

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2023

OR

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

FOR THE TRANSITION PERIOD FROM TO
Commission File Number 001-40170

TERRAN ORBITAL CORPORATION

(Exact name of Registrant as specified in its Charter)

Delaware

(State or other jurisdiction of incorporation or organization)

98-1572314

(I.R.S. Employer Identification No.)

6800 Broken Sound Parkway NW, Suite 200
Boca Raton, FL 33487
(561) 988-1704

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

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

Title of each class	Trading Symbols	Name of each exchange on which registered
Common stock, par value \$0.0001 per share	LLAP	New York Stock Exchange
Preferred Stock Purchase Rights		New York Stock Exchange
Warrants to purchase one share of common stock, each at an exercise price of \$11.50 per share	LLAP WS	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based on the closing price of the registrant's shares of common stock on June 30, 2023 was approximately \$179.3 million.

The number of shares of registrant's common stock outstanding as of March 25, 2024 was 201,270,799.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for use in connection with its 2024 Annual Meeting of Stockholders, which is to be filed no later than 120 days after December 31, 2023, are incorporated by reference into Part III of this Annual Report on Form 10-K.

Table of Contents

	Page
PART I	
Item 1. <u>Business</u>	1
Item 1A. <u>Risk Factors</u>	10
Item 1B. <u>Unresolved Staff Comments</u>	32
Item 1C. <u>Cybersecurity</u>	32
Item 2. <u>Properties</u>	33
Item 3. <u>Legal Proceedings</u>	33
Item 4. <u>Mine Safety Disclosures</u>	33
PART II	
Item 5. <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	34
Item 6. <u>Reserved</u>	34
Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	34
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	48
Item 8. <u>Financial Statements and Supplementary Data</u>	48
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	49
Item 9A. <u>Controls and Procedures</u>	49
Item 9B. <u>Other Information</u>	51
Item 9C. <u>Disclosure Regarding Foreign Jurisdictions that Prevent Inspections</u>	51
PART III	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	52
Item 11. <u>Executive Compensation</u>	52
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	52
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	53
Item 14. <u>Principal Accountant Fees and Services</u>	53
PART IV	
Item 15. <u>Exhibits and Financial Statement Schedules</u>	54
Item 16. <u>Form 10-K Summary</u>	58

PART I

Item 1. Business.

Company Overview

Terran Orbital Corporation, together with its wholly-owned subsidiaries (collectively, the "Company," "we," "our," "us," and "Terran Orbital"), is a leading manufacturer of satellite products primarily serving the aerospace and defense industries. We provide end-to-end satellite solutions by combining satellite design, production, launch planning, mission operations, and on-orbit support to meet the needs of our military, civil, and commercial customers. We have a foreign subsidiary based in Torino, Italy.

Recent Developments

On March 1, 2024, we received a non-binding proposal from Lockheed Martin Corporation ("Lockheed Martin") to acquire all of our outstanding shares of common stock not owned by Lockheed Martin for \$1.00 per share, payable in cash. The non-binding proposal (the "Lockheed Proposal") delivered by Lockheed Martin to the Company is publicly available in a Schedule 13D/A filed by Lockheed Martin with the Securities Exchange Commission (the "SEC") on March 1, 2024. Consistent with its fiduciary duties and in consultation with its financial and legal advisors, an independent committee (the "Independent Committee") of our board of directors (the "Board") is reviewing and evaluating the Lockheed Proposal as part of the Company's ongoing review of strategic alternatives to determine the course of action that it believes will maximize value for the Company's stockholders. However, there is no guarantee that a strategic transaction involving Lockheed Martin or any other party will be approved or consummated.

Corporate History and Background

On March 25, 2022, Tailwind Two Acquisition Corp. ("Tailwind Two") acquired Terran Orbital Operating Corporation, formerly known as Terran Orbital Corporation ("Legacy Terran Orbital") (such acquisition, the "Tailwind Two Merger"). The Tailwind Two Merger resulted Tailwind Two changing its name to Terran Orbital Corporation and Legacy Terran Orbital becoming a wholly-owned subsidiary of Terran Orbital Corporation.

While Legacy Terran Orbital became a wholly-owned subsidiary of Terran Orbital Corporation, Legacy Terran Orbital was deemed to be the acquirer in the Tailwind Two Merger for accounting purposes. Accordingly, the Tailwind Two Merger was accounted for as a reverse recapitalization, in which case our consolidated financial statements represent a continuation of Legacy Terran Orbital and the issuance of common stock in exchange for the net assets of Tailwind Two. Operations prior to the Tailwind Two Merger are those of Legacy Terran Orbital and all share and per-share data presented in this Annual Report on Form 10-K have been retrospectively adjusted, by application of the exchange ratio of 27.585, to give effect to the Tailwind Two Merger. The treatment of the Tailwind Two Merger as a reverse recapitalization was based upon the pre-merger shareholders of Legacy Terran Orbital holding the majority of the voting interests of Terran Orbital Corporation, Legacy Terran Orbital's existing management team serving as the initial management team of Terran Orbital Corporation, Legacy Terran Orbital's appointment of the majority of the initial members of the Board of Terran Orbital Corporation, and Legacy Terran Orbital's operations comprising the ongoing operations of the Company.

Beginning on March 28, 2022, our common stock and public warrants began trading on the New York Stock Exchange (the "NYSE") under the symbols "LLAP" and "LLAP WS," respectively.

Segment and Geographic Information

We evaluate and report our results based on the manner in which our Chief Executive Officer, who is the chief operating decision maker (the "CODM"), evaluates performance and allocates resources. Accordingly, we report our results as a single operating and reportable segment on a consolidated basis. Our operations are primarily performed in the U.S. Our international operations are primarily performed by our foreign subsidiary based in Torino, Italy.

Products and Services

We are an end-to-end satellite solutions provider with the following product and service offerings:

- Mission Support:** We provide the integrated design, manufacture, and assembly of satellites suitable for the specific needs of our customers' missions. Our satellite solutions are designed by our staff of engineers located in Irvine, California,

Melbourne, Florida and Torino, Italy and manufactured and assembled primarily in our facilities located in Irvine, California, Santa Maria, California, and Torino, Italy.

•**Launch Support Services:** We assist customers with the launch of satellites into space by identifying and securing launch opportunities with launch providers as well as coordinating and managing the activities leading up to the launch event on behalf of our customers.

•**Operations Services:** We manage, operate, and provide information from satellites that are on-orbit on behalf of our customers from our in-house mission operations centers located in Irvine, California and Torino, Italy and via our fully integrated international ground communications network using our proprietary software both on the satellite and throughout our ground infrastructure.

•**Studies, Design and Other Services:** We perform professional engineering feasibility studies and preliminary design services on behalf of our customers.

Industry and Competitive Advantage Overview

The space industry is undergoing a transformation toward proliferation of small satellites, supported by several macro-themes:

- Movement from a small number of very large, expensive satellites with deep capabilities but limited Earth coverage at any given time, to large constellations of smaller satellites with high revisit rates.
- Movement from bespoke and costly satellite manufacturing techniques to high volume, high velocity industrialized production.
- Commoditization of launch costs enabling proliferation of smaller satellites and frequent refreshes to technology on orbit.
- New sensor technologies advanced by commercial markets, such as a new array of sensor payloads that are highly capable, robust, affordable to launch on orbit, and have high utilization and throughput. For example, modern synthetic aperture radar ("SAR") technology, which has the ability to see at night and day, in all weather conditions, and through obstructions such as foliage or smoke, has been miniaturized and became more cost-effective.
- Expansion and scaling of an industrial supply base to deliver proliferated satellite solutions to end customers with mission assurance, architecture and risk tolerances more suitable for proliferated systems, all within shorter time frames and substantially lower unit costs than historical systems.
- Improved unit economics and speed, with smaller satellites enabling end buyers the flexibility to scale programs and innovate to solve for both urgent and long-term mission needs.
- Expansion from predominantly owned-and-operated models under which very large customers build, fund, and operate their own satellites and mission capabilities, to an increased reliance on dedicated commercial providers to build, fund and/or operate whole satellite constellations at scale. In turn, this supports a data-as-a-service market where independent commercial companies undertake the effort of building, funding and/or operating constellations and make Earth observation imagery and other mission solutions more available to the end user.
- Large government organizations increasingly comfortable purchasing imagery as a service from more nimble, independent operators, and actively migrating budgets from retiring older space and airborne programs in addition to dedicating new capital sources. These increased budgets are largely only available to be used by purchasing from companies with deep integration to government programs, and highly secure supply chains and technology.

We believe we are well positioned to capitalize on these macro-themes as a leading satellite solutions provider with a record of delivering successful mission outcomes and real time intelligence for defense, intelligence, and commercial customers. We believe our ability to compete successfully does and will depend on several factors, including our ability to maintain flight heritage ahead of our peers, our lead in advanced technology, vertical integration and control over our products, and customer confidence in the reliability of our solutions.

We operate in a highly competitive industry and many of our competitors are larger and have substantially greater resources than we have. Our competitors include: Blue Canyon Technologies (a subsidiary of Raytheon Technologies Corporation), Millennium Space Systems (a subsidiary of The Boeing Company), General Atomics Defense (a subsidiary of General Atomics), Northrop Grumman Corporation, Airbus, Maxar Technologies, Inc., Ball Aerospace, Rocket Lab USA, Inc., Sierra Space Corporation, MDA Ltd., Astranis Space Technologies Corp., LeoStella, LLC, Spire Global, Inc., and York Space Systems. We may also face competition in the future

from emerging competitors or existing companies expanding their product and service offerings and becoming direct competitors, including companies such as Space Exploration Technologies Corp. ("SpaceX").

We believe we have the following competitive advantages over our competitors:

•Proven track record of successful space missions: A proven track record of success is a key space-specific barrier to entry. We have numerous flight-proven modules and devices demonstrated by a rich history of flight heritage. We believe our flight heritage allows us to avoid the pitfalls that many startups are currently encountering or will likely encounter in their initial endeavors.

•Leadership team: Our leadership team has worked across the aerospace and defense industry, ranging from military and defense, intelligence, civil, national laboratory and commercial players. We have firsthand knowledge of government programs and budgets. This government expertise provides unique insight for us, driving business development and understanding of our customers' goals and missions.

•Industry-leading team of engineers: Our technology team has developed exceptional technology, which underpins our position at the forefront of the modern satellite industry. The engineering team is led by professionals who have held senior level positions across a diverse set of governmental and commercial entities. This team has created a wide set of systems at the intersection of quality and advanced technology, while preserving the ability to upgrade those systems even after launch. In addition to demonstrating success, our flight heritage has led to outsized opportunities and breadth of experience for our team, making for an experienced and highly capable base of engineers.

•Focus on modular vehicles: We have long taken the approach of making our vehicles modular in nature. We generally use the same in-house manufactured parts and subsystems for all of our satellites, supplementing these core systems with additional internal and externally sourced components to meet mission needs. This allows us to provide customers with a competitively priced satellite solution using standardized bus platforms while still being able to offer a large degree of customization. This further means that when we develop a new satellite bus, nearly all, if not all, of the parts are space-proven and have operated in space. We believe this provides a significant competitive advantage over our peers when proving our ability to ensure mission success. We believe our substantial catalog of parts and subsystems, developed over a period of years, provides a significant barrier to entry and competitive advantage.

•Strategic cooperation agreement with Lockheed Martin Corporation: On October 31, 2022, we entered into a new Strategic Cooperation Agreement (the "2022 SCA") with Lockheed Martin, pursuant to which the parties have agreed to continue to share in business development opportunities and work collaboratively on small satellite and other aerospace and defense opportunities and ventures. In connection with the 2022 SCA, the parties agreed to (i) collaborate on the development, production, and sale of satellites for use in U.S. Government spacecraft and spacecraft procurement and (ii) establish a cooperation framework to enable the parties to enter into projects, research and development agreements, and other collaborative business arrangements and "teaming activities." Unless earlier terminated, the 2022 SCA has a term of 13 years and will terminate in 2035. During the term of the 2022 SCA, Lockheed Martin will be entitled to appoint a director to our board of directors and to appoint a separate board observer.

•Partnership with and compatibility across launch providers: We have relationships with several launch providers, including SpaceX, built through years of experience in securing launch vehicle opportunities and launching satellites for our customers around the world. Our satellite deployers can be tailored to meet customers' specific launch program needs and to fit on most launch vehicles. This gives our customers flexibility around timing and availability of launches, which drives efficiencies.

Growth Strategy

Our financial success is based on our ability to deliver high quality products and services on a timely basis and at a cost-effective price for our customers. With the majority of our contracts with customers reflecting firm fixed pricing structures, our gross profit is dependent on the efficient and effective execution of our contracts. We are actively executing on our growth initiatives in order to position ourselves to be awarded larger constellation contracts with recurring revenue opportunities.

Our growth initiatives include, but are not limited to, the following:

- Securing bigger contracts that involve large constellations of satellites;
- Increasing labor capacity and efficiency, including adding engineering and assembly technician headcount;
- Vertically integrating our production process by bringing certain component manufacturing processes in-house;
- Expansion and industrialization of manufacturing and assembly facilities in Irvine, California and adding testing and automation equipment to improve manufacturing efficiency, quality and throughput; and
- Focus on and investment in the innovation and development of existing and new satellite components and subsystems, payloads, and flight and ground software applications, including development of next-generation components to improve performance, manufacturability and costs.

As part of our evolving business strategy, we may expand our offerings from time to time. For example, we may diversify our offerings by pursuing the sale of components and subsystems to other spacecraft manufacturers and integrators.

Customers and Concentrations

Our direct and end customers include (i) U.S. Government defense, intelligence, and civil agencies such as the U.S. Department of Defense (the "DoD"), the Space Development Agency (the "SDA"), and the National Aeronautics and Space Administration ("NASA"); (ii) commercial aerospace and defense prime contractors, such as Lockheed Martin; (iii) foreign government and civil agencies, such as the European Space Agency ("ESA"); and (iv) other and foreign commercial companies that operate in the space industry.

A small number of customers and contracts historically have represented a significant portion of our consolidated revenue. Lockheed Martin represented approximately 81% and 76% of our consolidated revenue during 2023 and 2022, respectively. As of December 31, 2023, a single commercial program represented approximately 88% of our backlog and programs associated with Lockheed Martin represented approximately 8% of our backlog.

In addition, the majority (when excluding a single international commercial program) of our contracts are related to U.S. Government programs in which we operate as a prime contractor or a subcontractor. U.S. Government programs represented approximately 84% and 73% of our consolidated revenue during 2023 and 2022, respectively. As of December 31, 2023, approximately 8% of our backlog was related to U.S. Government programs, all of which the U.S. Government has the ability to terminate for convenience.

Resources Material to our Business

Intellectual Property

We believe that our unpatented research, development, and engineering skills and other trade secrets are important to our business operations. We also own a portfolio of U.S. and foreign trademark registrations and applications. While these intellectual property rights in the aggregate are important, we do not believe that any particular trade secret, trademark, copyright, license, or other intellectual property right, standing alone, is of such importance that its loss, expiration, or termination would have a material effect on our business as a whole.

The U.S. Government typically holds licenses to patents developed in the performance of U.S. Government contracts and receives certain rights in our data when used or produced in the performance of U.S. Government contracts. The U.S. Government may use or authorize others to use the inventions covered by these patents or data provided pursuant to contracts for certain purposes. Further, as many of our products are complex and involve patented and other proprietary technologies, we face a risk of claims alleging that we have infringed upon third-party intellectual property rights. Such claims could result in costly and time-consuming litigation, the invalidation of our intellectual property rights and/or increased licensing costs.

Supply Chain and Materials

Our production process is highly vertically integrated. We design and manufacture many modular and flight-proven components and subsystems used in our assembly, integration, and testing of satellite and satellite buses. Our portfolio of common modular components includes bus panels, flight computers and software, star trackers, radios and antennas, battery modules and power systems, torque rods, and reaction wheels. Although we aim, over time, to perform nearly all aspects of design and manufacturing of components and

subsystems in-house, we currently outsource some capabilities to third-parties. For components and subsystems that we do not design and manufacture, we have an existing base of reputable and reliable third-party suppliers and subcontractors.

We have established and follow internal quality control processes to source suppliers, considering engineering validation, quality, cost, delivery, and lead-time. We have a quality management team that is responsible for managing and ensuring that supplied components meet quality standards. While we largely source raw materials and other inputs and services from multiple sources, in some cases we also purchase various inputs and services from a sole source. In those sole source supplier situations, as we endeavor to diversify our supply chain, we manage this sole source risk through carrying increased buffer stock, particularly on long-lead items.

The lingering effects of the coronavirus pandemic (the "COVID-19 Pandemic"), supply chain challenges, supplier disputes, regulatory restrictions, and inflationary pressures have contributed to a worldwide shortage of certain electronic components which has resulted in longer than historically experienced lead times for such electronic components. We continue working to minimize the impact of supply chain challenges on us but many of the challenges are industry wide or caused by geopolitical events and general economic conditions that are outside of our control. The reduced availability of electronic components used in our operations has negatively affected our timing and ability to deliver products and services to customers as well as increased the cost of such components in recent periods. In an effort to manage this disruption to our supply chain, we have focused on accumulating critical components to ensure an appropriate level of supply is available when needed.

Research and Development

Our current and future business is dependent on the development of new technology and applications as well as the maintenance and enhancement of existing offerings. We enhance our solutions via the performance of our customer contracts as well as self-funded research and development initiatives. In an effort to expand our end-to-end space-based solutions, we have, and plan to continue to, invest in the development of new satellite components and subsystems, payloads, and flight and ground software applications. Our efforts will continue to be directed into fields that we believe offer the greatest opportunities for long-term growth and profitability.

Government Regulation and Other Regulatory Matters

In addition to federal securities laws and regulations and applicable stock exchange requirements, our operations are subject to numerous federal, state, and local laws and regulations. Changes in laws and regulations can positively and negatively affect our operations and impact the manner in which we conduct our business. Additional information on the risks related to the regulation of our business and operations discussed below can be found in Item 1A, "Risk Factors" of this Annual Report on Form 10-K ("Annual Report").

U.S. Government Contracts

A substantial portion of our revenue is earned as a subcontractor to third parties ultimately serving the U.S. Government. U.S. Government contracts are subject to termination by the government, either for convenience or for default in the event of our failure to perform. In the case of a termination for convenience, we would normally be entitled to reimbursement for our allowable costs incurred, termination costs, and a reasonable profit. If terminated by the government as a result of our default, we could be liable for payments made to us for undelivered goods or services, additional costs the government incurs in acquiring undelivered goods or services from another source, and any other damages it suffers. Our U.S. Government contracts generally are subject to the Federal Acquisition Regulation ("FAR"), which sets forth policies, procedures and requirements for the acquisition of goods and services by the U.S. Government; department-specific regulations that supplement the FAR, such as the DoD's Defense Federal Acquisition Regulation Supplement; and other applicable laws and regulations. These regulations impose a broad range of requirements, many of which are unique to government contracting, including various procurement, import and export, security, contract pricing and cost, audit and product integrity requirements.

Our contracts with the U.S. Government are also subject to audits. Agencies that oversee contract performance include: the Defense Contract Audit Agency, the Defense Contract Management Agency, the Inspectors General of the DoD and other departments and agencies, the Government Accountability Office, the Department of Justice, and Congressional Committees. From time to time, agencies investigate or conduct audits to determine whether our operations are being conducted in accordance with applicable requirements. Such investigations and audits may be initiated due to a number of reasons, including routine periodic audits or as a result of a whistleblower complaint. Such investigations and audits could result in administrative, civil or criminal liabilities, including repayments, fines, treble or other damages, forfeitures, restitution, or penalties being imposed upon us, the suspension of government export licenses or the

suspension or debarment from future U.S. Government contracting. The U.S. Government also reserves the right to debar a contractor from receiving new government contracts for fraudulent, criminal or other improper conduct.

Commercial Aerospace Product Regulation

Our business is subject to extensive rules, regulations, statutes, orders, and policies imposed by the government in the U.S. and in foreign jurisdictions. The Federal Communications Commission ("FCC") is responsible for authorizing the operation of commercial spacecraft, and also authorizes non-U.S. licensed spacecraft to be used to serve the U.S. The FCC also licenses the operation of satellite earth stations and regulates the technical and other aspects of the operation of these facilities. Earth station licenses generally are granted for 15 year terms, and typically are renewed in the ordinary course. Major changes in earth station operations would require prior approval by the FCC. The operation of our U.S. earth stations is subject to various license conditions, as well as the technical and operational requirements of the FCC's rules and regulations. The Department of Commerce, through the NOAA Commercial Remote Sensing Regulatory Affairs ("CRSRA") office, regulates and licenses the operation of private Earth remote sensing space systems.

In addition, satellites are to be operated in a manner consistent with the regulations and procedures of the International Telecommunication Union ("ITU"), a specialized agency of the United Nations, which requires the coordination of the operation of satellite systems in certain circumstances, and more generally are intended to avoid the occurrence of harmful interference among different users of the radio spectrum. The ITU Radio Regulations specifies the procedures associated with the shared international use of limited spectrum and orbital resources in a manner that avoids harmful interference. Among other things, the ITU regulations set forth procedures for establishing international priority with respect to the use of such resources, deadlines for bringing satellite networks into use in order to maintain such priority, and coordination rights and obligations with respect to other networks, which vary depending on whether such networks have higher or lower ITU priority.

International Traffic in Arms Regulations ("ITAR") and Export Controls

Our business is subject to stringent U.S. import and export control laws, including the ITAR, administered by the U.S. Department of State, Bureau of Political Military Affairs' directorate of Defense Trade controls ("DDTC"), and Export Administration Regulations ("EAR"), administered by the Bureau of Industry and Security ("BIS"). The ITAR generally restricts the export of hardware, software, technical data, and services that have defense or strategic applications. The EAR similarly regulates the export of hardware, software, and technology that have commercial or "dual-use" applications (i.e., for both military and commercial applications) or that have less sensitive military or space-related applications that are not subject to the ITAR. These regulations exist to advance the national security and foreign policy interests of the U.S.

The U.S. Government agencies responsible for administering the ITAR and the EAR have significant discretion in the interpretation and enforcement of these regulations. The agencies also have significant discretion in approving, denying, or conditioning authorizations to engage in controlled activities. Such decisions are influenced by the U.S. Government's commitments to multilateral export control regimes, particularly the Missile Technology Control Regime concerning the spaceflight business.

Many different types of internal controls and measures are required to ensure compliance with such export control rules. In particular, we are required to maintain registration under the ITAR; determine the proper licensing jurisdiction and classification of products, software, and technology; and obtain licenses or other forms of U.S. Government authorizations to engage in activities, including the performance by foreign persons, related to and who support our spaceflight business. Under the ITAR, we must receive permission from DDTC to release controlled technology to foreign person employees and other foreign persons.

The inability to secure and maintain necessary licenses and other authorizations could negatively affect our ability to compete successfully. Failure to comply with export control laws and regulations could expose us to civil or criminal penalties, fines, investigations, more onerous compliance requirements, loss of export privileges, debarment from government contracts, or limitations on our ability to enter into contracts with the U.S. Government. In addition, any changes in export control regulations or U.S. Government licensing policy, such as that necessary to implement U.S. Government commitments to multilateral control regimes, may restrict our operations. For further discussion of risks relating to ITAR and export controls, see "Risk Factors — Risks Related to Legal, Regulatory and Taxation Matters — We are subject to stringent U.S. export and import control laws and regulations. Unfavorable changes in these laws and regulations or U.S. Government licensing policies, our failure to secure timely U.S. Government authorizations under these laws and regulations, or our failure to comply with these laws and regulations could have a material adverse effect on our business, financial condition and results of operations."

Environmental Regulation

We are subject to various federal, state, provincial, local, and international environmental laws and regulations relating to the operation of our business, including those governing pollution, the handling, storage, disposal and transportation of hazardous substances and the

cleanup of contamination should it arise. The imposition of more stringent standards or requirements under environmental laws or regulations or a determination that we are responsible for a release of hazardous substances at our sites could result in significant costs, including cleanup costs, fines, sanctions, and third-party claims. In addition, we could be affected by future regulations imposed in response to concerns over climate change, other aspects of the environment or natural resources.

At this time, we do not believe that federal, state, and local laws and regulations relating to the discharge of materials into the environment, or otherwise relating to the protection of the environment, or any existing or pending climate change legislation, regulation, or international treaties or accords are reasonably likely to have a material effect in the foreseeable future on our business.

Foreign Regulations

Our customer base includes domestic and international governmental and commercial entities. As a result, our business and operations are subject to additional U.S. and non-U.S. laws, regulations, and procurement policies and practices, including regulations relating to foreign investment in the U.S., exchange controls, anti-corruption, and cash repatriation. Our international sales are also subject to varying currency, political and economic risks.

Human Capital Management

As of December 31, 2023, we employed over 660 full-time employees, all of whom are based in the United States and Italy. None of our employees are subject to any collective bargaining agreement. We generally consider our relations with our employees to be positive.

Our success largely depends on hiring and retaining top talent across the entire organization, with primary emphasis on key engineering capabilities. We compete for talent within specialized industries primarily in California, Florida, and Italy. In order to attract and retain top talent, we focus on having a diverse, inclusive, and safe work environment, while offering competitive compensation, health benefits, and retirement planning. Most employees are shareholders of the Company and have an equity ownership stake that is intended to align employee retention and value creation.

We have shared values, priorities, and principles across the organization that shape beliefs and drive behaviors and decision making to achieve high levels of performance at an individual, team, and organizational level. We are committed to fostering a culture and environment where every team member feels valued and empowered to collaborate and achieve business results. We provide employees with a structured performance management process and continuous feedback in order to further employee development.

We are committed to the highest standards of ethics and compliance and making sure every team member understands and embraces our core values of ethics, integrity, and respect for others. Our code of business ethics and conduct provides a framework of what is expected of our employees and fosters a culture of high integrity and compliance. Our code of business ethics and conduct is supplemented by a variety of additional policies applicable to all team members which are designed to further foster ethical and sound business practices.

We value and prioritize the health and safety of our team members and continually work to foster a culture of safety and compliance. Our vision is to build a culture that promotes safe behaviors on each task, every day, to achieve zero incidents and enhance employee wellness, and to minimize our environmental impact. In order to achieve our vision, we strive to incorporate our values of people, prevention, and accountability into our business and the decisions we make each day. For example, when certain restrictions and recommendations were in place during the COVID-19 Pandemic, we followed The Centers for Disease Control and Prevention guidelines with regard to quarantining, masking, and social distancing and will reinstate such guidelines as recommended in the future. We believe that all occupational injuries and illnesses, as well as environmental incidents, are generally preventable, and we focus on compliance with all applicable environmental, health, and safety requirements.

Available Information

Our corporate website is located at <http://www.terranorbital.com>. Our investor relations website is located at <http://www.investors.terranorbital.com>. We make available free of charge on our investor relations website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, reports filed pursuant to Section 16 of the Securities Exchange Act of 1934 (the "Exchange Act"), and any amendments to those reports that are filed or furnished pursuant to Section 13(a) or 15(d) of

the Exchange Act as soon as reasonably practicable after we electronically file or furnish such materials to the SEC. The SEC maintains a website that contains our filings at <http://www.sec.gov>.

Use of Website to Provide Information

From time to time, we have made, and expect in the future to use, our website as a means of disclosing material information to the public in a broad, non-exclusionary manner, including for purposes of the SEC's Regulation Fair Disclosure ("Reg FD"). Financial and other material information regarding the Company is routinely posted on our website and accessible at <http://www.investors.terranorbital.com>. In order to receive notifications regarding new postings to our website, investors are encouraged to enroll on our website to receive automatic email alerts. None of the information on our website is incorporated into this Annual Report.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report may constitute "forward-looking statements" for purposes of the federal securities laws. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. All statements, other than statements of present or historical fact included in this Annual Report, regarding our future financial performance, as well as our business strategy, future operations, financial position, estimated revenues, and losses, projected costs, earning outlooks, prospects, expectations, plans and objectives of management are forward-looking statements. When used in this report, the words "plan," "believe," "expect," "anticipate," "intend," "outlook," "estimate," "forecast," "project," "continue," "could," "may," "might," "possible," "potential," "predict," "should," "would" and other similar words and expressions are intended to identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. These forward-looking statements are based on management's current expectations, forecasts, assumptions, hopes, beliefs, intentions and strategies regarding future events and are based on currently available information as to the outcome and timing of future events. We caution you that these forward-looking statements are subject to all of the risks and uncertainties, most of which are difficult to predict and many of which are beyond our control, incident to our business.

These forward-looking statements are based on information available as of the date of this Annual Report, and current expectations, forecasts and assumptions, and involve a number of risks and uncertainties. There can be no assurance that future developments will be those that have been anticipated. Accordingly, forward-looking statements in this Annual Report should not be relied upon as representing our views as of any subsequent date, and we do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

As a result of a number of known and unknown risks and uncertainties, our actual results or performance may be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to:

- expectations regarding our strategies and future financial performance, including our future business plans or objectives, anticipated cost, timing and level of satellite orders and deliveries thereof, prospective performance and commercial opportunities, the timing of obtaining regulatory approvals, the ability to finance our operations, research and development activities and capital expenditures, reliance on government contracts and a strategic cooperation agreement with a significant customer, retention and expansion of our customer base, product and service offerings, pricing, marketing plans, operating

expenses, market trends, revenues, margins, liquidity, cash flows and uses of cash, capital expenditures, and our ability to invest in growth initiatives;

- the ability to implement business plans, forecasts, and other expectations, and to identify and realize additional opportunities;
- risks associated with expansion into new and adjacent markets;
- anticipated timing, cost, financing, and development of our satellite manufacturing capabilities;
- increases in costs, which we may not be able to react to due to the nature of our U.S. Government contracts;
- the potential termination of U.S. Government contracts and subcontracts and the potential inability to recover termination costs;
- our ability to finance our operations, research and development activities, growth initiatives and capital expenditures;
- our expansion plans and opportunities;
- the general domestic and international economic, social and political environment, including the potential impacts of volatile or higher inflation rates, interest rates, tax rates and unemployment rates, higher labor and healthcare costs, recessions and changes in laws, rules and regulations applicable to us, including procurement and import-export control;
- the costs and ultimate outcome of litigation matters, government investigations and other legal proceedings;
- the ability to maintain the listing of our common stock and publicly-traded warrants on the NYSE and the possibility of limited liquidity and trading of such securities;
- geopolitical risk (including as a result of the ongoing conflict between Russia and Ukraine, the conflict between Israel and Hamas, the relationship between China and the U.S. and other actual or anticipated military or political conflicts) and changes in applicable laws or regulations;
- impacts of uncertain global economic conditions, including security threats, including cybersecurity and other industrial and physical security threats, and other disruptions;
- government investigations and audits;
- the possibility that we may be adversely affected by other economic, business, and/or competitive factors;
- substantial doubt about our ability to continue as a going concern;
- our ability to scale-up our manufacturing processes and facilities in order to meet the demands of our programs;
- certain of our existing customers' ability to sufficiently finance their operations and fund future installments of our existing manufacturing contracts;
- certain of our existing customers' ability to maintain required regulatory approvals to conduct their business;
- that we have identified material weaknesses in our internal control over financial reporting which, if not corrected, could affect the reliability of our consolidated financial statements;
- the possibility that the COVID-19 Pandemic, or another major disease, natural disaster, or threat to the physical security of our facilities or employees disrupts our business;
- supply chain disruptions, including delays, increased costs, and supplier quality control challenges;
- our ability to attract and retain qualified employees, including senior management and other key employees, technicians, engineers, and other professionals;
- our ability to achieve profitability and meet expectations regarding cash flow from operations and investments;
- our leverage and our ability to service cash debt payments and comply with debt maintenance covenants, including meeting minimum liquidity and operating profit covenants;
- our ability to access invested cash or cash equivalents upon failure of any financial institution we bank with;
- our ability to access, or ability to access on favorable terms, equity and debt capital markets and other funding sources that will be needed to fund operations and make investments in capital-intensive strategic initiatives including expansion and improvement of our manufacturing facilities and development of new lines of business; and

- delays and costs associated with our business initiatives, whether due to changes in demand, lack of funding, design changes, or other conditions or circumstances.

This list of risks and uncertainties is not exhaustive, and new factors may emerge or changes to the foregoing risks and uncertainties may occur that would impact our business. Additional information regarding these risks, uncertainties and other factors is contained in Part I, Item 1A, "Risk Factors," of this Annual Report, Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report and elsewhere in this Annual Report, and those as may be contained from time to time in our other filings with the SEC. All such risks and uncertainties are difficult to predict, contain material uncertainties that may affect actual results and may be beyond our control.

Item 1A. Risk Factors.

Investing in our securities involves risks. You should consider carefully the risks and uncertainties described below, together with all of the other information in this Annual Report, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes, before deciding whether to purchase any of our securities. Our business, results of operations, and financial condition could also be harmed by risks and uncertainties that are not presently known to us or that we currently believe are not material. If any of these risks actually occur, our business, results of operations, and financial condition could be materially and adversely affected. Unless otherwise indicated, references in these risk

factors to our business being harmed will include harm to our business, reputation, brand, financial condition, and results of operations. In such event, the market price of our securities could decline, and you could lose all or part of your investment.

The following is a summary of the key risks and uncertainties associated with our business, industry, and ownership of our securities. The below summary does not contain all of the information that may be important to you, and you should read this summary together with the more detailed description of each risk factor contained in the subheadings below.

Risks Related to Our Reliance on Government Contracts, Key Customer Relationships, our Industry and the Economy

- We derive a substantial portion of our revenue from U.S. Government contracts, which are dependent on continued political support and funding.
- We are subject to extensive procurement laws and regulations, including those that enable the U.S. Government to terminate contracts for convenience, and contractual provisions in our contracts with commercial customers. Termination of our contracts could materially adversely affect our backlog, reputation and our future financial results.
- The U.S. Government could invoke the Defense Production Act of 1950, as amended (the "DPA") and require that we accept and prioritize contracts for materials deemed necessary for national defense, regardless of loss in revenue incurred on such contracts.
- We may be subject to audit by our customers on government contracts and the results of those audits could have an adverse effect on our business, reputation and results of operations.
- We are subject to the U.S. Government's security requirements, including the DoD's National Industrial Security Program Operating Manual, for our facility and personnel security clearances, which are prerequisites to our ability to perform on classified contracts and work for the U.S. Government.
- We derive a substantial portion of our revenue from Lockheed Martin. If Lockheed Martin changes its business strategy or reduces or eliminates its demand for our products and services, our business, prospects, operating results and financial condition could be adversely affected.
- Our strategic cooperation agreement with Lockheed Martin is not a firm order for services and gives Lockheed Martin priority rights, including rights over satellite manufacturing, and we may be required to prioritize Lockheed Martin over other customers which could adversely affect our operating performance and result in a loss of expected revenue.
- Our receipt of the written, non-binding, Lockheed Proposal may or may not result in an actual completed transaction. The uncertainty surrounding the outcome could adversely impact our business operations, result in the incurrence of significant expenses and cause our stock price to be subject to significant fluctuation or otherwise be adversely impacted.
- Our contract with Rivada Space Networks GmbH is subject to uncertainty.

Other Risks Related to Our Business and Operations

- We are an early stage company with a history of losses and may not achieve or maintain profitability.
- We have a limited operating history and operate in a rapidly evolving and competitive industry, which makes it difficult to evaluate our business and future prospects and may adversely impact our financial condition and results of operations.
- Our ability to successfully implement our business plan depends on a number of factors outside of our control.
- We expect to continue to consider, from time to time, strategic alternatives to maximize shareholder value, any of which may result in the use of a significant amount of management resources or significant costs, and we may not be able to fully realize the potential benefit of such transactions.
- We may incur significant expenses and capital expenditures in the future to execute our business plan and expand satellite and other customer solutions, and we may be unable to adequately control our expenses.
- We may not be able to convert our backlog, or the sales opportunities represented in our pipeline, into revenue.
- If we fail to manage our future growth effectively, our business, prospects, operating results and financial condition may be materially adversely affected.

Risks Related to Economic Conditions and Additional Capital Requirements

- We may be negatively affected by global economic conditions or geopolitical factors.

- We may require additional capital to support the growth of our business, and this capital might not be available on terms favorable to us, if at all, or may be available only by diluting existing stockholders.

Risks Related to Intellectual Property and Data Security

- Our business may be adversely affected if we are unable to maintain or protect our intellectual property rights from unauthorized use by third parties.
- Our intellectual property may become subject to claims that our devices or services violate the patent or intellectual property rights of others, which could be costly and disruptive to our business.
- Cyber-attacks and other security threats and disruptions could have a material adverse effect on our business.

Risks Related to Legal and Regulatory, and Taxation Matters

- Our business is subject to extensive government regulation, which mandates how we may operate our business, may reduce or eliminate our business, and may increase our business costs and prevent our expansion into new markets.
- We are subject to stringent U.S. export and import control laws and regulations.
- We may be affected by global climate change and our operations are subject to governmental law and regulations relating to environmental matters, which may expose us to significant costs and liabilities that could negatively impact our financial condition.

Risks Related to Our Indebtedness

- We have a substantial amount of indebtedness and payment obligations that could affect operations and financial condition and prevent us from fulfilling our obligations under our indebtedness.
- Restrictions imposed by our substantial indebtedness could adversely affect our ability to raise additional capital to fund our operations and dividend policy, limit our ability to react to changes in the economy or our industry and prevent us from making debt service payments.
- We may not be able to generate sufficient cash to service all of our indebtedness, and we may be forced to take other actions to satisfy our obligations under our indebtedness that may not be successful.

Risks Related to Being a Public Company

- Operating as a public company requires us to incur substantial costs and requires substantial management attention. In addition, some members of our management team have limited experience in operating a public company.
- We are an “emerging growth company,” and our election to comply with the reduced disclosure requirements as a public company may make our common stock less attractive to investors.
- We have material weaknesses in our internal control over financial reporting and, as a result, we have determined that our disclosure controls and procedures were not effective.
- If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.

Risks Related to Ownership of Our Securities

- We may not be able to satisfy the continued listing standards of the NYSE going forward.
- Our stockholder rights agreement includes terms and conditions which could discourage a takeover or other transaction that stockholders may consider favorable.
- The trading price of our securities may be volatile.

Risks Related to Our Reliance on Government Contracts, Key Customer Relationships, our Industry and the Economy

We derive a substantial portion of our revenue from U.S. Government contracts, which are dependent on continued political support and funding.

We derive a substantial portion of our revenue from direct or indirect contracts with the U.S. Government. For the year ended December 31, 2023, we generated approximately 84% of our total revenue from contracts supporting the U.S. Government. We expect that U.S. Government contracts will continue to be a substantial source of our revenue for the foreseeable future. Although the contracts we provide services under generally involve fixed annual minimum commitments, such commitments, along with all other contracts with the U.S. Government, are subject to annual Congressional appropriations and the federal budget process and, as a result, the U.S. Government may not continue to fund these contracts at current or anticipated levels. A decline in U.S. Government support and funding for programs in which we participate, including a reduction in overall U.S. defense spending, on an absolute or inflation-adjusted basis, because of shifting priorities, budget compromises or otherwise, could result in contract terminations, delays in contract awards, the failure to exercise contract options, the cancellation of planned procurements and fewer new business opportunities, any of which could have a material adverse effect on our financial condition and results of operations.

We are subject to extensive procurement laws and regulations, including those that enable the U.S. Government to terminate contracts for convenience, and contractual provisions in our contracts with commercial customers. Termination of our contracts could materially adversely affect our backlog, reputation and our future financial results.

All of our direct and indirect contracts with the U.S. Government or its prime contractors, including our contracts with Lockheed Martin in support of the SDA, may be terminated or suspended at any time, with or without cause, for the convenience of the government. U.S. Government contract awards also may be subject to bid protests, which may result in a contract award being rescinded or subject to reprocurement. In addition, our commercial satellite contracts also may give the customer the right to unilaterally terminate the contract. For example, some of our commercial contracts have been terminated for convenience in the past, and contracts may be terminated in the future. For these reasons, we cannot assure you that all of our backlog will ultimately be recognized in revenues. Termination or suspension of any of our significant U.S. Government contracts or termination of such commercial contracts could result in the loss of future revenues and unreimbursable expenses or charges that could have a materially adverse effect on our financial condition, results of operations and cash flow. In addition, compliance with any new government regulations can increase our costs of operation, reduce our margins and adversely affect our competitiveness. Also, a portion of our contracts may be classified by the U.S. Government, which imposes security requirements that limit our ability to discuss our performance on these contracts, including any specific risks, disputes and claims. Furthermore, the termination of any such contracts for default could also have a material adverse effect on our reputation and ability to obtain new business in the future.

The U.S. Government could invoke the Defense Production Act of 1950, as amended (the “DPA”) and require that we accept and prioritize contracts for materials deemed necessary for national defense, regardless of loss in revenue incurred on such contracts.

Under the DPA, the U.S. Government could require that we accept and prioritize contracts for the U.S. Government. We may be required to reallocate time and resources away from commercial and other customer groups to fulfill U.S. Government requests under the DPA. This could cause us to be unable to fulfill contractual obligations to non-U.S. Government customers and harm long-term business relationships with commercial and other customers, contribute to increased costs and materially impact our results and operations.

We may be subject to audit by our customers on government contracts and the results of those audits could have an adverse effect on our business, reputation and results of operations.

We may be subject to audits or investigations by U.S. Government agencies, including the Defense Contract Audit Agency, the Defense Contract Management Agency and various agency Inspectors General, from time to time. These agencies review a contractor's compliance with applicable laws, regulations and contract terms, regarding, among other things, contract pricing, contract performance, cost structure and business systems. U.S. Government audits and investigations often take years to complete, and may result in adverse action against us. Audits and investigations may also occur related to cost reimbursements that are based upon our final allowable incurred costs for each year. If an audit or investigation uncovers improper or illegal activities, we may be subject to civil or criminal penalties and administrative sanctions, including reductions of the value of contracts, contract modifications or terminations, forfeiture of profits, suspension of payments, penalties, fines or suspension or debarment from doing business with the U.S. Government. Suspension or debarment could have a material adverse effect on us because of our dependence on contracts with the U.S. Government.

In addition, we could suffer serious reputational harm if allegations of impropriety were made against us. Similar government oversight and risks to our business and reputation exist in most other countries where we conduct business.

We are subject to the U.S. Government's security requirements, including the DoD's National Industrial Security Program Operating Manual, for our facility and personnel security clearances, which are prerequisites to our ability to perform on classified contracts and work for the U.S. Government.

A facility security clearance is required for a company to perform on classified contracts or classified work for the DoD and certain other agencies of the U.S. Government. Security clearances are subject to regulations and requirements including such requirements as those contained in the National Industrial Security Program Operating Manual (the "NISPOM"), which specifies the requirements for the protection of classified information released or disclosed in connection with U.S. Government contracts. The Defense Counterintelligence and Security Agency ("DCSA") manages the facility clearance process under the NISPOM and conducts various facility audits and inspections throughout the life cycle of a respective facility clearance.

The U.S. Government requires certain facility and personnel security clearances to perform classified U.S. Government business. Any facility not staffed by appropriately cleared personnel, and/or that fails a DCSA inspection places the facility clearance and the ability to perform classified contracts in jeopardy. As such, we must comply with the requirements of the NISPOM and other applicable U.S. Government industrial security regulations. If we were to violate the terms and requirements of the NISPOM or such industrial security regulations (which apply to it under the terms of classified contracts, if any), or if one or more of our facilities or personnel security clearances is invalidated or terminated, we may not be able to continue to perform our existing classified contracts, if any, and may not be able to enter into new classified contracts, if any, which could adversely affect our revenues. Failure to comply with the NISPOM or other security requirements may result in loss of access to classified information and subject us to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or prohibition from doing business with the U.S. Government, which could have an adverse effect on our financial position, results of operations and/or cash flows and cause reputational harm.

We derive a substantial portion of our revenue from Lockheed Martin. If Lockheed Martin changes its business strategy or reduces or eliminates its demand for our products and services, our business, prospects, operating results and financial condition could be adversely affected.

Lockheed Martin is a significant customer of ours and accounts for, and is expected to continue to account for, a substantial portion of our consolidated revenue. Lockheed Martin individually represented approximately 81% of our consolidated revenues for the year ended December 31, 2023. In addition, programs associated with Lockheed Martin represent approximately 8% of our backlog as of December 31, 2023. Given the uncertainty surrounding future government spending and the right of U.S. Government customers to terminate contracts for convenience, and the rights of Lockheed Martin to in turn terminate our subcontracts for convenience, there can be no assurance that the backlog for these contracts will ultimately be recognized as revenue. Lockheed Martin could cancel our subcontracts for any reason, including as a result of reductions in appropriations or our failure to achieve milestones due to technical issues or delays. Our future operating results will continue to depend on the success of our relationship with Lockheed Martin, including under the 2022 SCA.

Orders from Lockheed Martin are subject to fluctuation and may be reduced materially or eliminated entirely due to changes in Lockheed Martin's needs, our failure to meet Lockheed Martin's specifications or price expectations or other factors. Any reduction or delay in sales of products to Lockheed Martin could significantly reduce our revenue. As a result, our future operating results will depend on successfully developing relationships with additional key customers. We cannot assure that we will be able to continue to retain Lockheed Martin at the same level of demand or that additional key customers will be recruited.

Our strategic cooperation agreement with Lockheed Martin is not a firm order for services and gives Lockheed Martin priority rights, including rights over satellite manufacturing, and we may be required to prioritize Lockheed Martin over other customers which could adversely affect our operating performance and result in a loss of expected revenue.

We are party to the 2022 SCA with Lockheed Martin pursuant to which the parties agree to (i) collaborate on the development, production and sale of satellites for use in U.S. Government spacecraft and spacecraft procurements and (ii) establish a cooperation framework to enable the parties to enter into projects, research and development agreements and other collaborative business arrangements and "teaming activities." The 2022 SCA only sets forth the basic terms and conditions under which the parties may collaborate and is not a firm order for services. As such, there can be no assurance that the 2022 SCA will result in actual revenue during any particular period or at all.

The 2022 SCA also contains a number of provisions that require us to prioritize our relationship with Lockheed Martin. For example, under the 2022 SCA, if we are awarded a contract to build satellites for Lockheed Martin, then we are required to prioritize the Lockheed

Martin order over manufacturing satellites for our other customers. Lockheed Martin also has the right of first refusal over certain large satellite manufacturing orders received from third parties and receives preferential rights to bid on certain services and products or to require us to use them as a supplier. Accordingly, our business with other current and prospective customers or suppliers may suffer due to the requirements of the 2022 SCA. The prioritization of Lockheed Martin over other customers and the other preferential terms of the 2022 SCA could materially adversely affect our business, financial condition and results of operations.

Our receipt of the written non-binding Lockheed Proposal may or may not result in an actual completed transaction. The uncertainty surrounding the outcome could adversely impact our business operations, result in the incurrence of significant expenses and cause our stock price to be subject to significant fluctuation or otherwise be adversely impacted.

As disclosed under "Item 1. Business - Recent Developments" above, on March 1, 2024, we received the non-binding Lockheed Proposal from Lockheed Martin to acquire all shares of our outstanding common stock not owned by Lockheed Martin for \$1.00 per share, payable in cash. Consistent with its fiduciary duties and in consultation with its financial and legal advisors, the Independent Committee of the Board is reviewing and evaluating the Lockheed Proposal as part of the Company's ongoing review of strategic alternatives to determine the course of action that it believes will maximize value for the Company's stockholders. However, there is no guarantee that a strategic transaction involving Lockheed Martin or any other party will be approved or consummated.

The market price of our common stock may reflect various assumptions as to whether or not the transaction with Lockheed Martin on the terms described in the Lockheed Proposal, or otherwise, will occur. The market price of our common stock may experience volatility as a result of changing assumptions regarding the proposed transaction, independent of changes in our business, financial condition or prospects or changes in general market or economic conditions. As a result, a definitive agreement regarding a transaction, or a failure to reach a definitive agreement regarding a transaction, could result in a significant change in the market price of our common stock.

We have incurred, and may incur in the future, costs in connection with the consideration of the non-binding proposal from Lockheed Martin. In addition, uncertainty associated with any potential transaction could adversely affect the Company's ability to attract, retain and motivate key employees, which could have a negative effect on our operations and business plans.

Our contract with Rivada Space Networks GmbH is subject to uncertainty.

On February 21, 2023, we entered into a procurement contract with Rivada Space Networks GmbH ("Rivada"), providing for the development, production and operation of 300 satellites for Rivada's planned low-earth orbit satellite constellation (the "Rivada Agreement"). While the total purchase price for the satellites provided pursuant to the Rivada Agreement could be approximately \$2.4 billion if the contract is fully performed, Rivada has an option to terminate the Rivada Agreement for convenience at any time and for any reason, which could result in a termination fee for work performed up to such termination. In addition, the Rivada Agreement includes termination provisions for default due to missed delivery targets or deadlines, insolvency, or other failures to perform, which could result in the refund of all amounts paid up until the date of such termination.

Whether or not we ultimately recognize revenue or profit on the Rivada Agreement is subject to a number of risks and uncertainties including, among other things, our ability to successfully perform our obligations under the Rivada Agreement, increase our manufacturing capacity in order to meet the demands of this program, and deliver operational satellites in a timely manner and Rivada's continuing ability to fund contract performance, maintain its regulatory licenses for its operations, and otherwise perform under the Rivada Agreement. If Rivada is unable to fund and maintain its operations, or we are unable to successfully execute this program, or our contract is terminated for any reason, our financial condition and results of operations in future periods would be materially adversely affected. As a result, there can be no assurance that the Rivada Agreement will result in material revenue in 2024 or future periods.

As of December 31, 2023, the Rivada Agreement represented 88% of our backlog.

We are subject to intense competition for U.S. Government and commercial contracts and programs and therefore may not be able to compete successfully.

We encounter competition for many contracts and programs, including in particular, U.S. Government contracts. Most of our competitors have substantially greater financial, technical, marketing, manufacturing, distribution and other resources. Our ability to compete for these contracts depends to a large extent upon our ability to offer high-quality performance at competitive prices. If we are not able to do so, our business may be adversely affected. Additionally, if competitors can offer lower cost services and products, or provide services or products more quickly, at equivalent or in some cases even reduced capabilities, we may lose new business opportunities or contract

recompetes, which could adversely affect our future results. Furthermore, acquisitions in our industry, including vertical integration, also could result in increased competition or limit our access to certain suppliers without appropriate remedies to protect our interests.

A substantial portion of our business is awarded through competitive bidding. The U.S. Government increasingly has relied on competitive contract award types, including indefinite-delivery, indefinite-quantity and other multi-award contracts, which have the potential to create pricing pressure and to increase our costs, and the costs of prime contractors we bid alongside as subcontractor, by requiring us, or any prime contractor we bid with, to submit multiple bids and proposals. Multi-award contracts require us to make sustained efforts to obtain task orders under the contract. Additionally, procurements that do not evaluate whether the cost assumptions in the bids are realistic can lead to bidders taking aggressive pricing positions, which could result in the winner realizing a loss upon contract award or an increased risk of lower margins or realizing a loss over the term of the contract. Competitors may be willing to accept more risk or lower profitability in competing for contracts than we are. The U.S. Government also may not award us, or any prime contractor we bid with, large competitive contracts that we otherwise might have won in an effort to maintain a broad industrial base.

Other Risks Related to Our Business and Operations

We are an early stage company with a history of losses and may not achieve or maintain profitability.

We are currently not profitable, nor do we have positive cash flow. We have increased the scale of our operations over recent years which has increased our expenses at a higher rate than the increase in our revenue. Additionally, we expect to increase research and development efforts relating to new offerings and technologies, and hire more employees. These efforts may be more costly than we expect and may not result in increased revenue. Any failure to increase our revenue sufficiently to cover our operating expenses and other investments could prevent us from achieving or maintaining profitability or positive cash flow. The likelihood of success of our business plan must be considered in light of the substantial challenges, expenses, difficulties, complications and delays frequently encountered in connection with developing and expanding early-stage businesses and the competitive environment in which we operate.

We have a limited operating history and operate in a rapidly evolving and competitive industry, which makes it difficult to evaluate our business and future prospects and may adversely impact our financial condition and results of operations.

It is difficult to predict future revenue and appropriately budget for expenses, and we have limited insight into trends that may emerge and affect our business.

Additional risks and challenges we have faced or expect to face include our ability to:

- forecast our revenue and budget for and manage our expenses;
- attract new customers and retain existing customers;
- effectively manage our growth and business operations, including planning for and managing capital expenditures for our current and future vehicles and services, and managing our supply chain and supplier relationships related to our current and future vehicles and services;
- comply with existing and new or modified laws and regulations applicable to our business;
- anticipate and respond to macroeconomic changes and changes in the markets in which we operate;
- maintain and enhance the value of our reputation and brand;
- develop, maintain, enforce, and protect intellectual property; and
- hire, integrate and retain talented people at all levels of our organization, including employees with security clearances and the additional employees required to design and build our solutions as well as operate and maintain our facilities.

If we fail to address the risks and difficulties that we face, including those associated with the challenges listed above as well as those described elsewhere in this "Risk Factors" section, our business, financial condition and results of operations could be adversely affected. Further, because we have limited historical financial data and operate in a rapidly evolving market, any predictions about our future revenue and expenses may not be as accurate as they would be if we had a longer operating history or operated in a more developed market. We have encountered in the past, and will encounter in the future, risks and uncertainties frequently experienced by growing companies with limited operating histories in rapidly changing industries. If our assumptions regarding these risks and uncertainties, which we use to plan and operate our business, are incorrect or change, or if we do not address these risks successfully, our results of

operations could differ materially from our expectations and our business, financial condition and results of operations could be adversely affected.

Our ability to successfully implement our business plan depends on a number of factors outside of our control.

The success of our business plan is dependent on a number of factors outside of our control, including but not limited to:

- the level of market acceptance and demand for our products and services;
- the ability to introduce innovative new products and services that satisfy market demand;
- the ability to comply with all applicable legal and regulatory requirements;
- the effectiveness of competitors in developing and offering similar services and products;
- the ability to maintain competitive prices for our products and services and to control our expenses;
- the impact of global geopolitical and economic events including, but not limited to, the ongoing conflict between Russia and Ukraine, the conflict between Israel and Hamas, the relationship between China and the U.S., geopolitical tensions and volatility in Cuba, Iran, Syria, Russia, North Korea, Israel and surrounding areas, and the Red Sea region, and other actual or anticipated military or political conflicts;
- the ability to obtain necessary government licenses to launch and operate our satellites; and
- the disruption of and interference with the global supply chain, including delays, increased costs and supplier quality control challenges.

We expect to continue to consider, from time to time, strategic alternatives to maximize shareholder value, any of which may result in the use of a significant amount of management resources or significant costs, and we may not be able to fully realize the potential benefit of such transactions.

We expect to continue to consider strategic alternatives that may enhance shareholder value. The Board and management may from time to time be engaged in evaluating potential transactions and other strategic alternatives. In addition, from time to time, we have previously, and may continue to, engage financial and legal advisors, enter into non-disclosure agreements, conduct discussions, and undertake other actions that may result in one or more transactions. Although there would be uncertainty that any of these activities or discussions would result in definitive agreements or the completion of any transaction, we may devote a significant amount of management resources to analyzing and pursuing such a transaction, which could negatively impact operations. In addition, we may incur significant costs in connection with seeking such transactions or other strategic alternatives regardless of whether the transaction is completed. In the event that we consummate a transaction in the future, we cannot be certain that we would fully realize the anticipated benefits of such a transaction and cannot predict the impact that such strategic transaction might have on our operations or stock price.

We may incur significant expenses and capital expenditures in the future to execute our business plan and expand satellite and other customer solutions, and we may be unable to adequately control our expenses.

We may incur significant expenses and capital expenditures in the future to further our business plan including, but not limited to, expenses to:

- design and develop components;
- lease and develop manufacturing and other space for our operations;
- conduct research and development;
- purchase raw materials and components;
- assemble, test and operate our satellites;
- expand our design, development, maintenance and repair capabilities; and
- and increase our general and administrative functions to support our growing operations.

Because we will incur the costs and expenses from these efforts before we receive any revenue with respect thereto, our profitability will be negatively impacted in future periods. In addition, we may find that these efforts are more expensive than we currently anticipate or that these efforts may not result in revenues or generate our desired margins, which would further negatively impact our profitability.

Our ability to become profitable in the future will not only depend on our ability to successfully manufacture, satellites and other products and services, but also to control costs. If we are unable to do so efficiently, our margins, profitability and prospects would be materially and adversely affected.

A failure to successfully finance, open and operate our planned new or expanded manufacturing facilities could harm our business, financial condition and results of operations. Such new or expanded facilities may not be achieved on time or within our projected budget and may otherwise not provide the capability that we seek.

We may not be able to convert our backlog, or the sales opportunities represented in our pipeline, into revenue.

Our backlog totaled \$2.7 billion as of December 31, 2023. However, many of these contracts are cancellable by customers for convenience. If a customer cancels a contract before it is required to pay the last deposit prior to launch, we may not receive all potential revenue from these orders, except for an initial non-refundable deposit which is paid at the time the contract is signed. In addition, backlog includes both funded (firm orders for which funding is authorized and appropriated) and unfunded portions of such contracts, for which work has not been performed. If a contract is unfunded in whole or in part, and the customer does not obtain funding or appropriation of funding, there is a risk that we may not receive revenue from that portion of the contract.

In addition, backlog is typically subject to large variations from quarter to quarter and comparisons of backlog from period to period are not necessarily indicative of future revenues. Furthermore, some contracts comprising the backlog are for services scheduled many years in the future, and the economic viability of customers with whom we have contracted is not guaranteed over time. As a result, the contracts comprising our backlog may not result in actual revenue in any particular period, or at all, and the actual revenue from such contracts may differ from our backlog estimates. The timing of revenue recognition, if any, on projects included in backlog could change because many factors affect the scheduling of missions and adjustments to contracts, including additional costs or scope changes, may also occur. The failure to realize some portion of our backlog could adversely affect our revenues and gross margins.

We may fail to convert any or all of our potential sales pipeline opportunities into revenue for a variety of reasons both inside and outside of management's control, which would negatively impact our financial results, including revenue and profit.

If we fail to manage our future growth effectively, our business, prospects, operating results and financial condition may be materially adversely affected.

In order to achieve substantial future revenue growth, we must develop and market new products and services, generate a sustainable order rate, and significantly expand our operations. To properly manage our growth, we may need to hire and retain additional personnel, upgrade our existing operational management and financial and reporting systems, and improve our business processes and controls. Our future expansion will include:

- hiring and training new personnel;
- developing new technologies;
- controlling expenses and investments in anticipation of expanded operations;
- upgrading the existing operational management and financial reporting systems and team to comply with requirements as a public company; and
- implementing and enhancing administrative infrastructure, systems and processes.

If our operations continue to grow as planned, of which there can be no assurance, we will need to expand our sales and marketing, research and development, customer and commercial strategy, products and services, supply, and manufacturing functions. These efforts will require us to invest significant financial and other resources, including in industries and sales channels in which we have limited experience to date. We will also need to continue to leverage our manufacturing and operational systems and processes, and there is no guarantee that we will be able to scale the business and the manufacture of vehicles as currently planned or within the planned time frame. The continued expansion of our business may also require additional manufacturing and operational facilities, as well as space for administrative support, and there is no guarantee that we will be able to find suitable locations for the manufacture of our vehicles.

Our continued growth could increase the strain on our resources, and we could experience operating difficulties, including difficulties in hiring and training employees, finding manufacturing capacity to produce our vehicles and related equipment, and delays in production. These difficulties may divert the attention of management and key employees and impact financial and operational results.

If we are unable to drive commensurate growth, these costs, including lease commitments, headcount and capital assets, could result in decreased margins, which could have a material adverse effect on our business, financial condition and results of operations.

Our products could fail to perform or could perform at reduced levels of service because of technological malfunctions or deficiencies or events outside of our control, which would harm our business and reputation.

We produce highly complex products including satellites that incorporate leading-edge technology. They are designed to be deployed across complex networks, which in some cases may include over a million users. On-orbit failure of a satellite may result from various causes, including component failure, loss of power or fuel, inability to control positioning of the satellite, solar or other astronomical events, including solar radiation, wind and flares, and space debris. Other factors that could affect the useful lifespan of our satellites include the quality of construction, gradual degradation of solar panels and the durability of components. Radiation-induced failure of satellite components may also result in damage to or loss of a satellite before the end of its expected life. Because of the nature of these satellites, there is no assurance that our pre-shipment testing programs will be adequate to detect all defects. As a result, our customers may discover errors or defects in our satellites, or our satellites may not operate as expected after they have been fully deployed to space. Hardware and software errors or defects discovered before launch of the spacecraft to orbit may be mediated while the spacecraft is still on the ground. However, once launched, we will no longer be able to change or service the hardware. While spacecrafts are in orbit, we may be able to fix software errors or defects. If our products fail to perform or perform at reduced levels because of malfunctions or other deficiencies or events outside of our control, we could experience damage to our reputation, reduced customer satisfaction, loss of existing customers and failure to attract new customers, failure to achieve market acceptance, cancellation of orders, loss of revenue, reduction in backlog and market share, increased service and warranty costs, diversion of development resources, legal action by our customers, issuance of credit to customers and increased insurance costs. Defects, integration issues or other performance problems in our satellites could also result in financial or other damages to our customers. Our customers could seek damages for related losses from us, which could seriously harm our business, financial condition and results of operations. The occurrence of any of these problems would seriously harm our business, financial condition and results of operations. We have experienced on-orbit anomalies and failures of our satellites in the past and may continue to do so in the future. These issues have impacted customer missions, resulting in loss of expected revenue, insurance payouts to customers and other costs.

In 2023, the world experienced an exponential level of growth in the availability of potential applications of artificial intelligence ("AI"). AI could disrupt certain aspects of our business and evolve use of technology in ways that are not yet known. If we are not able to adapt and effectively incorporate potential advantages of AI in our business, it may negatively impact our ability to compete. On the other hand, if we are not able to effectively manage the risks of AI, including the potential for poor or inconsistent quality, privacy concerns, risks related to automated decision-making, and the potential for exposure of confidential and/or proprietary information, we may suffer harm to our results of operation and reputation.

We rely on a limited number of third parties for the supply of key raw materials and components, including semiconductor chip components.

We procure or subcontract for many raw materials, major components and product equipment, including semiconductor chip components, on a single or sole-source basis. Although we maintain a qualification and performance surveillance process, and we believe that sources of supply for components and key raw materials such as aluminum and titanium are generally adequate, it is difficult to predict what effects shortages or price increases may have in the future. Our ability to manage inventory and meet delivery requirements may be constrained by our suppliers' inability to scale production and adjust delivery of long-lead time products during times of volatile demand. The failure of these suppliers or others to perform could require us to seek alternative suppliers or expand our production capabilities, which could incur additional costs and have a negative impact on our cost or supply of components. In particular, due to the COVID-19 Pandemic, labor shortages at our suppliers and various other factors, we have experienced semiconductor chip shortages and longer than historically experienced lead times of semiconductor chips. These parts are vital to our manufacturing of printed circuit board assemblies that control all elements of satellite operations. This includes safety-of-flight radio communications as well as the flight computers that allow the satellite to deliver its capabilities. The semiconductor shortages, reduced availability of parts, supplier quality controls and longer than historical lead times to deliver parts and supplies have negatively affected our ability to timely deliver our products and services to customers over the last three years, which primarily affected our ability to recognize revenue on our forecasted timeline and increased our costs due to longer manufacturing durations. Future inability to fill our supply needs for key raw materials and components could jeopardize our ability to fulfill obligations under commercial and government contracts, which could, in turn, result in reduced sales and profits, contract penalties or terminations and damage to customer relationships and could have a

material adverse effect on our business, financial condition, or results of operations. In addition, negative publicity from any failure of one of our products as a result of a failure by a key supplier could damage our reputation and could limit our ability to win new contracts.

Our manufacturing capacity is limited, and our facilities may be vulnerable to damage from natural disasters, which could further limit available capacity.

Our facilities used for satellite manufacturing, assembly, integration, and testing are located in Irvine, California, Santa Maria, California, and Torino, Italy. However, we do not currently maintain back-up manufacturing facilities or operations. Our manufacturing facilities may become capacity-constrained, or we could face financial difficulties as a result of a surge in demand for additional satellites, a natural disaster, or other event, including the impacts of the COVID-19 Pandemic. Our manufacturing site is vulnerable to damage or interruption from earthquakes, wildfires, other natural disasters, power loss or aging infrastructure. Any such events could result in the destruction of satellites under construction or inventory, manufacturing delays and other business interruptions, or additional costs, which could materially affect our business, financial condition, and results of operations.

We have material purchase commitments that may impact our profitability.

We entered into software and component supply agreements requiring \$20 million of purchase commitments over three years from two affiliates of an equity investor. These supply agreements have minimum payment conditions regardless of the services utilized, the supplier goods or services may not be as valuable as we anticipate relative to alternatives and circumstances may change, and we may not need such services. Consequently, our use of these suppliers in order to fulfill our purchase commitments may materially adversely affect our liquidity. As of December 31, 2023, approximately \$12.1 million of the purchase obligations remained outstanding under these supply agreements.

We are dependent on third-party launch vehicles to launch our satellites and payloads into space.

We are dependent on third-party launch vehicles to deliver our vehicles into space. If the number of companies offering launch services or the number of launches does not grow in the future or there is a consolidation among companies who offer these services, this could result in a shortage of space on these launch vehicles, which may cause delays in our ability to meet our customers' needs and increase launch costs. Either of these situations could have a material adverse effect on our results of operations and financial condition.

Further, in the event that a launch is delayed, our timing for recognition of revenue may be impacted depending on the length of the delay and the nature of the contract with the customers with payloads on such delayed flight. While such delays are common in the space industry, any delay in a launch on which we are booked for missions with paying clients may result in a delay in recognizing revenue which could materially impact our financial statements or may result in negative impacts to our earnings during a specified time period, which could have a material effect on our results of operations and financial condition.

Our business plans are predicated on our ability to vertically integrate our production process by bringing certain component manufacturing processes in-house.

Our plans have been, and continue to be, to vertically integrate most of our supply chain by continuing to add additional capabilities including the production and test of printed circuit boards. Building out such capabilities will require significant capital expenditures, including the installation and/or transplantation of complex manufacturing equipment and processes and hiring and training new employees. If we are unable to manage this process successfully, we may fail to meet our objective of near-full vertical integration and could suffer delays in recognizing efficiencies, manufacturing and supply chain delays, product quality and delivery schedules, harm to our reputation with our customers, and loss of customers, which could negatively impact our financial condition and results of operations.

In order to be successful, we must attract and retain key personnel.

Our success depends, in part, on our ability to retain our key personnel. We are highly dependent on the services of Marc Bell, our Co-Founder, Chairman and Chief Executive Officer. If Mr. Bell was to discontinue his employment due to death, disability or any other reason, we would be significantly disadvantaged. We do not maintain "key person" life insurance policies on any of our employees, including Mr. Bell. The unexpected loss of or failure to retain one or more of our key employees could adversely affect our business.

Our success also depends, in part, on our continuing ability to identify, hire, attract, train, retain and develop other highly qualified personnel, in particular engineers and government compliance personnel. Experienced and highly skilled employees and/or personnel with required security clearances are in high demand, and competition for these qualified employees can be intense. Because our satellites are based on a different technology platform than traditional LEO satellites, individuals with sufficient training in our technology may not be available to hire, and as a result, we will need to expend significant time and expense training the employees we do hire. We may not be able to attract, assimilate, develop or retain qualified personnel in the future, and our failure to do so could

adversely affect our business, including the execution of our global business strategy. Any failure by our management team and employees to perform as expected may have a material adverse effect on our business, prospects, financial condition and operating results.

Our business involves significant risks and uncertainties that may not be covered by indemnity or insurance.

A significant portion of our business relates to designing, developing and manufacturing advanced technology products and systems. New technologies may be untested or unproven. Failure of some of these products and services could result in extensive losses and we may not be able to mitigate these risks through indemnification or insurance coverage. Substantial costs resulting from an accident; failure of or defect in our products or services; natural catastrophe or other incident; or liability arising from our products and services in excess of any legal protection, indemnity, and our insurance coverage (or for which indemnity or insurance is not available or not obtained) could adversely impact our financial condition, cash flows, and operating results. Any accident, failure of, or defect in our products or services, even if fully indemnified or insured, could negatively affect our reputation among our customers and the public and make it more difficult for us to compete effectively. It also could affect the cost and availability of adequate insurance in the future.

We face substantial risks associated with our international operations.

A portion of our revenue is generated internationally. Terran Orbital's international operations are headquartered in Torino, Italy, where it also has a manufacturing facility. Terran Orbital also sources supplies from international suppliers. Operating in foreign countries may pose substantial burdens, costs and risks, including:

- difficulties in developing products and services that are tailored to the needs of local customers;
- instability of international economies and governments;
- changes in laws and policies affecting trade and investment in other jurisdictions;
- exposure to varying legal standards, including data privacy, security and intellectual property protection in other jurisdictions;
- difficulties in obtaining required legal and regulatory authorizations;
- difficulties in enforcing legal rights in other jurisdictions;
- local domestic ownership requirements;
- requirements that certain operational activities be performed in-country;
- changing and conflicting national and local regulatory requirements;
- foreign currency exchange rates and exchange controls; and
- ongoing compliance with the U.S. Foreign Corrupt Practices Act, U.S. export controls, anti-money laundering and trade sanction laws, and similar anti-corruption and international trade laws in other countries, including trade sanctions laws relating to countries such as Afghanistan, Belarus, Cuba, Iran, North Korea, Russia, Syria, Ukraine (Russia-controlled territories) and Venezuela.

We cannot predict the effect of future exchange rate fluctuations on our business and operating results.

Our international operations are sensitive to currency exchange risks. We anticipate having currency exposure arising from both sales and purchases denominated in foreign currencies, as well as intercompany transactions. Significant changes in exchange rates between foreign currencies in which we anticipate transacting business and the U.S. dollar may adversely affect our business, results of operations and financial condition.

Our business could be negatively impacted as a result of actions by activist shareholders or others.

We have previously been, and may continue to be in the future, subject to actions from activist shareholders or others that may not align with our business strategies or the interests of our other shareholders. For example, in October 2023 a shareholder group led by Sophis Investments LLC sent a letter to our Board advocating certain corporate governance changes. While this particular matter has been resolved, as a publicly traded company we may be subject to additional activist shareholder action in the future. Responding to such actions, including the potential submission of proposals or director nominations by activist shareholders for consideration at our annual meeting of stockholders, could be costly and time-consuming, disrupt our business and operations, and divert the attention of our Board and senior management from the pursuit of our business strategies. Activist shareholders may create perceived uncertainties as to the

future direction of our business or strategy which may be exploited by our competitors and may make it more difficult to attract and retain qualified personnel, potential customers and business partners and may affect our relationships with current customers, suppliers, investors and other third parties. In addition, actions of activist shareholders may cause periods of fluctuation in our stock price based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business.

Risks Related to Economic Conditions and Additional Capital Requirements

We may be negatively affected by global economic conditions or geopolitical factors.

Our operations and performance depend significantly on worldwide economic conditions, and we expect our future growth rate will be affected by the condition of the global economy. Uncertainty about global economic conditions and geopolitical factors, including, but not limited to, inflation (whether real or perceived) and interest rates, the ongoing conflict between Russia and Ukraine, the conflict between Israel and Hamas, the relationship between China and the U.S. and other actual or anticipated military or political conflicts, poses a risk as individual consumers, businesses and governments may postpone spending in response to tighter credit, negative financial news, declines in income or asset values, or budgetary constraints. Further risks stem from geopolitical tensions and volatility (such as in Cuba, Iran, Syria, Russia, North Korea, Israel and surrounding areas, and the Red Sea region), other future conflicts that may arise, and economic sanctions imposed relating to regions and persons included on sanctioned party lists. Reduced demand could cause a significant delay in the launch of our satellites which in turn could cause a decline in our anticipated future revenue and make it more difficult to operate profitably in the future, potentially compromising our ability to pursue our business plan.

We are unable to predict the future course of industry variables, the strength of the U.S., regional or global economies, or the effects of government actions. Negative economic conditions, such as a major economic downturn or recession, continued inflation, or disruptions in the financial markets, could have a material adverse effect on our business, financial condition or results of operations.

We may require additional capital to support the growth of our business, and this capital might not be available on terms favorable to us, if at all, or may be available only by diluting existing stockholders.

Historically, we have funded our operations and capital expenditures primarily through equity issuances, debt and cash generated from our operations. For example, in May 2023 and September 2023 we completed equity offerings resulting in \$37.1 million and \$32.5 million of gross proceeds, respectively. We may need to acquire additional alternative financing in the future, and we may not be able to obtain debt or equity financing on favorable terms, if at all. If we raise equity financing to fund operations or on an opportunistic basis, our stockholders may experience significant dilution of their ownership interests. If we obtain debt financing, the terms of such debt financing may restrict our ability to incur additional indebtedness, require us to maintain certain financial covenants, or restrict our ability to pay dividends. In addition, macroeconomic and market events (such as the Silicon Valley Bank takeover and current high levels of inflation and interest rates) and global conflicts (such as the currently ongoing conflict between Russia and Ukraine, the conflict between Israel and Hamas, the relationship between China and the U.S. and other actual or anticipated military or political conflicts), and investor willingness to fund emerging growth companies such as ours may negatively impact our access to the financial markets. If we need additional capital and cannot raise it on acceptable terms, or at all, our business, financial conditions, and results of operations may be negatively impacted.

Our cash and cash equivalents could be adversely affected if the financial institutions in which we hold our cash and cash equivalents fail.

We regularly maintain cash balances at third-party financial institutions in excess of the Federal Deposit Insurance Corporation insurance limit. Although we do not hold any cash or maintain any accounts at, nor do we have any other relationships with, Silicon Valley Bank or Signature Bank, on March 10, 2023 and March 12, 2023, respectively, the Federal Deposit Insurance Corporation took control and was appointed receiver of these banks, and if other banks and financial institutions enter receivership or become insolvent in the future in response to financial conditions affecting the banking system and financial markets, our ability to access our existing cash, cash

equivalents and investments may be threatened, which could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to our Intellectual Property and Data Security

Our business may be adversely affected if we are unable to maintain or protect our intellectual property rights from unauthorized use by third parties.

The maintenance and protection of our intellectual property rights will be important to our future business opportunities. However, the measures we take to protect our intellectual property from unauthorized use by others may not be effective for various reasons, including the following:

- our employees or business partners may breach their inventions assignment, non-disclosure, arbitration and, non-compete obligations to us;
- third-parties may independently develop or acquire technologies that are the same or similar to ours;
- the costs associated with enforcing intellectual property rights may make enforcement impracticable;
- U.S. Government rights in the intellectual property and data of its contractors; and
- current and future competitors may circumvent our intellectual property.

In addition, we may have difficulty enforcing our rights against a competitor where an infringement occurs in outer space. Failure to adequately maintain or protect our intellectual property rights could result in our competitors offering similar or competitive services and products, potentially resulting in the loss of some of our competitive advantage and a decrease in revenue, which would adversely affect our business, prospects, financial condition and results of operations.

Our intellectual property may become subject to claims that our devices or services violate the patent or intellectual property rights of others, which could be costly and disruptive to our business.

Our success depends, in part, on our ability to protect our core technology and intellectual property and to keep use of licenses. The defense of intellectual property suits is both costly and time-consuming, even if ultimately successful, and may divert management's attention from other business concerns. Further, an adverse determination in litigation to which we may become a party could, among other things:

- subject us to significant liabilities to third parties, including lost profits and treble damages;
- require disputed rights to be licensed from a third party for royalties that may be substantial;
- require us to cease using technology that is important to our business;
- prohibit us from selling some or all of our devices or offering some or all of our services; or
- render our hardware and software difficult and expensive to service, upgrade or replace.

Cyber-attacks and other security threats and disruptions could have a material adverse effect on our business.

As a provider of products in the aerospace and defense industry, we face a multitude of security threats, including cybersecurity threats ranging from attacks common to most industries, such as ransomware and denial-of-service, to attacks from more advanced and persistent, organizations, including nation state actors, which target the defense industrial base and other critical infrastructure sectors. The risk of cyberattacks has also increased, and is expected to continue to increase, in connection with geopolitical events and dynamics, including ongoing conflicts in Europe and the Middle East and tensions with Russia, China, North Korea, Iran and other states. State-sponsored parties or their supporters may launch retaliatory cyberattacks, and may attempt to cause supply chain disruptions, or carry out other geopolitically motivated retaliatory actions that may adversely disrupt or degrade our operations and may result in data compromise. The sophistication of the threats also continues to evolve and grow, including the risk associated with the use of emerging technologies, such as artificial intelligence and quantum computing, for nefarious purposes. In addition to cybersecurity threats, we could face threats to the security of our facilities and employees from terrorist acts, sabotage or other disruptions, any of which could adversely affect our business. The improper conduct of our employees or others working on behalf of us who have access to export controlled, classified or other sensitive information could also adversely affect our business and reputation.

If we are unable to protect sensitive information, including complying with evolving information security, data protection and privacy regulations, our customers or governmental authorities could investigate the adequacy of our threat mitigation and detection processes

and procedures; and could bring actions against us for noncompliance with applicable laws and regulations. Moreover, depending on the severity of an incident, our customers' data, our employees' data, our intellectual property (including trade secrets and research, development and engineering know-how), and other third-party data (such as suppliers and vendors) could be compromised, which could adversely affect our business. Products and services we provide to customers also carry cybersecurity risks, including risks that they could be breached or fail to detect, prevent or combat attacks, which could result in losses to our customers and claims against us, and could harm our relationships with our customers and financial results.

Given the persistence, sophistication, volume and novelty of threats we face, we may not be successful in preventing or mitigating an attack that could have a material adverse effect on us and the costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means. The national security aspects of our business and much of the data we protect increase and create different risks relative to other industries. National security considerations may also preclude us from publicly disclosing a cybersecurity incident.

Our customers and suppliers face similar security threats and an incident at one of these entities could adversely impact our business. These entities are typically outside our control and may have access to our information with varying levels of security and cybersecurity resources, expertise, safeguards and capabilities. Their relationships with government contractors may increase the risk that they are targeted by the same threats we face, however, they may not be as prepared for such threats. Adversaries actively seek to exploit security and cybersecurity weaknesses in our supply chain. Breaches in our multi-tiered supply chain has, and could in the future compromise our data and adversely affect customer deliverables. We also must rely on our supply chain for adequately detecting and reporting cyber incidents, which could affect our ability to report or respond to cybersecurity incidents effectively or in a timely manner.

For information on our cybersecurity risk management, strategy and governance, see Item 1C. - Cybersecurity.

Risks Related to Legal, Regulatory and Taxation Matters

Our business is subject to extensive government regulation, which mandates how we may operate our business, may reduce or eliminate our business, and may increase our business costs and prevent our expansion into new markets.

Our business, both as the manufacturer and operator of satellites for others is subject to significant regulation in the United States, including by the Department of Commerce, the Department of Homeland Security, the Department of State, the Department of Labor, the FCC (as defined below), the Federal Aviation Administration, the FTC and others, and in foreign jurisdictions by similar local authorities, including the ITU and NKOM. The Department of Commerce, through the NOAA CRSRA office, also licenses certain commercial private Earth remote sensing satellite systems. The rules and regulations of these U.S. and foreign authorities may change, and such authorities may adopt regulations that limit or restrict our operations as presently conducted or currently contemplated. Such authorities may also make changes in the licenses of our partners or competitors that affect their spectrum and may significantly affect our business. Further, because regulations in each country are different, we may not be aware if some of our partners or suppliers do not hold the requisite licenses and approvals. Failure to provide services in accordance with the terms of our licenses or failure to operate our satellites or ground stations as required by licenses and applicable laws and government regulations, as well as the failure of customers to attain any necessary licenses, could result in the imposition of government sanctions and/or monetary fines, including the suspension or cancellation of our licenses, which could have a material impact on our business, financial condition and results of operations.

We are subject to stringent U.S. export and import control laws and regulations.

We are required to comply with U.S. export control laws and regulations, including the ITAR, administered by the U.S. Department of State, and the EAR, administered by the U.S. Department of Commerce. Pursuant to these foreign trade control laws and regulations, we are required, among other things, to (i) maintain a registration under ITAR, (ii) determine the proper licensing jurisdiction and export classification of products, software, and technology, and (iii) obtain licenses or other forms of U.S. Government authorization to engage in the conduct of our space transport business. Violations of applicable export control laws and related regulations could result in criminal and administrative penalties, including fines, possible denial of export privileges, and debarment, which could have a material adverse impact on our business, including our ability to enter into contracts or subcontracts for U.S. Government customers.

The inability to secure and maintain necessary export authorizations could negatively impact our ability to compete successfully or to operate our spaceflight business as planned. For example, if we were unable to obtain or maintain our licenses to export certain spacecraft hardware, we would be effectively prohibited from launching our vehicles from certain non-U.S. locations, which would limit the number of launch providers we could use. In addition, if we were unable to obtain a Department of State Technical Assistance Agreement to export certain launch related services, we would experience difficulties or even be unable to perform integration activities necessary to safely integrate our transfer vehicles to non-U.S. launch vehicles. In both cases, these restrictions could lead to higher launch costs which may have a material adverse impact on our results of operations. Similarly, if we were unable to secure effective export licensure

to authorize the full scope of activity with a foreign partner or supplier, we may be required to make design changes to spacecraft or updates to our supplier chain, which may result in increased costs to us or delays in vehicle launches.

We may be affected by global climate change and our operations are subject to governmental law and regulations relating to environmental matters, which may expose us to significant costs and liabilities that could negatively impact our financial condition.

Increased concern over climate change has led to new and proposed legislative and regulatory initiatives regarding emissions of greenhouse gasses and climate change. New or revised laws, regulations and policies in this area and customer decarbonization requirements could directly and indirectly affect us and our customers and suppliers, including by increasing the costs of production or impacting demand for certain products or materials, which could result in an adverse effect on our financial condition, results of operations and cash flows. Since we utilize electricity and other energy sources to operate our facilities, significant increased energy costs and/or costs to transition to renewable energy sources, as a result of new laws, such as carbon pricing or product energy efficiency requirements, or as a result of customer requirements, could be passed along to us or our customers and suppliers. Compliance with any new or more stringent laws or regulations, or stricter interpretations of existing laws, could require additional expenditures us or our customers or suppliers. Further, physical risks associated with climate change may result in an increased exposure to, and impact of, events with damage due to flooding, extreme winds and extreme precipitation for our offices and manufacturing facilities. Prolonged periods of drought may result in wildfires and/or restrictions on water use. These climate-related impacts may have an adverse effect on production capacity at our or our suppliers' or customers' manufacturing facilities. These types of incidents could have a negative effect on our results of operations and financial condition.

Additionally, we are subject to various other international, federal, state, provincial and local environmental laws and regulations relating to the operation of our businesses, including those governing pollution, the handling, storage, disposal and transportation of hazardous substances and the cleanup of contamination should it arise. The imposition of more stringent standards or requirements under environmental laws or regulations or a determination that we are responsible for a release of hazardous substances at our sites could result in significant costs, including cleanup costs, fines, sanctions and third-party claims.

Our international operations may subject it to greater than anticipated tax liabilities.

The amount of taxes we pay in different jurisdictions depends on the application of the tax laws of various jurisdictions, including the United States, to our international business activities, changes in tax rates, new or revised tax laws or interpretations of existing tax laws and policies, and our ability to operate our business in a manner consistent with our corporate structure and intercompany arrangements. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for pricing intercompany transactions pursuant to intercompany arrangements or disagree with our determinations as to the income and expenses attributable to specific jurisdictions. If such a challenge or disagreement were to occur, and our position was not sustained, we could be required to pay additional taxes, interest, and penalties, which could result in one-time tax charges, higher effective tax rates, reduced cash flows, and lower overall profitability of our operations. Our financial statements could fail to reflect adequate reserves to cover such a contingency. Similarly, a taxing authority could assert that we are subject to tax in a jurisdiction where we believe we have not established a taxable connection, often referred to as a "permanent establishment" under international tax treaties, and such an assertion, if successful, could increase our expected tax liability in one or more jurisdictions.

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

We have incurred losses during our history, do not expect to become profitable in the near future, and may never achieve profitability. To the extent that we continue to generate taxable losses, unused losses will carry forward to offset future taxable income, if any, until such unused losses expire, if at all. As of December 31, 2023, we had approximately \$236 million and \$322 million net operating loss carryforwards ("NOLs") in our federal and state tax jurisdictions, respectively. It is possible that we will not generate sufficient taxable income to use these NOLs before their expiration or at all.

Under legislation informally known as the Tax Act, as modified by the CARES Act, U.S. federal NOLs generated in taxable periods beginning after December 31, 2017, may be carried forward indefinitely, but the deductibility of such NOLs in taxable 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, our NOLs are subject to review and possible adjustment by the IRS and state tax authorities. Under Sections 382 and 383 of the Internal Revenue Code (the "IRC"), our federal NOLs and other tax attributes (such as research tax credits) may become subject to an annual limitation in the event of certain cumulative ownership changes. An "ownership change" pursuant to Section 382 of the IRC generally occurs if one or more stockholders or groups of stockholders who own at least 5% of a company's stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. Our ability to

utilize NOLs and other tax attributes to offset future taxable income or tax liabilities may be limited as a result of any such ownership changes. Similar rules may apply under state tax laws. If we earn taxable income, such limitations could result in increased future income tax liability and our future cash flows could be adversely affected.

Risks Related to Our Indebtedness

We have a substantial amount of indebtedness and payment obligations that could affect operations and financial condition and prevent us from fulfilling our obligations under our indebtedness.

As of December 31, 2023, we had a substantial amount of indebtedness, consisting of approximately \$177.4 million principal amount of first lien debt and \$112.3 million principal amount of second lien convertible notes due 2027 issued to Lockheed Martin on October 31, 2022 (the "Convertible Notes due 2027"). In addition, we have \$16.9 million of payment obligations owed to the Insider PIPE Investor and under warrants issued to affiliates of Francisco Partners pursuant to a stock and warrant purchase agreement entered into on March 25, 2022 (the "Stock and Warrant Purchase Agreement"), such warrant holders have the right to require us to exchange such warrants for \$25 million in cash on March 25, 2025. For additional information on the terms of such indebtedness and payment obligations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" and Note 5 "Debt" to the consolidated financial statements for a full description of our long-term debt.

Our substantial indebtedness and payment obligations could have important consequences. For example, it could:

- make it difficult for us to satisfy obligations to holders of our indebtedness;
- increase our vulnerability to general adverse economic and industry conditions;
- require the dedication of a substantial portion of cash flow from operations to payments on indebtedness, thereby reducing the availability of cash flow to fund working capital, capital expenditures, research and development efforts, and other general corporate purposes;
- limit flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to competitors that have less debt; and
- limit our ability to borrow additional funds.

Despite our significant leverage, we may incur significant amounts of additional debt, which could further exacerbate the risks associated with our significant leverage.

Restrictions imposed by our substantial indebtedness could adversely affect our ability to raise additional capital to fund our operations and dividend policy, limit our ability to react to changes in the economy or our industry and prevent us from making debt service payments.

Restrictions imposed by our outstanding indebtedness under the note purchase agreement we entered into on November 24, 2021 with affiliates of Francisco Partners (as amended, the "FP Note Purchase Agreement"), the note purchase agreement we entered into on March 8, 2021 with Lockheed Martin (as amended, the "Lockheed Note Purchase Agreement"), and the convertible note and warrant purchase agreement we entered into with Lockheed Martin on October 31, 2022 (the "Convertible Note and Warrant Purchase Agreement" and together with the FP Note Purchase Agreement and Lockheed Note Purchase Agreement, the "Note Purchase Agreements") may limit our ability to operate our business and to finance our future operations or capital needs or to engage in other business activities. Each of these agreements contains restrictive covenants that limit our ability to engage in certain types of activities and transactions that may be in our long-term best interests. In addition, the Note Purchase Agreements include a financial liquidity maintenance covenant that is tested on a quarterly basis and a financial minimum Consolidated Adjusted EBITDA maintenance covenant requiring at least \$0 of Consolidated Adjusted EBITDA (the "EBITDA Financial Covenant") that will be tested on a quarterly basis commencing with the quarter ending December 31, 2024 (unless further extended through qualified equity issuances pursuant to the

terms of the Note Purchase Agreements). These covenants restrict our ability and the ability of our restricted subsidiaries, among other things, to:

- incur additional indebtedness and create additional liens;
- pay dividends on our capital stock or redeem, repurchase, or retire our capital stock or indebtedness;
- make investments, loans, advances, and acquisitions;
- repay prior to maturity certain other indebtedness;
- engage in transactions with our affiliates;
- sell assets, including capital stock of our subsidiaries; and
- consolidate or merge.

The failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all outstanding indebtedness under the Note Purchase Agreements. In the event our lenders accelerate the repayment of any outstanding indebtedness, we may not have sufficient cash and assets to repay such indebtedness, which could lead to a breach and acceleration of these obligations, in which event we may not have sufficient resources to pay and in turn could precipitate an insolvency event of filing. Also, as disclosed in Note 1 of our consolidated financial statements, we have substantial doubt as to our ability to continue as a going concern based on uncertainty regarding our ability to comply with the EBITDA Financial Covenant, which could adversely impact investors as well as our relationships with employees and suppliers. Whether or not we are able to ultimately comply with the EBITDA Financial Covenant is subject to a number of risks and uncertainties including, among other things, the risk of supply chain delays, our ability to win new customer orders, our ability to execute programs on schedule and in a cost-effective manner, or our ability to extend the EBITDA Financial Covenant beyond December 31, 2024 through qualified equity issuances.

In addition, the Convertible Note and Warrant Purchase Agreement includes preemptive rights that could impact our ability to raise additional equity capital and/or require consent or lead to an exercise of preemptive rights that may be dilutive to our share count.

We may not be able to generate sufficient cash to service all of our indebtedness, and we may be forced to take other actions to satisfy our obligations under our indebtedness that may not be successful.

We have significant indebtedness that could affect operations and financial condition and prevent us from fulfilling our obligations under our indebtedness. Our ability to make scheduled payments on our debt obligations depends on our financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations (including redemption or repayment obligations), we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital through equity or debt financing, or restructure or refinance our indebtedness. The terms of existing or future debt instruments may restrict us from adopting some of these alternatives. Such financing may not be available on acceptable terms, or at all, and our failure to raise capital when needed could harm our business. We may sell equity securities or debt securities in one or more transactions at prices and in a manner as we may determine from time to time. If we sell any such securities in subsequent transactions, our current investors may be materially diluted. Any debt financing, if available, may involve restrictive covenants and could reduce our operational flexibility or profitability. If we cannot raise funds on acceptable terms, we may not be able to grow our business or respond to competitive pressures. In the absence of such operating results and additional debt or equity financings, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations.

Risks Related to Being a Public Company

Operating as a public company requires us to incur substantial costs and requires substantial management attention. In addition, some members of our management team have limited experience in operating a public company.

As a public company, we incur substantial legal, accounting, administrative, and other costs and expenses that Legacy Terran Orbital did not incur as a private company. The Sarbanes-Oxley Act, including the requirements of Section 404, as well as rules and regulations subsequently implemented by the SEC, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, and the rules and regulations promulgated and to be promulgated thereunder, the Public Company Accounting Oversight Board and the securities exchanges, impose additional reporting and other obligations on public companies. Compliance with public company requirements increases costs and makes certain activities more time-consuming. A number of those requirements require us to carry out activities that

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

Certain of our executive officers have limited experience in the management of a publicly traded company. Our management team may not successfully or effectively manage the ongoing transition to a public company 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 result in an increasing amount of their time that may be devoted to these activities which will result in less time being devoted to the management and growth of our business. 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 U.S. The failure to maintain compliance with U.S. public company requirements could subject the company to regulatory inquiries, investigations, sanctions, and penalties, which could materially affect our stock performance, reputation, financial results, and continued status as a public company. In addition, continuing to develop, implement and maintain standards and controls necessary to achieve the level of accounting standards required of a public company in the U.S. may require costs greater than expected. It is possible that we will be required to expand our employee base and hire additional employees in future periods to support our operations as a public company, which could increase our operating costs in such periods.

We are an “emerging growth company,” and our election to comply with the reduced disclosure requirements as a public company may make our common stock less attractive to investors.

For so long as we remain an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”), we may take advantage of certain exemptions from various requirements that are applicable to public companies that are not “emerging growth companies,” including not being required to comply with the independent auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, being required to provide fewer years of audited financial statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We may lose our emerging growth company status and become subject to the SEC’s internal control over financial reporting management and auditor attestation requirements. If we are unable to certify the effectiveness of our internal controls, or if our internal controls have a material weakness, we could be subject to regulatory scrutiny and a loss of confidence by stockholders, which could harm our business and adversely affect the market price of our common stock.

As an emerging growth company, we may choose to take advantage of some but not all of these reduced reporting burdens. Accordingly, the information we provide to our stockholders may be different than the information you receive from other public companies in which you hold stock. In addition, the JOBS Act also provides that an “emerging growth company” can take advantage of an extended transition period for complying with new or revised accounting standards. We have elected to take advantage of this extended transition period under the JOBS Act. As a result, our operating results and financial statements may not be comparable to the operating results and financial statements of other companies who have adopted the new or revised accounting standards. It is possible that some investors will find our common stock less attractive as a result, which may result in a less active trading market for our common stock and higher volatility in our stock price.

We have material weaknesses in our internal control over financial reporting and, as a result, we have determined that our disclosure controls and procedures were not effective.

In connection with the preparation and audit of our financial statements for the year ended December 31, 2023, certain material weaknesses were identified in our internal control over financial reporting, as described in Part II, Item 9A “Controls and Procedures” of this Annual Report.

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 annual or interim financial statements will not be prevented or detected on a timely

basis. In the future, each of the material weaknesses described above could result in a misstatement of substantially all account balances or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

We may not be able to complete our evaluation, testing or any required remediation of these material weaknesses in a timely fashion, or at all. The measures we have taken to date and may take in the future, may not be sufficient to remediate the control deficiencies that led to our material weaknesses in internal control over financial reporting or that they will prevent or avoid potential future material weaknesses. If we are unable to remediate these material weaknesses, or if we identify additional material weaknesses in the future or otherwise fail to maintain effective internal control over financial reporting, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect our business, stock price, reputation and results of operations, result in regulatory proceedings, shareholder litigation or delisting from the NYSE.

The effectiveness of our internal control over financial reporting is subject to various inherent limitations, including cost limitations, judgments used in decision making, assumptions about the likelihood of future events, the possibility of human error and the risk of fraud. Any failure to design or maintain effective internal controls over financial reporting or any difficulties encountered in their implementation or improvement could increase compliance costs, negatively impact share trading prices, or otherwise harm our operating results or cause us to fail to meet our reporting obligations.

If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.

As a public company listed on the NYSE, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act and the NYSE listing standards. These rules and regulations will continue to increase our legal, accounting, and financial compliance costs, make some activities more difficult, time-consuming, and costly and place significant strain on our personnel, systems, and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. We are continuing to improve our internal control over financial reporting, which includes hiring additional accounting and financial personnel to implement such processes and controls. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight. If any of these new or improved controls and systems do not perform as expected, we may continue to experience material weaknesses in our controls.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls and internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our results of operations or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Failure to file our periodic reports on a timely basis will cause us to be ineligible to use short-form registration statements on Form S-3, which may impair our ability to obtain additional capital in a timely fashion. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we will eventually be required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the NYSE.

Our independent registered public accounting firm is not required to formally attest to the effectiveness of our internal control over financial reporting until after we are no longer an “emerging growth company” as defined in the JOBS Act. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed or operating. Any failure to maintain effective disclosure controls and internal

control over financial reporting could have an adverse effect on our business and results of operations and could cause a decline in the price of our common stock and public warrants.

Risks Related to Ownership of our Securities

We may not be able to satisfy the continued listing standards of the NYSE going forward.

Our common stock and public warrants are listed on the NYSE under the symbols "LLAP" and "LLAP WS," respectively. However, an active trading market for our common stock or warrants may not be sustained. Furthermore, we cannot ensure that we will be able to satisfy the continued listing standards of the NYSE going forward. If we cannot satisfy the continued listing standards going forward, the NYSE may commence delisting procedures against us, which could result in our common stock or public warrants being removed from listing on the NYSE. If any of our common stock or public warrants were to be delisted, the liquidity of our common stock or warrants could be adversely affected and the market price of our common stock or warrants could decrease. Delisting could also adversely affect our security holders' ability to trade or obtain quotations on our securities because of lower trading volumes and transaction delays. These factors could contribute to lower prices and larger spreads in the bid and ask price for our securities. You may also not be able to resell your common stock or warrants at or above the price you paid for such securities or at all.

Our stockholder rights agreement includes terms and conditions which could discourage a takeover or other transaction that stockholders may consider favorable.

On March 4, 2024, in order to protect the Company and our stockholders from coercive or otherwise unfair takeover tactics, we entered into a Rights Agreement dated as of March 4, 2024, with Continental Stock Transfer & Trust Company, LLC, as rights agent (the "Rights Agreement"). In connection with the Rights Agreement, stockholders of record at the close of business on March 14, 2024 received a dividend of one preferred share purchase right (a "Right") for each outstanding share of our common stock. Each Right entitles the registered holder to purchase one one-thousandth of a share of our Series A Junior Participating Preferred Stock, par value \$0.0001 (the "Preferred Stock"), for \$5.35, subject to adjustment under certain conditions once the Rights become exercisable. The Rights are not exercisable until the earlier of: (i) ten business days after the public announcement that a person or group has become an "Acquiring Person" (as defined in the Rights Agreement) by obtaining beneficial ownership of 15% or more of our outstanding common stock and (ii) ten business days (or a later date determined by the Board before any person or group becomes an Acquiring Person) after a person or group Commences (as defined in the Rights Agreement) a tender or exchange offer which, if completed, would result in that person or group becoming an Acquiring Person. The Rights will expire at the close of business on March 4, 2027; provided that if the Company's stockholders have not approved the Rights Agreement by the close of business on March 4, 2025, the Rights will expire at such time, in each case, unless previously redeemed or exchanged by the Board. The full description and terms of the Rights are set forth in the Rights Agreement.

While in effect, the Rights Agreement could make it more difficult for a third party to acquire control of the Company or a large block of our common stock without the approval of the Board. Additionally, if exercised, the Rights will cause substantial dilution to any stockholder who does not exercise such Right, including any person or group that attempts to acquire us on terms not approved by the Board. The potential exercise of the Rights may delay or prevent a change in control of the Company, discouraging bids for the common stock at a premium to the market price, and materially and adversely affect the market price and the voting and other rights of the holders of our common stock.

The trading price of our securities may be volatile.

The trading price of publicly traded securities, including our common stock, is subject to extreme volatility. This volatility often has been unrelated or disproportionate to the operating performance of particular companies. You may not be able to resell your shares at an attractive price due to a number of factors, many of which are beyond our control, including but not limited to those factors listed above and the following, to the extent not already stated:

- results of operations that vary from the expectations of securities analysts and investors;
- results of operations that vary from those of our competitors;
- the impact of the COVID-19 Pandemic and global geopolitical events (including, but not limited to, the ongoing conflict between Russia and Ukraine, the conflict between Israel and Hamas, the relationship between China and the U.S.,

geopolitical tensions and volatility in Cuba, Iran, Syria, Russia, North Korea, Israel and surrounding areas, and the Red Sea region, and other actual or anticipated military or political conflicts) and the effect on our business and financial conditions;

- changes in expectations as to our future financial performance, including financial estimates and investment recommendations by securities analysts and investors;
- volatility in the market prices of stocks of our competitors and the stock market generally;
- strategic actions by us or our competitors;
- announcements by us or our competitors of significant contracts, acquisitions, joint ventures, other strategic relationships or capital commitments;
- any significant change in our management;
- changes in general economic or market conditions or trends in our industry or markets (including high levels or fluctuations in inflation or interest rates);
- changes in business or regulatory conditions, including new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- future sales of our common stock or other securities;
- the dilution to our stockholders from the exercise of our existing warrants into common stock;
- investor perceptions or the investment opportunity associated with our common stock relative to other investment alternatives;
- public's response to press releases or other public announcements by us or third parties, including our filings with the SEC;
- litigation involving us, our industry, or both, or investigations by regulators into our operations or those of our competitors;
- guidance, if any, that we provide to the public, any changes in this guidance or our failure to meet this guidance;
- the development and sustainability of an active trading market for our stock;
- actions by institutional or activist stockholders;
- changes in accounting standards, policies, guidelines, interpretations or principles; and
- other events or factors, including those resulting from natural disasters, war, acts of terrorism or responses to these events.

These broad market and industry fluctuations may adversely affect the market price of our common stock, regardless of our actual operating performance. In addition, price volatility may be greater if the public float and trading volume of our common stock is low.

In the past, following periods of market volatility, stockholders have instituted securities class action litigation. If we were to become involved in additional securities litigation, it could have a substantial cost and divert resources and the attention of executive management from our business regardless of the outcome of such litigation.

Because there are no current plans to pay cash dividends on our common stock for the foreseeable future, you may not receive any return on investment unless you sell your common stock for a price greater than that which you paid for it.

We intend to retain future earnings, if any, for future operations, expansion and debt repayment (if any) and there are no current plans to pay any cash dividends for the foreseeable future. The declaration, amount and payment of any future dividends on shares of our common stock will be at the sole discretion of the Board. The Board may take into account general and economic conditions, our financial condition and results of operations, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax, and regulatory restrictions, implications on the payment of dividends by us to our stockholders or by our subsidiaries to it and such other factors as the Board may deem relevant. In addition, our ability to pay dividends is limited by covenants of our existing and outstanding indebtedness, including the Francisco Partners Facility, and may be limited by covenants of any future indebtedness we

incur. As a result, you may not receive any return on an investment in our common stock unless you sell our common stock for a price greater than that which you paid for it.

If securities analysts do not publish research or reports about our business or if they downgrade our common stock or our industry, the Company's stock price and trading volume could decline.

The trading market for our common stock will rely in part on the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts. In addition, some financial analysts may have limited expertise with the Company's model and operations. Furthermore, if one or more of the analysts who do cover us downgrade our stock or industry, or the stock of any of our competitors, or publish inaccurate or unfavorable research about our business, the price of our common stock could decline. If one or more of these analysts ceases coverage of the Company or fails to publish reports on it regularly, we could lose visibility in the market, which in turn could cause our stock price and/or trading volume to decline.

Continental Stock Transfer & Trust Company ("Continental"), our Transfer Agent, controls the transfer of our securities upon issuance and a failure by Continental to perform its functions for us effectively may adversely affect our operations.

There is no assurance that Continental will be able to effectively provide transfer agent and registrar services to us. Furthermore, Continental will be responsible for supervising third party service providers who may, at times, be responsible for executing certain transfer agent and registrar services. If Continental fails to perform its functions for us effectively, our operations may be adversely affected and the value of our investors' stockholdings may be negatively impacted.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 1C. Cybersecurity.

Cybersecurity Risk Management and Strategy

We have developed and implemented a cybersecurity risk management program intended to protect the confidentiality, integrity, and availability of our critical systems and information.

Our cybersecurity risk management program shares common methodologies, reporting channels and governance processes that apply to the other areas of enterprise risk, including legal, compliance, strategic, operational, and financial risk and is aligned to our business goals and strategy. Key elements of our cybersecurity risk management program include:

- a security team principally responsible for managing our cybersecurity risk assessment processes and our response to cybersecurity incidents;
- risk assessments designed to help identify material cybersecurity risks to our critical systems, information, products, services, and our broader enterprise information technology environment;
- the use of technologies, products, specialized IT tools and external service providers, where appropriate, to assess, test, understand, manage, mitigate and continually remediate identified risks, or otherwise assist with aspects of our security procedures;
- a cybersecurity incident response plan that includes procedures for responding to cybersecurity incidents;
- training and awareness programs for team members that include periodic and ongoing assessments to drive adoption and awareness of cybersecurity processes and procedures; and
- a third-party risk management process for service providers, suppliers, and vendors.

All cybersecurity risks are logged into our cybersecurity risk register where they are tracked for remediation. These cybersecurity risks are discussed with management for resolution planning and escalation. We leverage recognized cybersecurity frameworks to drive strategic direction and maturity improvement and engage third party security experts for risk assessments, risk mitigation actions, vulnerability identification, and program enhancements.

In 2023, we did not identify any cybersecurity threats that have materially affected or are reasonably likely to materially affect our business strategy, results of operations, or financial condition. However, despite our efforts, we cannot eliminate all risks from

cybersecurity threats, or provide assurances that we have not experienced an undetected cybersecurity incident that could have a material negative impact. For more information about these risks, please see "Item 1A. Risk Factors - *Cyber-attacks and other security threats and disruptions could have a material adverse effect on our business*" in this annual report on Form 10-K.

Cybersecurity Governance

It is management's responsibility to manage cybersecurity risks, as described above, and bring to the Board's attention material risks. Our information security program is managed by our Senior Vice President and Chief Information Officer ("CIO"), who has over 25 years of IT Risk Management experience. The CIO's cybersecurity team, which includes a team of personnel with more than 30 years of collective information and product security experience, ranging from early-career professionals with cybersecurity degrees to seasoned professionals with multiple cybersecurity-related certifications, is responsible for leading enterprise-wide cybersecurity strategy, policy, standards, architecture, and processes. The CIO provides periodic reports to our management team and our Board, as appropriate. These reports include updates on the Company's cyber risks and threats, the status of related projects, assessments, and emerging threats. Our cybersecurity program is regularly evaluated and reported on to senior management and the Board.

Item 2. Properties.

As of December 31, 2023, our principal corporate and engineering offices are located in Boca Raton, Florida, Melbourne, Florida, Irvine, California, and Torino, Italy. Our facilities used for satellite manufacturing, assembly, integration, and testing are located in Irvine, California (approximately 98,000 square feet), Santa Maria, California (approximately 18,000 square feet), and Torino, Italy (approximately 4,000 square feet). In February 2023, we executed a lease for approximately 94,000 square feet of additional manufacturing and assembly space in Irvine, California, which is expected to commence in the second quarter of 2024. All of our properties are subject to long-term operating leases.

We believe our properties are adequate and suitable for our business and are adequately maintained.

Additional information in response to this Item is included in Note 15 "Leases" in the notes to the consolidated financial statements and is incorporated by reference into Part I of this Annual Report. Our consolidated financial statements and the accompanying notes to the consolidated financial statements are filed as part of this Annual Report under Item 15 "Exhibit and Financial Statement Schedules" and are set forth beginning on page F-1 immediately following the signature pages of this Annual Report.

Item 3. Legal Proceedings.

We are subject to claims and lawsuits in the ordinary course of business, such as contractual disputes and employment matters. We are also subject to regulatory and governmental examinations, information requests and subpoenas, inquiries, investigations, and threatened legal actions and proceedings.

Additional information in response to this Item is included in Note 12 "Commitments and Contingencies" in the notes to the consolidated financial statements under the heading "Litigation and Other Legal Matters" and is incorporated by reference into Part I of this Annual Report. Our consolidated financial statements and the accompanying notes to the consolidated financial statements are filed as part of this Annual Report under Item 15 "Exhibit and Financial Statement Schedules" and are set forth beginning on page F-1 immediately following the signature pages of this Annual Report.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

We have one class of common stock outstanding.

Beginning on March 28, 2022, our common stock and public warrants began trading on the NYSE under the symbols "LLAP" and "LLAP WS," respectively. From March 2021 until the consummation of the Tailwind Two Merger, our common stock and public warrants were publicly traded on the NYSE under the symbols "TWNT" and "TWNT WS," respectively.

Holders of Record

As of March 25, 2024 the number of stockholders of record of our common stock was 48, which does not include the number of stockholders who hold our common stock through banks, brokers, and other financial institutions.

Dividends

We have never declared or paid any dividends on our common stock. We intend to retain future earnings, if any, for future operations, expansion, and debt repayment (if any) and there are no current plans to pay any cash dividends for the foreseeable future.

Recent Sales of Unregistered Securities

There were no sales of unregistered equity securities during the three months ended December 31, 2023.

Issuer Purchases of Equity Securities

There were no repurchases of any shares of our common stock during the three months ended December 31, 2023.

Equity Compensation Plan Information

Information about our equity compensation plans is incorporated herein by reference to Part III, Item 12 of this Annual Report.

Item 6. Reserved

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read in conjunction with our consolidated financial statements and the related notes thereto included elsewhere in this Annual Report. This section is intended to (i) provide material information relevant to the assessment of our results of operations and cash flows; (ii) enhance the understanding of our financial condition, changes in financial condition, and results of operations; and (iii) discuss material events and uncertainties known to management that are reasonably likely to cause reported financial information not to be necessarily indicative of future performance or of future financial condition.

The following discussion and analysis contains forward-looking statements about our business, operations, and financial performance based on current plans and estimates involving risks, uncertainties, and assumptions, which could differ materially from actual results. Factors that could cause such differences are discussed in the sections of this Annual Report titled Item 1A "Risk Factors" and "Cautionary Statements Regarding Forward-Looking Statements." Additionally, our historical results are not necessarily indicative of the results that may be expected for any period in the future.

BUSINESS AND BASIS OF PRESENTATION

We are a leading manufacturer of satellite products primarily serving the aerospace and defense industries. We provide end-to-end satellite solutions by combining satellite design, production, launch planning, mission operations, and on-orbit support to meet the needs of our military, civil, and commercial customers. We have a foreign subsidiary based in Torino, Italy.

All financial information presented in this section has been prepared in U.S. dollars in accordance with GAAP, excluding our Non-GAAP measures, and includes the accounts of Terran Orbital Corporation and its subsidiaries. All intercompany transactions have been eliminated. We evaluate and report financial and operating information in one segment.

FACTORS AFFECTING OPERATING RESULTS

Our financial success is based on our ability to deliver high quality products and services on a timely basis and at a cost-effective price for our customers. With the majority of our contracts with customers reflecting firm fixed pricing structures, our gross profit is dependent on the efficient and effective execution of our contracts. Our ability to maximize gross profit may be impacted by, but not limited to, unanticipated cost overruns, disruptions in our supply chains, and learning curve and non-recurring engineering costs related to our contracts with customers. Furthermore, our overall profitability may be impacted by our internal research and development initiatives associated with developing new and innovative technology, including the expansion of our offerings to include additional satellite bus designs, payload solutions, satellite subassemblies and components, and other defense-related products.

From time to time, we may strategically enter into contracts with low or negative margins relative to other contracts or that are at risk of cost overruns. This may occur due to strategic decisions built around positioning ourselves for future contracts or to enhance our product and service offerings. However, in some instances, loss contracts may occur from unforeseen cost overruns which are not recoverable from the customer. We establish loss reserves on contracts in which the cost estimate-at-completion ("EAC") exceeds the estimated revenue. The loss reserves are recorded in the period in which a loss is determined. Our reference to adjustments to EAC in the context of describing our results of operations relates to net changes during the period in our aggregate program contract values and estimated costs at completion and include the net impact of contract terminations, cost overruns, and loss reserves.

In recent years, we have expanded our headcount and production facilities in order to position ourselves to be awarded, and have the capacity to execute on, larger contracts with recurring revenue opportunities. These growth initiatives are principally located in Irvine, California near our existing facilities. Our existing portfolio of contracts includes multiple-satellite constellations as well as several technology demonstrations, prototypes, and studies with the potential for option exercises or follow-on contracts for multiple-satellite constellations. Accordingly, we are incurring a heightened level of operating expenses in advance of larger customer awards. These opportunities are subject to numerous uncertainties, including but not limited to: the customer may withdraw the opportunity, we may not submit a proposal, or we may not win a contract award or the full value of the award.

We may experience variability in the profitability of our contracts in the future and such future variability may occur at levels and frequencies different from historical experience. Such variability in profitability may be due to strategic decisions, cost overruns, or other circumstances within or outside of our control. Accordingly, our historical experience with profitability on our contracts is not indicative or predictive of future experience.

RECENT DEVELOPMENTS

The comparability of our results of operations has been impacted by the following events:

Tailwind Two Merger

Prior to March 25, 2022, Tailwind Two was a publicly listed special purpose acquisition company incorporated as a Cayman Islands exempted company. On March 25, 2022, the Tailwind Two Merger was completed. In connection with the Tailwind Two Merger, Tailwind Two filed a notice of deregistration with the Cayman Islands Registrar of Companies and filed a certificate of incorporation and a certificate of corporate domestication with the Secretary of State of the State of Delaware, resulting in Tailwind Two becoming a Delaware corporation and changing its name from Tailwind Two to Terran Orbital Corporation. The Tailwind Two Merger resulted in Legacy Terran Orbital becoming a wholly-owned subsidiary of Terran Orbital Corporation.

As a result of the Tailwind Two Merger, all of Legacy Terran Orbital's issued and outstanding common stock was converted into shares of Terran Orbital Corporation's common stock using an exchange ratio of 27.585 shares of Terran Orbital Corporation's common stock per each share of Legacy Terran Orbital's common stock. In addition, Legacy Terran Orbital's convertible preferred stock and certain warrants were exercised and converted into shares of Legacy Terran Orbital's common stock immediately prior to the Tailwind Two Merger, and in turn, were converted into shares of Terran Orbital Corporation's common stock as a result of the Tailwind Two Merger.

Further, in connection with the Tailwind Two Merger, Legacy Terran Orbital's share-based compensation plan and related share-based compensation awards were canceled and exchanged or converted, as applicable, with a new share-based compensation plan and related share-based compensation awards of Terran Orbital Corporation.

While Legacy Terran Orbital became a wholly-owned subsidiary of Terran Orbital Corporation, Legacy Terran Orbital was deemed to be the acquirer in the Tailwind Two Merger for accounting purposes. Accordingly, the Tailwind Two Merger was accounted for as a reverse recapitalization, in which case our consolidated financial statements represent a continuation of Legacy Terran Orbital and the issuance of common stock in exchange for the net assets of Tailwind Two recognized at historical cost and no recognition of goodwill or other intangible assets. Operations prior to the Tailwind Two Merger are those of Legacy Terran Orbital and all share and per-share data included in these consolidated financial statements have been retrospectively adjusted to give effect to the Tailwind Two Merger. In addition, the number of shares subject to, and the exercise price of, the Company's outstanding options and warrants were adjusted to reflect the Tailwind Two Merger. The treatment of the Tailwind Two Merger as a reverse recapitalization was based upon the pre-merger shareholders of Legacy Terran Orbital holding the majority of the voting interests of Terran Orbital Corporation, Legacy Terran Orbital's existing management team serving as the initial management team of Terran Orbital Corporation, Legacy Terran Orbital's appointment of the majority of the initial board of directors of Terran Orbital Corporation, and Legacy Terran Orbital's operations comprising the ongoing operations of the Company.

In connection with the Tailwind Two Merger, approximately \$29 million of cash and marketable securities held in trust, net of redemptions by Tailwind Two's public shareholders, became available for use to Terran Orbital Corporation as well as proceeds received from the contemporaneous sale of common stock in connection with the closing of a PIPE investment with a contractual amount of \$51 million (the "PIPE Investment"). In addition, the Company received additional proceeds from the issuance of debt contemporaneously with the Tailwind Two Merger. The cash raised was used for general corporate purposes, the partial paydown of debt, the payment of transaction costs and the payment of other costs directly or indirectly attributable to the Tailwind Two Merger.

Beginning on March 28, 2022, Terran Orbital Corporation's common stock and public warrants began trading on the NYSE under the symbols "LLAP" and "LLAP WS," respectively.

Refer to the discussions below under "Liquidity and Capital Resources" and Note 5 "Debt" in the notes to the consolidated financial statements for further details regarding our financing transactions.

Public Company Costs

As a result of the Tailwind Two Merger, we have incurred and will continue to incur additional legal, accounting, board compensation, and other expenses that we did not previously incur as a privately-owned company. These increases in costs include compliance with the Sarbanes-Oxley Act of 2002 as well as other corporate governance rules implemented by the SEC and the NYSE. Our financial statements for the periods following the Tailwind Two Merger reflect, and will continue to reflect, the impact of these incremental expenses.

Rivada Agreement

During February 2023, we entered into an agreement with Rivada providing for the development, production, and operation of 300 satellites, inclusive of 12 in-orbit spares and ground station equipment, for a total purchase price of approximately \$2.4 billion. The agreement also includes options for additional satellites, equipment, and services, including an option for the purchase of an additional 300 satellites. Performance under the agreement will be split into a developmental phase, with amounts billed on a time and materials basis, and a firm fixed price production phase. Rivada has an option to terminate the agreement for convenience at any time and for any reason, which would result in a termination fee for work performed up to such termination. In addition, the agreement includes termination provisions for default in the event of missed delivery targets or deadlines, insolvency, or other failures to perform, which could result in the refund of all amounts paid up to such termination. Whether we ultimately recognize revenue and profit on this contract is subject to a number of uncertainties including, among other things, our ability to successfully perform our obligations, increase our manufacturing capacity, and deliver operational satellites in a timely manner and Rivada's continuing ability to fund contract

performance and maintain its regulatory licenses for its operations. The amount of revenue recognized under the Rivada Agreement was \$6.9 million during 2023.

RESULTS OF OPERATIONS

Year Ended December 31, 2023 Compared to 2022

The following table presents our consolidated results of operations for the periods presented:

(in thousands)	Years Ended December 31,		
	2023	2022	\$ Change
Revenue	\$ 135,915	\$ 94,237	\$ 41,678
Cost of sales	127,355	111,494	15,861
Gross profit (loss)	8,560	(17,257)	25,817
Selling, general, and administrative expenses	117,458	111,870	5,588
Loss on impairment	-	23,694	(23,694)
Loss from operations	(108,898)	(152,821)	43,923
Interest expense, net	48,502	26,644	21,858
Loss on extinguishment of debt	-	23,141	(23,141)
Change in fair value of warrant and derivative liabilities	(5,488)	(43,300)	37,812
Other (income) expense	(103)	4,514	(4,617)
Loss before income taxes	(151,809)	(163,820)	12,011
Provision for income taxes	34	160	(126)
Net loss	\$ (151,843)	\$ (163,980)	\$ 12,137

Revenue

The increase in revenue was primarily due to the continued and increased level of progress made in satisfying our customer contracts and reflects the ongoing favorable impact from significant contract wins and modifications in recent periods.

During 2023 and 2022, revenue included an estimated negative impact of \$6.1 million and \$7.0 million, respectively, related to EAC adjustments on our firm fixed price contracts. While we believe our estimates as of December 31, 2023 consider all relevant and known information, such as supply chain and related production challenges, additional adjustments to our EACs could occur and have an impact on our revenue in future reporting periods.

Cost of Sales

The increase in cost of sales was primarily due to the following:

- an increase of \$25.8 million in labor, materials, third-party services, overhead (exclusive of allocated share-based compensation and depreciation), launch costs, and other direct costs incurred in satisfying our customer contracts; and
- an increase of \$2.5 million in depreciation and amortization as a result of increased production capacity and production levels.

These increases were partially offset by the following:

- a decrease of \$6.8 million in share-based compensation expense primarily due to a \$2.1 million non-recurring cumulative impact recognized during the first quarter of 2022 due to the closing of the Tailwind Two Merger satisfying a vesting

condition on certain awards as well as certain awards granted in connection with the Tailwind Two Merger that became fully expensed during the first quarter of 2023, net of an increase due to additional awards in 2023;

- a decrease of \$3.9 million related to reserves for anticipated losses on contracts as we recorded a \$1.9 million decrease in reserves during 2023 primarily due to the termination of an unfavorable contract compared to a \$2.0 million increase in reserves during 2022; and

- a decrease of \$2.1 million related to scrap and obsolete materials and services due to production challenges and the write-off of launch costs due to a missed launch during 2022.

During 2023 and 2022, cost of sales included an estimated negative impact of \$2.1 million and a negative impact of \$11.3 million, respectively, related to EAC adjustments on our firm fixed price contracts and non-recurring changes in estimates related to inventory. While we believe our estimates as of December 31, 2023 consider all relevant and known information, such as supply chain and related production challenges, additional adjustments to our EACs could occur and have an impact on our cost of sales in future reporting periods.

Selling, General, and Administrative Expenses

The increase in selling, general, and administrative expenses was primarily due to the following:

- an increase of \$13.2 million in labor and benefits, net of allocated overhead, due to the increase in headcount as part of our growth initiatives;
- an increase of \$9.7 million in research and development activities, exclusive of allocated share-based compensation and depreciation, related to the development of new modules and payloads;
- an increase of \$6.8 million in sales and marketing and business development;
- an increase of \$2.7 million technology costs, net of allocated overhead, due to an increase in overall headcount and solutions utilized;
- an increase of \$1.3 million in depreciation and amortization; and
- an increase of \$1.1 million in facilities expense, net of allocated overhead.

These increases were partially offset by the following:

- a decrease of \$22.8 million in share-based compensation expense primarily due to a \$15.1 million non-recurring cumulative impact recognized during the first quarter of 2022 due to the closing of the Tailwind Two Merger satisfying a vesting condition on certain awards as well as certain awards granted in connection with the Tailwind Two Merger that became fully expensed during the first quarter of 2023, net of an increase due to additional awards in 2023; and
- a decrease of \$4.3 million in accounting, legal, and other professional fees.

Loss on Impairment

There were no material impairments during 2023.

During 2022, we recorded a loss on impairment of \$22.4 million related to costs previously capitalized as construction-in-process associated with the development and construction of our company-owned Earth observation satellites. The resulting adjusted carrying amount represented the material, sub-assemblies, and other items which can be utilized for customer programs or other purposes. In addition, we recorded a loss on impairment of \$1.3 million related to costs previously capitalized as construction-in-process associated with our former plans of constructing a facility in Florida's Space Coast.

Interest Expense, net

The increase in interest expense, net was due to (i) an increase in contractual interest of \$10.2 million primarily as a result of higher debt balances due to our financing transaction during the fourth quarter of 2022, (ii) an increase in amortization related to discount on debt

of \$9.4 million, and (iii) a decrease in capitalized interest of \$2.0 million as we are no longer developing our Earth observation constellation.

Loss on Extinguishment of Debt

There was no long on extinguishment of debt during 2023.

During 2022, loss on extinguishment of debt totaled \$23.1 million and related to the refinancing and extinguishment of our debt obligations in connection with the Tailwind Two Merger.

Change in Fair Value of Warrant and Derivative Liabilities

The change in fair value of warrant and derivative liabilities relates to the periodic fair value remeasurement of liability-classified warrants and derivatives issued in connection with our financing transactions.

During 2023, the gain on change in fair value was primarily due to a decrease in the market price of our common stock and warrants, which drove the decrease in the overall fair value of our warrants and derivatives during the period, partially offset by an increase in the fair value of certain warrants containing a put right feature during the period.

During 2022, the gain on change in fair value was due to a decrease in fair value of \$60.3 million of warrants and derivatives primarily occurring subsequent to the Tailwind Two Merger driven by a decrease in the Company's price per warrant and price share of common stock, partially offset by a net increase in fair value of \$17.0 million primarily related to warrants and derivatives that were ultimately settled as part of the Tailwind Two Merger.

Other (Income) Expense

Other income was not material during 2023.

During 2022, other expense primarily related to \$3.4 million of non-recurring legal and accounting fees associated with our financing transactions during the period, and \$1.0 million of expense associated with the fair value of common stock issued as consideration for the execution of a committed equity facility.

Provision for Income Taxes

Provision for income taxes for 2023 was \$34 thousand, resulting in an effective tax rate for the period of 0.0%. We had a minimal effective tax rate as a result of the continued generation of NOLs offset by a full valuation allowance recorded on such NOLs as we determined it is more-likely-than-not that our NOLs will not be utilized. The remainder of the provision for income taxes was related to taxable income from our foreign subsidiary.

Provision for income taxes for 2022 was \$160 thousand, resulting in an effective tax rate for the period of -0.1%. We had a minimal effective tax rate as a result of the continued generation of NOLs offset by a full valuation allowance recorded on such NOLs as we determined it is more-likely-than-not that our NOLs will not be utilized. The remainder of the provision for income taxes was related to taxable income from our foreign subsidiary.

NON-GAAP MEASURES

To provide investors with additional information in connection with our results as determined in accordance with GAAP, we disclose the non-GAAP financial measures Adjusted Gross Profit and Adjusted EBITDA. These non-GAAP measures may be different from non-GAAP measures made by other companies. These measures may exclude items that are significant in understanding and assessing

our financial results. Therefore, these measures should not be considered in isolation or as an alternative to net income or other measures of financial performance or liquidity under GAAP.

Adjusted Gross Profit

We define Adjusted Gross Profit as gross profit or loss adjusted for (i) share-based compensation expense included in cost of sales and (ii) depreciation and amortization included in cost of sales.

We believe that the presentation of Adjusted Gross Profit is appropriate to provide additional information to investors about our gross profit adjusted for certain non-cash items. Further, we believe Adjusted Gross Profit provides a meaningful measure of operating profitability because we use it for evaluating our business performance, making budgeting decisions, and comparing our performance against that of other peer companies using similar measures.

There are material limitations to using Adjusted Gross Profit. Adjusted Gross Profit does not take into account all items which directly affect our gross profit or loss. These limitations are best addressed by considering the economic effects of the excluded items independently and by considering Adjusted Gross Profit in conjunction with gross profit or loss as calculated in accordance with GAAP.

The following table reconciles Adjusted Gross Profit to gross profit or loss (the most comparable GAAP measure) for 2023 and 2022:

(in thousands)	Years Ended December 31,		
	2023	2022	\$ Change
Gross profit (loss)	\$ 8,560	\$ (17,257)	\$ 25,817
Share-based compensation expense	5,850	12,652	(6,802)
Depreciation and amortization	4,946	2,415	2,531
Adjusted gross profit (loss)	\$ 19,356	\$ (2,190)	\$ 21,546

The increase in Adjusted Gross Profit was largely due to the continued and increased level of progress made in satisfying our customer contracts and reflects the ongoing favorable impact from significant contract wins and modifications in recent periods as well as the estimated impact from EAC adjustments and non-recurring changes in estimates related to inventory, which had a negative impact of \$4.0 million and \$18.3 million during 2023 and 2022, respectively. While we believe our estimates as of December 31, 2023 consider all relevant and known information, such as supply chain and related production challenges, additional adjustments to our estimates could occur and have an impact on our Adjusted Gross Profit in future reporting periods.

Adjusted EBITDA

We define Adjusted EBITDA as net income or loss adjusted for (i) interest, (ii) taxes, (iii) depreciation and amortization, (iv) share-based compensation expense, (v) loss on extinguishment of debt, (vi) change in fair value of warrant and derivative liabilities, and (vii) other non-recurring and/or non-cash items.

We believe that the presentation of Adjusted EBITDA is appropriate to provide additional information to investors about our operating profitability adjusted for certain non-cash items, non-routine items that we do not expect to continue at the same level in the future, as well as other items that are not core to our operations. Further, we believe Adjusted EBITDA provides a meaningful measure of operating profitability because we use it for evaluating our business performance, making budgeting decisions, and comparing our performance against that of other peer companies using similar measures.

There are material limitations to using Adjusted EBITDA. Adjusted EBITDA does not take into account certain significant items, including depreciation and amortization, interest, taxes, and other adjustments which directly affect our net income or loss. These

limitations are best addressed by considering the economic effects of the excluded items independently and by considering Adjusted EBITDA in conjunction with net income or loss as calculated in accordance with GAAP.

The following table reconciles Adjusted EBITDA to net loss (the most comparable GAAP measure) for 2023 and 2022:

(in thousands)	Years Ended December 31,		
	2023	2022	\$ Change
Net loss	\$ (151,843)	\$ (163,980)	\$ 12,137
Interest expense, net	48,502	26,644	21,858
Provision for income taxes	34	160	(126)
Depreciation and amortization	7,843	4,008	3,835
Share-based compensation expense	21,467	51,082	(29,615)
Loss on extinguishment of debt	-	23,141	(23,141)
Change in fair value of warrant and derivative liabilities	(5,488)	(43,300)	37,812
Loss on impairment	-	23,694	(23,694)
Other, net ^(a)	2,036	9,075	(7,039)
Adjusted EBITDA	\$ (77,449)	\$ (69,476)	\$ (7,973)

(a) - Represents other expense and other charges and items. Non-recurring legal and accounting fees related to our transition to a public company and financing transactions are included herein.

The decrease in Adjusted EBITDA was primarily due to an increase in selling, general, and administrative expenses as a result of our growth initiatives, partially offset by an increase in Adjusted Gross Profit. Refer to the discussions above under "Results of Operations" for further details.

KEY PERFORMANCE INDICATORS

We view growth in backlog as a key measure of our business growth. Backlog represents the estimated dollar value of executed contracts and exercised contract options, including both funded (firm orders for which funding is authorized and appropriated) and unfunded portions of such contracts, for which work has not been performed (also known as the remaining performance obligations on a contract). The unfunded portion of enforceable contracts is accounted for as variable consideration and is reported at our estimate of the most likely amount to which the Company is expected to be entitled. Backlog does not include unexercised contract options and potential orders under indefinite delivery/indefinite quantity contracts. Although backlog reflects business associated with contracts that are considered to be firm, terminations, amendments or contract cancellations may occur, which could result in a reduction in our total backlog.

Our backlog totaled \$2.7 billion and \$170.8 million as of December 31, 2023 and 2022, respectively. The increase in backlog was primarily due to the Rivada Agreement as well as increased support for the SDA's Transport Layer program. The increase in backlog was partially offset by revenue recognized and terminations that occurred during the period.

As of December 31, 2023, the Rivada Agreement represented 88% of our backlog and programs associated with Lockheed Martin represented approximately 8% of our backlog.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

We have historically funded our operations primarily through the issuance of debt and equity securities. Our short-term liquidity requirements include initiatives related to (i) expansion of existing facilities and upgrade of equipment in order to increase operational capacity, (ii) recruitment of additional employees to meet operational needs, (iii) upgrade of information technology, and (iv) research and development initiatives. Our long-term liquidity requirements include initiatives related to (i) design and development of payload solutions, (ii) expansion of advanced manufacturing and assembly facilities and capabilities, and (iii) development of new satellite components, infrastructure, and software. The timing and amount of spend on these initiatives may be materially delayed, reduced, or cancelled as a result of the level of our financial resources and available financing opportunities. Additionally, our liquidity requirements include the repayment of debt and other payment obligations incurred as a result of the Tailwind Two Merger and other financing

transactions. Our sources of liquidity include cash generated from operations, potential proceeds from the exercise of warrants, and potential proceeds from the issuance of debt and/or equity securities.

Certain warrants issued to affiliates of Francisco Partners provide the right to require us to exchange such warrants (in full but not in part) for \$25 million in cash on March 25, 2025. If such warrant holders exercise their exchange right on March 25, 2025, then it will require us to make a \$25 million cash payment, which would reduce the amount of cash available at such time to fund our operations and execute our business plan, and the amount of such future cash payment could have a material adverse effect on our financial position and cash flows at such time. Further, in the event such warrant holders exercise their right and we are unable to make the cash redemption payment on March 25, 2025, such failure for us to pay would constitute an event of default under our outstanding debt instruments, which, if not cured or waived could result in the acceleration of all outstanding indebtedness under such debt instruments. Other than such warrants, no investors have the unconditional right to sell back shares or other securities to us or have any forward purchase agreements with us.

There can be no assurances that holders of our warrants will elect to exercise for cash any or all of such warrants, and the likelihood that warrant holders will exercise their warrants is dependent upon the market price of our common stock. As of March 25, 2024, the market price of our common stock is less than the exercise price for all warrants. We believe that based on the current trading prices of our common stock it is uncertain whether we will receive cash proceeds from the exercise of warrants in the next twelve months. Accordingly, we have not relied upon, and are not dependent upon, the receipt of the cash proceeds from the exercise of warrants as a source of liquidity to fund our operations in the next twelve months. The exercise of any or all of the warrants outstanding as of December 31, 2023 for cash would result in an increase in our liquidity, with an aggregate maximum amount of proceeds to be received of approximately \$464.9 million.

As of December 31, 2023, we had \$71.7 million of cash and cash equivalents, which included \$3.2 million of cash and cash equivalents held by our foreign subsidiary. We are not presently aware of any restrictions on the repatriation of our foreign cash and cash equivalents; however, the earnings of our foreign subsidiary are essentially considered permanently invested in the foreign subsidiary. If these funds were needed to fund operations or satisfy obligations in the U.S., they could be repatriated and their repatriation into the U.S. may cause us to incur additional foreign withholding taxes. We do not currently intend to repatriate these earnings.

We rely on winning new customer orders, timely execution of programs and, ultimately, collections from customers to provide liquidity and fund our business plan. Our customer contracts are generally structured to result in advance payments to mitigate program and credit risk. The failure to win new orders, execute on programs on schedule or collect from customers in a timely manner would negatively impact our liquidity and increase our need to rely on capital raising activities to provide liquidity. In order to proceed with our strategic business plan, we may need to raise additional funds through the issuance of additional debt, equity, or other commercial arrangements, which may not be available to us when needed or on terms that we deem to be favorable. To the extent we raise additional capital through the sale of equity or convertible securities, the ownership interest of our shareholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of common shareholders. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making acquisitions or capital expenditures or declaring dividends. If we are unable to obtain sufficient financial resources, our business, financial condition and results of operations may be materially and adversely affected. We may be required to delay, limit, reduce or terminate parts of our strategic business plan or future commercialization efforts. There can be no assurance that we will be able to obtain financing on acceptable terms. Furthermore, our ability to meet our debt service obligations and other capital requirements depends on, among other things, our future operating performance, which is subject to future general economic, financial, business, competitive, legislative, regulatory, and other conditions, many of which are beyond our control. Changes

in our operating plans, material changes in anticipated sales, increased expenses, acquisitions, or other events may cause us to seek equity and/or debt financing in future periods.

Long-term Debt

As of December 31, 2023, long-term debt was comprised of the following (including accrued interest paid-in-kind):

(in thousands)						December 31, 2023
Description	Issued	Maturity	Interest Rate	Interest Payable		
Francisco Partners Facility	November 2021	April 2026	9.25%	Quarterly	\$	120,023
Lockheed Martin Rollover Debt	March 2021	April 2026	9.25%	Quarterly		25,000
Beach Point Rollover Debt ⁽¹⁾	March 2021	April 2026	11.25%	Quarterly		32,380
Convertible Notes due 2027 ⁽²⁾	October 2022	October 2027	10.00%	Quarterly		112,251
PIPE Investment Obligation ⁽³⁾	March 2022	December 2025	N/A	N/A		16,875
Equipment Financings ⁽⁴⁾						2,287
Finance leases						4,988
Unamortized deferred issuance costs						(2,664)
Unamortized discount on debt						(128,367)
Total debt						182,773
Current portion of long-term debt						11,740
Long-term debt					\$ 171,033	

(1) - Incurs annual interest at 11.25%, of which 2.00% is payable-in-kind at our option.

(2) - Interest is payable-in-kind at our option. Principal and interest prior to maturity are convertible into common stock at a conversion price of \$2.898 per share at the holder's option.

(3) - Requires quarterly repayment of \$1.875 million, which is payable in cash or common stock at our option, subject to certain restrictions.

(4) - Consists of equipment financing debt agreements with maturities through September 2030, annual interest rates ranging from 6.25% to 20.05%, and requiring monthly payments of principal and interest.

N/A - Not meaningful or applicable.

Refer to Note 5 "Debt" in the notes to the consolidated financial statements for a full description of our long-term debt.

In January 2024, we paid \$1.875 million of principal related to the PIPE Investment Obligation, which was outstanding as of December 31, 2023.

Our primary corporate debt agreements contain a liquidity maintenance financial covenant requiring us to have an amount of unrestricted cash and cash equivalents of the greater of \$20 million or 15% of certain aggregated funded indebtedness for each fiscal quarter end. In addition, our corporate debt agreements have a financial covenant related to the EBITDA Financial Covenant. The commencement of the EBITDA Financial Covenant may be further delayed by one quarter for every additional \$25.0 million of net cash proceeds received from qualified equity issuances. If we are unable to comply with these financial covenants, our creditors may accelerate the principal and interest on our primary corporate indebtedness to be immediately due and payable. As of December 31, 2023, debt subject to these financial covenants totaled \$289.7 million with related accrued but unpaid interest of \$2.1 million.

As of December 31, 2023, we were in compliance with all financial covenants. However, there is uncertainty regarding our ability to comply with the EBITDA Financial Covenant for at least twelve months from the issuance of these consolidated financial statements. To address the potential future breach of the EBITDA Financial Covenant, we are executing on our business plan to improve operating results. Additionally, we are in active discussions with funding sources to have access to additional sources of qualified equity issuances in the event needed to extend the EBITDA Financial Covenant beyond December 31, 2024. Furthermore, we can request waivers from existing creditors to waive the EBITDA Financial Covenant to the extent necessary. We cannot provide assurances that we will be successful in improving operating results, obtaining new financing, and/or receiving waivers to the EBITDA Financial Covenant. Our inability to improve operating results, raise capital through qualified equity issuances, or receive waivers may negatively impact our compliance with the EBITDA Financial Covenant, which may have a material adverse impact on our financial condition. Accordingly, there is substantial doubt about the Company's ability to continue as a going concern.

Warrants and Derivatives

Liability-classified Warrants and Derivatives

As of December 31, 2023, our liability-classified warrants and derivatives were comprised of the following:

<i>(in thousands, except share and per share amounts)</i>	Number of Issuable Shares	Issuance	Maturity	Exercise/Conversion Price	Fair Value
Public Warrants	19,221,960	March 2021	March 2027	\$ 11.50	\$ 1,346
Private Placement Warrants	78,000	March 2021	March 2027	11.50	5
FP Combination Warrants ⁽¹⁾	8,291,704	March 2022	March 2027	10.00	21,476
2027 Warrants	17,253,279	October 2022	October 2027	2.898	9,842
Conversion Option Derivative ⁽²⁾	38,733,878	October 2022	October 2027	2.898	1,793
Warrant and derivative liabilities	<u>83,578,821</u>				<u>\$ 34,462</u>

(1) - Holders have the right to exchange the warrants for a \$25 million cash payment on March 25, 2025.

(2) - Represents the bifurcated embedded derivative associated with the Convertible Notes due 2027's conversion option.

Equity-classified Warrants and Derivatives

As of December 31, 2023, our equity-classified warrants and derivatives were comprised of the following:

<i>(in thousands, except share and per share amounts)</i>	Number of Issuable Shares	Issuance	Maturity	Exercise Price
Combination Warrants	2,763,902	March 2022	March 2027	\$ 10.00
RDO Warrants	29,000,000	May 2023	November 2028	1.43
Placement Agent Warrants	2,030,000	May 2023	May 2028	1.60
CMPO Warrants	23,214,290	September 2023	September 2028	1.50
CMPO Placement Agent Warrants	1,625,000	September 2023	September 2028	1.75
Total equity-classified warrants and derivatives	<u>58,633,192</u>			

Refer to Note 6 "Warrants and Derivatives" in the notes to the consolidated financial statements for a full description of our warrants and derivatives.

Committed Equity Facility

On July 5, 2022, we entered into a common stock purchase agreement (the "Committed Equity Facility") with an institutional investor giving us the right, but not the obligation, to sell to the investor over a 24-month period up to the lesser of (i) \$100 million of newly issued shares of our common stock and (ii) 27,500,000 shares of our common stock. The price per share of common stock sold by us is determined by reference to the volume weighted average price of our common stock as defined within the Committed Equity Facility less a 3% discount, subject to certain limitations and conditions.

As of December 31, 2023, the remaining availability under the Committed Equity Facility was the lesser of 27,077,304 shares of common stock or \$98.2 million of proceeds from the sale and issuance of common stock. We terminated the Committed Equity Facility in March 2024.

Refer to Note 8 "Shareholders' Deficit" to the consolidated financial statements for a full description of the Committed Equity Facility.

Dividends

We intend to retain future earnings, if any, for future operations, expansion, and debt repayment (if any) and there are no current plans to pay any cash dividends for the foreseeable future. In addition, our ability to pay dividends is limited by covenants of our existing and outstanding indebtedness and may be limited by covenants of any future indebtedness. There are no current restrictions in the covenants

of our existing and outstanding indebtedness on our wholly-owned subsidiaries from distributing earnings in the form of dividends, loans, or advances and through repayment of loans or advances to Terran Orbital Corporation.

Following the Tailwind Two Merger, our existing and outstanding indebtedness allows for the declaration and payment of dividends or prepayment of junior debt obligations in cash subject to certain limitations.

Other Material Cash Requirements

In addition to debt service requirements on our long-term debt and any payment obligations on our warrants and derivatives, we have certain short-term and long-term cash requirements under operating leases and certain other contractual obligations and commitments.

Operating Leases

Refer to Note 15 "Leases" to the consolidated financial statements for further information regarding our operating leases.

Purchase Commitments

Our material cash requirements for purchases of goods or services entered into in the ordinary course of business, including purchase orders and contractual obligations, primarily relate to materials and services required to manufacture, assemble, integrate, and test satellites and satellite buses in connection with satisfying our customer contracts.

Refer to Note 12 "Commitments and Contingencies" to the consolidated financial statements for further information regarding our purchase commitments

Off-Balance Sheet Arrangements

As of December 31, 2023, we do not have any material off-balance sheet arrangements other than our equity-classified warrants and derivatives, which are discussed above. Our equity-classified warrants and derivatives are both indexed to and classified as equity under GAAP.

Cash Flow Analysis

The following table is a summary of our cash flow activity for the years ended December 31, 2023 and 2022:

<i>(in thousands)</i>	Years Ended December 31,		
	2023	2022	\$ Change
Net cash used in operating activities	\$ (55,720)	\$ (81,804)	\$ 26,084
Net cash used in investing activities	(23,147)	(22,469)	(678)
Net cash provided by financing activities	56,808	170,549	(113,741)
Effect of exchange rate fluctuations on cash and cash equivalents	161	(40)	201
Net (decrease) increase in cash and cash equivalents	\$ (21,898)	\$ 66,236	\$ (88,134)

Cash Flows from Operating Activities

The decrease in net cash used in operating activities was primarily due an increase in cash received from customers, partially offset by an increase in selling, general, and administrative expenses and outflows related to satisfying customer contracts and other working capital needs. The remainder of the activity in net cash used in operating activities is related to changes in assets and liabilities due to the volume and timing of other operating cash receipts and payments with respect to when the transactions are reflected in earnings.

Refer to the discussions above under "Results of Operations" for further details.

Cash Flows from Investing Activities

The increase in net cash used in investing activities was primarily driven by an increase in spending associated with the expansion of our manufacturing facilities and equipment in connection with our growth initiatives, partially offset by a decrease in outflows of \$7.1

million associated with the development of company-owned satellites as we are no longer developing our Earth observation constellation.

Cash Flows from Financing Activities

During 2023, net cash provided by financing activities primarily consisted of \$47.4 million of proceeds received allocated to the issuance of warrant and derivative instruments and \$22.2 million of proceeds received allocated to the issuance of common stock. These increases were partially offset by \$8.8 million related to the repayment of long-term debt, inclusive of prepayments on finance leases, and \$6.2 million related to the payment of issuance costs related to our financing transactions.

During 2022, net cash provided by financing activities primarily consisted of \$101.7 million of proceeds received allocated to the issuance of warrant and derivative instruments, \$77.4 million of proceeds received allocated to the issuance of debt, \$58.4 million of proceeds received from the Tailwind Two Merger and the PIPE Investment, and \$14.8 million of proceeds received allocated to the issuance of common stock. These increases were partially offset by \$49.5 million of payment of issuance costs related to our financing transactions and \$32.9 million related to the repayment of long-term debt.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The accompanying consolidated financial statements are prepared in accordance with GAAP, which requires us to select accounting policies and make estimates that affect amounts reported in the consolidated financial statements and the accompanying notes. Management's estimates are based on the relevant information available at the end of each period. Actual results could differ materially from these estimates under different assumptions or market conditions.

The following discussion includes estimates prepared in accordance with GAAP that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on the financial condition or results of operations, and are based on, among other things, estimates, assumptions, and judgments made by management that include inherent risks and uncertainties. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances.

Refer to the notes to the consolidated financial statements included in this Annual Report for further discussion of our significant accounting policies and the effect on our consolidated financial statements.

Revenue Recognition

The majority of our contracts with customers relate to the creation of specialized assets that do not have alternative use and entitle the us to an enforceable right to payment for performance completed to date. Accordingly, we generally recognize revenue over time using the cost-to-cost input method.

The recognition of revenue over time using the cost-to-cost input method is dependent on our EAC, which is subject to many variables and requires significant judgment. EAC represents the total estimated cost-at-completion and is comprised of direct material, direct labor and manufacturing overhead applicable to a performance obligation. There is a company-wide standard and periodic EAC process in which we review the progress and execution of outstanding performance obligations. As part of this process, we review information including, but not limited to, any outstanding key contract matters, progress towards completion and the related program schedule, identified risks and opportunities and the related changes in estimates of revenues and costs. The risks and opportunities include our judgments about the ability and cost to achieve the schedule (e.g., the number and type of milestone events), technical requirements (e.g., a newly-developed product versus a mature product) and other contract requirements. We must make assumptions and estimates regarding labor productivity and availability, the complexity of the work to be performed, the availability of materials, the length of time to complete the performance obligation (e.g., to estimate increases in wages and prices for materials and related support cost allocations), execution by subcontractors, the availability and timing of funding from customers and overhead cost rates, among other variables.

Based on the results of the periodic EAC process, any adjustments to revenue, cost of sales, and the related impact to gross profit are recognized on a cumulative catch-up basis in the period they become known. These adjustments may result from positive program performance, and may result in an increase in gross profit during the performance of individual performance obligations, if it is determined we will be successful in mitigating risks surrounding the technical, schedule and cost aspects of those performance obligations or realizing related opportunities. Likewise, these adjustments may result in a decrease in gross profit if it is determined we will not be successful in mitigating these risks or realizing related opportunities. A significant change in one or more of these estimates could affect the profitability of one or more of our performance obligations.

Some of our long-term contracts contain award fees, incentive fees, or other provisions that can either increase or decrease the transaction price. These variable amounts generally are awarded upon achievement of certain performance metrics, program milestones or cost targets and can be based upon customer discretion. Variable consideration is estimated at the most likely amount to which we expect to be entitled. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of our anticipated performance and all information (historical, current, and forecasted) that is reasonably available. The unfunded portion of enforceable contracts are accounted for as variable consideration.

For contracts in which the U.S. Government is the ultimate customer, we follow U.S. Government procurement and accounting standards in assessing the allowability and the allocability of costs to contracts. Due to the significance of the judgments and estimation processes, it is likely that materially different amounts could be recorded if different assumptions were used or if the underlying circumstances were to change. We monitor the consistent application of its critical accounting policies and compliance with contract accounting. Business operations personnel conduct periodic contract status and performance reviews. When adjustments in estimated contract revenues or costs are determined, any material changes from prior estimates are included in earnings in the current period. Also, regular and recurring evaluations of contract cost, scheduling and technical matters are performed by personnel who are independent from the business operations personnel performing work under the contract. Costs incurred and allocated to contracts with the U.S. Government are subject to audit by the Defense Contract Audit Agency for compliance with regulatory standards.

When the estimated cost-at-completion exceeds the estimated revenue to be earned for a performance obligation, we record a reserve for the anticipated losses in the period the loss is determined.

Fair Value Measurements

The measurement of our share-based compensation awards and warrant and derivative financial instruments are based on the fair value of our common stock.

Prior to the Tailwind Two Merger, there was no public market for Legacy Terran Orbital's common stock. As such, the estimated fair value of Legacy Terran Orbital's common stock was subject to a significant level of estimation uncertainty. There were no estimates of the fair value of Legacy Terran Orbital's common stock performed during 2022 prior to the Tailwind Two Merger.

Following the Tailwind Two Merger, there is a public market for Terran Orbital Corporation's common stock and certain warrants and derivatives. Accordingly, the fair value of Terran Orbital Corporation's common stock and applicable warrant and derivative financial instruments is based on the closing price on the relevant valuation date as reported on the NYSE, thereby eliminating the significant level of estimation uncertainty.

The fair values of certain warrants and derivatives were estimated using the Black-Scholes option-pricing model. In addition to the fair value of common stock, additional assumptions used in the Black-Scholes option-pricing model included:

- The exercise price of the instruments;
- Expected term of the instruments;
- Expected volatility based upon the historical and implied volatility of common stock for selected peers;
- Expected dividend yield of zero as there is no history or plan of declaring dividends on common stock; and
- Risk-free interest rate based on U.S. treasury bonds with a zero-coupon rate.

The fair values of certain warrants and derivatives were estimated using models similar to that of the Black-Scholes option-pricing model and included additional assumptions such as the estimated counterparty credit spread based on an estimated credit rating of CCC and below.

The fair value of the Conversion Option Derivative was estimated as the difference in the fair value of the Convertible Notes due 2027 inclusive of the conversion option and the fair value of the Convertible Notes due 2027 exclusive of the conversion option. The fair value inclusive of the conversion option was estimated using a lattice model with the following significant inputs and assumptions: (i) time to maturity, (ii) coupon rate, (iii) discount rate based on an estimated credit rating of CCC and below, (iv) risk-free interest rate, (v) contractual features such as prepayment options, call premiums and default provisions, (vi) price per share of common stock, (vii) dividend yield, and (viii) estimated volatility. The fair value exclusive of the conversion option, along with certain other long-term debt instruments, was estimated using a discounted cash flow method using a discount rate based on an estimated credit rating of CCC and below plus a risk-free interest rate.

The grant date fair value of certain share-based compensation awards which included a market-based vesting condition was estimated using the Monte Carlo simulation model using the following significant inputs and assumptions as of the valuation date: (i) the price per share of common stock, (ii) the risk-free interest rate, (iii) the dividend yield, (iv) the estimated volatility, and (v) a discount for lack of marketability.

The assumptions underlying these valuations represented our best estimate, which involved inherent uncertainties and the application of judgment. If we had used different assumptions or estimates, the estimated fair value of the instruments described above could have been materially different.

Inventory

Inventory consists of parts and sub-assemblies that are ultimately consumed in the manufacturing and final assembly of satellites. When an item in inventory has been identified and incorporated into a specific satellite, the cost of the sub-assembly is charged to cost of sales in the consolidated statements of operations and comprehensive loss. Inventory is measured at the lower of cost or net realizable value. The cost of inventory includes direct material, direct labor and manufacturing overhead and is determined on a first-in-first-out basis. Inventory is presented net of an allowance for losses associated with excess and obsolete items, which is estimated based on our current knowledge with respect to inventory levels, planned production and customer demand.

Long-lived Assets Impairment

We review long-lived assets for impairment whenever events or changes in business circumstances indicate that the net carrying amount of an asset or asset group may not be fully recoverable. We group assets at the lowest level for which cash flows are separately identified. Recoverability is measured by a comparison of the net carrying amount of the asset group to its expected future undiscounted cash flows. If the expected future undiscounted cash flows of the asset group are less than its net carrying amount, an impairment loss is recognized based on the amount by which the net carrying amount exceeds the fair value less costs to sell. The calculation of the fair value less costs to sell of an asset group is based on assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates, reflecting varying degrees of perceived risk.

Loss Contingencies

From time to time, we are subject to claims and lawsuits in the ordinary course of business, such as contractual disputes and employment matters. We are also subject to regulatory and governmental examinations, information requests and subpoenas, inquiries, investigations, and threatened legal actions and proceedings. We record accruals for losses that are probable and reasonably estimable. These accruals are based on a variety of factors such as judgment, probability of loss, opinions of internal and external legal counsel. Legal costs in connection with claims and lawsuits in the ordinary course of business are expensed as incurred.

ACCOUNTING PRONOUNCEMENTS

Refer to Note 1 "Organization and Summary of Significant Accounting Policies" to the consolidated financial statements for further information about recent accounting pronouncements and adoptions.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable to smaller reporting companies.

Item 8. Financial Statements and Supplementary Data.

The Report of Independent Registered Public Accounting Firm, our consolidated financial statements, and the accompanying notes to the consolidated financial statements that are filed as part of this Annual Report are listed under "Item 15. Exhibit and Financial Statement Schedules" and are set forth beginning on page F-1 immediately following the signature pages of this Annual Report.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.***Evaluation of Disclosure Controls and Procedures***

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2023. Based upon their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were not effective due to the material weaknesses in our internal control over financial reporting described below. 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. As a result, we performed additional analysis as deemed necessary to ensure that our consolidated financial statements were prepared in accordance with GAAP. Accordingly, management believes that the consolidated financial statements included in this Annual Report present fairly in all material respects our financial position, results of operations, and cash flows for the periods presented.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined under Exchange Act Rules 13a-15(f) and 15d-15(f)). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management performed an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2023 based on criteria established in *Internal Control — Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our assessment and those criteria, our management determined that our internal control over financial reporting was not effective as of December 31, 2023 because all of our previously disclosed material weaknesses in the Annual Report on Form 10-K filed with the SEC on March 23, 2023 (the "2022 Annual Report"), except for one, remain to be remediated.

Previously Identified Material Weaknesses in Internal Control over Financial Reporting

While we have made progress on our remediation plan, we require additional time to complete the design and implementation of our remediation plan and to demonstrate the effectiveness of our remediation efforts. As a result, our internal control over financial reporting continues to have the following material weaknesses:

- We did not design and maintain formal accounting policies, procedures and controls to achieve complete, accurate and timely financial accounting, reporting and disclosures, including controls over the preparation and review of business performance reviews, account reconciliations and journal entries.
- We did not design and maintain effective controls to address the identification of and accounting for complex revenue transactions, including the proper application of GAAP related to such transactions. Specifically, we did not design and

maintain controls over the accurate recording of progress towards completion on loss contracts, subsequent to initial loss recognition.

- We did not design and maintain effective controls over the accounting for inventory in accordance with GAAP. Specifically, we did not design and maintain effective controls over complete and accurate inventory costing, appropriate capitalization of inventoriable costs, or classification of inventory between raw materials, work-in-process and finished goods.

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

We did not design and maintain effective controls over information technology ("IT") general controls for information systems that are relevant to the preparation of our financial statements. Specifically, we did not design and maintain:

- user access controls to ensure appropriate segregation of duties and that adequately restrict user and privileged access to financial applications, programs, and data to appropriate company personnel;
- program change management controls to ensure that IT program and data changes affecting financial IT applications and underlying accounting records are identified, tested, authorized, and implemented appropriately;
- computer operations controls to ensure that data backups are authorized and monitored; and
- testing and approval controls for program development to ensure that new software development is aligned with business and IT requirements.

The IT deficiencies, when aggregated, could impact maintaining effective segregation of duties, as well as the effectiveness of IT-dependent controls (such as automated controls that address the risk of material misstatement to one or more assertions, along with the IT controls and underlying data that support the effectiveness of system-generated data and reports) that could result in misstatements potentially impacting all financial statement accounts and disclosures that would not be prevented or detected. Accordingly, management has determined these deficiencies in the aggregate constitute a material weakness.

Remediation Plan

We are actively working to remediate our identified material weaknesses. These remediation measures are ongoing and include (i) hiring additional accounting and IT personnel to bolster our technical reporting, transactional accounting, internal controls, and IT capabilities; (ii) designing and implementing controls to formalize roles and review responsibilities and designing and implementing formal controls over segregation of duties; (iii) designing and implementing formal processes, accounting policies, procedures, and controls supporting our financial close process, including completion of business performance reviews, creating standard balance sheet reconciliation templates, and journal entry controls; and (iv) designing and implementing IT general controls, including controls over change management, the review and update of user access rights and privileges, controls over data backups, and controls over program development efforts. We implemented a new enterprise resource planning system on January 1, 2023 in connection with our remediation efforts and we anticipate to implement additional modules and functionality during 2024 that will further assist in our remediation efforts.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the three months ended December 31, 2023 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting, other than changes related to the remediation of a material weakness as described below.

Remediation of a Previously Disclosed Material Weakness

As disclosed in the 2022 Annual Report, our management concluded that a material weakness existed regarding an ineffective risk assessment process that operates at a precise enough level to identify new and evolving risks of material misstatement in our financial statements as changes to existing controls or the implementation of new controls have not been sufficient to respond to changes to the risks of material misstatement to financial reporting. During 2023, we remediated the material weakness by implementing a new and comprehensive risk assessment process related to the identification, evaluation, and monitoring of (as well as the response to) risks of material misstatements, whether due to error or fraud, in our financial reporting, allowing management to implement new controls or

change existing controls that are responsive to new and evolving risks of material misstatement in our financial statements, exclusive of the material weaknesses described above.

Attestation Report of the Registered Public Accounting Firm

Our independent registered public accounting firm is not required to attest to the effectiveness of our internal control over financial reporting for as long as we are an “emerging growth company” pursuant to the provisions of the JOBS Act.

Item 9B. Other Information.

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this Item 10. "Directors, Executive Officers and Corporate Governance" is incorporated herein by reference from our Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days after our fiscal year end of December 31, 2023 (the "Proxy Statement").

Item 11. Executive Compensation.

The information required by this Item 11 "Executive Compensation" is incorporated herein by reference from our Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this Item 12 "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters, " other than as set forth below as required by Item 201(d) and Item 403(c) of Regulation S-K, is incorporated herein by reference from our Proxy Statement.

Securities Authorized for Issuance Under Equity Compensation Plans

The Terran Orbital Corporation 2021 Omnibus Incentive Plan (the "2021 Plan") provides for the issuance of share-based compensation awards to certain employees, officers, directors, and consultants. The 2021 Plan initially authorized the issuance of no more than 13,729,546 shares of Terran Orbital Corporation's common stock pursuant to share-based compensation awards under the 2021 Plan. Beginning on January 1, 2022, the number of authorized shares issuable under the 2021 Plan is subject to an annual increase on the first day of each calendar year during its term of the 2021 Plan, equal to the lesser of (i) 3% of the aggregate number of shares of Terran Orbital Corporation's common stock outstanding on the final day of the immediately preceding calendar year and (ii) such smaller number of shares of Terran Orbital Corporation's common stock as determined by our board of directors.

The following table provides information as of December 31, 2023 with respect to shares of our common stock issuable under the 2021 Plan:

	Equity Compensation Plan Information		
	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (a)	Weighted-average exercise price of outstanding options, warrants, and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by shareholders:			
2021 Plan ⁽¹⁾⁽²⁾⁽³⁾	23,578,719	\$ 0.05	4,514,920
Equity compensation plans not approved by shareholders			
Total	<u>23,578,719</u>		<u>4,514,920</u>

(1) Column (a) includes (i) 15,941,115 of the 19,298,409 share-based compensation awards authorized by the 2021 Plan, (ii) 3,338,458 of the 5,440,438 share-based compensation awards authorized by the merger agreement governing the Tailwind Two Merger, and (iii) 4,299,146 share-based compensation awards of Legacy Terran Orbital that were converted into share-based compensation awards of Terran Orbital Corporation. The share-based compensation awards for (ii) and (iii) are incremental to, and do not count against, the authorized share pool of the 2021 Plan.

(2) Column (a) includes (i) 19,234,312 shares of common stock that may be issued upon the vesting and settlement of service-based restricted stock unit ("RSUs"), (ii) 3,338,458 shares of common stock that may be issued upon the vesting and settlement of market-based RSUs, and (iii) 1,005,949 shares of common stock that may be issued upon the exercise of service-based stock options.

(3) The weighted-average exercise price in column (b) is inclusive of outstanding RSUs, which result in the issuance of shares of common stock for no consideration. Excluding the RSUs, the weighted-average exercise price is equal to \$1.10.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this Item 13 "Certain Relationships and Related Transactions, and Director Independence" is incorporated herein by reference from our Proxy Statement.

Item 14. Principal Accountant Fees and Services.

The information required by this Item 14 "Principal Accountant Fees and Services" is incorporated herein by reference from our Proxy Statement.

PART IV

Item 15. Exhibit and Financial Statement Schedules.

1. Financial Statements

See Index to Consolidated Financial Statements appearing on page F-1.

2. Financial Statement Schedules

All financial statement schedules are omitted because either they are not required, are included in the consolidated financial statements or notes thereto included elsewhere in this Annual Report, or are not material.

3. Exhibits

The exhibits listed on the accompanying Exhibit Index are filed/furnished or incorporated by reference as part of this Annual Report.

Exhibit Index

The information required by this Item is set forth on the exhibit index below.

Exhibit Number	Description	Form	Exhibit	Incorporated by Reference	Filing Date
2.1†	Agreement and Plan of Merger, dated as of October 28, 2021, by and among the Terran Orbital Corporation, Tailwind Two Acquisition Corp. and Titan Merger Sub, Inc.	8-K	2.1	10/28/2021	
2.2	Amendment No. 1 to the Agreement and Plan of Merger, dated as of February 8, 2022, by and among Tailwind Two Acquisition Corp., Titan Merger Sub, Inc., and Terran Orbital Corporation	S-4/A	2.2	2/10/2022	
2.3	Amendment No. 2 to the Agreement and Plan of Merger, dated as of March 9, 2022, by and among Tailwind Two Acquisition Corp., Titan Merger Sub, Inc., and Terran Orbital Corporation	8-K	2.1	3/15/2022	
3.1	Certificate of Corporate Domestication of Tailwind Two Acquisition Corp.	8-K	4.1	3/28/2022	
3.2	Amended and Restated Certificate of Incorporation	8-K	3.1	5/5/2023	
3.3	Bylaws of Terran Orbital Corporation	8-K	3.2	3/28/2022	
3.4	Certificate of Designations of Series A Junior Participating Preferred Stock of Terran Orbital Corporation.	8-K	3.1	3/4/2024	
4.1	Form of Common Stock Certificate of Terran Orbital Corporation	8-K	4.2	3/28/2022	
4.2	Form of Convertible Note (related to Convertible Note and Warrant Purchase Agreement dated as of October 31, 2022)	8-K	4.1	10/31/2022	
4.3	Form of Warrant (related to Convertible Note and Warrant Purchase Agreement dated as of October 31, 2022)	8-K	4.2	10/31/2022	
4.4*	Description of Securities				
4.5	Form of Common Warrant (related to Securities Purchase Agreement dated as of May 24, 2023)	8-K	4.1	5/30/2023	
4.6	Form of Pre-Funded Warrant (related to Securities Purchase Agreement dated as of May 24, 2023)	8-K	4.2	5/30/2023	
4.7	Form of Placement Agent Warrant (related to Securities Purchase Agreement dated as of May 24, 2023)	8-K	4.3	5/30/2023	
4.8	Form of Common Warrant (related to Securities Purchase Agreement dated as of September 18, 2023)	8-K	4.1	9/20/2023	
4.9	Form of Pre-Funded Warrant (related to Securities Purchase Agreement dated as of September 18, 2023)	8-K	4.2	9/20/2023	
4.10	Form of Placement Agent Warrant (related to Securities Purchase Agreement dated as of September 18, 2023)	8-K	4.3	9/20/2023	
4.11	Rights Agreement, dated as of March 4, 2024, between Terran Orbital Corporation and Continental Stock Transfer & Trust Company, as Rights Agent (including the form of Certificate of Designations of Series A Junior Participating Preferred Stock attached thereto as Exhibit A, the form of Right Certificate attached thereto as Exhibit B and the Summary of Rights to Purchase Preferred Shares attached thereto as Exhibit C).	8-K	4.1	3/4/2024	
10.1	Amendment to Sponsor Letter Agreement, dated as of March 25, 2022, between Tailwind Two Sponsor, LLC, Tommy Stadlen, certain other persons, Tailwind Two Acquisition Corp. and Terran Orbital Corporation	8-K	10.2	3/28/2022	
10.2	Amendment to Terran Orbital Holder Support Agreement, dated as of March 25, 2022, Tailwind Two Acquisition Corp., Terran Orbital Corporation and BPC Lending II LLC	8-K	10.6	3/28/2022	
10.3	Amendment to Terran Orbital Holder Support Agreement, dated as of March 25, 2022, Tailwind Two Acquisition Corp., Terran Orbital Corporation and Lockheed Martin Corporation	8-K	10.7	3/28/2022	
10.4	First Amendment to Investor Rights Agreement, dated as of March 25, 2022, by and among Tailwind Two Acquisition Corp., Terran Orbital Corporation, and other parties thereto	8-K	10.9	3/28/2022	
10.5	Second Amendment to Investor Rights Agreement, dated as of May 31, 2022, by and among Tailwind Two Acquisition Corp., Terran Orbital Corporation, and other parties thereto	10-Q	10.5	8/10/2022	
10.6	Form of Indemnification Agreement	8-K	10.10	3/28/2022	
10.7+	Terran Orbital Corporation 2021 Omnibus Incentive Plan	8-K	10.13	3/28/2022	
10.8	Amendment No. 1 to Note Purchase Agreement (including the fully Amended and Restated Agreement), dated as of March 9, 2022, by and among Terran Orbital Corporation, the	8-K	10.1	3/15/2022	

guarantors from time to time party thereto, the purchasers from time to time party thereto and Wilmington Savings Fund Society, FSB, as agent

<u>10.9</u>	<u>Amendment No. 2 to Note Purchase Agreement (including the fully Amended and Restated Agreement), dated as of March 25, 2022, by and among Terran Orbital Corporation, the guarantors from time to time party thereto, the purchasers from time to time party thereto and Wilmington Savings Fund Society, FSB, as agent</u>	8-K	10.19	3/28/2022
<u>10.10</u>	<u>Amendment No. 3 to Note Purchase Agreement (including the fully Amended and Restated Agreement), dated as of October 31, 2022, by and among Terran Orbital Operating Corporation, Terran Orbital Corporation, the guarantors party thereto, the purchasers party thereto, and Wilmington Savings Society, FSB.</u>	8-K	10.4	10/31/2022
<u>10.11</u>	<u>Amendment No. 7 to Note Purchase Agreement (including the fully Amended and Restated Agreement), dated as of March 25, 2022, by and among Terran Orbital Operating Corporation (f/k/a Terran Orbital Corporation), the guarantors from time to time party thereto, the purchasers from time to time party thereto and Lockheed Martin Corporation, as Authorized Representative</u>	8-K	10.21	3/31/2022
<u>10.12</u>	<u>Eighth Amendment to Note Purchase Agreement, dated as of October 31, 2022, by and among Terran Orbital Operating Corporation, the guarantors party thereto, the purchasers party thereto, and Lockheed Martin Corporation as Authorized Representative.</u>	8-K	10.3	10/31/2022
<u>10.13+</u>	<u>Form of Terran Orbital Corporation Notice of Grant of Restricted Stock Units under the Amended and Restated Terran Orbital Corporation 2014 Equity Incentive Plan, as amended (4 Year Service Condition)</u>	10-Q	10.10	5/16/2022
<u>10.14+</u>	<u>Form of Terran Orbital Corporation Notice of Grant of Restricted Stock Units under the Amended and Restated Terran Orbital Corporation 2014 Equity Incentive Plan, as amended (2 Year Service Condition)</u>	10-Q	10.11	5/16/2022
<u>10.15+</u>	<u>Form of Terran Orbital Corporation Restricted Stock Units Agreement under the Amended and Restated Terran Orbital Corporation 2014 Equity Incentive Plan, as amended.</u>	10-Q	10.12	5/16/2022
<u>10.16+</u>	<u>Form of Terran Orbital Corporation Notice of Grant of Restricted Stock Units (Retention - \$11.00 Share Price Hurdle) under the Amended and Restated Terran Orbital Corporation 2014 Equity Incentive Plan, as amended.</u>	10-Q	10.13	5/16/2022
<u>10.17+</u>	<u>Form of Terran Orbital Corporation Notice of Grant of Restricted Stock Units (Retention - \$13.00 Share Price Hurdle) under the Amended and Restated Terran Orbital Corporation 2014 Equity Incentive Plan, as amended</u>	10-Q	10.14	5/16/2022
<u>10.18+</u>	<u>Form of Terran Orbital Corporation Restricted Stock Units Agreement (Retention RSUs) under the Amended and Restated Terran Orbital Corporation 2014 Equity Incentive Plan, as amended</u>	10-Q	10.15	5/16/2022
<u>10.19+</u>	<u>Form of Terran Orbital Corporation Stock Option Agreement under the Amended and Restated Terran Orbital Corporation 2014 Equity Incentive Plan, as amended</u>	10-Q	10.16	5/16/2022
<u>10.20+</u>	<u>Pre-Tailwind Two Merger Form of Employment Agreement for Non-NEO Officers</u>	10-Q	10.17	5/16/2022
<u>10.21+</u>	<u>Form of Terran Orbital Corporation 2021 Omnibus Incentive Plan Substitute Stock Option Agreement</u>	10-Q	10.19	8/10/2022
<u>10.22+</u>	<u>Form of Terran Orbital Corporation Notice of Grant of Substitute Restricted Stock Units and Terran Orbital Corporation Substitute Restricted Stock Units Agreement</u>	10-Q	10.20	8/10/2022
<u>10.23+</u>	<u>Form of Terran Orbital Corporation Notice of Grant of Substitute Restricted Stock Units (Retention RSUs) (\$[11.00/13.00] Share Price Hurdle) and Terran Orbital Corporation Substitute Restricted Stock Units Agreement (Retention RSUs)</u>	10-Q	10.21	8/10/2022
<u>10.24+</u>	<u>Form of Terran Orbital Corporation Restricted Stock Award Agreement under the Terran Orbital Corporation 2021 Omnibus Incentive Plan</u>	10-Q	10.22	8/10/2022
<u>10.25+</u>	<u>Form of Terran Orbital Corporation Restricted Stock Unit Award Agreement (for non-employee directors) under the Terran Orbital Corporation 2021 Omnibus Incentive Plan</u>	10-Q	10.23	8/10/2022
<u>10.26+</u>	<u>Form of Terran Orbital Corporation Restricted Stock Unit Award Agreement (for employees) under the Terran Orbital Corporation 2021 Omnibus Incentive Plan</u>	10-Q	10.24	8/10/2022
<u>10.27+</u>	<u>Form of Terran Orbital Corporation Restricted Stock Unit Award Agreement (for consultants) under the Terran Orbital Corporation 2021 Omnibus Incentive Plan</u>	10-Q	10.25	8/10/2022
<u>10.28+</u>	<u>Form of Terran Orbital Corporation Restricted Stock Unit Award Agreement (Retention RSUs) under the Terran Orbital Corporation 2021 Omnibus Incentive Plan</u>	10-Q	10.26	8/10/2022
<u>10.29+</u>	<u>Form of Incentive Stock Option Agreement under the Terran Orbital Corporation 2021 Omnibus Incentive Plan</u>	10-Q	10.27	8/10/2022

10.30+	Form of Nonqualified Stock Option Agreement for Non-Employee Directors under the Terran Orbital Corporation 2021 Omnibus Incentive Plan	10-Q	10.28	8/10/2022
10.31+	Form of Nonqualified Stock Option Agreement for Company Employees under the Terran Orbital Corporation 2021 Omnibus Incentive Plan	10-Q	10.29	8/10/2022
10.32	Stock and Warrant Purchase Agreement, dated March 25, 2022, by and among Tailwind Two Acquisition Corp., Terran Orbital Corporation, FP Credit Partners II, L.P., FP Credit Partners Phoenix II, L.P., BPC Lending II LLC and Lockheed Martin Corporation	10-Q	4.3	5/16/2022
10.33	Common Stock Purchase Agreement, dated as of July 5, 2022, by and between Terran Orbital Corporation and B. Riley Principal Capital II, LLC	8-K	10.1	7/6/2022
10.34	Registration Rights Agreement, dated as of July 5, 2022, by and between Terran Orbital Corporation and B. Riley Principal Capital II, LLC	8-K	10.2	7/6/2022
10.35	Convertible Note and Warrant Purchase Agreement, dated as of October 31, 2022, by and among Terran Orbital Corporation, the guarantors party thereto, Lockheed Martin Corporation, as Purchaser, and U.S. Bank Trust Company, National Association, as Collateral Agent.	8-K	10.1	10/31/2022
10.36#	Strategic Cooperation Agreement, dated as of October 31, 2022, by and among Lockheed Martin Corporation, Terran Orbital Corporation, Terran Orbital Operating Corporation, Tyvak Nano-Satellite Systems, Inc. and PredaSAR Corporation.	8-K	10.2	10/31/2022
10.37	Eighth Amendment to Note Purchase Agreement, dated as of October 31, 2022, by and among Terran Orbital Operating Corporation, the guarantors party thereto, the purchasers party thereto, and Lockheed Martin Corporation as Authorized Representative.	8-K	10.3	10/31/2022
10.38	First Lien/Second Lien Intercreditor Agreement, dated as of October 31, 2022, by and among Terran Orbital Corporation, the guarantors party thereto, U.S. Bank Trust Company, National Association, Wilmington Savings Fund Society, FSB, and U.S. Bank Trust Company, National Association.	8-K	10.5	10/31/2022
10.39#†	Procurement Contract, dated February 21, 2023, by and between Tyvak Nano-Satellite Systems, Inc. and Rivada Space Networks GmbH.	10-K	10.37	3/22/2023
10.40+	Employment Agreement, dated as of March 31, 2021, by and between Gary Hobart and Terran Orbital Corporation	10-Q	10.2	5/15/2023
10.41	Form of Securities Purchase Agreement dated as of May 24, 2023, by and among the Company and the Purchaser party thereto	8-K	10.1	5/30/2023
10.42+	Offer Letter, dated as of May 25, 2023, by and between Tony Gingiss and Terran Orbital Corporation	10-Q	10.2	8/14/2023
10.43	Form of Securities Purchase Agreement dated as of September 18, 2023, by and among the Company and the purchasers party thereto	8-K	10.1	9/20/2023
21.1*	List of Subsidiaries of Terran Orbital Corporation			
23.1*	Consent of KPMG LLP			
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			
97.1*	Terran Orbital Corporation Clawback Policy Relating to Recovery of Erroneously Awarded Compensation.			
101	XBRL Instant Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.			
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document			

* Filed herewith.

** Furnished herewith.

+ Indicates a management contract or compensatory plan.

Certain confidential portions (indicated by brackets and asterisks) have been omitted from this exhibit.

† Schedules and exhibits to this Exhibit omitted pursuant to Item 601(b)(2) of Regulation S-K. The Registrant hereby agrees to furnish supplementally a copy of any omitted schedule or exhibit to the SEC upon request.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TERRAN ORBITAL CORPORATION

Date: April 1, 2024

By: /s/ Marc H. Bell
Marc H. Bell
Chairman and Chief Executive Officer

SIGNATURES AND POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Marc Bell and James Black, and each of them, as his or her true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for such individual in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, 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 and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or the individual's substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Marc H. Bell Marc H. Bell	Chairman and Chief Executive Officer (<i>Principal Executive Officer</i>)	April 1, 2024
/s/ Mathieu Riffel Mathieu Riffel	Senior Vice President, Acting Chief Financial Officer and Corporate Controller (<i>Principal Financial Officer and Principal Accounting Officer</i>)	April 1, 2024
/s/ Daniel C. Staton Daniel C. Staton	Director	April 1, 2024
/s/ James LaChance James LaChance	Director	April 1, 2024
/s/ Thomas E. Manion Thomas E. Manion	Director	April 1, 2024
/s/ Richard Y. Newton III Richard Y. Newton III	Director	April 1, 2024
/s/ Tobi Petrocelli Tobi Petrocelli	Director	April 1, 2024
/s/ Douglas L. Raaberg Douglas L. Raaberg	Director	April 1, 2024
/s/ Stratton Sclavos Stratton Sclavos	Director	April 1, 2024

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

<u>Report of Independent Registered Public Accounting Firm (PCAOB ID 185)</u>	F-2
<u>Consolidated Balance Sheets as of December 31, 2023 and 2022</u>	F-3
<u>Consolidated Statements of Operations and Comprehensive Loss for the years ended December 31, 2023 and 2022</u>	F-4
<u>Consolidated Statements of Shareholders' Deficit for the years ended December 31, 2023 and 2022</u>	F-5
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2023 and 2022</u>	F-6
<u>Notes to the Consolidated Financial Statements</u>	F-7

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Terran Orbital Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Terran Orbital Corporation and subsidiaries (the Company) as of December 31, 2023 and 2022, the related consolidated statements of operations and comprehensive loss, shareholders' deficit, and cash flows for each of the years then ended, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years then ended in conformity with U.S. generally accepted accounting principles.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has a history of recurring losses from operations and has debt agreements that contain a covenant requiring the Company to have Consolidated Adjusted EBITDA (as defined in the agreements) of not less than \$0 by December 31, 2024. This raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

/s/ KPMG LLP

We have served as the Company's auditor since 2021.

Irvine, California
April 1, 2024

TERRAN ORBITAL CORPORATION
Consolidated Balance Sheets
(In thousands, except share and per share amounts)

	December 31,	
	2023	2022
Assets:		
Cash and cash equivalents	\$ 71,663	\$ 93,561
Accounts receivable, net of allowance for credit losses of \$182 and \$764 as of December 31, 2023 and 2022, respectively	14,735	4,754
Contract assets, net	21,390	6,763
Inventory	33,348	24,133
Prepaid expenses and other current assets	14,843	9,710
Total current assets	155,979	138,921
Property, plant, and equipment, net	46,449	24,743
Other assets	17,885	18,990
Total assets	\$ 220,313	\$ 182,654
Liabilities and shareholders' deficit:		
Current portion of long-term debt	\$ 11,740	\$ 7,739
Accounts payable	22,850	21,188
Contract liabilities	103,924	27,228
Reserve for anticipated losses on contracts	977	2,860
Accrued expenses and other current liabilities	14,408	11,721
Total current liabilities	153,899	70,736
Long-term debt	171,033	142,620
Warrant and derivative liabilities	34,462	39,950
Other liabilities	18,555	20,769
Total liabilities	377,949	274,075
Commitments and contingencies (Note 12)		
Shareholders' deficit:		
Preferred stock - authorized 50,000,000 shares of \$0.0001 par value as of December 31, 2023 and 2022; zero issued and outstanding	-	-
Common stock - authorized 600,000,000 and 300,000,000 shares of \$0.0001 par value as of December 31, 2023 and 2022, respectively; issued and outstanding shares of 199,413,917 and 142,503,771 as of December 31, 2023 and 2022, respectively	20	14
Additional paid-in capital	355,144	269,574
Accumulated deficit	(513,011)	(361,168)
Accumulated other comprehensive income	211	159
Total shareholders' deficit	(157,636)	(91,421)
Total liabilities and shareholders' deficit	\$ 220,313	\$ 182,654

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

TERRAN ORBITAL CORPORATION
Consolidated Statements of Operations and Comprehensive Loss
(In thousands, except share and per share amounts)

	Years Ended December 31,	
	2023	2022
Revenue	\$ 135,915	\$ 94,237
Cost of sales	127,355	111,494
Gross profit (loss)	8,560	(17,257)
Selling, general, and administrative expenses	117,458	111,870
Loss on impairment	-	23,694
Loss from operations	(108,898)	(152,821)
Interest expense, net	48,502	26,644
Loss on extinguishment of debt	-	23,141
Change in fair value of warrant and derivative liabilities	(5,488)	(43,300)
Other (income) expense	(103)	4,514
Loss before income taxes	(151,809)	(163,820)
Provision for income taxes	34	160
Net loss	(151,843)	(163,980)
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	52	195
Total comprehensive loss	\$ (151,791)	\$ (163,785)
Weighted-average shares outstanding		
Basic	170,076,500	128,261,443
Diluted	170,076,500	134,122,831
Net loss per share		
Basic	\$ (0.89)	\$ (1.28)
Diluted	\$ (0.89)	\$ (1.40)

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

TERRAN ORBITAL CORPORATION
Consolidated Statements of Shareholders' Deficit
(In thousands, except share amounts)

	Mezzanine Equity		Shareholders' Deficit					
	Redeemable Convertible Preferred Stock		Common Stock			Accumulated Other Comprehensive Income (Loss)		
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Deficit	
Balance as of December 31, 2021	396,870	\$ 8,000	2,849,414	\$ -	\$ 97,745	\$ (197,066)	\$ (36)	\$ (99,357)
Retrospective application of reverse recapitalization	10,550,816	-	75,751,869	8	(8)	-	-	-
Balance as of December 31, 2021 - Recast	10,947,686	\$ 8,000	78,601,283	\$ 8	\$ 97,737	\$ (197,066)	\$ (36)	\$ (99,357)
Adoption of accounting standard, net of tax	-	-	-	-	-	(122)	-	(122)
Net loss	-	-	-	-	-	(163,980)	-	(163,980)
Other comprehensive income, net of tax	-	-	-	-	-	-	195	195
Conversion of redeemable convertible preferred stock into common stock	(10,947,686)	(8,000)	10,947,686	1	7,999	-	-	8,000
Net settlement of liability-classified warrants into common stock	-	-	694,873	-	7,616	-	-	7,616
Net settlement of equity-classified warrants into common stock	-	-	22,343,698	2	(2)	-	-	-
Issuance of common stock in connection with the Tailwind Two Merger and PIPE Investment, net of issuance costs	-	-	16,114,695	2	6,926	-	-	6,928
Issuance of common stock in connection with financing transactions, net of issuance costs	-	-	4,325,000	1	40,733	-	-	40,734
Reclassification of liability-classified warrants and derivatives to equity-classified	-	-	-	-	11,007	-	-	11,007
Issuance of contingently issuable common stock	-	-	4,095,569	-	44,887	-	-	44,887
Issuance of common stock under the Committed Equity Facility	-	-	637,487	-	2,795	-	-	2,795
Share-based compensation	-	-	-	-	51,082	-	-	51,082
Settlement of vested restricted stock units, net of net share settlements	-	-	4,404,201	-	(1,515)	-	-	(1,515)
Exercise of stock options	-	-	339,279	-	356	-	-	356
Other	-	-	-	-	(47)	-	-	(47)
Balance as of December 31, 2022	-	\$ -	142,503,771	\$ 14	\$ 269,574	\$ (361,168)	\$ 159	\$ (91,421)
Net loss	-	-	-	-	-	(151,843)	-	(151,843)
Other comprehensive loss, net of tax	-	-	-	-	-	-	52	52
Issuance of common stock, net of issuance costs	-	-	27,678,575	3	19,458	-	-	19,461
Issuance of warrants, net of issuance costs	-	-	-	-	44,182	-	-	44,182
Share-based compensation	-	-	-	-	21,467	-	-	21,467
Settlement of vested restricted stock units	-	-	4,042,557	-	-	-	-	-
Exercise of equity-classified warrants	-	-	24,535,715	3	-	-	-	3
Exercise of stock options	-	-	653,299	-	463	-	-	463
Balance as of December 31, 2023	-	\$ -	199,413,917	\$ 20	\$ 355,144	\$ (513,011)	\$ 211	\$ (157,636)

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

TERRAN ORBITAL CORPORATION
Consolidated Statements of Cash Flows
(In thousands)

	Years Ended December 31,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (151,843)	\$ (163,980)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	7,843	4,008
Non-cash interest expense	32,034	14,309
Share-based compensation expense	21,467	51,082
Provision for losses on receivables and inventory	1,034	3,598
Loss on impairment	-	23,694
Loss on extinguishment of debt	-	23,141
Change in fair value of warrant and derivative liabilities	(5,488)	(43,300)
Amortization of operating right-of-use assets	1,224	994
Other non-cash, net	737	1,000
Changes in operating assets and liabilities:		
Accounts receivable, net	(5,395)	376
Contract assets	(14,571)	(4,054)
Inventory	(9,482)	(14,564)
Accounts payable	(3,205)	12,981
Contract liabilities	76,470	10,012
Reserve for anticipated losses on contracts	(1,883)	1,975
Accrued interest	9	(1,835)
Other, net	(4,671)	(1,241)
Net cash used in operating activities	(55,720)	(81,804)
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(23,147)	(22,469)
Net cash used in investing activities	(23,147)	(22,469)
Cash flows from financing activities:		
Proceeds from long-term debt	1,720	77,369
Proceeds from warrants and derivatives	47,445	101,734
Proceeds from Tailwind Two Merger and PIPE Investment	-	58,424
Proceeds from issuance of common stock	22,172	14,791
Proceeds from issuance of common stock under the Committed Equity Facility	-	1,795
Repayment of long-term debt	(8,818)	(32,890)
Payment of issuance costs	(6,176)	(49,515)
Proceeds from exercise of stock options	463	356
Exercise of equity-classified warrants	2	-
Payment of withholding taxes on net share settlements	-	(1,515)
Net cash provided by financing activities	56,808	170,549
Effect of exchange rate fluctuations on cash and cash equivalents	161	(40)
Net (decrease) increase in cash and cash equivalents	(21,898)	66,236
Cash and cash equivalents at beginning of period	93,561	27,325
Cash and cash equivalents at end of period	<u>\$ 71,663</u>	<u>\$ 93,561</u>
Non-cash investing and financing activities:		
Interest paid, net of amounts capitalized	16,484	14,270
Interest capitalized to property, plant, and equipment not yet paid	-	426
Purchases of property, plant, and equipment not yet paid	1,243	1,196
Reclassification of property, plant, and equipment to inventory and prepaid expenses and other current assets	-	6,199
Depreciation and amortization capitalized to construction-in-process	-	170
Issuance costs not yet paid	44	-
Non-cash exchange and extinguishment of long-term debt	-	40,432
Conversion of redeemable convertible preferred stock into common stock	-	8,000
Net settlement of liability-classified warrants into common stock	-	7,616
Net settlement of equity-classified warrants into common stock	-	(2)
Non-cash issuance of common stock in connection with PIPE Investment	-	10,060
Non-cash issuance of common stock in connection with financing transactions	-	27,304
Reclassification of liability-classified warrants and derivatives to equity-classified	-	11,007
Issuance of contingently issuable common stock	-	44,887

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

TERRAN ORBITAL CORPORATION

Notes to the Consolidated Financial Statements

Note 1 Organization and Summary of Significant Accounting Policies

Organization and Business

Terran Orbital Corporation, formerly known as Tailwind Two Acquisition Corp. ("Tailwind Two"), together with its wholly-owned subsidiaries (the "Company"), is a leading manufacturer of satellite products primarily serving the aerospace and defense industries. The Company provides end-to-end satellite solutions by combining satellite design, production, launch planning, mission operations, and on-orbit support to meet the needs of its military, civil, and commercial customers. The Company has a foreign subsidiary based in Torino, Italy.

Tailwind Two Merger

Prior to March 25, 2022, Tailwind Two was a publicly listed special purpose acquisition company incorporated as a Cayman Islands exempted company. On March 25, 2022, Tailwind Two acquired Terran Orbital Operating Corporation, formerly known as Terran Orbital Corporation ("Legacy Terran Orbital") (the "Tailwind Two Merger"). In connection with the Tailwind Two Merger, Tailwind Two filed a notice of deregistration with the Cayman Islands Registrar of Companies and filed a certificate of incorporation and a certificate of corporate domestication with the Secretary of State of the State of Delaware, resulting in Tailwind Two becoming a Delaware corporation and changing its name from Tailwind Two to Terran Orbital Corporation. The Tailwind Two Merger resulted in Legacy Terran Orbital becoming a wholly-owned subsidiary of Terran Orbital Corporation.

As a result of the Tailwind Two Merger, all of Legacy Terran Orbital's issued and outstanding common stock was converted into shares of Terran Orbital Corporation's common stock using an exchange ratio of 27.585 shares of Terran Orbital Corporation's common stock per each share of Legacy Terran Orbital's common stock. In addition, Legacy Terran Orbital's convertible preferred stock and certain warrants were exercised and converted into shares of Legacy Terran Orbital's common stock immediately prior to the Tailwind Two Merger, and in turn, were converted into shares of Terran Orbital Corporation's common stock as a result of the Tailwind Two Merger. Further, in connection with the Tailwind Two Merger, Legacy Terran Orbital's share-based compensation plan and related share-based compensation awards were cancelled and exchanged or converted, as applicable, with a new share-based compensation plan and related share-based compensation awards of Terran Orbital Corporation.

While Legacy Terran Orbital became a wholly-owned subsidiary of Terran Orbital Corporation, Legacy Terran Orbital was deemed to be the acquirer in the Tailwind Two Merger for accounting purposes. Accordingly, the Tailwind Two Merger was accounted for as a reverse recapitalization, in which case the consolidated financial statements of the Company represent a continuation of Legacy Terran Orbital and the issuance of common stock in exchange for the net assets of Tailwind Two recognized at historical cost and no recognition of goodwill or other intangible assets. Operations prior to the Tailwind Two Merger are those of Legacy Terran Orbital and all share and per-share data included in these consolidated financial statements have been retrospectively adjusted to give effect to the Tailwind Two Merger. In addition, the number of shares subject to, and the exercise price of, the Company's outstanding options and warrants were adjusted to reflect the Tailwind Two Merger. The treatment of the Tailwind Two Merger as a reverse recapitalization was based upon the pre-merger shareholders of Legacy Terran Orbital holding the majority of the voting interests of Terran Orbital Corporation, Legacy Terran Orbital's existing management team serving as the initial management team of Terran Orbital Corporation, Legacy Terran Orbital's appointment of the majority of the initial board of directors of Terran Orbital Corporation, and Legacy Terran Orbital's operations comprising the ongoing operations of the Company.

In connection with the Tailwind Two Merger, approximately \$29 million of cash and marketable securities held in trust, net of redemptions by Tailwind Two's public shareholders, became available for use by the Company as well as proceeds received from the contemporaneous sale of common stock in connection with the closing of a PIPE investment with a contractual amount of \$51 million (the "PIPE Investment"). In addition, the Company received additional proceeds from the issuance of debt contemporaneously with the Tailwind Two Merger. The cash raised was used for general corporate purposes, the partial paydown of debt, the payment of transaction costs and the payment of other costs directly or indirectly attributable to the Tailwind Two Merger.

Beginning on March 28, 2022, the Company's common stock and public warrants began trading on the New York Stock Exchange (the "NYSE") under the symbols "LLAP" and "LLAP WS," respectively.

TERRAN ORBITAL CORPORATION

Notes to the Consolidated Financial Statements

Basis of Presentation and Significant Accounting Policies

The preparation of the consolidated financial statements in accordance with generally accepted accounting principles in the United States ("GAAP") requires the Company to select accounting policies and make estimates that affect amounts reported in the consolidated financial statements and the accompanying notes. The Company's estimates are based on the relevant information available at the end of each period. Actual results could differ materially from these estimates under different assumptions or market conditions.

The consolidated financial statements have been prepared in United States ("U.S.") dollars in accordance with GAAP and include the accounts of Terran Orbital Corporation and its subsidiaries. All intercompany transactions have been eliminated. Certain prior period amounts have been reclassified to conform with current period presentation.

Information on select accounting policies and methods not discussed below are included in the respective footnotes that follow.

Going Concern

The consolidated financial statements have been prepared in accordance with GAAP assuming the Company will continue as a going concern. The going concern assumption contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. However, substantial doubt about the Company's ability to continue as a going concern exists.

As disclosed in Note 5 "Debt," the Company's primary corporate debt agreements contain a covenant requiring the Company's Consolidated Adjusted EBITDA (as defined in the underlying note agreements), on a trailing twelve month basis, to not be less than \$0 by December 31, 2024, which date is the result of the original determination date on June 30, 2024 being extended by two fiscal quarters pursuant to contractual terms (the "EBITDA Financial Covenant"). The commencement of the EBITDA Financial Covenant may be further delayed by one quarter for every additional \$25.0 million of net cash proceeds received from qualified equity issuances. If the Company is unable to comply with these financial covenants, the Company's creditors may accelerate the principal and interest on the Company's primary corporate indebtedness to be immediately due and payable. As of December 31, 2023, cash and cash equivalents totaled \$71.7 million and debt subject to the EBITDA Financial Covenant totaled \$289.7 million with related accrued but unpaid interest of \$2.1 million.

There is uncertainty regarding the Company's ability to comply with the EBITDA Financial Covenant for at least twelve months from the issuance of these consolidated financial statements. To address the potential future breach of the EBITDA Financial Covenant, the Company is executing on its business plan to improve operating results. Additionally, the Company is in active discussions with funding sources to have access to additional sources of qualified equity issuances in the event needed to extend the EBITDA Financial Covenant beyond December 31, 2024. Furthermore, the Company could request waivers from existing creditors to waive the EBITDA Financial Covenant to the extent necessary. The Company cannot provide assurances that it will be successful in improving operating results, obtaining new financing, and/or receiving waivers to the EBITDA Financial Covenant. The Company's inability to improve operating results, raise capital through qualified equity issuances, or receive waivers may negatively impact its compliance with the EBITDA Financial Covenant, which may have a material adverse impact on the Company's financial condition.

The consolidated financial statements do not include any adjustments to the amount and classification of assets and liabilities that may be necessary should the Company not continue as a going concern.

Segments

The Company evaluates and reports its segment information based on the manner in which its Chief Executive Officer, who is the chief operating decision maker (the "CODM"), evaluates performance and allocates resources. Accordingly, the Company reports its results as a single operating and reportable segment on a consolidated basis.

Foreign Currency Translation and Transaction Gains and Losses

The Company's reporting currency is the U.S. dollar. The financial statements of the Company's foreign subsidiary are translated from its functional currency, which is the Euro, into U.S. dollars using the foreign exchange rates applicable to the dates of the financial statements. Assets and liabilities are translated using the end-of-period spot foreign exchange rate. Revenue, expenses and cash flows are translated at the average foreign exchange rate for each period. Equity accounts are translated at historical foreign exchange rates.

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

The effects of these foreign currency translation adjustments are reported as a component of accumulated other comprehensive income (loss) ("AOCL") in the consolidated balance sheets.

For any transaction that is denominated in a currency different from the entity's functional currency, a gain or loss is recognized in other (income) expense in the consolidated statements of operations and comprehensive loss based on the difference between the foreign exchange rate at the transaction date and the foreign exchange rate at the transaction settlement date or end-of-period rate, if unsettled.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments with original maturities of three months or less from the time of purchase.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following as of the dates presented:

(in thousands)	December 31,	
	2023	2022
Deferred equity issuance costs	\$ 245	\$ -
Deferred cost of sales	73	2,482
Other current assets	14,525	7,228
Prepaid expenses and other current assets	\$ 14,843	\$ 9,710

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following as of the dates presented:

(in thousands)	December 31,	
	2023	2022
Payroll-related accruals	\$ 8,248	\$ 5,671
Current operating lease liabilities	1,505	971
Accrued interest	2,116	2,107
Other current liabilities	2,539	2,972
Accrued expenses and other current liabilities	\$ 14,408	\$ 11,721

Research and Development

Research and development includes materials, labor, and overhead attributable to the development of new products and solutions and significant improvements to existing products and solutions. Research and development costs are expensed as incurred and recognized in selling, general, and administrative expenses in the consolidated statements of operations and comprehensive loss. Research and development expense was \$21.3 million and \$14.5 million during 2023 and 2022, respectively.

Retirement Plans

The Company maintains a qualified defined contribution plan for U.S. employees in the form of a 401(k) plan. Employee participants are permitted to make contributions on a before-tax or after-tax basis. The Company's contributions to the plan totaled approximately \$2.1 million and \$1.3 million during 2023 and 2022, respectively.

In addition, the Company maintains a defined contribution plan for international employees. The Company's contributions to the plan were not material during 2023 and 2022.

Concentration of Credit Risks

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable, and contract assets.

The majority of the Company's cash and cash equivalents are held at major financial institutions. Certain account balances exceed the Federal Deposit Insurance Corporation insurance limits of \$250,000 per account. As a result, there is a concentration of credit risk related to amounts in excess of the insurance limits. The Company regularly monitors the financial stability of these financial institutions and believes that there is no exposure to any significant credit risk in cash and cash equivalents.

Concentrations of credit risk with respect to accounts receivable and contract assets are limited because a large portion of our balances are related to (i) reputable companies with significant financial resources or (ii) customer programs in which the U.S. Government is the ultimate customer.

A small number of customers and contracts historically have represented a significant portion of the Company's consolidated revenue. Lockheed Martin Corporation ("Lockheed Martin") represented approximately 81% and 76% of consolidated revenue during 2023 and 2022, respectively. There were no other individual customers who accounted for more than 10% of the Company's revenue in 2023 or 2022.

The table below presents individual customers who accounted for more than 10% of the Company's combined accounts receivable, net of allowance for credit losses, and contract assets, net of allowance for credit losses, as of the dates presented:

	December 31,	
	2023	2022
Customer A	82%	42%
Customer B	12%	0%
Customer C	0%	12%
Customer D	0%	11%
Total	94%	65%

Recently Issued Accounting Pronouncements

Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, improves reportable segment disclosure requirements primarily by enhancing disclosures about significant segment expenses. The guidance, among other requirements, also enhances interim disclosures, clarifies circumstances in which an entity can disclose multiple segment measures of profit or loss, and provides new segment disclosure requirements for entities with a single reportable segment. The guidance is effective for annual periods beginning after December 15, 2023 and interim periods within annual periods beginning after December 15, 2024. This guidance should be applied retrospectively to all periods presented. Early adoption is permitted. The Company is currently evaluating the impact of this guidance.

ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, focuses on improvements to income tax disclosures, primarily related to the rate reconciliation and income tax paid information. The guidance also includes certain other amendments to improve the effectiveness of income tax disclosures. The guidance is effective for annual periods beginning after December 15, 2024 and interim periods within annual periods beginning after December 15, 2025. This guidance should be applied prospectively, with retrospective application also a permitted option. Early adoption is permitted. The Company is currently evaluating the impact of this guidance.

Note 2 Revenue and Receivables

The Company applies the following five steps in order to recognize revenue from contracts with customers: (i) identify the contract(s) with a customer; (ii) identify the performance obligation(s) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation(s) in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer.

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

At contract inception, the Company assesses whether the goods or services promised within the contract represent a performance obligation. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. For contracts with multiple performance obligations, the Company allocates the contract's transaction price to each performance obligation on a relative basis using the best estimate of the stand-alone selling price of each performance obligation, which is estimated using the expected-cost-plus-margin approach. Generally, the Company's contracts with customers are structured such that the customer has the option to purchase additional goods or services. Customer options to purchase additional goods or services do not represent a separate performance obligation as the prices for such options reflect the stand-alone selling prices for the additional goods or services. Contracts are generally priced on a firm-fixed price basis, cost-plus fee basis, or time and materials basis.

The Company recognizes the transaction price allocated to the respective performance obligation as revenue as the performance obligation is satisfied. The majority of the Company's contracts with customers relate to the creation of specialized assets that do not have alternative use and entitle the Company to an enforceable right to payment for performance completed to date. Accordingly, the Company generally measures progress towards the satisfaction of a performance obligation over time using the cost-to-cost input method.

Payments for costs not yet incurred or for costs incurred in anticipation of providing a good or service under a contract with a customer in the future are included in prepaid expenses and other current assets on the consolidated balance sheets.

Estimate-at-Completion ("EAC")

The recognition of revenue over time using the cost-to-cost input method is dependent on the Company's cost estimate-at-completion ("EAC"), which is subject to many variables and requires significant judgment. EAC represents the total estimated cost-at-completion and is comprised of direct material, direct labor and manufacturing overhead applicable to a performance obligation. There is a company-wide standard and periodic EAC process in which the Company reviews the progress and execution of outstanding performance obligations. As part of this process, the Company reviews information including, but not limited to, any outstanding key contract matters, progress towards completion and the related program schedule, identified risks and opportunities and the related changes in estimates of revenues and costs. The risks and opportunities include the Company's judgment about the ability and cost to achieve the schedule (e.g., the number and type of milestone events), technical requirements (e.g., a newly-developed product versus a mature product) and other contract requirements. The Company must make assumptions and estimates regarding labor productivity and availability, the complexity of the work to be performed, the availability of materials, the length of time to complete the performance obligation (e.g., to estimate increases in wages and prices for materials and related support cost allocations), execution by subcontractors, the availability and timing of funding from customers and overhead cost rates, among other variables.

Based on the results of the periodic EAC process, any adjustments to revenue, cost of sales, and the related impact to gross profit are recognized on a cumulative catch-up basis in the period they become known. These adjustments may result from positive program performance, and may result in an increase in gross profit during the performance of individual performance obligations, if it is determined the Company will be successful in mitigating risks surrounding the technical, schedule and cost aspects of those performance obligations or realizing related opportunities. Likewise, these adjustments may result in a decrease in gross profit if it is determined the Company will not be successful in mitigating these risks or realizing related opportunities. A significant change in one or more of these estimates could affect the profitability of one or more of the Company's performance obligations.

Contract modifications often relate to changes in contract specifications and requirements. Contract modifications are considered to exist when the modification either creates new or changes the existing enforceable rights and obligations. Most of the Company's contract modifications are for goods or services that are not distinct from the existing contract due to the significant integration service provided in the context of the contract and are accounted for as if they were part of that existing contract. The effect of a contract modification on the transaction price, and the measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue either as an increase in or a reduction of revenue on a cumulative catch-up basis.

Some of the Company's long-term contracts contain award fees, incentive fees, or other provisions that can either increase or decrease the transaction price. These variable amounts generally are awarded upon achievement of certain performance metrics, program milestones or cost targets and can be based upon customer discretion. Variable consideration is estimated at the most likely amount to which the Company is expected to be entitled. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

based largely on an assessment of the Company's anticipated performance and all information (historical, current, and forecasted) that is reasonably available. The unfunded portion of enforceable contracts are accounted for as variable consideration.

For contracts in which the U.S. Government is the ultimate customer, the Company follows U.S. Government procurement and accounting standards in assessing the allowability and the allocability of costs to contracts. Due to the significance of the judgments and estimation processes, it is likely that materially different amounts could be recorded if different assumptions were used or if the underlying circumstances were to change. The Company monitors the consistent application of its critical accounting policies and compliance with contract accounting. Business operations personnel conduct periodic contract status and performance reviews. When adjustments in estimated contract revenues or costs are determined, any material changes from prior estimates are included in earnings in the current period. Also, regular and recurring evaluations of contract cost, scheduling and technical matters are performed by Company personnel who are independent from the business operations personnel performing work under the contract. Costs incurred and allocated to contracts with the U.S. Government are subject to audit by the Defense Contract Audit Agency for compliance with regulatory standards.

Disaggregation of Revenue

Below is a summary of the Company's accounting by type of revenue:

- Mission Support: Mission support services primarily relate to the integrated design, manufacture, and assembly of satellites for customers.
- Launch Support: Launch support services relate to the assistance the Company provides in the process of launching a satellite into space by identifying and securing launch opportunities with launch providers as well as coordinating and managing the activities leading up to the launch event on behalf of customers.
- Operations: Operations relates to the management, operations, and communication of information of satellites that are on-orbit on behalf of a customer.
- Studies, Design and Other: Studies, design and other services primarily relate to professional engineering feasibility studies and preliminary design services for customers.

The following tables present the Company's disaggregated revenue by offering and customer type for the periods presented:

<i>(in thousands)</i>	Years Ended December 31,	
	2023	2022
Mission support	\$ 130,584	\$ 87,542
Launch support	1,332	3,047
Operations	1,102	1,999
Studies, design and other	2,897	1,649
Revenue	\$ 135,915	\$ 94,237

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

	Years Ended December 31,	
	2023	2022
(in thousands)		
U.S. Government contracts		
Fixed price	\$ 107,755	\$ 59,716
Cost-plus fee and other	6,709	8,667
	114,464	68,383
Foreign government contracts		
Fixed price	6,924	4,500
Commercial contracts		
Fixed price, U.S.	3,078	12,742
Fixed price, International	4,325	8,435
Cost-plus fee and other, U.S.	187	177
Cost-plus fee and other, International	6,937	-
	14,527	21,354
Revenue	\$ 135,915	\$ 94,237

Remaining Performance Obligations

Revenue from remaining performance obligations is calculated as the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period on executed contracts, including both funded (firm orders for which funding is authorized and appropriated) and unfunded portions of such contracts. The unfunded portion of enforceable contracts is accounted for as variable consideration and is reported at the estimated most likely amount to which the Company is expected to be entitled. Remaining performance obligations do not include unexercised contract options and potential orders under indefinite delivery/indefinite quantity contracts.

As of December 31, 2023, the Company had approximately \$2.7 billion of remaining performance obligations, of which \$2.4 billion is related to the Rivada Agreement (as defined below). The Company estimates that approximately 80% of the remaining performance obligations will be recognized as revenue by December 31, 2025 and the remainder by December 31, 2026.

During February 2023, the Company entered into an agreement with Rivada Space Networks GmbH ("Rivada") providing for the development, production, and operation of 300 satellites, inclusive of 12 in-orbit spares and ground station equipment, for a total purchase price of \$2.4 billion (the "Rivada Agreement"). The agreement also includes options for additional satellites, equipment, and services, including an option for the purchase of an additional 300 satellites. Performance under the agreement will be split into a developmental phase, with amounts billed on a time and materials basis, and a firm fixed price production phase. Rivada has an option to terminate the agreement for convenience at any time and for any reason, which would result in a termination fee for work performed up to such termination. In addition, the agreement includes termination provisions for default in the event of missed delivery targets or deadlines, insolvency, or other failures to perform, which could result in the refund of all amounts paid up to such termination. Whether the Company ultimately recognizes revenue and profit on this contract is subject to a number of uncertainties including, among other things, its ability to successfully perform its obligations, increase its manufacturing capacity in order to meet demands of the program, and deliver operational satellites in a timely manner and Rivada's continuing ability to fund contract performance and maintain its regulatory licenses for its operations. The amount of revenue recognized under the Rivada Agreement was \$6.9 million during 2023.

Contract Assets and Contract Liabilities

For each of the Company's contracts with customers, the timing of revenue recognition, customer billings, and cash collections results in a net contract asset or liability at the end of each reporting period.

Fixed-price contracts are typically billed to the customer either using progress payments, whereby amounts are billed monthly as costs are incurred or work is completed, or performance-based payments, which are based upon the achievement of specific, measurable events or accomplishments defined and valued at contract inception. Cost-type contracts are typically billed to the customer on a monthly or semi-monthly basis.

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

Contract assets

Contract assets relate to instances in which revenue recognized exceeds amounts billed to customers and are reclassified to accounts receivable when the Company has an unconditional right to the consideration and bills the customer. Contract assets are classified as current and non-current based on the estimated timing in which the Company will bill the customer and are not considered to include a significant financing component as the payment terms are intended to protect the customer in the event the Company does not perform on its obligations under the contract.

The Company records an allowance for credit losses against its contract assets for amounts not expected to be recovered. The allowance is recognized at inception and is reassessed each reporting period. The allowance for credit losses on contract assets was not material for the periods presented.

Contract assets from products and services for which the U.S. Government is the ultimate customer was \$19.6 million and \$5.3 million as of December 31, 2023 and 2022, respectively.

The following is a summary of contract assets, net, recognized in the consolidated balance sheets as of the dates presented:

(in thousands)	December 31,	
	2023	2022
Contract assets, gross	\$ 21,444	\$ 6,840
Allowance for credit losses	(54)	(77)
Contract assets, net	\$ 21,390	\$ 6,763

As of December 31, 2023 and 2022, all contract assets were classified as current assets.

There were no material impairments of contract assets during the years ended December 31, 2023 or 2022.

Contract liabilities

Contract liabilities relate to advance payments and billings in excess of revenue recognized and are recognized into revenue as the Company satisfies the underlying performance obligations. Contract liabilities are classified as current and non-current based on the estimated timing in which the Company will satisfy the underlying performance obligations and are not considered to include a significant financing component as they are generally utilized to procure materials needed to satisfy a performance obligation or are used to ensure the customer meets contractual requirements.

As of December 31, 2023 and 2022, substantially all contract liabilities were classified as current liabilities.

During 2023 and 2022, the Company recognized revenue of \$26.9 million and \$17.0 million, respectively, that was previously included in the beginning balance of contract liabilities.

Accounts Receivable

Accounts receivable represent unconditional rights to consideration due from customers in the ordinary course of business and are generally due in one year or less. Accounts receivable are recorded at amortized cost less an allowance for credit losses, which is based on the Company's assessment of the collectability of its accounts receivable. The Company reviews the adequacy of the allowance for credit losses by considering the age of each outstanding invoice and the collection history of each customer. Accounts receivable that are deemed uncollectible are charged against the allowance for credit losses when identified.

Accounts receivable from products and services for which the U.S. Government is the ultimate customer was \$13.3 million and \$1.1 million as of December 31, 2023 and 2022, respectively.

The following table presents changes in the allowance for credit losses for the periods presented:

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

(in thousands)	Years Ended December 31,	
	2023	2022
Beginning balance	\$ 764	\$ 945
Adoption of CECL	- 39	39
Provision for credit losses	118 538	538
Write-offs	(700) (758)	(758)
Ending balance	\$ 182	\$ 764

Reserve for Anticipated Losses on Contracts

When the estimated cost-at-completion exceeds the estimated revenue to be earned for a performance obligation, the Company records a reserve for the anticipated losses in the period the loss is determined. The reserve for anticipated losses on contracts is presented as a current liability in the consolidated balance sheets and as a component of cost of sales in the consolidated statements of operations and comprehensive loss in accordance with Accounting Standards Codification ("ASC") 605-35, *Revenue Recognition – Construction-Type and Production-Type Contracts*.

The Company recorded a decrease in cost of sales related to the reserve for anticipated losses on contracts of \$1.9 million during 2023 and an increase in cost of sales of \$2.0 million during 2022.

Note 3 Inventory

Inventory consists of parts and sub-assemblies that are ultimately consumed in the manufacturing and final assembly of satellites. When an item in inventory has been identified and incorporated into a specific satellite, the cost of the sub-assembly is charged to cost of sales in the consolidated statements of operations and comprehensive loss. Inventory is measured at the lower of cost or net realizable value. The cost of inventory includes direct material, direct labor, and manufacturing overhead and is determined on a first-in-first-out basis. Inventory is presented net of an allowance for losses associated with excess and obsolete items, which is estimated based on the Company's current knowledge with respect to inventory levels, planned production, and customer demand.

The components of inventory as of the dates presented were as follows:

(in thousands)	December 31,	
	2023	2022
Raw materials	\$ 18,284	\$ 19,194
Work-in-process	15,064	4,939
Total inventory	\$ 33,348	\$ 24,133

Note 4 Property, Plant, and Equipment, net

Property, plant, and equipment, net is stated at historical cost less accumulated depreciation. Cost for company-owned satellite assets includes amounts related to design, construction, launch, and commission. Cost for ground stations includes amounts related to construction and testing. Interest is capitalized on certain qualifying assets that take a substantial period of time to develop for their intended use. Depreciation expense is calculated using the sum-of-the-years' digits or straight-line method over the estimated useful lives of the related assets as follows:

Machinery and equipment	5-7 years
Satellites	3-5 years
Ground station equipment	5-7 years
Office equipment and furniture	5-7 years
Computer equipment and software	3-5 years
Leasehold improvements	Shorter of the estimated useful life or remaining lease term

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

The determination of the estimated useful life of company-owned satellites involves an analysis that considers design life, random part failure probabilities, expected component degradation and cycle life, predicted fuel consumption and experience with satellite parts, vendors and similar assets.

Depreciation expense is included in cost of sales and selling, general, and administrative expenses in the consolidated statements of operations and comprehensive loss based on whether the underlying asset is used as part of manufacturing overhead or administrative overhead, respectively. Additionally, a portion of depreciation and amortization expense may be capitalized to inventory as part of manufacturing overhead. Depreciation expense was \$7.8 million and \$4.0 million during 2023 and 2022, respectively.

Repairs and maintenance expenditures are expensed when incurred.

The gross carrying amount, accumulated depreciation, and net carrying amount of property, plant, and equipment, net as of the dates presented were as follows:

(in thousands)	December 31,	
	2023	2022
Machinery and equipment	\$ 28,321	\$ 13,066
Satellites	2,209	2,209
Ground station equipment	2,095	1,944
Office equipment and furniture	4,621	2,958
Software	1,582	240
Leasehold improvements	21,800	9,734
Construction-in-process	9,210	9,467
Property, plant, and equipment, gross	69,838	39,618
Accumulated depreciation	(23,389)	(14,875)
Property, plant, and equipment, net	\$ 46,449	\$ 24,743

Construction-in-process primarily includes machinery, leasehold improvements, and ground station equipment not yet placed into service. The Company capitalized \$2.0 million of interest to construction-in-process during 2022. There was no interest capitalized to construction-in-process during 2023.

The Company reviews property, plant, and equipment, net for impairment whenever events or changes in business circumstances indicate that the net carrying amount of an asset or asset group may not be fully recoverable. The Company groups assets at the lowest level for which cash flows are separately identified. Recoverability is measured by a comparison of the net carrying amount of the asset group to its expected future undiscounted cash flows. If the expected future undiscounted cash flows of the asset group are less than its net carrying amount, an impairment loss is recognized based on the amount by which the net carrying amount exceeds the fair value less costs to sell. The calculation of the fair value less costs to sell of an asset group is based on assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates, reflecting varying degrees of perceived risk.

Loss on Impairment

There were no material impairments of property, plant and equipment during 2023.

During 2022, the Company recorded a loss on impairment of \$22.4 million related to costs previously capitalized as construction-in-process associated with the development and construction of its company-owned Earth observation satellites. The resulting adjusted carrying amount represented the material, sub-assemblies, and other items which can be utilized for customer programs or other purposes. Accordingly, the Company reclassified previously capitalized costs from construction-in-process of approximately \$3.7 million to inventory and approximately \$2.5 million to prepaid expenses and other current assets. In addition, the Company recorded a loss on impairment of \$1.3 million related to costs previously capitalized as construction-in-process associated with its former plans of constructing a facility in Florida's Space Coast.

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

Note 5 Debt

Long-term debt (including accrued interest paid-in-kind) as of the presented periods was comprised of the following:

					December 31,	
Description	Issued	Maturity	Interest Rate	Interest Payable	2023	2022
Francisco Partners Facility	November 2021	April 2026	9.25%	Quarterly	\$120,023	\$120,023
Lockheed Martin Rollover Debt	March 2021	April 2026	9.25%	Quarterly	25,000	25,000
Beach Point Rollover Debt	March 2021	April 2026	11.25%	Quarterly	32,380	31,741
Convertible Notes due 2027	October 2022	October 2027	10.00%	Quarterly	112,251	101,699
PIPE Investment Obligation	March 2022	December 2025	N/A	N/A	16,875	22,500
Equipment financings ⁽¹⁾					2,287	859
Finance leases ⁽²⁾					4,988	411
Unamortized deferred issuance costs					(2,664)	(3,073)
Unamortized discount on debt					(128,367)	(148,801)
Total debt					182,773	150,359
Current portion of long-term debt					11,740	7,739
Long-term debt					\$171,033	\$142,620

(1) - Consists of equipment financing debt agreements with maturities through September 2030, annual interest rates ranging from 6.25% to 20.05%, and requiring monthly payments of interest and principal.

(2) - Refer to Note 15 "Leases" for further discussion.

Francisco Partners Facility

On November 24, 2021 (the "FP NPA Closing Date"), the Company entered into a note purchase agreement (the "FP Note Purchase Agreement") for the issuance and sale of senior secured notes with an aggregate principal amount of up to \$150 million due on November 24, 2026 to Francisco Partners (the "Francisco Partners Facility"). The Francisco Partners Facility originally consisted of (i) \$30 million of senior secured notes, which were drawn on the FP NPA Closing Date (the "Pre-Combination Notes"), (ii) \$20 million of senior secured notes drawable at the closing of the Tailwind Two Merger (the "Delayed Draw Notes"), and (iii) up to an additional \$100 million of senior secured notes drawable at the closing of the Tailwind Two Merger (the "Conditional Notes"). Deferred debt commitment costs related to the Francisco Partners Facility totaled \$62.4 million and related to an original issue discount of \$5 million, third-party legal fees of \$864 thousand, warrants, and contingently issuable warrants and equity. Deferred debt commitment costs were reclassified to discount on debt and deferred issuance costs, as it relates to third-party legal fees, at the time the underlying debt is issued.

On November 24, 2021, the Pre-Combination Notes were issued net of a \$5 million original issue discount and resulted in proceeds received of \$25 million, of which \$10.8 million was allocated to proceeds from debt and \$14.2 million was allocated to proceeds from warrants and derivatives in the consolidated statements of cash flows. The Company reclassified deferred debt commitment costs of \$15.5 million to discount on debt and \$218 thousand to deferred issuance costs related to the issuance of the Pre-Combination Notes.

On March 9, 2022, the Company amended the FP Note Purchase Agreement to, among other things, (i) increase the total principal amount of senior secured notes that may be issued under the FP Note Purchase Agreement to up to \$154 million, (ii) increase the principal amount of the Delayed Draw Notes to \$24 million, and (iii) accelerate the funding of the Delayed Draw Notes.

The Delayed Draw Notes were issued net of a \$4 million original issue discount and resulted in proceeds received of \$20 million, of which \$8.6 million was allocated to proceeds from debt and \$11.4 million was allocated to proceeds from warrants and derivatives in the consolidated statements of cash flows. The Company reclassified deferred debt commitment costs of \$13.2 million to discount on debt and \$137 thousand to deferred issuance costs related to the issuance of the Delayed Draw Notes. The Company incurred an incremental \$208 thousand of deferred issuance costs related to the issuance of the Delayed Draw Notes.

On March 25, 2022, the Company further amended the FP Note Purchase Agreement to, among other things, (i) decrease the principal amount of senior secured notes that may be issued under the FP Note Purchase Agreement to up to \$119 million, (ii) amend certain existing covenants, as described above, (iii) add an additional covenant, as described above, (iv) revise the maturity date to April 1,

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

2026, and (v) change the timing of quarterly interest payments, which were originally due on the last business day of each calendar quarter, to May 15, August 15, November 15 and February 15 of each calendar year, with the first such interest payment due on May 15, 2022. As consideration for the amendment on March 25, 2022, Francisco Partners received an additional 1.9 million shares of Terran Orbital Corporation's common stock in connection with the Tailwind Two Merger.

Upon closing of the Tailwind Two Merger, the Company issued \$65 million of Conditional Notes. The Conditional Notes were issued net of a \$5 million original issue discount and resulted in proceeds received of \$60 million, of which \$14.4 million was allocated to proceeds from debt, \$30.8 million was allocated to proceeds from warrants and derivatives, and \$14.8 million was allocated to proceeds from the issuance of common stock in the consolidated statements of cash flows. The Company reclassified deferred debt commitment costs of \$32.8 million to discount on debt and \$509 thousand to deferred issuance costs upon the issuance of the Conditional Notes. The Company incurred an incremental \$851 thousand of issuance costs related to the issuance of the Conditional Notes, of which \$641 thousand was allocated to debt and \$210 thousand was allocated to equity.

In connection with the Convertible Note and Warrant Purchase Agreement (as defined below), the FP Note Purchase Agreement was amended to, to among other things, provide consent for the Company to enter into the Convertible Note and Warrant Purchase Agreement as well as a First Lien/Second Lien Intercreditor Agreement to govern the relative priorities of the security interests and certain other matters related to the Company's outstanding debt. In addition, the amendment made certain changes to the FP Note Purchase Agreement to conform to the language of the Convertible Note and Warrant Purchase Agreement, including language in the financial covenants.

Senior secured notes issued under the Francisco Partners Facility bear interest at a rate of 9.25% per annum, which is due and payable quarterly in arrears, with a one-time interest payment due upon the closing date of the Tailwind Two Merger. However, in lieu of payment in cash of all or any portion of the interest amount due on or prior the first payment, such unpaid interest amount was added to the principal balance of the senior secured notes on such interest payment date. As of December 31, 2023 and 2022, approximately \$1 million of contractual interest was included in the outstanding principal balance of the Francisco Partners Facility.

The Francisco Partners Facility requires certain mandatory prepayments with (i) 100% of net cash proceeds of all non-ordinary course asset sales or other dispositions of property and any extraordinary receipts, subject to the ability to reinvest such proceeds and certain other exceptions and (ii) 100% of the net cash proceeds of any debt incurrence, other than debt permitted by the FP Note Purchase Agreement. The Company may prepay senior secured notes issued under the Francisco Partners Facility at any time subject to a call premium of (i) 3.0% on or prior to the second anniversary of the FP NPA Closing Date, (ii) 2.00% after the second anniversary of the FP NPA Closing Date but on or prior to the third anniversary of the FP NPA Closing Date, and (iii) at par thereafter.

Lockheed Martin Rollover Debt and Beach Point Rollover Debt

On March 8, 2021, the Company issued \$87 million aggregate principal amount of senior secured notes due April 1, 2026 (the "Senior Secured Notes due 2026") which resulted in gross proceeds of \$50 million from Lockheed Martin and the exchange and extinguishment of \$37 million then outstanding.

On November 24, 2021, the Senior Secured Notes due 2026 note purchase agreement was amended to provide consent to the issuance of the Pre-Combination Notes and to align the terms of cash interest payments with those of the FP Note Purchase Agreement. In addition, Lockheed Martin and Beach Point Capital ("Beach Point") each agreed to, at their option, (a) exchange up to \$25 million (in the case of Lockheed Martin) and \$25 million (in the case of Beach Point) of aggregate principal amount of Senior Secured Notes due 2026 for the same principal amount of debt to be issued under a new agreement, or (b) keep outstanding such principal amounts under the existing note purchase agreement (in either case, the "Rollover Debt"). The Rollover Debt has substantially similar terms as the terms of the Francisco Partners Facility, except that the Rollover Debt does not have call protection or original issue discount and became available at the closing of the Tailwind Two Merger. The Company issued warrants and contingently issuable warrants and equity to each of Lockheed Martin and Beach Point in connection with the November 2021 amendment, which resulted in the extinguishment and re-issuance of the Senior Secured Notes due 2026 for each of Lockheed Martin and Beach Point for accounting purposes.

On March 25, 2022, two holders of the Senior Secured Notes due 2026 agreed to, in substance, exchange the outstanding amount of principal and interest for common stock of Terran Orbital Corporation with any residual amounts settled in cash, resulting in a loss on extinguishment of debt of \$727 thousand related to \$4.6 million of the carrying amount of Senior Secured Notes due 2026 on March 25, 2022. The consideration transferred as part of the extinguishment included common stock with a fair value of \$4.6 million and a cash

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

payment of \$703 thousand, of which \$293 thousand represents the repayment of debt and \$410 thousand represents the payment of interest in the consolidated statements of cash flows.

On March 25, 2022, the Senior Secured Notes due 2026 note purchase agreement was amended to, among other things, (i) set the Rollover Debt for Lockheed Martin to \$25 million (the "Lockheed Martin Rollover Debt"), (ii) increase and set the Rollover Debt for Beach Point to \$31.3 million (the "Beach Point Rollover Debt"), (iii) set the terms of the Lockheed Martin Rollover Debt and Beach Point Rollover Debt to have substantially similar terms as the terms in the Francisco Partners Facility, excluding call protection and the Beach Point Rollover Debt bearing interest at 11.25% (9.25% of which is payable in cash and 2.0% of which is payable in kind), and (iv) cause the Beach Point Rollover Debt to be subordinated in right of payment to the Francisco Partners Facility.

The Company partially extinguished Lockheed Martin's portion of the Senior Secured Notes due 2026, resulting in a gain on extinguishment of debt of \$1.8 million related to \$32.6 million of the carrying amount, inclusive of an unamortized premium, of Senior Secured Notes due 2026. The consideration transferred as part of the partial extinguishment included a cash payment of \$30.8 million, of which \$25 million represents the repayment of debt and \$5.8 million represents the payment of interest in the consolidated statements of cash flows. In addition, the Lockheed Martin Rollover Debt represents a modification of Lockheed Martin's portion of the Senior Secured Notes due 2026. The Company expensed \$323 thousand of third-party expenses related to the modification.

In connection with the PIPE Investment and the amendment on March 25, 2022, Beach Point agreed to, in substance, exchange a portion of its outstanding amount of principal and interest for common stock of Terran Orbital Corporation with the remainder representing the Beach Point Rollover Debt. As consideration for the amendment on March 25, 2022, Beach Point received an additional 2.4 million shares of Terran Orbital Corporation's common stock as part of the Tailwind Two Merger. Accordingly, Beach Point's portion of the Senior Secured Notes due 2026 was deemed to have been extinguished for the issuance of the Beach Point Rollover Debt and common stock of Terran Orbital Corporation, resulting in a loss on extinguishment of debt of \$24.2 million related to \$38.6 million carrying amount of Senior Secured Notes due 2026 on March 25, 2022. The consideration transferred as part of the extinguishment included common stock with a fair value of \$31.8 million and the Beach Point Rollover Debt with a fair value of \$31 million. The Company incurred \$328 thousand of third-party expenses related to the Beach Point Rollover Debt, of which \$178 thousand was allocated to debt and \$151 thousand was allocated to equity.

In connection with the Convertible Note and Warrant Purchase Agreement, the Lockheed Martin Rollover Debt and Beach Point Rollover Debt agreements were amended to, to among other things, provide consent for the Company to enter into the Convertible Note and Warrant Purchase Agreement as well as a First Lien/Second Lien Intercreditor Agreement to govern the relative priorities of the security interests and certain other matters related to the Company's outstanding debt. In addition, the amendment made certain changes to the Lockheed Martin Rollover Debt and Beach Point Rollover Debt to conform to the language of the Convertible Note and Warrant Purchase Agreement, including language in the financial covenants.

Prior to the March 25, 2022 amendment, the Senior Secured Notes due 2026 bore interest at the rate of 11% per annum, payable quarterly, and the Company had the option to pay the interest in-kind in lieu of cash prior to March 8, 2024. The Senior Secured Notes due 2026, as amended, bear interest due and payable quarterly in arrears at a rate of 9.25% per annum in the case of the Lockheed Martin Rollover Debt and at 11.25% in the case of the Beach Point Rollover Debt (9.25% of which is payable in cash and 2.0% of which is payable in kind). Interest payments are due on May 15, August 15, November 15 and February 15 of each calendar year. As of December 31, 2023 and 2022, the amount of contractual paid-in-kind interest that was included in the outstanding principal balance of the Beach Point Rollover Debt was approximately \$1.1 million and \$484 thousand, respectively.

Convertible Notes due 2027

On October 31, 2022, the Company issued and sold second lien secured convertible notes in an aggregate principal amount of \$100 million due on October 31, 2027 to Lockheed Martin (the "Convertible Notes due 2027") pursuant to a convertible note and warrant purchase agreement (the "Convertible Note and Warrant Purchase Agreement"). The Convertible Notes due 2027 resulted in proceeds received of \$100 million, of which \$40.5 million was allocated to proceeds from debt and \$59.5 million was allocated to proceeds from warrants and derivatives in the consolidated statements of cash flows. The Company recorded approximately \$1.2 million of deferred issuance costs related to the issuance of the Convertible Notes due 2027.

The Convertible Notes due 2027 bears interest at 10% per annum and is payable quarterly on May 15, August 15, November 15 and February 15 of each calendar year, with the first such interest payment due on February 15, 2023, and may be paid in cash or in kind at

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

the election of the Company subject to certain conditions. As of December 31, 2023 and 2022, the amount of contractual paid-in-kind interest that was included in the outstanding principal balance of the Convertible Notes due 2027 was approximately \$12.3 million and \$1.7 million, respectively.

The Convertible Notes due 2027 are convertible by their holders at any time prior to maturity into the number of shares of the Company's common stock on the date of conversion obtained by dividing (i) the outstanding principal amount of the Convertible Notes due 2027, plus any accrued but unpaid interest, by (ii) a conversion price equal to \$2.898 per share, representing the average of the closing price of the Company's common stock from October 24, 2022 through October 28, 2022 plus a 15% premium. The conversion price is subject to anti-dilution adjustments customary for convertible debt securities. The Company has agreed to use reasonable best efforts to obtain shareholder approval for the issuance of shares of common stock issuable upon conversion of the Convertible Notes due 2027 and the exercise of the related 2027 Warrants (as defined below) by the holders that would exceed 30% of the common stock then outstanding at its next annual meeting; provided that, if such approval is not obtained and the holders seek to convert Convertible Notes due 2027 or exercise any related 2027 Warrants, the Company may settle the excess above any limit on said conversion and exercise of the warrants set by applicable stock exchange rules in cash, as permitted by the Company's Existing Debt Agreements (as defined below). Shares of common stock issuable upon conversion of the Convertible Notes due 2027 are subject to customary registration rights.

On or after May 1, 2024, the Company may redeem, at its option, for cash, all or any portion of the Convertible Notes due 2027, at a redemption price equal to 100% of the applicable principal amount to be redeemed, plus accrued and unpaid interest, subject to certain conditions. Upon the occurrence of a fundamental change, including certain change of control transactions of the Company, holders may require the Company to repurchase all or a portion of their Convertible Notes due 2027 at a repurchase price equal to 100% of the applicable principal amount to be repurchased, plus accrued and unpaid interest, subject to the satisfaction of certain conditions.

The agreement relating to the Convertible Notes due 2027 (and the agreements relating to the Francisco Partners Facility, Lockheed Martin Rollover Debt, and Beach Point Rollover Debt, collectively with the agreement relating to the Convertible Notes due 2027, the "Debt Agreements") include financial covenants that require that as of the last day of each fiscal quarter, the Company must have an aggregate amount of unrestricted cash and cash equivalents of the greater of \$20 million or 15% of certain aggregated funded indebtedness. In addition, the Debt Agreements have a financial covenant related to the EBITDA Financial Covenant.

In connection with the Convertible Note and Warrant Purchase Agreement, the Company entered a First Lien/Second Lien Intercreditor Agreement to govern the relative priorities of the security interests and certain other matters related to the Company's outstanding debt. The Convertible Notes due 2027 are secured by a second lien on substantially all of the Company's assets.

PIPE Investment Obligation

An affiliate of a director and shareholder of the Company invested \$30 million as part of the PIPE Investment (the "Insider PIPE Investment"). The subscription agreement for the Insider PIPE Investment included a provision that obligates the Company to pay the affiliate a quarterly fee of \$1.875 million for sixteen quarters beginning with the period ending March 31, 2022 (the "PIPE Investment Obligation"). The first four quarterly payments were to be paid in cash and the remaining payments are to be paid, at the Company's option, in cash or common stock of the Company, subject to subordination to and compliance with the Company's debt facilities and other contractual obligations. The PIPE Investment Obligation represents a liability within scope of ASC 480, *Distinguishing Liabilities from Equity*, ("ASC 480") with subsequent measurement within scope of ASC 835, *Interest* ("ASC 835").

The Insider PIPE Investment resulted in proceeds received of \$30 million, of which \$13 million was allocated to proceeds from debt and \$17 million was allocated to proceeds from the PIPE Investment in the consolidated statements of cash flows based on relative fair value. The Company incurred \$259 thousand of issuance costs related to the Insider PIPE Investment, of which \$112 thousand was allocated to debt and \$147 thousand was allocated to equity.

In January 2024, the Company paid \$1.875 million of principal related to the PIPE Investment Obligation, which was outstanding as of December 31, 2023.

Other

Interest on the Company's long-term debt was \$27.7 million and \$17.5 million in 2023 and 2022, respectively, of which \$0 and \$2.0 million was capitalized to construction-in-process during 2023 and 2022, respectively. In addition, interest expense included \$409

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

thousand and \$229 thousand related to the amortization of deferred issuance costs during 2023 and 2022, respectively, as well as \$20.4 million and \$11.1 million related to the amortization of discount on debt during 2023 and 2022, respectively.

As of December 31, 2023, the aggregate annual maturities of debt, excluding finance leases, were as follows:

(in thousands)		
2024		\$ 9,811
2025		7,981
2026		177,893
2027		112,714
2028		264
Thereafter		153
Total debt maturities		308,816
Less: Unamortized deferred issuance costs		(2,664)
Less: Unamortized discount on debt		(128,367)
Plus: Finance leases		4,988
Total debt		182,773
Less: Current maturities of long-term debt		11,740
Long-term debt		\$ 171,033

Note 6 Warrants and Derivatives

The Company's warrants and derivatives consist of freestanding financial instruments and embedded derivatives requiring bifurcation issued in connection with the Company's debt and equity financing transactions. The Company does not have any derivatives designated as hedging instruments.

The Company evaluates whether each warrant or derivative represents a liability-classified financial instrument within the scope of ASC 480, or either a liability-classified or equity-classified financial instrument within the scope of ASC 815, *Derivatives and Hedging*.

Warrants and derivatives classified as liabilities are recognized at fair value in the consolidated balance sheets and are remeasured at fair value as of each reporting period with changes in fair value recorded in the consolidated statements of operations and comprehensive loss. Warrants and derivatives classified as equity are recognized at fair value, or relative fair value if issued with other financial instruments, in additional paid-in capital in the consolidated balance sheets and are not subsequently remeasured.

Liability-classified Warrants and Derivatives

The fair values of liability-classified warrants and derivatives recorded in warrant and derivative liabilities on the consolidated balance sheets as of the presented periods were as follows:

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

(in thousands, except share and per share amounts)	Number of Issuable Shares as of December 31, 2023	Issuance	Maturity	Exercise/C onversion Price	December 31,	
					2023	2022
Public Warrants	19,221,960	March 2021	March 2027	\$ 11.50	\$ 1,346	\$ 1,922
Private Placement Warrants	78,000	March 2021	March 2027	11.50	5	8
FP Combination Warrants	8,291,704	March 2022	March 2027	10.00	21,476	18,573
2027 Warrants	17,253,279	October 2022	October 2027	2.898	9,842	13,707
Conversion Option Derivative	38,733,878	October 2022	October 2027	2.898	1,793	5,740
Warrant and derivative liabilities	<u>83,578,821</u>				<u>\$ 34,462</u>	<u>\$ 39,950</u>

The changes in fair value of liability-classified warrants and derivatives during the periods presented were as follows:

(in thousands)	Current Warrant and Derivative Liabilities	Warrant and Derivative Liabilities	Total	
			2021	2022
Balance as of December 31, 2021	\$ 68,518	\$ 5,631	\$ 74,149	
Initial recognition from Tailwind Two Merger	-	13,124	13,124	
Initial recognition as discount on debt	-	59,487	59,487	
Change in fair value of warrant and derivative liabilities	13,342	(56,642)	(43,300)	
Reclassification of current warrant and derivative liabilities to warrant and derivative liabilities	(25,966)	25,966	-	
Reclassification of liability-classified warrants and derivatives to equity-classified	(11,007)	-	(11,007)	
Net settlement of liability-classified warrants into common stock	-	(7,616)	(7,616)	
Issuance of contingently issuable shares	(44,887)	-	(44,887)	
Balance as of December 31, 2022	\$ -	\$ 39,950	\$ 39,950	
Change in fair value of warrant and derivative liabilities	-	(5,488)	(5,488)	
Balance as of December 31, 2023	\$ -	\$ 34,462	\$ 34,462	

Inducement Warrants

In connection with the issuance of the Senior Secured Notes due 2026, the Company issued warrants to the note holders to purchase 0.34744% of Legacy Terran Orbital's common stock for \$0.01 per share (prior to the reverse recapitalization) or to receive a cash payment of approximately \$7 million if the warrants were not exercised prior to maturity or repayment of the Senior Secured Notes due 2026 (the "Inducement Warrants").

In connection with the Tailwind Two Merger, holders of the Inducement Warrants were entitled to receive an additional 0.18708% of Legacy Terran Orbital's common stock immediately prior to the Tailwind Two Merger in exchange for waiving their cash redemption rights. Accordingly, all of the Inducement Warrants were net settled into 695 thousand shares of the Company's common stock as part of the Tailwind Two Merger. As a result of the net settlement of the Inducement Warrants, the Company reclassified the \$7.6 million fair value of the Inducement Warrants as of the date of the Tailwind Two Merger to additional paid-in capital.

The Company recorded a loss on change in fair value of the Inducement Warrants of \$2.0 million during 2022.

Francisco Partners Warrants and Derivatives

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

As part of the Francisco Partners Facility, the Company issued warrants to Francisco Partners to purchase 1.5% of the fully diluted shares of Legacy Terran Orbital's common stock for \$0.01 per share (prior to the reverse recapitalization) exercisable in the event the Tailwind Two Merger did not occur (the "FP Pre-Combination Warrants"). The FP Pre-Combination Warrants terminated unexercised upon consummation of the Tailwind Two Merger pursuant to their contractual provisions. The Company recorded a gain on change in fair value of the FP Pre-Combination Warrants of \$2.5 million in 2022.

As additional consideration for the Francisco Partners Facility, the Company committed to the issuance of (i) an equity grant package equal to 1.5% of the fully diluted shares of the Company's common stock outstanding as of immediately following the closing of the Tailwind Two Merger, plus an additional 1.0 million shares of common stock (the "FP Combination Equity"), and (ii) warrants to purchase 5.0% of the Company's common stock on a fully diluted basis as of immediately following the closing of the Tailwind Two Merger at a strike price of \$10.00 per share, redeemable at the option of Francisco Partners for \$25 million on the third anniversary of the closing of the Tailwind Two Merger (the "FP Combination Warrants"). The FP Combination Equity and the FP Combination Warrants were contingently issuable upon closing of the Tailwind Two Merger.

Upon consummation of the Tailwind Two Merger, approximately 3.3 million shares of the Company's common stock were issued related to the FP Combination Equity, which resulted in the reclassification of the fair value of the FP Combination Equity as of the Tailwind Two Merger of \$36.4 million to additional paid-in capital. The Company recorded a loss on change in fair value of the FP Combination Equity of \$12.3 million in 2022.

In addition, upon consummation of the Tailwind Two Merger, approximately 8.3 million warrants were issued related to the FP Combination Warrants, resulting in the reclassification of the FP Combination Warrants to warrant and derivative liabilities on the consolidated balance sheets. The Company recorded a loss on change in fair value of the FP Combination Warrants of \$2.9 million and a gain of \$9.1 million in 2023 and 2022, respectively.

Pre-Combination and Combination Warrants and Derivatives

Upon funding of the Pre-Combination Notes, and in connection with the amendment to the Senior Secured Notes due 2026 note purchase agreement, the Company issued warrants to each of Lockheed Martin and Beach Point to purchase 0.25% of the fully diluted shares of Legacy Terran Orbital's common stock for \$0.01 per share (prior to the reverse recapitalization) on the same valuation and terms and conditions as the FP Pre-Combination Warrants (the "Pre-Combination Warrants"). The Pre-Combination Warrants terminated unexercised upon consummation of the Tailwind Two Merger pursuant to contractual provisions. The Company recorded a gain on change in fair value of the Pre-Combination Warrants of \$849 thousand in 2022.

In connection with the amendment to the Senior Secured Notes due 2026 in 2021, the Company committed to issue to each of Lockheed Martin and Beach Point (i) an equity grant package equal to 0.25% of the fully diluted shares of the Company's common stock outstanding as of immediately following the closing of the Tailwind Two Merger (the "Combination Equity"), and (ii) warrants to purchase 0.83333% of the Company's common stock on a fully diluted basis as of immediately following the closing of the Tailwind Two Merger at a strike price of \$10.00 per share with a term of 5 years (the "Combination Warrants"). The Combination Equity and the Combination Warrants were contingently issuable upon closing of the Tailwind Two Merger.

Upon consummation of the Tailwind Two Merger, approximately 774 thousand shares of the Company's common stock were issued related to the Combination Equity, which resulted in the reclassification of the fair value of the Combination Equity as of the Tailwind Two Merger of \$8.5 million to additional paid-in capital. The Company recorded a loss on change in fair value of the Combination Equity of \$2.8 million in 2022.

In addition, upon consummation of the Tailwind Two Merger, approximately 2.8 million warrants were issued related to the Combination Warrants, resulting in the reclassification of the fair value of the Combination Warrants as of the Tailwind Two Merger of \$11 million to additional paid-in capital as the Combination Warrants now represent equity-classified financial instruments. The Company recorded a loss on change in fair value of the Combination Warrants of \$3.4 million in 2022.

Public Warrants and Private Placement Warrants

As part of the Tailwind Two Merger, the Company assumed outstanding warrants giving the holders the right to purchase an aggregate of 11.5 million shares of the Company's common stock for \$11.50 per share (the "Public Warrants"). The Public Warrants became

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

exercisable on April 24, 2022, 30 days after the completion of the Tailwind Two Merger, and will expire five years from the completion of the Tailwind Two Merger.

The Company may redeem the outstanding Public Warrants when the price per share of the Company's common stock equals or exceeds \$18.00 as follows:

- in whole and not in part;
- at a price of \$0.01 per warrant;
- upon not less than 30 days' prior written notice of redemption to each warrant holder; and
- if, and only if, the closing price of the Company's shares of common stock equals or exceeds \$18.00 per share (as adjusted) for any 20 trading days within a 30-trading day period ending three trading days before the Company sends the notice of redemption to the warrant holders.

In addition, the Company may redeem the outstanding Public Warrants when the price per share of the Company's common stock equals or exceeds \$10.00 as follows:

- in whole and not in part;
- at \$0.10 per warrant upon a minimum of 30 days' prior written notice of redemption; provided that holders will be able to exercise their warrants on a cashless basis prior to redemption and receive that number of shares determined based on the redemption date and the fair market value of the Company's shares of common stock;
- if, and only if, the closing price of the Company's shares of common stock equals or exceeds \$10.00 per 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 Company's 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 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, as described above.

In addition, as part of the Tailwind Two Merger, the Company assumed outstanding warrants that were previously issued in a private placement and that give their holders the right to purchase an aggregate of 7.8 million shares of the Company's common stock for \$11.50 per share (the "Private Placement Warrants"). The Private Placement Warrants are substantially similar to the Public Warrants, except that 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 or their permitted transferees. Private Placement Warrants that are held by someone other than the initial purchasers or their permitted transferees will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.

During 2022, the initial purchasers of 7,722,000 Private Placement Warrants transferred their Private Placement Warrants to other than permitted transferees. Accordingly, the transferred Private Placement Warrants became identical to and are considered to be Public Warrants at the time of transfer.

The Company recorded gains on change in fair value of the Public Warrants and Private Placement Warrants of \$579 thousand and \$11.2 million in 2023 and 2022, respectively.

2027 Warrants

In connection with the Convertible Note and Warrant Purchase Agreement, the Company issued warrants to Lockheed Martin to purchase 17.3 million shares of the Company's common stock at an exercise price of \$2.898 per share, representing the average of the closing price of the Company's common stock from October 24, 2022 through October 28, 2022 plus a 15% premium, and expiring five years after the issuance date (the "2027 Warrants"). The 2027 Warrants were recognized at a fair value of \$28.0 million as a discount on debt in the consolidated balance sheets.

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

The issuance costs related to the 2027 Warrants totaled approximately \$801 thousand and were recorded in other expense in the consolidated statements of operations and comprehensive loss and as operating cash flows in the consolidated statements of cash flows. The Company recorded a gain on change in fair value of the 2027 Warrants of \$3.9 million and \$14.3 million in 2023 and 2022, respectively.

Conversion Option Derivative

The Company determined that the conversion option of the Convertible Note due 2027 represented an embedded derivative requiring bifurcation as a liability-classified derivative (the "Conversion Option Derivative"). Accordingly, the Conversion Option Derivative was bifurcated from the Convertible Notes due 2027 and recognized at a fair value of \$31.5 million as a discount on debt in the consolidated balance sheets.

The issuance costs related to the Conversion Option Derivative totaled approximately \$900 thousand and were recorded in other expense in the consolidated statements of operations and comprehensive loss and as operating cash flows in the consolidated statements of cash flows. The Company recorded a gain on change in fair value of the Conversion Option Derivative of \$3.9 million and \$25.7 million in 2023 and 2022, respectively.

Equity-classified Warrants and Derivatives

As of December 31, 2023, the Company's equity-classified warrants and derivatives were comprised of the following:

<i>(in thousands, except share and per share amounts)</i>	Number of Issuable Shares	Issuance	Maturity	Exercise Price
Combination Warrants	2,763,902	March 2022	March 2027	\$ 10.00
RDO Warrants	29,000,000	May 2023	November 2028	1.43
Placement Agent Warrants	2,030,000	May 2023	May 2028	1.60
CMPO Warrants	23,214,290	September 2023	September 2028	1.50
CMPO Placement Agent Warrants	1,625,000	September 2023	September 2028	1.75
Total equity-classified warrants and derivatives	58,633,192			

Detachable Warrants

In March 2021, Legacy Terran Orbital issued warrants in connection with the extinguishment of certain convertible notes (the "Detachable Warrants"). As part of the Tailwind Two Merger, all of the Detachable Warrants were ultimately net settled into approximately 22.3 million shares of the Company's common stock.

Registered Direct Offering

On May 30, 2023, the Company completed a registered direct offering (the "Registered Direct Offering") with an institutional investor in which the Company received proceeds of approximately \$37.1 million for the sale and issuance of (i) 16 million shares of the Company's common stock, (ii) 13 million warrants to purchase shares of the Company's common stock at an exercise price of \$0.0001 (the "Pre-Funded Warrants"), and (iii) 29 million warrants to purchase shares of the Company's common stock at an exercise price of \$1.43 (the "RDO Warrants"). In connection with the Registered Direct Offering, the Company incurred third-party issuance costs of \$4.5 million, inclusive of the \$1.5 million fair value recognized associated with 2 million warrants issued to purchase shares of the Company's common stock at an exercise price of \$1.60 (the "Placement Agent Warrants"). The Company allocated the \$37.1 million proceeds received and the \$4.5 million of third-party issuance costs between the issued common stock, the Pre-Funded Warrants, and the RDO Warrants based on relative fair value. Accordingly, the Company allocated proceeds of \$12.2 million and issuance costs of \$1.5 million to common stock and proceeds of \$24.9 million and issuance costs of \$3.0 million to equity-classified warrants and derivatives. The proceeds and issuance costs were recognized as additional paid-in capital in the consolidated balance sheet and as financing cash flows in the consolidated statement of cash flows.

The fair values of the common stock and Pre-Funded Warrants were estimated based on the market price of the Company's common stock while the fair values of the RDO Warrants and Placement Agent Warrants were estimated using the Black-Scholes option-pricing model.

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

During 2023, all of the Pre-Funded Warrants were exercised.

Confidentially Marketed Public Offering

On September 21, 2023, the Company completed a confidentially marketed public offering (the "CMPO") in which the Company received proceeds of approximately \$32.5 million for the sale and issuance of approximately (i) 11.7 million shares of the Company's common stock, (ii) 11.5 million warrants to purchase shares of the Company's common stock at an exercise price of \$0.0001 (the "CMPO Pre-Funded Warrants"), and (iii) 23.2 million warrants to purchase shares of the Company's common stock at an exercise price of \$1.50 per share (the "CMPO Warrants"). In connection with the CMPO, the Company incurred third-party issuance costs of \$4 million, inclusive of the \$1.1 million fair value recognized associated with 1.6 million warrants issued to purchase shares of the Company's common stock at an exercise price of \$1.75 (the "CMPO Placement Agent Warrants"). The Company allocated the \$32.5 million proceeds received and the \$4.0 million of third-party issuance costs between the issued common stock, the CMPO Pre-Funded Warrants, and the CMPO Warrants based on relative fair value. Accordingly, the Company allocated proceeds of \$10.0 million and issuance costs of \$1.2 million to common stock and proceeds of \$22.5 million and issuance costs of \$2.8 million to equity-classified warrants and derivatives. The proceeds and issuance costs were recognized as additional paid-in capital in the consolidated balance sheet and as financing cash flows in the consolidated statement of cash flows.

The fair values of the common stock and CMPO Pre-Funded Warrants were estimated based on the market price of the Company's common stock while the fair values of the CMPO Warrants and CMPO Placement Agent Warrants were estimated using the Black-Scholes option-pricing model.

During 2023, all of the CMPO Pre-Funded Warrants were exercised.

Note 7 Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market, or if none exists, the most advantageous market, for the specific asset or liability at the measurement date (the exit price). The fair value is based on assumptions that market participants would use when pricing the asset or liability. A fair value measurement is assigned a level within the fair value hierarchy, depending on the source of the inputs utilized in estimating the fair value measurement as follows:

- Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

The carrying amounts of cash and cash equivalents, accounts receivable, contract assets, contract liabilities, and accounts payable approximate their fair values due to the short-term maturities of these financial instruments.

Fair Value of Common Stock

Prior to the Tailwind Two Merger, there was no public market for Legacy Terran Orbital's common stock. As such, the fair value of Legacy Terran Orbital's common stock was estimated using an option pricing model, which allocated the total enterprise value of the Company to the different classes of equity as of the valuation date and represented a Level 3 fair value measurement. There were no estimates of the fair value of Legacy Terran Orbital's common stock performed during 2022 prior to the Tailwind Two Merger.

Following the Tailwind Two Merger, there is a public market for Terran Orbital Corporation's common stock. Accordingly, the fair value of Terran Orbital Corporation's common stock is based on the closing price on the relevant valuation date as reported on the NYSE.

Warrants and Derivatives

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

The fair values of certain warrants and derivatives were estimated using the Black-Scholes option-pricing model, which uses the following significant inputs and assumptions for each security as of the valuation date: (i) the price per share of common stock, (ii) the exercise price, (iii) the risk-free interest rate, (iv) the dividend yield, (v) the contractual term, and (vi) the estimated volatility. The resulting fair values represent Level 3 fair value measurements.

The fair values of certain warrant and derivative were estimated using models similar to that of the Black-Scholes option-pricing model and included additional assumptions such as the estimated counterparty credit spread based on an estimated credit rating of CCC and below.

The final fair values of certain warrants and derivatives were based on the number of shares of Terran Orbital Corporation common stock issued as part of the Tailwind Two Merger and the price per share of Terran Orbital Corporation's common stock as of the Tailwind Two Merger and represent Level 1 fair value measurements.

The fair value of the Public Warrants was based on their quoted market price as of each valuation date and represents a Level 1 fair value measurement. As the Private Placement Warrants are substantially similar to the Public Warrants, their fair value was based on the quoted market price of the Public Warrants as of each valuation date and represents a Level 2 fair value measurement.

The fair value of the Conversion Option Derivative was estimated as the difference in the fair value of the Convertible Notes due 2027 inclusive of the conversion option and the fair value of the Convertible Notes due 2027 exclusive of the conversion option. The fair value inclusive of the conversion option was estimated using a lattice model with the following significant inputs and assumptions: (i) time to maturity, (ii) coupon rate, (iii) discount rate based on an estimated credit rating of CCC and below, (iv) risk-free interest rate, (v) contractual features such as prepayment options, call premiums and default provisions, (vi) price per share of common stock, (vii) dividend yield, and (viii) estimated volatility. The fair value exclusive of the conversion option was estimated using a discounted cash flow method using a discount rate based on an estimated credit rating of CCC and below plus a risk-free interest rate. The resulting fair values represent Level 3 fair value measurements.

The assumptions underlying the above valuations represented the Company's best estimate, which involved inherent uncertainties and the application of judgment. If the Company had used different assumptions or estimates, the fair values above could have been materially different.

Long-term Debt

The following table presents the total net carrying amount and estimated fair value of the Company's long-term debt instruments, excluding finance leases, as of the dates presented:

(in thousands)	December 31, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	\$ 177,785	\$ 285,918	\$ 149,948	\$ 257,810

As of December 31, 2023 and 2022, the fair value of the Company's long-term debt, except as otherwise described, was estimated using a lattice model with the following significant inputs and assumptions: (i) time to maturity, (ii) coupon rate, (iii) discount rate based on an estimated credit rating of CCC and below, (iv) risk-free interest rate, and (v) contractual features such as prepayment options, call premiums and default provisions. The fair value related to Convertible Notes due 2027 was exclusive of the conversion option and estimated as described above. The fair value of long-term debt related to the PIPE Investment Obligation was estimated using a discounted cash flow method applied to the remaining quarterly payments using a discount rate based on a risk-free rate derived from constant maturity yields plus a credit risk derived from an estimated credit rating of CCC and below. The resulting fair values represent Level 3 fair value measurements.

Note 8 Shareholders' Deficit

Common Stock

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

Subsequent to the Tailwind Two Merger, the Company was authorized to issue up to 300 million shares of common stock with a par value of \$0.0001 per share. Each share of common stock entitles the shareholder to one vote. In May 2023, the Company amended its certificate of incorporation to increase the number of authorized shares of common stock from 300,000,000 to 600,000,000.

Registered Direct Offering

In connection with the Registered Direct Offering, the Company issued 16 million shares of common stock with allocated proceeds of \$12.2 million and allocated issuance costs of \$1.5 million.

Confidentially Marketed Public Offering

In connection with the CMPO, the Company issued 11.7 million shares of common stock with allocated proceeds of \$10.0 million and allocated issuance costs of \$1.2 million.

Tailwind Two Merger

In March 2022, the Company issued 11 million shares of common stock in exchange for the net assets of Tailwind Two, which were recognized at historical cost, in connection with the Tailwind Two Merger and issued 5.1 million shares of common stock in connection with the PIPE Investment. The Tailwind Two Merger and PIPE Investment resulted in allocated cash proceeds of \$58.4 million with aggregate allocated third-party issuance costs of \$48.4 million and the assumption of the Public Warrants and Private Placement Warrants with an aggregate fair value of \$13.1 million. In addition, the Company issued 4.3 million shares of common stock as consideration for certain financing transactions in connection with the Tailwind Two Merger.

Committed Equity Facility

On July 5, 2022, the Company entered into a common stock purchase agreement (the "Committed Equity Facility") with an institutional investor giving the Company the right, but not the obligation to sell to the investor over a 24-month period up to the lesser of (i) \$100 million of newly issued shares of the Company's common stock and (ii) 27,500,000 shares of the Company's common stock. The price per share of common stock sold is determined by reference to the volume weighted average price of the Company's common stock as defined within the Committed Equity Facility less a 3% discount, subject to certain limitations and conditions.

The Committed Equity Facility represented a derivative instrument with a fair value of \$0. Upon the sale and issuance of common stock under the Committed Equity Facility, the Company recorded the fair value of the common stock in additional paid-in capital and the difference in relation to the proceeds received to other expense in the consolidated statements of operations and comprehensive loss as well as other non-cash operating cash flows in the consolidated statements of cash flows. In addition, third-party costs incurred in connection with the Committed Equity Facility were expensed as incurred and included in other expense in the consolidated statements of operations and comprehensive loss.

During 2023, the Company did not sell any shares of common stock under the Committed Equity Facility. During 2022, the Company sold and issued 637,487 shares of common stock under the Committed Equity Facility, including 214,791 shares issued on July 5, 2022 as consideration for the investor's commitment to enter into the Committed Equity Facility, resulting in proceeds received of \$1.8 million and \$1 million of other expense in the consolidated statements of operations and comprehensive loss. In addition, the Company expensed third-party costs associated with the Committed Equity Facility of approximately \$773 thousand in 2022.

As of December 31, 2023, the remaining availability under the Committed Equity Facility was the lesser of 27,077,304 shares of common stock or \$98.2 million of proceeds from the sale and issuance of common stock. In connection with the CMPO, the Company was restricted from selling common stock under the Committed Equity Facility until after its expiration. The Company terminated the Committed Equity Facility in March 2024.

Preferred Stock

As of December 31, 2023 and 2022, the Company was authorized to issue up to 50 million shares of preferred stock with a par value of \$0.0001 per share. There were no shares of preferred stock issued and outstanding as of December 31, 2023 and 2022.

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

As part of the Tailwind Two Merger, all of the convertible preferred stock of Legacy Terran Orbital, which was presented as mezzanine equity outside of shareholders' deficit, was converted into approximately 10.9 million shares of Terran Orbital Corporation's common stock. As a result of the conversion, the Company reclassified the amount of convertible preferred stock to additional paid-in capital.

Subsequent Event: Rights Agreement

On March 4, 2024, the Company entered into a Rights Agreement (the "Rights Agreement") in order to protect the Company and its shareholders from coercive or otherwise unfair takeover tactics. The Rights Agreement imposes a significant penalty upon any person or group (including a group of persons that are acting in concert with each other) that acquires 15% or more of the Company's outstanding common stock, including through derivatives agreements, without the approval of the Company. The Rights Agreement should not interfere with any merger or other business combination approved by the Company.

In connection with the Rights Agreement, the Company declared a dividend of one preferred share purchase right ("Right") for each outstanding share of the Company's common stock. The dividend is payable to shareholders of record on March 14, 2024. In addition, one Right will automatically attach to each share of the Company's common stock until the date in which the Rights become exercisable, redeemed, or expired.

The Rights will initially trade with, and will be inseparable from, the Company's common stock. Each Right will allow its holder to purchase from the Company one one-thousandth of a share of Series A Junior Participating Preferred Stock, par value \$0.0001 per share ("Preferred Shares"), for \$5.35, subject to adjustment under certain conditions, once the Rights become exercisable. This portion of a share of Preferred Stock would give the holder thereof approximately the same dividend, voting, and liquidation rights as would one share of the Company's common stock. Prior to exercise, the Right does not give its holder any dividend, voting, or liquidation rights. The Rights will expire in one year but may be extended for an additional two years, subject to shareholder approval.

Note 9 Share-Based Compensation

Prior to the Tailwind Two Merger, Legacy Terran Orbital maintained the Amended and Restated Terran Orbital Corporation 2014 Equity Incentive Plan (the "2014 Plan"). In connection with the Tailwind Two Merger, the Company terminated the 2014 Plan and adopted the Terran Orbital Corporation 2021 Omnibus Incentive Plan (the "2021 Plan"), under which the Company grants share-based compensation awards to certain employees, officers, directors, and consultants. All of the outstanding share-based compensation awards granted under the 2014 Plan were cancelled and substituted for share-based compensation awards under the 2021 Plan in the same form and on substantially the same terms and conditions.

Share-based compensation expense for service-based awards is recognized on a straight-line basis over the requisite service period. For awards that include a performance condition, share-based compensation expense is recognized only if it is probable that the performance condition will be met. Share-based compensation expense is included in cost of sales and selling, general, and administrative expenses in the consolidated statements of operations and comprehensive loss. Additionally, certain costs related to share-based compensation awards may be capitalized based on the activities performed by employees. The Company accounts for forfeitures as they occur.

Share-based compensation awards are classified as equity awards and are settled through the issuance of authorized but previously unissued shares of common stock.

Share-based compensation, inclusive of amounts capitalized, for the periods presented was as follows:

(in thousands)	Years Ended December 31,	
	2023	2022
Restricted stock units	\$ 15,285	\$ 26,046
Retention restricted stock units	6,020	24,763
Stock options	162	273
Share-based compensation expense	\$ 21,467	\$ 51,082

There was no income tax benefit associated with the Company's share-based compensation during 2023 and 2022 as a result of a full valuation allowance on the Company's deferred tax assets.

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

2021 Plan

The 2021 Plan initially authorized the issuance of no more than 13,729,546 shares of Terran Orbital Corporation's common stock pursuant to share-based compensation awards under the 2021 Plan. Beginning on January 1, 2022, the number of authorized shares issuable under the 2021 Plan is subject to an annual increase on the first day of each calendar year during its term of the 2021 Plan, equal to the lesser of (i) 3% of the aggregate number of shares of Terran Orbital Corporation's common stock outstanding on the final day of the immediately preceding calendar year and (ii) such smaller number of shares of Terran Orbital Corporation's common stock as determined by the Company's board of directors. Further, under the 2021 Plan, the number of authorized shares issuable under the 2021 Plan may be adjusted in case of changes to capitalization or other corporate events. As of December 31, 2023, the 2021 Plan is authorized to issue no more than 19,298,409 share-based compensation awards.

As of December 31, 2023, there were approximately 7.6 million shares of Terran Orbital's common stock underlying outstanding share-based compensation awards which were cancelled under the 2014 Plan and substituted for share-based compensation awards under the 2021 Plan or granted as market-based awards pursuant to the merger agreement governing the Tailwind Two Merger. The shares underlying such share-based compensation awards are incremental to, and do not count against, the authorized share pool of the 2021 Plan.

Restricted Stock Units

The Company's restricted stock units ("RSUs") are service-based awards that vest over a one- to four-year period from the date of grant and have a fair value based on the fair value of the Company's common stock on the date of grant.

Prior to the Tailwind Two Merger, the grant date fair value of RSUs was based on the fair value of Legacy Terran Orbital's common stock using an option pricing model. As a result of the Tailwind Two Merger, these estimates are no longer necessary as there is a public market for the Company's common stock. There were no grants requiring estimates of the fair value of Legacy Terran Orbital's common stock performed during 2022 prior to the Tailwind Two Merger.

The weighted-average grant-date fair value of RSUs granted during 2023 and 2022 was \$1.52 and \$3.46, respectively.

Prior to the closing of the Tailwind Two Merger, all outstanding RSUs included a performance condition that required a liquidity event to occur in order to vest. Accordingly, the Company previously did not recognize share-based compensation expense associated with the RSUs as the performance condition was not probable of being met until such an event occurred. Upon closing of the Tailwind Two Merger, the Company recorded a cumulative catch-up of approximately \$17.2 million in order to begin recognition of share-based compensation expense associated with these RSUs as the performance condition was met, of which \$2.1 million was recorded to cost of sales and \$15.1 million was recorded to selling, general, and administrative expenses in the consolidated statements of operations and comprehensive loss based on the classification of each employee's compensation expense.

The following table summarizes activity related to RSUs during 2023:

	Number of RSUs	Weighted-Average Grant-Date Fair Value
Unvested as of December 31, 2022		
Granted	15,982,694	\$ 3.29
Vested	9,131,298	1.52
Forfeited	(5,099,399)	3.27
Unvested as of December 31, 2023	17,704,470	\$ 2.44

The fair value at the date of vest for RSUs that vested during 2023 and 2022 was \$8.8 million and \$57.3 million, respectively.

As of December 31, 2023, unrecognized compensation cost related to RSUs was \$34.5 million, which is expected to be recognized over a weighted-average period of 1.4 years.

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

Retention Restricted Stock Units

The merger agreement governing the Tailwind Two Merger authorized the issuance of no more than 5,440,438 shares of Terran Orbital Corporation's common stock pursuant to market-based RSUs ("Retention RSUs") that will generally vest on the later to occur of: (i) the first anniversary of the consummation of the Tailwind Two Merger and (ii) the trading price of the Company's common stock equaling or exceeding \$11.00 or \$13.00, as applicable, for any 20 trading days within any consecutive 30-trading day period. The Retention RSUs expire five years from the Tailwind Two Merger if unvested. The derived service period for the majority of the Retention RSUs was estimated to be less than one year from the date of the Tailwind Two Merger based on the median weighted-average triggering event period determined using the Monte Carlo simulation model. As such, the share-based compensation expense associated with the Retention RSUs is generally recognized over a one-year period beginning from the consummation of the Tailwind Two Merger. In addition, the grant date fair value of the Retention RSUs was determined using the Monte Carlo simulation model using the following significant inputs and assumptions as of the valuation date: (i) the price per share of Terran Orbital Corporation's common stock, (ii) a risk-free interest rate ranging from 1.61% to 2.88%, (iii) a dividend yield of 0%, (iv) an estimated volatility of 40%, and (v) a discount for lack of marketability ranging from 4.50% to 6.50% for Retention RSUs granted prior to the Tailwind Two Merger.

The weighted-average grant-date fair value of Retention RSUs granted during 2022 was \$7.98.

The following table summarizes activity related to Retention RSUs during 2023:

	Number of RSUs	Weighted-Average Grant-Date Fair Value
Unvested as of December 31, 2022	4,135,052	\$ 7.89
Granted	—	—
Vested	—	—
Forfeited	(796,594)	7.65
Unvested as of December 31, 2023	3,338,458	\$ 7.95

As of December 31, 2023, unrecognized compensation cost related to Retention RSUs was \$155 thousand, which is expected to be recognized over a weighted-average period of 0.8 years.

Stock Options

Stock options are primarily service-based awards that vest over a two- or four-year period from the date of grant, have an exercise price based on the estimated fair value of the Company's common stock on the date of grant, and have a contractual term of up to ten years from the date of grant. There were no stock options granted during 2023 or 2022.

The following table summarizes activity related to stock options during 2023:

	Number of Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value (in thousands)	Weighted-Average Remaining Contractual Term (Years)
Outstanding as of December 31, 2022	1,673,042	\$ 0.94	\$ 1,079	4.22
Granted	—	—	—	—
Exercised	(653,299)	0.70	—	—
Forfeited	(13,794)	0.08	—	—
Outstanding as of December 31, 2023	1,005,949	\$ 1.10	\$ 235	4.33
Exercisable as of December 31, 2023	951,635	\$ 1.08	\$ 235	4.20

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

The intrinsic value of stock options exercised during 2023 and 2022 was \$781 thousand and \$1.5 million, respectively.

As of December 31, 2023, unrecognized compensation cost related to stock options was \$94 thousand, which is expected to be recognized over a weighted-average period of 0.6 years.

Note 10 Net Loss Per Share

Basic net loss per share is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the period. Equity-classified warrants that are exercisable for nominal consideration are included in basic weighted-average shares outstanding at the time of issuance.

Diluted net loss per share gives effect to all securities having a dilutive effect on net loss, weighted-average shares of common stock outstanding, or both. The effect from potential dilutive securities included, but was not limited to: (i) incremental shares of common stock calculated using the if-converted method for the Convertible Notes due 2027 and Conversion Option Derivative, the PIPE Investment Obligation, and the Series A Preferred Stock; (ii) incremental shares of common stock calculated using the treasury stock method for warrants and share-based compensation awards; (iii) incremental shares and potential shares of common stock that were contingently issuable upon closing of the Tailwind Two Merger; and (iv) the corresponding impact to net loss associated with the preceding considerations.

The RDO Warrants and CMPO Warrants each meet the definition of a participating security because they are entitled to participate in distributions by the Company while in the form of a warrant; however, the RDO Warrants and CMPO Warrants are not required to share in the net losses of the Company. Accordingly, these participating securities do not have an impact on basic net loss per share in periods of net loss and with no distributions.

For purposes of the diluted net loss per share computation, all potentially dilutive securities, except as otherwise noted, were excluded because their (i) effect would be anti-dilutive, (ii) exercise price was "out-of-the-money," or (iii) contingent issuance conditions were unsatisfied. However, the application of the if-converted method related to the Convertible Notes due 2027 and Conversion Option Derivative resulted in a dilutive impact to net loss per share as a result of the gain on change in fair value of the Conversion Option Derivative during 2022. Accordingly, the computation of diluted net loss per share includes the dilutive impact associated with the Convertible Notes due 2027 and the Conversion Option Derivative for 2022.

The table below represents the anti-dilutive securities that could potentially be dilutive in the future for the periods presented:

<i>(in shares of common stock)</i>	As of December 31,	
	2023	2022
Stock options	1,005,949	1,673,042
Restricted stock units	21,042,928	20,117,746
FP Combination Warrants	8,291,704	8,291,704
Combination Warrants	2,763,902	2,763,902
Public Warrants	19,221,960	19,221,960
Private Placement Warrants	78,000	78,000
2027 Warrants	17,253,279	17,253,279
RDO Warrants	29,000,000	—
Placement Agent Warrants	2,030,000	—
CMPO Warrants	23,214,290	—
CMPO Placement Agent Warrants	1,625,000	—
PIPE Investment Obligation	9,868,421	14,240,506
Conversion Option Derivative	38,733,878	—

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

The computations of basic and diluted net loss per share for the periods presented were as follows:

	Years Ended December 31,	
	2023	2022
<i>(in thousands, except per share and share amounts)</i>		
Net loss - basic	\$ (151,843)	\$ (163,980)
Effect of dilutive potential shares	- (23,771)	
Net loss - diluted	\$ (151,843)	\$ (187,751)
Weighted-average shares outstanding - basic	170,076,500	128,261,443
Dilutive potential shares	- 5,861,388	
Weighted-average shares outstanding - diluted	170,076,500	134,122,831
Net loss per share - basic	\$ (0.89)	\$ (1.28)
Net loss per share - diluted	\$ (0.89)	\$ (1.40)

Note 11 Income Taxes

The Company accounts for income taxes using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. The effect on deferred tax assets and liabilities of a change in tax laws is recognized in the results of operations in the period the new laws are enacted. A valuation allowance is recorded to reduce the carrying amount of deferred tax assets to the estimated realization amount.

The Company recognizes positions taken or expected to be taken in a tax return in the consolidated financial statements when it is more-likely-than-not (i.e., a likelihood of more than 50%) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit with greater than 50% likelihood of being realized upon ultimate settlement. The Company records liabilities for positions that have been taken but do not meet the more-likely-than-not recognition threshold. The Company includes interest and penalties associated with unrecognized tax benefits as income tax expense and as a component of the recorded balance of unrecognized tax benefits, which are reflected in other liabilities or net of related tax loss carryforwards in the consolidated balance sheets. The Company did not have any unrecognized tax benefits as of December 31, 2023 and 2022.

Significant components of loss before income taxes for the periods presented were as follows:

	Years Ended December 31,	
	2023	2022
<i>(in thousands)</i>		
United States	\$ (151,263)	\$ (164,786)
Foreign	(546)	966
Loss before income taxes	\$ (151,809)	\$ (163,820)

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

Significant components of provision for income taxes for the periods presented were as follows:

	Years Ended December 31,	
	2023	2022
<i>(in thousands)</i>		
Current:		
Federal	\$ —	\$ —
State	3	13
Foreign	31	147
Current provision for income taxes	34	160
Deferred:		
Federal	—	—
State	—	—
Foreign	—	—
Deferred provision for income taxes	—	—
Provision for income taxes	\$ 34	\$ 160

The reconciliation between the provision for income taxes and the amount computed at the statutory U.S. federal income tax rate for the periods presented was as follows:

	Years Ended December 31,	
	2023	2022
<i>(in thousands)</i>		
Income taxes computed at the U.S. federal statutory rate	\$ (31,880)	\$ (34,402)
State and local income taxes, net of federal benefit	(10,586)	(14,472)
Permanent differences	588	(957)
Change in valuation allowance	38,536	44,256
Other, net	3,376	5,735
Provision for income taxes	\$ 34	\$ 160

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

The components of the Company's net deferred tax assets for the periods presented were as follows:

(in thousands)	December 31,	
	2023	2022
Deferred tax assets:		
Tax loss and credit carryforwards	\$ 71,880	\$ 47,783
Disallowment interest	17,341	7,946
Share-based compensation	8,480	6,667
Impairment loss	6,694	6,678
Research and development	4,901	2,331
Operating leases	2,080	2,275
Other	2,009	2,365
Total deferred tax assets	113,385	76,045
Valuation allowance	(112,838)	(74,302)
Deferred tax assets, net of valuation allowance	547	1,743
Deferred tax liabilities:		
Property, plant, and equipment	\$ (547)	\$ (1,743)
Total deferred tax liabilities	(547)	(1,743)
Net deferred tax assets	\$ —	\$ —

The valuation allowance for deferred tax assets relates to the uncertainty of the utilization of U.S. federal, state and foreign deferred tax assets. In evaluating the Company's ability to recover its deferred tax assets, the Company considers all available positive and negative evidence, which include its past operating results, the existence of cumulative losses in the most recent years, and its forecast of future taxable income. In estimating future taxable income, the Company develops assumptions related to the amount of future pre-tax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates the Company is using to manage its underlying businesses. The Company believes that it is more-likely-than-not that it will not generate sufficient future taxable income to realize its deferred tax assets. Accordingly, the Company has recorded a full valuation allowance as of December 31, 2023 and 2022.

The change in the valuation allowance for deferred tax assets for the periods presented was as follows:

(in thousands)	Years Ended December 31,	
	2023	2022
Beginning balance	\$ (74,302)	\$ (30,046)
Change in valuation allowance	(38,536)	(44,256)
Ending balance	\$ (112,838)	\$ (74,302)

As of December 31, 2023 and 2022, the Company had federal net operating losses ("NOL") carryforwards of \$236 million and \$165 million, respectively. The majority of the Company's federal NOL carryforwards were generated beginning in 2018 and can be carried forward indefinitely and used to offset up to 80% of future taxable income for future tax years.

Internal Revenue Code Section 382 generally limits NOL and tax credit carryforwards following an ownership change, which occurs when one or more five percent shareholder increases its ownership, in aggregate, by more than 50 percentage points over the lowest percentage of stock owned by such shareholder at any time during the "testing period" (generally three years). Accordingly, the Company's ability to utilize remaining NOL and tax credit carryforwards may be significantly restricted as a result of the Tailwind Two Merger.

As of December 31, 2023 and 2022, the Company had state NOL carryforwards of \$322 million and \$178 million, respectively. The state NOL carryforwards begin to expire in 2038.

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

As of December 31, 2023 and 2022, the Company's foreign NOL carryforwards were not material. The foreign NOL carryforwards can be carried forward indefinitely and used to offset up to 80% of future taxable income for future tax years.

The Company files income tax returns for U.S. federal and various state jurisdictions and in Italy for its foreign subsidiary. The income tax returns are subject to audit by the taxing authorities. These audits may culminate in proposed assessments which may ultimately result in a change to the estimated income taxes. The following is a summary of open tax years by jurisdiction:

Jurisdiction	Years Open to Audit
Federal	2020 - 2022
State	2019 - 2022
Italy	2018 - 2022

Note 12 Commitments and Contingencies

Litigation and Other Legal Matters

From time to time, the Company is subject to claims and lawsuits in the ordinary course of business, such as contractual disputes and employment matters. The Company is also subject to regulatory and governmental examinations, information requests and subpoenas, inquiries, investigations, and threatened legal actions and proceedings. The Company records accruals for losses that are probable and reasonably estimable. These accruals are based on a variety of factors such as judgment, probability of loss, and opinions of internal and external legal counsel. Legal costs in connection with claims and lawsuits in the ordinary course of business are expensed as incurred.

Class Action

In February 2023, a putative class action complaint was filed in the United States District Court for the Southern District of New York (the "Court"), Case No. 1:23-cv-01394. The litigation was instituted by Jeffrey Mullen on behalf of himself and all others similarly situated. In July 2023, an amended complaint was filed by Jeffrey Mullen, Robert Irwin, Justin Carnahan and Thomas Bennett, each on behalf of himself and all others similarly situated, naming the Company, its Chief Executive Officer, and the members of Legacy Terran Orbital's Board of Directors as defendants. The amended class action complaint (as amended, the "Complaint") asserts claims for violations of Section 11(A) of the Securities Exchange Act of 1933 and Section 158 of the Delaware General Corporation Law, and breach of fiduciary duties, resulting from the Company's alleged failure to timely transfer shares of common stock to current and former employee shareholders after the consummation of the Tailwind Two Merger and alleges materially false and misleading statements made in the Company's Form S-4 Registration Statement and Proxy Prospectus primarily relating to the process for exchanging shares in connection with the Tailwind Two Merger. The Complaint seeks an award of damages, an award of reasonable costs and expenses at trial, including counsel and expert fees, and an award of such other relief as deemed appropriate by the Court. The Company intends to defend this action vigorously and filed a motion to dismiss with the Court on December 18, 2023. On February 2, 2024, the Company filed a response brief to the plaintiff's opposition to the motion to dismiss. The motion to dismiss is currently pending with the court.

Stockholder Rights Agreement

On March 6, 2024, Andrew Jones filed a putative class action complaint against the Company and its Board of Directors in the Delaware Court of Chancery. The complaint objects to the Company's implementation of the Rights Agreement, specifically a provision in the Rights Agreement which aggregates share ownership in situations where parties are "acting in concert." The plaintiff alleges breaches of fiduciary duty and seeks to have the acting in concert provision enjoined and declared unenforceable.

Commercial Agreements

In connection with the Tailwind Two Merger, the Company entered into commercial agreements to purchase an aggregate amount of \$20 million of goods and services over three years from two affiliates of a PIPE investor, which became effective upon the closing of the Tailwind Two Merger. As of December 31, 2023, approximately \$12.1 million of the purchase obligations remained outstanding under these commercial agreements.

Note 13 Related Party Transactions

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

Lockheed Martin

Lockheed Martin, directly and through its wholly-owned subsidiary Astrolink International, LLC ("Astrolink"), is a significant holder of debt and equity instruments of the Company. Refer to Note 5 "Debt" and Note 6 "Warrants and Derivatives" for further discussion regarding debt and equity transactions with Lockheed Martin.

Strategic Cooperation Agreement

On June 26, 2017, the Company entered into a strategic cooperation agreement with Lockheed Martin (the "Strategic Cooperation Agreement"), as amended, pursuant to which the parties agreed to (i) collaborate on the development, production and sale of satellites for use in U.S. Government spacecraft and spacecraft procurements and (ii) establish a cooperation framework to enable the parties to enter into projects, research and development agreements and other collaborative business arrangements and "teaming activities."

On October 31, 2022, in connection with the Convertible Note and Warrant Purchase Agreement, the Company and Lockheed Martin terminated the Strategic Cooperation Agreement, as amended, and entered into a new Strategic Cooperation Agreement (the "2022 SCA"), pursuant to which the parties have agreed to continue to share business development opportunities and work collaboratively on small satellite and other aerospace and defense opportunities and ventures. Unless earlier terminated, the 2022 SCA has a term of 13 years and will terminate in 2035. During the term of the 2022 SCA, Lockheed Martin will be entitled to appoint a director to the Company's board of directors and to appoint a separate board observer. As part of the 2022 SCA, the Company has also agreed that it will not make any public announcement with respect to, or seek approval by the board of directors of, any sale transaction or Fundamental Change (as defined in the Convertible Note and Warrant Purchase Agreement) with respect to the Company, or any other extraordinary transaction involving the Company, with any other person regarding any of the foregoing, without giving prior notice to Lockheed Martin and to include Lockheed Martin in any such sale process, in each case, subject to the fiduciary duties of the board of directors and management of the Company.

Revenue

The Company recognized revenue from Lockheed Martin of \$110.2 million and \$71.6 million in 2023 and 2022, respectively. In addition, the Company had accounts receivable due from Lockheed Martin of \$9.6 million and \$687 thousand as of December 31, 2023 and 2022, respectively, and contract assets from contracts with Lockheed Martin of \$20.1 million and \$4.1 million as of December 31, 2023 and 2022, respectively. The Company had contract liabilities from contracts with Lockheed Martin of \$89.1 million and \$22.5 million as of December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, programs associated with Lockheed Martin represented approximately 8% and 81% of the Company's remaining performance obligations, respectively.

Expenses

During 2023, the Company incurred approximately \$4.3 million of expenses in connection with engineering and research and development support provided by Lockheed Martin.

GeoOptics, Inc.

The Company owns a non-controlling equity interest in GeoOptics, Inc. ("GeoOptics"), a privately held company engaged in the acquisition and sale of Earth observation data and a purchaser of products and services from the Company. Additionally, one of the Company's executive officers formerly served as a member of the GeoOptics board of directors. As of December 31, 2023 and 2022, the Company's \$1.7 million investment in GeoOptics represented less than a 3% ownership interest and was fully impaired.

The Company did not recognize revenue from GeoOptics during 2023 and had no accounts receivable or contract assets due from GeoOptics as of December 31, 2023 and 2022. The Company recognized revenue from GeoOptics of \$1.7 million during 2022.

Transactions with Chairman and CEO

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

The Company leases office space in a building beneficially owned by its Chairman and CEO with a lease term of April 1, 2021 to March 31, 2026. The Company has a one-time right to extend the lease for a period of five additional years. The lease payments under this lease were approximately \$241 thousand and \$234 thousand in 2023 and 2022, respectively.

PIPE Investment Obligation

The PIPE Investment Obligation is considered a related party transaction. Refer to Note 5 "Debt" for further discussion.

Note 14 Geographic Information

The following table presents revenue by geography and a reconciliation to consolidated revenue for the periods presented:

(in thousands)	Years Ended December 31,	
	2023	2022
United States	\$ 127,677	\$ 82,270
Europe	8,238	11,967
Revenue	\$ 135,915	\$ 94,237

Revenue is classified geographically based on the location of the operating entity that records the transaction.

The following table presents property, plant and equipment, net by geography and a reconciliation to consolidated property, plant and equipment, net for the periods presented:

(in thousands)	December 31,	
	2023	2022
United States	\$ 45,598	\$ 24,137
Europe	851	606
Property, plant, and equipment, net	\$ 46,449	\$ 24,743

Property, plant and equipment, net is classified geographically based on the location of the underlying assets.

Note 15 Leases

As part of normal operations, the Company leases real estate and equipment from various counterparties with lease terms and maturities extending through 2032. The Company applies the practical expedient to not separate the lease and non-lease components and accounts for the combined component as a lease. Additionally, the Company's right-of-use assets and lease liabilities include leases with lease terms of 12 months or less.

The Company's right-of-use assets and lease liabilities primarily represent lease payments that are fixed at the commencement of a lease and variable lease payments that depend on an index or rate. Lease incentives that are probable and within the Company's control are estimated and included in lease payments at the commencement of a lease. Lease payments are recognized as lease cost on a straight-line basis over the lease term, which is determined as the non-cancelable period, including periods in which termination options are reasonably certain of not being exercised and periods in which renewal options are reasonably certain of being exercised. The discount rate for a lease is determined using the Company's incremental borrowing rate that coincides with the lease term at the commencement of a lease. The incremental borrowing rate is estimated based on the Company's recent financing transactions.

Lease payments that are neither fixed nor dependent on an index or rate and vary because of changes in usage or other factors are included in variable lease costs. Variable lease costs are recorded in the period in which the obligation is incurred and primarily relate to utilities, maintenance, and repair costs.

The Company's leases do not contain material residual value guarantees or restrictive covenants. The Company is not a lessor in any leases and does not sublease.

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

The following table presents the amounts reported in the Company's consolidated balance sheets related to operating and finance leases as of the dates presented:

<i>(in thousands)</i>	Classification	December 31,	
		2023	2022
Right-of-use assets:			
Operating	Other assets	\$ 12,098	\$ 12,736
Finance	Property, plant, and equipment, net	5,873	420
Total right-of-use assets		\$ 17,971	\$ 13,156
Lease liabilities			
Operating	Accrued expenses and other current liabilities	\$ 1,505	\$ 971
Finance	Current portion of long-term debt	1,929	90
Operating	Other liabilities	17,964	19,426
Finance	Long-term debt	3,059	321
Total lease liabilities		\$ 24,457	\$ 20,808

The following is a summary of the Company's lease cost for the presented period:

Lease cost (in thousands)	Years Ended December 31,	
	2023	2022
Operating lease cost	\$ 7,157	\$ 6,463
Finance lease cost		
Amortization of right-of-use assets	1,468	49
Interest on lease liabilities	389	16
Variable lease costs	1,575	915
Total lease cost	\$ 10,589	\$ 7,443

The following is a summary of the cash flows and supplemental information associated with the Company's leases for the period presented:

Other information (in thousands)	Years Ended December 31,	
	2023	2022
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 7,442	\$ 391
Operating cash flows from finance leases	389	16
Financing cash flows from finance leases	1,070	44
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	363	6,614
Finance leases	5,647	402

Lease payments prior to lease commencement are classified in the consolidated statements of cash flows based on the expected classification of the lease upon commencement and are excluded from the table above. During 2023, lease payments prior to the commencement of finance leases totaled \$1.8 million.

TERRAN ORBITAL CORPORATION
Notes to the Consolidated Financial Statements

The following is a summary of the weighted-average lease term and discount rate for operating and finance leases as of the date presented:

Lease term and discount rate	Years Ended December 31,	
	2023	2022
Weighted-average remaining lease term (years)		
Operating leases	6.0	6.8
Finance leases	2.5	4.4
Weighted-average discount rate		
Operating leases	30.07%	30.27%
Finance leases	12.42%	6.61%

The following is a maturity analysis related to the Company's operating and finance leases as of December 31, 2023:

Maturity of lease liabilities (in thousands)	Operating Leases	Finance Leases
2024	\$ 6,935	\$ 2,418
2025	7,217	2,285
2026	7,252	984
2027	7,260	54
2028	3,392	-
Thereafter	12,415	-
Total lease payments	44,471	5,741
Less interest	25,002	753
Total lease liabilities	\$ 19,469	\$ 4,988

In February 2023, the Company executed an operating lease for manufacturing and assembly space with an original lease term of 124 months, which is expected to commence in the second quarter of 2024. The total future minimum lease payments under this lease are approximately \$34.5 million.

**DESCRIPTION OF TERRAN ORBITAL INC.'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF
THE SECURITIES EXCHANGE ACT OF 1934**

Authorized Capitalization

General

The total amount of Terran Orbital Corporation's authorized share capital consists of 600,000,000 shares of our common stock, par value \$0.0001 per share (the "Common Stock") and 50,000,000 shares of Terran Orbital Corporation's preferred stock (the "Preferred Stock"). As of December 31, 2023, 199,413,917 shares of Common Stock were outstanding and no shares of Preferred Stock were outstanding.

Unless the context otherwise requires, all references to "we", "us", the "Company", or "Terran Orbital" in this Exhibit 4.6 refer to Terran Orbital Corporation.

Common Stock

Voting rights. Each holder of Common Stock is entitled to one (1) vote for each share of the Common Stock held of record by such holder on all matters voted upon by stockholders, provided, however, that, except as otherwise required in Terran Orbital's amended and restated certificate of incorporation (the "Certificate of Incorporation") or by applicable law, the holders of the Common Stock are not be entitled to vote on any amendment to the Certificate of Incorporation (including any certificate of designations of any series of Preferred Stock or on any amendment to a certificate of designations of any series of Preferred Stock) that alters or changes the powers, preferences, rights or other terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to the Certificate of Incorporation (including any certificate of designation relating to any series of Preferred Stock) or pursuant to the Delaware General Corporation Law (the "DGCL").

Dividend rights. Subject to any other provisions of the Certificate of Incorporation, as it may be amended from time to time, holders of the Common Stock are entitled to receive such dividends when, as and if declared thereon by our board of directors (the "Board"), or any authorized committee thereof, in its discretion, from time to time out of assets or funds of Terran Orbital legally available therefor.

Rights upon liquidation. Subject to the rights of holders of Preferred Stock, in the event of any liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, after payment or provision for payment of our debts and any other payments required by law and amounts payable upon shares of Preferred Stock ranking senior to the shares of the Common Stock upon such dissolution, liquidation or winding up, if any, Terran Orbital's remaining net assets will be distributed to the holders of the Common Stock and the holders of any other class or series of capital stock ranking equally with the Common Stock upon such dissolution, liquidation or winding up, ratably on a per share basis.

Other rights. Neither the Certificate of Incorporation nor Terran Orbital's bylaws (the "Bylaws" and together with the Certificate of Incorporation, the "Governing Documents") entitle any holder of the Common Stock to preemptive or subscription rights. There are no redemption or sinking fund provisions applicable to the Common Stock. The rights, preferences and privileges of holders of the Common Stock will be subject to those of the holders of the Preferred Stock that Terran Orbital may issue in the future.

Preferred Stock

The Board or any authorized committee thereof has the authority to issue shares of preferred stock at any time and from time to time on terms it may determine, in one or more series and to fix the designations, powers (including voting powers, full or limited, or no voting powers), preferences and relative, participating, optional or other special rights, if any, of the shares of each such series and any qualifications, limitations or restrictions of preferred stock, including dividend rights, conversion rights, voting rights, terms of redemption, liquidation preference, sinking fund

terms and the number of shares constituting any series or the designation of any series to the fullest extent permitted by the DGCL. The issuance of Preferred Stock could have the effect of decreasing the trading price of the Common Stock, restricting dividends on the capital stock of Terran Orbital, diluting the voting power of the Common Stock, modifying the liquidation rights of the capital stock of Terran Orbital, or delaying or preventing a change in control of Terran Orbital.

Preferred Stock Purchase Rights

This description of preferred share purchase rights (the "Rights") and Series A Junior Participating Preferred Stock, par value \$0.0001 per share (the "Preferred Shares") is subject to and qualified in its entirety by reference to the Rights Agreement, dated as of March 4, 2024 (the "Rights Agreement"), between the Company and Continental Stock Transfer & Trust Company ("CST") as filed on Form 8-K dated March 4, 2024.

On March 4, 2024, the Board declared a dividend of one Right for each outstanding share of Common Stock. The Rights are not exercisable until the Distribution Date (as defined below). After the Distribution Date, the Rights will separate from the Common Stock and be evidenced by Right certificates that the Company will mail to all eligible holders of Common Stock.

The Rights will not be exercisable until the "Distribution Date", which is the earlier of:

- 10 business days after the public announcement that a person or group has become an "Acquiring Person" by obtaining beneficial ownership of 15% or more of the outstanding Common Stock; or
- 10 business days (or a later date determined by the Board before any person or group becomes an Acquiring Person) after a person or group Commences (as defined in the Rights Agreement) a tender or exchange offer which, if completed, would result in that person or group becoming an Acquiring Person.

The Rights will expire at the earlier of (i) 5:00 P.M., New York City time, on the third anniversary of the date of the declaration of the dividend of Rights (the "Anniversary Date") and (ii) 5:00 P.M., New York City time, on the first anniversary of the date of the declaration of the dividend of Rights if Stockholder Approval (as defined in the Rights Agreement) has not been received prior to such time (together with the Anniversary Date, the "Expiration Date"), unless such date is advanced or extended or unless the Rights are earlier redeemed or exchanged by the Board as described below.

The Board may redeem the Rights for \$0.00001 per Right at any time before the earlier of the Expiration Date and the first date of public announcement that any person or group becomes an Acquiring Person. If the Board redeems any Rights, it must redeem all of the Rights. Once the Rights are redeemed, the only right of the holders of Rights will be to receive the redemption price of \$0.00001 per Right. The redemption price will be adjusted in the event of a stock split or stock dividends of the Common Stock.

The Purchase Price, the number of Preferred Shares issuable and the number of outstanding Rights are subject to adjustment from time to time as set forth in the Rights Agreement to prevent dilution that may occur as a result of certain events, including among others, a stock dividend, a stock split, or a reclassification of the Preferred Shares or Common Stock. No adjustments to the Purchase Price of less than 1% will be made. The terms of the Rights Agreement may be amended by the Board without the consent of the holders of the Rights except that after a person or group becomes an Acquiring Person, the Board may not amend the Rights Agreement in a way that adversely affects holders of the Rights.

The Rights have certain anti-takeover effects. The Rights will cause substantial dilution to a person or group who attempts to acquire the Company on terms not approved by the Board. The Rights should not interfere with any merger or other business combination approved by the Board since the Board has the ability to amend the Rights Agreement in any manner, or redeem the Rights at \$0.00001 per Right, prior to the time a person or group becomes an Acquiring Person.

Election of Directors and Vacancies

Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, the number of directors of the Board shall be fixed solely and exclusively by resolution duly adopted from time to time by the Board, but currently consists of eight (8) directors, which are divided into three (3) classes,

designated Class I, II and III, respectively, with Class I consisting of three (3) directors, Class II consisting of three (3) directors and Class III consisting of two (2) directors.

Under the Bylaws, at all meetings of stockholders called for the election of directors, a plurality of the votes cast by the stockholders present in person or represented by proxy at the meeting and entitled to vote on the election of directors will be sufficient to elect such directors to the Board.

Except as required by the DGCL and subject to the rights, if any, of the holders of any series of Preferred Stock, in the interim between annual meetings of stockholders or special meetings of stockholders called for the election of directors and/or the removal of one or more directors and the filling of any vacancy in that connection, newly created directorships and any vacancies on the Board, including unfilled vacancies resulting from the removal of directors, may be filled only by the affirmative vote of a majority of the remaining directors then in office, even if less than a quorum, or by the sole remaining director. All directors will hold office until the expiration of their respective terms of office and until their successors will have been elected and qualified or until his or her earlier resignation, death or removal. A director elected or appointed to fill a vacancy resulting from the death, resignation or removal of a director or a newly created directorship will serve for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until his or her successor will have been elected and qualified or until his or her earlier resignation, death or removal.

Subject to the rights, if any, of the holders of any series of Preferred Stock, any director may be removed from office only for cause and only by the affirmative vote of the holders of not less than two-thirds of the total voting power of the then-outstanding capital stock of Terran Orbital then entitled to vote generally in the election of directors, voting together as a single class. Any such director proposed to be removed from office is entitled to advance written notice as described in the Certificate of Incorporation.

In addition to the powers and authorities hereinbefore or by statute expressly conferred upon them, the directors are empowered to exercise all such powers and do all such acts and things as may be exercised or done by Terran Orbital, subject, nevertheless, to the provisions of the DGCL, the Certificate of Incorporation and the Bylaws adopted and in effect from time to time.

Notwithstanding the foregoing provisions, any director elected pursuant to the right, if any, of the holders of Preferred Stock to elect additional directors under specified circumstances will serve for such term or terms and pursuant to such other provisions as specified in the Certificate of Incorporation or relevant certificate of designations related to the Preferred Stock.

Quorum

The holders of a majority in voting power of the capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, will constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise required by law or provided by the Certificate of Incorporation. If, however, such quorum will not be present or represented at any meeting of the stockholders, the holders of a majority of the voting power present in person or represented by proxy, or the presiding officer of the meeting will have power to adjourn the meeting from time to time. At such adjourned meeting at which a quorum will be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting will be given to each stockholder entitled to vote at such adjourned meeting as of the record date fixed for notice of such adjourned meeting.

Anti-takeover Effects of the Certificate of Incorporation and the Bylaws

The Certificate of Incorporation and the Bylaws contain provisions that may delay, defer or discourage another party from acquiring control of us. We expect that these provisions, which are summarized below, will discourage coercive takeover practices or inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with the Board, which we believe may result in an improvement of the terms of any such acquisition in favor of our stockholders. However, they also give the Board the power to discourage acquisitions that some stockholders may favor.

Authorized but Unissued Capital Stock

Delaware law does not require stockholder approval for any issuance of authorized shares. However, the listing requirements of the New York Stock Exchange (the "NYSE"), which apply if and so long as the Common Stock (or units or warrants) remains listed on the NYSE, require stockholder approval of certain issuances equal to or exceeding 20% of the then outstanding voting power or then outstanding number of shares of the 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 Terran Orbital 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 the Common Stock at prices higher than prevailing market prices.

Special Meeting, Action by Written Consent and Advance Notice Requirements for Stockholder Proposals

Unless otherwise required by the DGCL or required or permitted by the Certificate of Incorporation, and subject to the rights, if any, of the holders of any series of Preferred Stock, special meetings of the stockholders of Terran Orbital, for any purpose or purposes, may be called only by a majority of the Board then in office. Unless otherwise required by law, written notice of a special meeting of stockholders, stating the time, place and purpose or purposes thereof, shall be given to each stockholder entitled to vote at such meeting, not less than ten (10) or more than sixty (60) days before the date fixed for the meeting. Business transacted at any special meeting of stockholders will be limited to the purposes stated in the notice. The Certificate of Incorporation provides that any action required or permitted to be taken by the stockholders of Terran Orbital must be effected at a duly called annual or special meeting and may not be taken or effected by a consent of stockholders in lieu thereof.

The Bylaws also provide that any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting, if all members of the Board or of such committee, as the case may be, consent thereto in writing or by electronic transmission, which consent may be documented, signed and delivered in any manner permitted by Section 116 of the DGCL. After an action is taken, the writing or writings or electronic transmission or transmissions must be filed with the minutes of proceedings of the Board or committee.

In addition, the Bylaws require advance notice procedures for stockholder proposals to be brought before an annual meeting of the stockholders, including the nomination of directors. Stockholders at an annual meeting may only consider the proposals specified in the notice of meeting or brought before the meeting by or at the direction of the Board, or by a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has delivered a timely written notice in proper form to our secretary, of the stockholder's intention to bring such business before the meeting.

These provisions could have the effect of delaying until the next stockholder meeting any stockholder actions, even if they are favored by the holders of a majority of our outstanding voting securities.

Amendment to Certificate of Incorporation and Bylaws

The DGCL provides generally that the affirmative vote of a majority of the outstanding stock entitled to vote on amendments to a corporation's certificate of incorporation or bylaws is required to approve such amendment, unless a corporation's certificate of incorporation or bylaws, as the case may be, requires a greater percentage.

The Certificate of Incorporation provides that the following provisions therein may be amended, altered, repealed or rescinded only by the affirmative vote of the holders of at least two thirds (2/3) of the total voting power of all the then-outstanding shares of Terran Orbital's stock entitled to vote thereon, voting as a single class, and the affirmative vote of at least two thirds (2/3) of the then-outstanding shares of each class entitled to vote thereon as a class, voting separately as a class:

- the provisions regarding the size of the Board, the classification of the Board, and the election of directors;

- the provisions regarding stockholder actions without a meeting;
- the provisions regarding calling special meetings of stockholders;
- the provisions regarding the limited liability of directors of Terran Orbital; and
- the provisions regarding competition and corporate opportunities.

The Certificate of Incorporation also provides that the provisions regarding removal of directors therein may be amended, altered, repealed or rescinded only by the affirmative vote of the holders of at least two thirds (2/3) of the total in voting power of all the then-outstanding shares of Terran Orbital's stock entitled to vote thereon, voting as a single class.

The Bylaws may be amended or repealed (A) by the Board, without the assent or vote of any stockholder, as set forth in the Certificate of Incorporation, (B) without the approval of the Board, by an affirmative vote of the holders of at least two thirds (2/3) of the total voting power of the then-outstanding shares of Terran Orbital's stock entitled to vote thereon, voting as a single class, or, (C) if recommended by the Board, by an affirmative vote of the holders of at least a majority of the total voting power of the then-outstanding shares of Terran Orbital's stock entitled to vote thereon, in each case, as set forth in the Certificate of Incorporation.

Delaware Anti-Takeover Statute

Section 203 of the DGCL provides that an "interested stockholder" (as defined therein) may not engage in certain "business combinations" with the corporation for a period of three years from the time such person acquired 15% or more of the corporation's voting stock, unless:

1. Prior to such time the Board of Directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
2. 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 for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned (i) by persons who are directors and also officers and (ii) 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
3. At or subsequent to such time the business combination is approved by the Board of Directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66-2/3% of the outstanding voting stock which is not owned by the interested stockholder.

Under the Certificate of Incorporation, Terran Orbital opted out of Section 203 of the DGCL and therefore is not subject to Section 203.

Limitations on Liability and Indemnification of Officers and Directors

The Certificate of Incorporation limits the liability of the directors of Terran Orbital for monetary damages for breaches of their fiduciary duties as directors to the fullest extent permitted by law, and the Bylaws provide that we will indemnify them to the fullest extent permitted by such law subject to the limitations set forth in the Bylaws. We have entered and expect to continue to enter into agreements to indemnify our directors, executive officers and other employees as determined by our Board. Under the terms of such indemnification agreements, we are required to indemnify each of our directors and officers, to the fullest extent permitted by the laws of the state of Delaware and

the Certificate of Incorporation, if the basis of the indemnitee's involvement was by reason of the fact that the indemnitee is or was a director or officer of Terran Orbital or any of its subsidiaries or was serving at Terran Orbital's request in an official capacity for another entity. Subject to certain limitations set forth in the indemnification agreements, we must indemnify our officers and directors against all reasonable fees, expenses, charges and other costs of any type or nature whatsoever, including any and all expenses and obligations paid or incurred in connection with investigating, defending, being a witness in, participating in (including on appeal), or preparing to defend, be a witness or participate in any completed, actual, pending or threatened action, suit, claim or proceeding, whether civil, criminal, administrative or investigative, or establishing or enforcing a right to indemnification under the indemnification agreement to the fullest extent not prohibited by applicable law or the Company's Certificate of Incorporation or Bylaws. The indemnification agreements also require us, if so requested in accordance with the terms thereof, to advance within ten (10) days of such request all reasonable fees, expenses, charges and other costs that any of our directors incurred, provided that such director will return any such advance if it is ultimately determined that such director is not entitled to indemnification by us. Any claims for indemnification by our directors and officers may reduce our available funds to satisfy successful third-party claims against us and may reduce the amount of money available to us.

Exclusive Forum of Certain Actions

The Certificate of Incorporation provides that, unless Terran Orbital consents in writing to the selection of an alternative forum, the Court of Chancery (the "Chancery Court") of the State of Delaware (or, in the event that the Chancery Court does not have jurisdiction, the federal district court for the District of Delaware, or other state courts of the State of Delaware) shall, to the fullest extent permitted by law, be the sole and exclusive forum for (i) any derivative action or proceeding brought or purportedly brought on behalf of Terran Orbital, (ii) any action or proceeding asserting a claim of breach of a fiduciary duty owed by any current or former director, officer, employee, agent or stockholder of Terran Orbital to Terran Orbital or to Terran Orbital's stockholders, or any claim for aiding and abetting such alleged breach, (iii) any action or proceeding asserting a claim arising pursuant to, or seeking to enforce any right, obligation or remedy under, any provision of the DGCL or the Governing Documents (as either may be amended from time to time), or to interpret, apply, enforce or determine the validity of the Governing Documents (as either may be amended from time to time), (iv) any action or proceeding as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware, (v) any action or proceeding asserting a claim against Terran Orbital or any current or former director, officer, employee, agent or stockholder of Terran Orbital arising pursuant to any provision of the DGCL or the Governing Documents (as either may be amended from time to time), (vi) any action or proceeding asserting a claim against Terran Orbital or any current or former director, officer, employee, agent or stockholder of Terran Orbital governed by the internal affairs doctrine of the State of Delaware, or (vii) any action or proceeding asserting an "internal corporate claim" as defined in Section 115 of the DGCL.

Notwithstanding the forgoing, the exclusive forum provision will not apply to any claim (i) as to which such court determines that there is an indispensable party not subject to the jurisdiction of such court (and the indispensable party does not consent to the personal jurisdiction of such court within ten days following such determination), (ii) which is vested in the exclusive jurisdiction of a court or forum other than such court, or for which such court does not have subject matter jurisdiction, including, for the avoidance of doubt, any claim arising under Securities Exchange Act of 1934, as amended (the "Exchange Act"), or (iii) arising under the Securities Act of 1933, as amended (the "Securities Act"), as to which the federal district courts of the United States of America shall, to the fullest extent permitted by law, be the sole and exclusive forum unless Terran Orbital consents in writing to the selection of an alternative forum.

Conflicts of Interest

Delaware law permits corporations to adopt provisions renouncing any interest or expectancy in certain opportunities that are presented to the corporation or its officers, directors or stockholders. The Certificate of Incorporation, to the fullest extent permitted by law, renounces any interest or expectancy that Terran Orbital has in, or right to be offered an opportunity to participate in, specified business opportunities that are from time to time presented to Terran Orbital's directors or their respective affiliates, other than those directors or affiliates who are Terran Orbital's employees and other than any opportunity offered to a non-employee director if such opportunity is expressly offered to such person (in writing) solely in his or her capacity as a director of Terran Orbital. The Certificate of Incorporation provides that, to the fullest extent permitted by law, none of the non-employee directors or their respective affiliates will have any duty to refrain from (i) engaging in a corporate opportunity in the same or similar business activities or

lines of business in which Terran Orbital or any of its affiliates has historically engaged, now engages or proposes to engage or (ii) otherwise competing with Terran Orbital or its affiliates. In addition, to the fullest extent permitted by law, in the event that any non-employee director or his or her affiliates acquires knowledge of a potential transaction or other business opportunity which may be a corporate opportunity for itself, herself or himself and for Terran Orbital or its affiliates, such person will have no duty to communicate or offer such transaction or business opportunity to Terran Orbital or any of its affiliates and they may take any such opportunity for themselves or offer it to another person or entity. To the fullest extent permitted by law, no business opportunity will be deemed to be a potential corporate opportunity for Terran Orbital unless Terran Orbital is financially or legally able or contractually permitted to undertake such opportunity, the opportunity, by its nature, would be in the line of Terran Orbital's business or is of some practical advantage to Terran Orbital, and Terran Orbital has some interest or reasonable expectancy in such opportunity.

Terran Orbital Warrants

Terran Orbital Corporation's warrants consist of (i) private placement warrants, (ii) public warrants (iii) debt provider warrants (which were issued to Francisco Partners, Beach Point and Lockheed Martin), (iv) common warrants sold to certain investors and (v) placement agent warrants.

Terran Orbital Debt Provider Warrants to Francisco Partners, Lockheed Martin and Beach Point

Each whole debt provider warrant, issued pursuant to a stock and warrant purchase agreement, entitles the registered holder to purchase the Common Stock at a price of \$10.00 per share, subject to adjustment as discussed below, following Closing. Pursuant to the warrant and purchase agreement, a debt provider warrant holder may exercise its debt provider warrants only for a whole number of shares of the Common Stock.

The debt provider warrants will expire on the earlier of (i) the date that is five years after Closing or (ii) the time at which the warrant has been exercised in respect of all of the Common Stock or redeemed (if applicable).

Upon any exercise of a debt provider warrant, the exercise price is payable in cash or, at the option of the holder, on a cashless basis under certain circumstances, including by having Terran Orbital withhold a number of shares of the Common Stock then issuable upon exercise of the debt provider warrant with an aggregate fair market value equal to the aggregate exercise price.

If, upon the expiration of the exercise period, the fair market value of one debt provider warrant is greater than the exercise price then in effect, then the debt provider warrant shall automatically be deemed, effective as of immediately prior to such expiration, to be exercised in respect of all the Common Stock in respect of which it has not previously been exercised in accordance with the "net exercise" procedures, unless the holder elects otherwise in a written notice delivered to Terran Orbital. The "fair market value" as used in this paragraph means, as of any given date, (a) if the Common Stock is traded on a national securities exchange, inter-dealer quotation system or over-the-counter bulletin board service during the Reference Period (as hereinafter defined) (or such shorter period of consecutive trading days within the Reference Period on which the Common Stock was so traded as may be mutually agreed between Terran Orbital and the holder), the volume-weighted average of the closing prices per share of the Common Stock, as reported by Bloomberg, or if not reported by Bloomberg, as reported by Morningstar, during the period of thirty (30) trading days ending on the trading day immediately prior to such date (the "Reference Period"), (b) if the debt provider warrant is being exercised in connection with a reorganization, reclassification, consolidation, merger, sale, or similar transaction, the fair market per-share value of the consideration received by the holders of the outstanding shares of the Common Stock or other securities of the Terran Orbital then constituting the Common Stock in connection therewith and (c) in any other case, the fair market value per share of the Common Stock as jointly determined by the Board and the holder, each acting in good faith; provided that if the Board and the holder are unable to agree on the fair market value per share of the Common Stock within ten (10) business days after Terran Orbital's receipt of the exercise notice, such fair market value shall be determined by a nationally recognized investment banking, accounting or valuation firm jointly selected by the Board and the holder and engaged by the Terran Orbital, which firm's determination shall be final and conclusive, and the fees and expenses of such firm shall be borne equally by Terran Orbital and the holder.

Redemption Procedures. Solely in the case of the debt provider warrants issued to affiliates of Francisco Partners, at the election of the holder provided each holder which is an affiliate of Francisco Partners has not exercised its debt provider warrant for any of the Common Stock for which such debt provider warrant is initially exercisable upon its initial issuance, the holder may, in its sole discretion (but subject to the foregoing proviso), elect by written notice delivered to Terran Orbital no later than five (5) business days prior to the date that is three (3) years after Closing (the "Repurchase Date"), to return the debt provider warrant to Terran Orbital on the Repurchase Date in exchange for a payment by Terran Orbital to the holder of \$25,000,000 (in the aggregate to all holders which are affiliates of Francisco Partners).

Anti-Dilution Adjustments. If the shares of the Common Stock are changed into the same or a different number of shares of any other class of capital stock or other securities of Terran Orbital, whether by reclassification, capital reorganization, conversion of all outstanding shares of the relevant class or series or other relevant securities or otherwise, then, in lieu of the number of the Common Stock for which the debt provider warrant otherwise would have been exercisable immediately prior to such reclassification, the holder shall have the right, from and after such reclassification, to exercise the debt provider warrant for the number and kind of shares of the Common Stock as would have been issuable as a result of such reclassification, subject to further adjustment.

If Terran Orbital subdivides or combines the Common Stock or other securities of Terran Orbital then purchasable upon exercise of the debt provider warrants ("Warrant Shares"), then (i) in the case of a subdivision, the exercise price shall be proportionately decreased and the number of Warrant Shares shall be proportionately increased and (ii) in the case of a combination, the exercise price shall be proportionately increased and the number of Warrant Shares shall be proportionately decreased.

If Terran Orbital pays any dividend or makes any distribution in respect of the Common Stock or other securities of Terran Orbital then constituting Warrant Shares, then the exercise price shall be adjusted, from and after the date of determination of the stockholders of Terran Orbital entitled to receive such dividend, to be an amount equal to the product of (A) the exercise price in effect immediately prior to such date of determination multiplied by (B) the quotient of (x) the total number of shares of the Common Stock or such other securities outstanding immediately prior to such dividend or distribution divided by (y) the total number of shares of the Common Stock or such other securities outstanding immediately after such dividend or distribution, and the number of Warrant Shares will be proportionately adjusted such that the aggregate exercise price will remain unchanged.

If Terran Orbital pays any dividend or makes any distribution (whether in cash, securities or other property) in respect of the Common Stock, then the Board shall make provision so that, upon any exercise of the debt provider warrant, the holder shall be entitled to receive, in addition to the Common Stock issuable upon such exercise, such dividend or distribution to the extent that such dividend or distribution would have been paid or made, as applicable, in respect of Common Stock issued upon such exercise had Common Stock been outstanding immediately prior to the record date for such dividend or distribution.

In the event of any (i) capital reorganization of Terran Orbital, (ii) reclassification of the stock of Terran Orbital, (iii) consolidation or merger of Terran Orbital, (iv) sale of all or substantially all of Terran Orbital's assets or (v) other similar transaction, in each case which entitles the holders of Common Stock (either directly or upon subsequent liquidation) to receive stock, securities or other property with respect to or in exchange for Common Stock, the debt provider warrant shall, immediately after such reorganization, reclassification, consolidation, merger, sale, or similar transaction, remain outstanding and shall thereafter, in lieu of or in addition to (as the case may be) the number of Common Stock then exercisable under the debt provider warrant, be exercisable for the kind and number of shares of capital stock or other securities or property of Terran Orbital or of the successor entity resulting from such transaction to which the holder would have been entitled upon such reorganization, reclassification, consolidation, merger, sale, or similar transaction if the holder had exercised the debt provider warrant in full immediately prior to the time of such reorganization, reclassification, consolidation, merger, sale, or similar transaction and acquired the applicable number of Common Stock then issuable hereunder as a result of such exercise (without taking into account any limitations or restrictions on the exercisability of the debt provider warrant).

The debt provider warrant holders do not have the rights or privileges of holders 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 debt provider warrants, each holder will be entitled to one (1) vote for each share held of record on all matters to be voted on by stockholders.

No fractional debt provider warrants will be issued upon separation of the units and only whole debt provider warrants will trade.

The Public Warrants

Each whole public 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 commencing on April 24, 2022, except as discussed in the immediately succeeding paragraph. Pursuant to a warrant agreement dated March 9, 2021 (as may be amended, supplemented or otherwise modified from time to time, the "Warrant Agreement") between Continental Stock Transfer & Trust Company, as warrant agent, and Tailwind Two Acquisition Corporation ("Tailwind Two"), a public warrant holder may exercise its public warrants only for a whole number of shares of Common Stock. The public warrants will expire on March 25, 2027, at 5:00 p.m., New York City time, or earlier upon redemption or liquidation.

Terran Orbital will not be obligated to deliver any shares of Common Stock pursuant to the exercise of a public warrant and will have no obligation to settle such public warrant exercise unless a registration statement under the Securities Act with respect to the shares underlying the public warrants is then effective and a prospectus relating thereto is current, subject to Terran Orbital satisfying the obligations described below with respect to registration, or a valid exemption from registration is available. No public warrant will be exercisable and Terran Orbital will not be obligated to issue a share of Common Stock upon exercise of a public warrant unless the share of Common Stock issuable upon such public 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 public warrants. In the event that the conditions in the two immediately preceding sentences are not satisfied with respect to a public warrant, the holder of such public warrant will not be entitled to exercise such public warrant and such public warrant may have no value and expire worthless. In no event will Terran Orbital be required to net cash settle the public warrants.

On April 22, 2022, Terran Orbital filed a registration statement on Form S-1 (as amended, the "Registration Statement") to register the public warrants with the Securities and Exchange Commission (the "SEC") and on June 23, 2022 the SEC declared such Registration Statement effective. Terran Orbital has agreed that it will use its commercially reasonable efforts to maintain the effectiveness the Registration Statement and a current prospectus relating to those shares of Common Stock until the public warrants expire or are redeemed, as specified in the Warrant Agreement; provided that if Common Stock is at the time of any exercise of a public 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, Terran Orbital may, at its option, require holders of public warrants who exercise their public warrants to do so on a "cashless basis" in accordance with Section 3(a)(9) of the Securities Act and, in the event Terran Orbital so elects, it will not be required to file or maintain in effect a registration statement, but will use its commercially reasonable efforts to register or qualify the shares under applicable blue sky laws to the extent an exemption is not available.

Redemption of public warrants when the price per share of Common Stock equals or exceeds \$18.00.

We may redeem the outstanding public warrants:

- in whole and not in part;
- at a price of \$0.01 per public warrant;
- upon a minimum of 30 days' prior written notice of redemption to each public warrant holder; and
- if, and only if, the closing price of Common Stock equals or exceeds \$18.00 per share for any 20 trading days within a 30-trading day period ending three trading days before we send the notice of redemption to the public warrant holders.

We will not redeem the public warrants as described above unless a registration statement under the Securities Act covering the issuance of the shares of Common Stock issuable upon exercise of the public warrants is then effective and a current prospectus relating to those shares of Common Stock is available throughout the 30-day redemption period. If and when the 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 public warrants when the price per share of Common Stock equals or exceeds \$10.00.

We may redeem the outstanding public warrants:

- in whole and not in part;
- at \$0.10 per public warrant upon a minimum of 30 days' prior written notice of redemption provided that holders will be able to exercise their public 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" of Common Stock (as defined below) except as otherwise described below;
- if, and only if, the closing price of Common Stock equals or exceeds \$10.00 per Public Share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within the 30-trading day period ending three trading days before Terran Orbital sends the notice of redemption to the public warrant holders; and
- if the closing price 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 Terran Orbital sends the notice of redemption to the public warrant holders is less than \$18.00 per share (as adjusted for stock splits, stock dividends, 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 until the public 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 public warrant holder will receive upon such cashless exercise in connection with a redemption by Terran Orbital pursuant to this redemption feature, based on the "fair market value" 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), determined for these purposes based on volume weighted average price of Common Stock during the 10 trading days immediately following the date on which the notice of redemption is sent to the holders of public 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 public 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.

**REDEMPTION DATE
(PERIOD TO EXPIRATION OF
WARRANTS)**

FAIR MARKET VALUE OF CLASS A ORDINARY SHARES

	\$10.00	11.00	12.00	13.00	14.00	15.00	16.00	17.00	18.00
60 months	0	0.2	0.2	0.3	32	33	34	35	0.36
	61	81	97	11	4	7	8	8	1
57 months	0.2	0.2	0.2	0.3	32	33	34	35	0.36
	57	77	94	10	4	7	8	8	1
54 months	0.2	0.2	0.2	0.3	32	33	34	35	0.36
	52	72	91	07	2	5	7	7	1
51 months	0.2	0.2	0.2	0.3	32	33	34	35	0.36
	46	68	87	04	0	3	6	7	1
48 months	0.2	0.2	0.2	0.3	31	33	34	35	0.36
	41	63	83	01	7	2	4	6	1

45 months	0.2 35	0.2 58	0.2 79	0.2 98	0. 5	0. 0	0. 3	0. 3	0. 6	0.36 1
42 months	0.2 28	0.2 52	0.2 74	0.2 94	0. 2	0. 8	0. 2	0. 5	0. 1	0.36
39 months	0.2 21	0.2 46	0.2 69	0.2 90	0. 9	0. 5	0. 0	0. 4	0. 1	0.36
36 months	0.2 13	0.2 39	0.2 63	0.2 85	0. 5	0. 3	0. 9	0. 3	0. 1	0.36
33 months	0.2 05	0.2 32	0.2 57	0.2 80	0. 1	0. 0	0. 7	0. 2	0. 1	0.36
30 months	0.1 96	0.2 24	0.2 50	0.2 74	0. 7	0. 6	0. 5	0. 1	0. 1	0.36
27 months	0.1 85	0.2 14	0.2 42	0.2 68	0. 1	0. 3	0. 2	0. 0	0. 1	0.36
24 months	0.1 73	0.2 04	0.2 33	0.2 60	0. 5	0. 8	0. 9	0. 8	0. 1	0.36
21 months	0.1 61	0.1 93	0.2 23	0.2 52	0. 9	0. 4	0. 6	0. 7	0. 1	0.36
18 months	0.1 46	0.1 79	0.2 11	0.2 42	0. 1	0. 8	0. 2	0. 5	0. 1	0.36
15 months	0.1 30	0.1 64	0.1 97	0.2 30	0. 2	0. 1	0. 7	0. 2	0. 1	0.36
12 months	0.1 11	0.1 46	0.1 81	0.2 16	0. 0	0. 2	0. 2	0. 9	0. 1	0.36
9 months	0.0 90	0.1 25	0.1 62	0.1 99	0. 7	0. 2	0. 5	0. 6	0. 1	0.36
6 months	0.0 65	0.0 99	0.1 37	0.1 78	0. 9	0. 9	0. 6	0. 1	0. 1	0.36
3 months	0.0 34	0.0 65	0.1 04	0.1 50	0. 7	0. 3	0. 6	0. 6	0. 1	0.36
0 months	-	-	0.0 42	0.1 15	0. 9	0. 3	0. 1	0. 3	0. 1	0.36

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 public 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. In no event will the public warrants be exercisable on a cashless basis in connection with this redemption feature for more than 0.361 shares of Common Stock per public warrant (subject to adjustment). Finally, as reflected in the table above, if the public 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.

Terran Orbital will use its commercially reasonable efforts to register under the Securities Act the security issuable upon the exercise of the public warrants.

Redemption Procedures. A holder of a public 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 public 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 9.8% (or such other amount as a holder may specify) of the shares of Common Stock issued and outstanding immediately after giving effect to such exercise.

Anti-Dilution Adjustments. If the number of outstanding shares of Common Stock is increased by a capitalization or share dividend paid in shares of Common Stock to all or substantially all holders of shares of Common Stock, or by a split-up of shares of Common Stock or other similar event, then, on the effective date of such capitalization or share dividend, split-up or similar event, the number of shares of Common Stock issuable on exercise of each public 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 "historical fair market value" (as defined below) will be deemed a share dividend 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) one minus the quotient of (x) the price per share of Common Stock paid in such rights offering and (y) the historical 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) "historical fair market value" means the volume weighted average price of Common Stock as reported during the 10 trading day period ending on the trading day prior to the first date on which Common Stock trades on the applicable exchange or in the applicable

market, regular way, without the right to receive such rights.

In addition, if Terran Orbital, at any time while the public warrants are outstanding and unexpired, pays a dividend or make a distribution in cash, securities or other assets to all or substantially all of the holders of the shares of Common Stock on account of such shares of Common Stock, other than (a) as described above or (b) any cash dividends or cash distributions which, when combined on a per share basis with all other cash dividends and cash distributions paid on the shares of Common Stock during the 365-day period ending on the date of declaration of such dividend or distribution does not exceed \$0.50 (as adjusted to appropriately reflect any other adjustments and excluding cash dividends or cash distributions that resulted in an adjustment to the exercise price or to the number of shares of Common Stock issuable on exercise of each public warrant) but only with respect to the amount of the aggregate cash dividends or cash distributions equal to or less than \$0.50 per share, then the public 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 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 public 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 public 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 public 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.

The public warrants are issued in registered form under the Warrant Agreement. A copy of the Warrant Agreement is filed as exhibit 4.3 to the registration statement on Form S-1 filed on July 8, 2022, including the complete description of the terms and conditions applicable to the public warrants and the private placement warrants.

The Warrant Agreement provides that the terms of the public warrants may be amended without the consent of any holder for the purpose of (i) curing any ambiguity or correct any mistake or defective provision, including to conform the provisions of the Warrant Agreement to the description of the terms of the public warrants and the Warrant Agreement set forth in the prospectus dated March 4, 2021, (ii) amending the provisions relating to cash dividends on shares of Common Stock as contemplated by and in accordance with the Warrant Agreement 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 public warrants, provided that the approval by the holders of at least 65% of the then-outstanding public warrants is required to make any change that adversely affects the interests of the registered holders of the public warrants (including any amendment to increase the warrant price or shorten the exercise period and any amendments to the terms of only the private placement warrants).

The public warrant holders do not have the rights or privileges of holders of Common Stock and any voting rights until they exercise their public warrants and receive shares of Common Stock. After the issuance of shares of Common Stock upon exercise of the public warrants, each holder will be entitled to one (1) vote for each share held of record on all matters to be voted on by stockholders.

If, upon exercise of the public warrants, a holder would be entitled to receive a fractional interest in a share, we will, upon exercise, round down to the nearest whole number the number of shares of Common Stock to be issued to the public warrant holder.

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 are issued in registered form under the Warrant Agreement and are identical to the public warrants, subject to the exceptions described below that apply to the private placement warrants as long as they are held by the Sponsor or its permitted transferees. The private placement warrants (including Common Stock issuable upon exercise of the private placement warrants) are not transferable, assignable or salable until 30 days after the completion of the Business Combination (except pursuant to limited exceptions) and they will not be redeemable by us (except pursuant to limited exceptions) so long as they are held by the Sponsor or its permitted transferees (except as otherwise set forth herein). The Sponsor, or its permitted transferees, has the option to exercise the private placement warrants on a cashless basis. If the private placement warrants are held by holders other than the Sponsor or its permitted transferees, the private placement warrants will be redeemable by us in all redemption scenarios and exercisable by the holders on the same basis as the public warrants. Any amendment to the terms of the private placement warrants or any provision of the Warrant Agreement with respect to the private placement warrants will require a vote of holders of at least 65% of the number of the then-outstanding private placement warrants.

Except as described above, 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 "Sponsor fair market value" (defined below) over the exercise price of the warrants by (y) the Sponsor fair market value. For these purposes, the "Sponsor fair market value" shall 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.

Common Warrants

The common warrants were issued to certain investors pursuant to a securities purchase agreement dated as of May 24, 2023 (the "May 2023 SPA") and a securities purchase agreement dated as of September 18, 2023 (the "September 2023 SPA"). Common warrants issued under the May 2023 SPA (the "May 2023 Common Warrants") entitle the registered holder to purchase the Common Stock at a price of \$1.43 per share and common warrants issued under the September 2023 SPA (the "September 2023 Common Warrants" and together with the May 2023 Common Warrants, the "common warrants") entitle the registered holder to purchase the Common Stock at a price of \$1.50 per share.

Duration

The common warrants are currently exercisable and have a term of exercise equal to five years following the initial exercise date. The exercise price and number of shares issuable upon exercise is subject to appropriate adjustment in the event of stock dividends, stock splits, reorganizations or similar events affecting our common stock and the exercise price. The common warrants will be issued in certificated form only.

Exercisability

A holder (together with its affiliates) may not exercise any portion of such holder's common warrants to the extent that the holder would own more than 4.99% (or 9.99%, at the holder's election) of our outstanding common stock immediately after exercise, except that upon notice from the holder to us, the holder may decrease or increase the limitation of ownership of outstanding stock after exercising the holder's common warrants up to 9.99% of the number of shares of our common stock outstanding immediately after giving effect to the exercise, as such percentage ownership is determined in accordance with the terms of the common warrants, provided that any increase in such limitation shall not be effective until 61 days following notice to us. No fractional shares will be issued in connection with the exercise of a common warrant. In lieu of fractional shares, we will either pay the holder an amount in cash equal to the fractional amount multiplied by the exercise price or round up to the next whole share.

Cashless Exercise

If, at the time a holder exercises its common warrants, a registration statement registering the issuance of the shares of common stock underlying the common warrants under the Securities Act is not then effective or available for the

issuance of such shares, then in lieu of making the cash payment otherwise contemplated to be made to us upon such exercise in payment of the aggregate exercise price, the holder may elect instead to receive upon such exercise (either in whole or in part) the net number of shares of common stock determined according to a formula set forth in the common warrant.

Fundamental Transactions

In the event of any fundamental transaction, as described in the common warrants and generally including any merger with or into another entity, sale of all or substantially all of our assets, tender offer or exchange offer, or reclassification of our shares of common stock, then upon any subsequent exercise of a common warrant, the holder will have the right to receive as alternative consideration, for each share of common stock that would have been issuable upon such exercise immediately prior to the occurrence of such fundamental transaction, the number of shares of common stock of the successor or acquiring corporation or of our company, if it is the surviving corporation, and any additional consideration receivable upon or as a result of such transaction by a holder of the number of shares of common stock for which the common warrant is exercisable immediately prior to such event. In addition, upon a fundamental transaction, the holder will have the right to require us to repurchase its common warrant at its fair value using the Black Scholes option pricing formula in the common warrants; provided, however, that, if the fundamental transaction is not within our control, including not approved by our board of directors, then the holder shall only be entitled to receive the same type or form of consideration (and in the same proportion), at the Black Scholes value of the unexercised portion of the common warrant, that is being offered and paid to the holders of our common stock in connection with the fundamental transaction.

Transferability

Subject to applicable laws, a common warrant may be transferred at the option of the holder upon surrender of the common warrant to us together with the appropriate instruments of transfer.

Exchange Listing

There is no trading market available for the common warrants on any securities exchange or nationally recognized trading system. We do not intend to list the common warrants on any securities exchange or nationally recognized trading system. Without an active market, the liquidity of the common warrants will be limited.

Right as a Shareholder

Except as otherwise provided in the common warrants or by virtue of such holder's ownership of our common stock, the holders of the common warrants do not have the rights or privileges of holders of our common stock, including any voting rights, until they exercise their common warrants.

Placement Agent Warrants

The placement agent warrants issued under the May 2023 SPA and September 2023 SPA are substantially similar to the common warrants, except that each placement agent warrant has an initial exercise price per share equal to \$1.60 and \$1.75, respectively, and has a term of exercise of five years from the commencement of sales under the May 2023 SPA and September 2023 SPA, respectively. The exercise price and number of shares issuable upon exercise of the placement agent warrants is subject to appropriate adjustment in the event of stock dividends, stock splits, reorganizations or similar events affecting our common stock and the exercise price.

List of Subsidiaries of Terran Orbital Corporation

<u>Name</u>		<u>Jurisdiction</u>
Orbital Networks AS		Norway
PredaSAR Corporation		United States
Terran Orbital Operating Corporation		United States
Tyvak International S.R.L.		Italy
Tyvak Nano-Satellite Systems, Inc.	Delaware	United States
	Delaware	
	Delaware	

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements (No. 333-264447) on Post Effective Amendment No. 1 to Form S-1 on Form S-3, (No. 333-271093) on Form S-3, and (Nos. 333-265837 and 333-272882) on Form S-8 of our report dated April 1, 2024, with respect to the consolidated financial statements of Terran Orbital Corporation.

/s/ KPMG LLP

Irvine, California
April 1, 2024

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

I, Marc H. Bell, certify that:

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

Date: April 1, 2024

By: /s/ Marc H. Bell
Marc H. Bell
Chairman and Chief Executive Officer

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

I, Mathieu Riffel, certify that:

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

Date: April 1, 2024

By: /s/ Mathieu Riffel
Mathieu Riffel
Senior Vice President, Acting Chief Financial Officer and Corporate Controller

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

In connection with the Annual Report of Terran Orbital Corporation (the "Company") on Form 10-K for the period ending December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Marc H. Bell, Chairman and Chief Executive Officer, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: April 1, 2024

By: /s/ Marc H. Bell
Marc H. Bell
Chairman and Chief Executive Officer

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 1350 of Title 18 of the United States Code and, accordingly, is not being filed with the U.S. Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).

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

In connection with the Annual Report of Terran Orbital Corporation (the "Company") on Form 10-K for the period ending December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mathieu Riffel, Senior Vice President, Acting Chief Financial Officer and Corporate Controller, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: April 1, 2024

By: /s/ Mathieu Riffel
Mathieu Riffel
*Senior Vice President, Acting Chief Financial Officer and Corporate
Controller*

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 1350 of Title 18 of the United States Code and, accordingly, is not being filed with the U.S. Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).

TERRAN ORBITAL CORPORATION
Clawback Policy

*The board of directors (the “**Board**”) of Terran Orbital Corporation (the “**Company**”) believes that it is in the best interests of the Company and its shareholders to ensure that incentive-based compensation is based on accurate financial data. The Board has therefore adopted this clawback policy (this “**Policy**”) which provides for the recoupment of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under the federal securities laws. This Policy is designed to comply with Section 10D of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), Rule 10D-1 promulgated under the Exchange Act (“**Rule 10D-1**”) and Section 303A.14 of the New York Stock Exchange (the “**NYSE**”) Listed Company Manual (the “**Listing Standards**”).*

Definitions

- (a) “Accounting Restatement” means an accounting restatement required due to material noncompliance of the Company with any financial reporting requirement under the U.S. federal securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (i.e., a “Big R” restatement), or to correct an error that is not material to the previously issued financial statements, but that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (i.e., a “little r” restatement).
- (b) “Code” means the U.S. Internal Revenue Code of 1986, as amended. Any reference to a section of the Code or regulation thereunder includes such section or regulation, any valid regulation or other official guidance promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing, or superseding such section or regulation.
- (c) “Erroneously Awarded Compensation” means, in the event of an Accounting Restatement, the amount of Incentive-Based Compensation previously received that exceeds the amount of Incentive-Based Compensation that otherwise would have been received had it been determined based on the restated amounts in such Accounting Restatement, and must be computed without regard to any taxes paid by the relevant Covered Person. For Incentive-Based Compensation based on stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in an Accounting Restatement, (i) the amount shall be based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was received and (ii) the Company must maintain documentation of the determination of that reasonable estimate and provide such documentation to the NYSE. The Board shall determine the amount of any Erroneously Awarded compensation and the repayment schedule for each Covered Person in compliance with this section.;
- (d) “Financial Reporting Measure(s)” are measures that are determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures that are derived wholly or in part from such measures,

including stock price and total shareholder return. A financial reporting measure need not be presented within the Company's financial statements or included in a filing with the Securities and Exchange Commission (the "**SEC**").

(e) "Incentive-Based Compensation" means any incentive based compensation, including compensation that is granted, earned, or vested based wholly or in part upon the attainment of any Financial Reporting Measure, such as cash, stock options, restricted stock units and other equity awards under the Company's long-term incentive plans awarded to a Covered Person as compensation. Incentive-Based Compensation does not include awards that vest solely on the basis of completion of a specified employment period and/or attaining one or more non-financial reporting measures (including, but not limited to, discretionary grants of time-vesting restricted stock units or stock options), awards that vest solely upon the occurrence of certain non-financial events or strategic event (including, but not limited to, consummating a merger or divestiture), salaries, discretionary bonuses, or bonuses paid based on one or more subjective standards and/or completion of a specified employment period.

(f) "Intentional Misconduct" is intended to include reckless conduct (meaning any highly unreasonable act or omission, involving not merely simple, or even inexcusable negligence, but an extreme departure from the standards of ordinary care, and that is either known to the executive or is so obvious the executive must have been aware of it), but is not intended to include negligent conduct or grossly negligent conduct not meeting that definition. Further, the term "intentional misconduct" shall not include conduct in good faith and in a manner the person reasonably believed to be in, or not opposed to, the best interests of the Company.

(g) "Look-Back Period" means the three completed fiscal years immediately preceding the date the Company is required to prepare an Accounting Restatement. The Look-Back Period starts on the earlier of (i) the date the Company's Board, a committee of the Board, or management, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement. In the event the Company changes its fiscal year, the Look-Back Period applicable to any transition period shall be as defined in Rule 10D-1.

(h) "received" means in the fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant occurs after the end of that period. For the avoidance of doubt, Incentive-Based Compensation that is subject to both a Financial Reporting Measure vesting condition and a service-based vesting condition shall be considered received when the relevant Financial Reporting Measure is achieved, even if the Incentive-Based Compensation continues to be subject to the service-based vesting condition.

(i) "Reputational Damage" means the Company failing to meet the expectations of its clients, investors, employees, regulators or the public that results in a loss of confidence in the Company or its business as evidenced by a decline in Broadridge's common stock price of 10% or more for at least 30 consecutive days, which decline is attributed to such failure by

at least one securities analyst who normally follows the Company or article by a major national news source.

Persons Subject to this Policy

This Policy is applicable to any individual who is currently or previously served as the Company's principal executive officer, principal financial officer, principal accounting officer (or, if there is no such accounting officer, the controller), vice president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), an officer who performs (or performed) a policy-making function, or any other person who performs (or performed) similar policy-making functions for the Company or is otherwise determined to be an executive officer of the Company pursuant to Item 401(b) of Regulation S-K. An executive officer of the Company's parent or subsidiary is deemed to be subject to this Policy if the executive officer performs (or performed) such policymaking functions for the Company. Each person to whom this Policy applies is referred to herein as a "Covered Person" ..

Administration

Except as the Board may otherwise determine, the Compensation Committee of the Board shall administer this Policy. The Compensation Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate or advisable for the administration of this Policy, in each case, to the extent permitted under the Listing Standards and in compliance with (or pursuant to an exemption from the application of) Section 409A of the Code. All determinations and decisions made by the Compensation Committee pursuant to the provisions of this Policy shall be final, conclusive and binding on all persons, including the Company, its affiliates, its stockholders and the Covered Persons, and need not be uniform with respect to each person covered by this Policy.

In the administration of this Policy, the Compensation Committee is authorized and directed to consult with the full Board or such other committees of the Board as may be necessary or appropriate as to matters within the scope of such other committee's responsibility and authority. Subject to any limitation at applicable law, the Compensation Committee may authorize and empower any officer or employee of the Company to take any and all actions necessary or appropriate to carry out the purpose and intent of this Policy (other than with respect to any recovery under this Policy involving such officer or employee). Any action or inaction by the Compensation Committee with respect to a Covered Person under this Policy in no way limits the Compensation Committee's decision to act or not to act with respect to any other Covered Person under this Policy or under any similar policy, agreement or arrangement, nor shall any such action or inaction serve as a waiver of any rights the Company may have against any Covered Person other than as set forth in this Policy.

Recoupment of Excess Compensation Following an Accounting Restatement

1. In the event the Company is required to prepare an Accounting Restatement (without regard to fault, misconduct or finding of responsibility for the accounting error leading to the Accounting Restatement), the Company shall reasonably promptly recover, unless exempt pursuant to Rule 10D-1 and the Board has made such determination, from Covered Persons

(provided such person was a Covered Person during the applicable performance period) who received Incentive-Based Compensation from the Company, based on erroneous data, during the Look-Back Period. The Company's obligation to recover Erroneously Awarded Compensation is not dependent on the filing of restated financial statements. The recovered amount shall be equal to the amount of Erroneously Awarded Compensation.

Recoupment of Additional Amounts Upon an Accounting Restatement

In addition to (and without limiting) the provisions of the section titled "Recoupment of Excess Compensation Following an Accounting Restatement" above, in the event that the Board, in its sole discretion, determines that a current or former Covered Person's acts or omissions that contributed to the circumstances requiring an Accounting Restatement involved either: (i) Intentional Misconduct; (ii) an intentional violation of any Company written policy applicable to the Covered Person including, but not limited to, the Company's Code of Business Conduct and Ethics (the "**Code of Ethics**") or any applicable legal or regulatory requirements in the course of the Covered Person's employment by the Company; or (iii) fraud in the course of the Covered Person's employment by the Company, then in each such case, the Company will (as determined by the Board in its sole discretion as appropriate based on the conduct involved) use reasonable efforts to recover from such Covered Person up to 100% of the Incentive-Based Compensation (without regard to any taxes paid thereon by the Covered Person), and not just the difference referred to in the section titled "Recoupment of Excess Compensation Following an Accounting Restatement".

Recoupment Relating to Activity That Causes Specified Financial or Reputational Damage

In the event that the Board, in its sole discretion, determines that (1) a current or former Covered Person engaged in: (i) Intentional Misconduct; (ii) an intentional violation of any Company written policy applicable to the Covered Person including, but not limited to, the Code of Ethics, or any applicable legal or regulatory requirements in the course of the Covered Person's employment by the Company; (iii) fraud in the course of the Covered Person's employment by the Company; or (iv) a failure effectively to supervise an associate for whom the Covered Person had management responsibilities, and (2) such activity caused material financial damage or Reputational Damage to the Company (regardless of whether the Company was required to prepare an Accounting Restatement on account of such activity), then in each such case, the Company will (as determined by the Board in its sole discretion as appropriate based on the conduct involved) use reasonable efforts to recover from such Covered Person up to 100% of such Covered Person's Incentive-Based Compensation (without regard to any taxes paid thereon by the Covered Person) from the Company during the three-year period preceding the relevant activity.

Inaccurate Performance Calculation

If the Board determines that Incentive-Based Compensation was based on performance achievement that was calculated by the Company in a materially inaccurate manner, the Board may recover from the Covered Person all or a portion of any excess Incentive-Based Compensation received by such Covered Person during the three-year period preceding the date of the discovery of the materially inaccurate performance calculation. The recovered amount shall in no event be

greater than the difference between the amount that was received and the amount that would have been received based on the accurate performance achievement calculation.

Method of Recoupment and/or Forfeiture

The Compensation Committee shall determine, in its sole and absolute discretion to the extent permitted under the Listing Standards and in compliance with (or pursuant to an exemption from the application of) Section 409A of the Code, the method for recouping or cancelling, as the case may be, Incentive-Based Compensation hereunder, which may include, without limitation, any one or more of the following:

- (a)requiring reimbursement of cash Incentive-Based Compensation previously paid;
- (b)seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer or other disposition of any equity-based awards;
- (c)cancelling or rescinding some or all outstanding vested or unvested equity-based awards;
- (d)adjusting, withholding or using some other off-set method from unpaid compensation otherwise owed by the Company;
- (e)cancelling or setting-off against planned future grants of equity-based awards; and/or
- (f)any other method permitted by applicable law or contract.

Notwithstanding the foregoing, except as set forth in the section below titled "Exceptions to Recoupment," in no event may the Company accept an amount that is less than the amount of the Erroneously Awarded Compensation in satisfaction of a Covered Person's obligations hereunder. To the extent that a Covered Person fails to repay all Erroneously Awarded Compensation to the Company when due, the Company shall take all actions reasonable and appropriate to recover such Erroneously Awarded Compensation from the applicable Covered Person. The applicable Covered Person shall be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding sentence.

The Board is not required to take any of these steps if the Board concludes that doing so is not required by law, listing standard, or would not be in the best interests of the Company.

Exceptions to Recoupment

The Company is authorized and directed pursuant to this Policy to recover Erroneously Awarded Compensation in compliance with this Policy unless the Compensation Committee has determined that recovery would be impracticable solely for the following limited reasons, and subject to the following procedural and disclosure requirements:

- (a)pursuing such recoupment would be impracticable because the direct expense paid to a third party to assist in enforcing the policy would exceed the recoverable amounts and the Company has (i) made a reasonable attempt to recover such amounts and (ii) provided documentation to the NYSE of such attempts to recover such amounts;

- (b)pursuing such recovery would violate the applicable laws in which the Company operates, provided that the Company provide a legal opinion to that effect to the NYSE; or
- (c)recoupment would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of the Code.

Interpretation of Policy

This Policy will apply to Incentive-Based Compensation that is received by a Covered Person on or after October 2, 2023 (or, if later, the date on which such person becomes a Covered Person), even if such Incentive-Based Compensation was approved, awarded or granted to Covered Persons prior to such date. This Policy will be interpreted in a manner that is consistent with any applicable rules or regulations adopted by the SEC or the NYSE pursuant to Rule 10D-1 (the ***“Applicable Rules”***) and any other applicable law and will otherwise be interpreted (including in the determination of amounts recoverable) in the business judgment of the Board. To the extent the Applicable Rules require recovery of Incentive-Based Compensation in additional circumstances besides those specified above, nothing in this Policy will be deemed to limit or restrict the right or obligation of the Company to recover Incentive-Based Compensation to the fullest extent required by the Applicable Rules. To the extent this Policy is in any manner deemed inconsistent with the Applicable Rules, this Policy shall be treated as retroactively amended to be compliant with such Applicable Rules. Moreover, nothing in this Policy shall be deemed to limit the Company’s right to terminate employment of any Covered Person, to seek recovery of other compensation paid to a Covered Person, or to pursue other rights or remedies available to the Company under applicable law.

Not Exclusive

Any recoupment, forfeiture, or cancellation under this policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, incentive or equity compensation plan or award or other agreement and any other legal rights or remedies available to the Company.

No Indemnification or Reimbursement

The Company shall not indemnify, agree to indemnify, or reimburse any Covered Person against the loss of Erroneously Awarded Compensation subject to this policy. Additionally, the Company shall not pay or agree to pay any insurance premium to cover the loss of Erroneously Awarded Compensation. The Company is also prohibited from entering into any agreement or arrangement whereby this Policy would not apply or fail to be enforced against a Covered Person.

Required Policy-Related Disclosure and Filings

The Company shall file all disclosures with respect to this Policy in accordance with the requirements of the federal securities laws, including disclosures required by U.S. Securities and Exchange Commission filings. A copy of this Policy and any amendments hereto shall be filed as an exhibit to the Company’s annual report on Form 10-K.

Amendments

The Board may amend, modify or terminate this policy in whole or in part at any time in its sole discretion and may adopt such rules and procedures that it deems necessary or appropriate to implement this policy or to comply with applicable laws or regulations (including to maintain an exemption from the application of Section 409A of the Code). The Board may terminate this Policy at any time; provided, that the termination of this Policy would not cause the Company to violate any federal securities laws, or rules promulgated by the U.S. Securities and Exchange Commission or the Listing Standards.

Other Recovery Obligations; General Rights

The Board intends that this Policy shall be applied to the fullest extent of the law. To the extent that the application of this Policy would provide for recovery of Incentive-Based Compensation that the Company already recovered pursuant to Section 304 of the Sarbanes-Oxley Act or other recovery obligations, any such amount recovered from a Covered Person will be credited to any recovery required under this Policy in respect of such Covered Executive Officer.

No Limitations

This Policy shall not limit the rights of the Company to take any other actions or pursue other remedies that the Company may deem appropriate under the circumstances and under applicable law, in each case, to the extent permitted under the Listing Standards and in compliance with (or pursuant to an exemption from the application of) Section 409A of the Code.

This Policy is binding and enforceable against all Covered Persons and their beneficiaries, heirs, executors, administrators or other legal representatives.

Adopted by the Board of Directors on November 9, 2023 and effective October 2, 2023
