement. In giving this consent, we do not hereby admit that we are (i) "experts" within the meaning of Section 11 of the Securities Act or the rules and regulations of the Commission promulgated thereunder or (ii) within the category of persons whose consent is required by Section 7 of the Securities Act or the rules and regulations of the Commission promulgated thereunder.

Very truly yours,

/s/ Venable LLP

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the inclusion in this Post-Effective Amendment No. 1 to the Form S-1 Registration Statement No. 333-267200 of our report dated March 29, 2023, relating to the financial statements of ID Experts Holdings, Inc. We also consent to the reference to us under the heading “Experts” in such Registration Statements.

/s/ Deloitte & Touche LLP

McLean, Virginia
March 31, 2023

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the inclusion in this Post-Effective Amendment No. 1 to the Form S-1 Registration Statement No. 333-267200 of our report dated March 29, 2023, relating to the financial statements of ZeroFox Holdings, Inc. We also consent to the reference to us under the heading “Experts” in such Registration Statements.

/s/ Deloitte & Touche LLP

McLean, Virginia
March 31, 2023

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in the Prospectus constituting a part of this Registration Statement on Form S-1 of our report dated March 29, 2023, relating to the consolidated financial statements of ZeroFox Holdings, Inc. (f/k/a L&F Acquisition Corp.), which is contained in that Prospectus. We also consent to the reference to our firm under the caption “Experts” in the Prospectus.

/s/ WithumSmith+Brown, PC

New York, New York
March 29, 2023

Calculation of Filing Fee Tables

Form S-1
(Form Type)ZeroFox Holdings, Inc.
(Exact Name of Registrant as Specified in its Charter)

Table 1: Newly Registered Securities

| | Security Type | Security Class Title | Fee Calculation or Carry Forward Rule | Amount of Securities to be Registered ⁽¹⁾ | Proposed Maximum Offering Price Per Unit | Maximum Aggregate Offering Price | Fee Rate | Amount of Registration Fee |
|-----------------|---------------|--|---------------------------------------|--|--|----------------------------------|------------|----------------------------|
| Fees to Be Paid | Equity | Common Stock, par value \$0.0001 per share | Other ⁽²⁾ | 173,155 ⁽³⁾ | \$1.45 ⁽²⁾ | \$251,074.75 | 0.00011020 | \$27.67 |
| | | Total Offering Amounts | | | | \$251,074.75 | | \$27.67 |
| | | Total Fees Previously Paid | | | | | | — |
| | | Total Fee Offsets | | | | | | — |
| | | Net Fee Due | | | | | | \$27.67 |

- (1) Pursuant to Rule 416(a) under the Securities Act of 1933, as amended (the “Securities Act”), the registration statement on Form S-1 (the “Registration Statement”) to which this exhibit relates shall also cover any additional shares of common stock, \$0.0001 par value per share (the “Common Stock”), of ZeroFox Holdings, Inc. (the “Company”) that become issuable with respect to the securities identified in the above table, by reason of any stock dividends, stock splits, recapitalizations, reclassifications, mergers, split-ups, reorganizations, consolidations or other similar transactions effected without receipt of consideration which results in an increase in the number of outstanding shares of Common Stock.
- (2) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(c) under the Securities Act, based upon the average of the high and low prices of the Common Stock on March 27, 2023, as reported on the Nasdaq Global Market.
- (3) Consists of 173,155 shares of Common Stock issuable upon the exercise of 173,155 options held by a former director and two former consultants of ID Experts Holdings, Inc.

Table 3: Combined Prospectus

| Security Type | Security Class Title | Amount of Securities Previously Registered ⁽¹⁾ | Maximum Aggregate Offering Price of Securities Previously Registered | Form Type | File Number | Initial Effective Date |
|---------------|--|---|--|-----------|-------------|------------------------|
| Equity | Common Stock, par value \$0.0001 per share | 2,292,852 ⁽²⁾ | \$16,049,964 | S-1 | 333-267200 | October 7, 2022 |
| Equity | Common Stock, par value \$0.0001 per share | 16,213,419 ⁽³⁾ | \$186,454,318 | S-1 | 333-267200 | October 7, 2022 |
| Equity | Common Stock, par value \$0.0001 per share | 117,774,073 ⁽²⁾ | \$714,888,623 | S-1 | 333-267200 | October 7, 2022 |
| Equity | Warrants to purchase Common Stock | 7,588,430 ⁽⁴⁾ | \$— ⁽⁵⁾ | S-1 | 333-267200 | October 7, 2022 |

- (1) Pursuant to Rule 416(a) under the Securities Act of 1933, as amended (the “Securities Act”), the registration statement on Form S-1 (the “Registration Statement”) to which this exhibit relates shall also cover any additional shares of common stock, \$0.0001 par value per share (the “Common Stock”), of ZeroFox Holdings, Inc. (the “Company”) that become issuable with respect to the securities identified in the above table, by reason of any stock dividends, stock splits, recapitalizations, reclassifications, mergers, split-ups, reorganizations, consolidations or other similar transactions effected without receipt of consideration which results in an increase in the number of outstanding shares of Common Stock.
- (2) Represents shares of Common Stock to be offered and sold by the selling securityholders named in the prospectus (the “Prospectus”) which forms a part of the registration statement to which this exhibit relates or their permitted transferees (the “Selling Securityholders”) consisting of (i) 89,348,952 shares of Common Stock issued as merger consideration to certain former stockholders of ZeroFox, Inc. and ID Experts Holdings, Inc. in connection with the consummation of the Business Combination (as defined in the Prospectus), (ii) 193,039 shares of Common Stock issued upon the exercise by two of the Company’s executives of options assumed by the Company in connection with the consummation of the Business Combination, (iii) 134,661 shares of Common Stock issuable upon the exercise of options assumed by the Company in connection with the consummation of the Business Combination, (iv) 1,625,635 shares of Common Stock issued by the Company to certain investors in connection with the consummation of the Business Combination in a private placement, (v) 16,863,708 shares of Common Stock that are issuable upon the conversion of convertible notes issued by the Company to certain investors in connection with the consummation of the Business Combination, (vi) 4,312,500 shares of Common Stock originally purchased by the Sponsor in a private placement in connection with the L&F IPO, and (vii) 7,588,430 shares of Common Stock issuable upon the exercise of the Private Placement Warrants.
- (3) Represents shares of Common Stock of the Company consisting of (i) 5,450,000 shares of Common Stock that are issuable upon the exercise of 5,450,000 warrants (the “Sponsor Warrants”) originally issued to JAR Sponsor, LLC (the “Sponsor”) in private placements in connection with the initial public offering (the “L&F IPO”) of L&F Acquisition Corp., (ii) 2,138,430 shares of Common Stock that are issuable upon the exercise of 2,138,430 warrants (the “Underwriter Warrants” and, together with the Sponsor Warrants, the “Private Placement Warrants”) originally issued to Jefferies LLC, in private placements in connection with the L&F IPO, and (iii) 8,624,989 shares of Common Stock that are issuable upon the exercise of 8,624,989 warrants (the “Public Warrants” and, together with the Private Placement Warrants, the “Warrants”) originally issued in the L&F IPO.
- (4) Represents the resale of Private Placement Warrants.
- (5) In accordance with Rule 457(g) under the Securities Act, no separate fee was due for the Private Placement Warrants and the entire fee is allocated to the underlying shares of Common Stock.