ANNUAL REPORT
2021

www.butterflynetwork.com
Butterfly Network, Inc.

(Exact name of registrant as specified in its charter)

530 Old Whitfield Street
Guilford, Connecticut 06437

84-4618156
(I.R.S. Employer Identification No.)

Delaware
(State or other jurisdiction of incorporation or organization)

530 Old Whitfield Street
Guilford, Connecticut 06437
(Address of principal executive offices)

(203) 689-5650
 Registrant’s telephone number, including area code

530 Old Whitfield Street
Guilford, Connecticut 06437
(Address of principal executive offices)

(203) 689-5650
Registrant’s telephone number, including area code

Class A common stock, $0.0001 par value per share
BFLY
The New York Stock Exchange

Warrants to purchase one share of Class A common stock, each at an exercise price of $11.50 per share
BFLY WS
The New York Stock Exchange

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

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☒
Accelerated filer ☐

Non-accelerated filer ☐ Non-accelerated filer ☐
Smaller reporting company ☐
Emerging growth company ☐

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

Indicate by check mark whether the registrant 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. ☒

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 registrant’s voting and non-voting equity held by non-affiliates of the registrant (without admitting that any person whose securities are not included in such calculation is an affiliate) computed by reference to the price at which the Class A common stock was last sold as of the last business day of the registrant’s most recently completed second fiscal quarter was approximately $2.1 billion.

As of February 1, 2022, the registrant had 171,733,179 shares of Class A common stock outstanding and 26,426,937 shares of Class B common stock outstanding.
EXPLANATORY NOTE

Butterfly Network, Inc. (the “Company”) has determined that an administrative error occurred in connection with the filing of its Annual Report on Form 10-K for the year ended December 31, 2021 that was filed with the Securities and Exchange Commission (the “SEC”) on February 28, 2022 (the “Original Report”). While the Original Report was reviewed and approved by the appropriate executive officers and directors of the Company prior to its filing with the SEC, the Company did not obtain manual or electronic signatures from the Company’s directors and executive officers whose conformed signatures were set forth in the Original Report, as required by Rule 12b-11 and Rule 302(b) of Regulation S-T under the Securities Exchange Act of 1934, as amended (the “Signature Authorization Rules”). This Amendment No. 1 on Form 10-K/A (the “Amendment No. 1”) to the Original Report is being filed in order to reflect that the Company has obtained the required signatures to this Amendment No. 1 from its directors and executive officers, as required by the Signature Authorization Rules.

The Company is also filing this Amendment No. 1 to insert dates referenced within the Reports of Independent Registered Public Accounting Firm (the “Report(s)”) included in the Original Report under Item 8. Financial Statements and Supplementary Data and Item 9A. Controls and Procedures. Due to a clerical error, the Original Report inadvertently included two “XX” placeholders for the date references instead of the appropriate dates, which in each case was the date of the Report. This Form 10-K/A is being filed, in part, to replace each “XX” placeholder with the date of the Report.

Except as described above, this Amendment No. 1 does not modify or update disclosure in, or exhibits to, the Original Report. Furthermore, this Amendment No. 1 does not change any previously reported financial results, nor does it reflect events occurring after the date of the Original Report. Information not affected by this Amendment No. 1 remains unchanged and reflects the disclosures made at the time the Original Report was made.
# TABLE OF CONTENTS

## PART I 8
- **Item 1.** Business 8
- **Item 1A.** Risk Factors 30
- **Item 1B.** Unresolved Staff Comments 69
- **Item 2.** Properties 69
- **Item 3.** Legal Proceedings 69
- **Item 4.** Mine Safety Disclosures 70

## PART II 70
- **Item 5.** Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities 70
- **Item 6.** Reserved 70
- **Item 7.** Management’s Discussion and Analysis of Financial Condition and Results of Operations 71
- **Item 7A.** Quantitative and Qualitative Disclosures About Market Risk 86
- **Item 8.** Financial Statements and Supplementary Data 88
- **Item 9.** Changes in and Disagreements with Accountants on Accounting and Financial Disclosure 89
- **Item 9A.** Controls and Procedures 89
- **Item 9B.** Other Information 90
- **Item 9C.** Disclosure Regarding Foreign Jurisdictions that Prevent Inspections 90

## PART III 90
- **Item 10.** Directors, Executive Officers and Corporate Governance 90
- **Item 11.** Executive Compensation 98
- **Item 12.** Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters 124
- **Item 13.** Certain Relationships and Related Transactions, and Director Independence 128
- **Item 14.** Principal Accountant Fees and Services 133

## PART IV 135
- **Item 15.** Exhibits and Financial Statement Schedules 135
- **Item 16.** Form 10-K Summary 140
- **Signatures** 141
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that relate to future events or our future financial performance regarding, among other things, our plans, strategies and prospects, both business and financial. These statements are based on the beliefs and assumptions of our management team. Generally, statements that are not historical facts, including statements concerning possible or assumed future actions, business strategies, events or results of operations, are forward-looking statements. Forward-looking statements contained in this Annual Report on Form 10-K include, but are not limited to, statements about:

- the success, cost and timing of our product development activities;
- the potential attributes and benefits of our products and services;
- our ability to obtain and maintain regulatory approval for our products, and any related restrictions and limitations of any authorized product;
- our ability to identify, in-license or acquire additional technology;
- our ability to maintain our existing license, manufacturing and supply agreements;
- our ability to compete with other companies currently marketing or engaged in the development of ultrasound imaging devices, many of which have greater financial and marketing resources than us;
- the size and growth potential of the markets for our products and services, and the ability of each to serve those markets, either alone or in partnership with others;
- our estimates regarding expenses, revenue, capital requirements and needs for additional financing;
- our ability to raise financing in the future;
- our financial performance; and
- the impacts of the COVID-19 pandemic on our business, financial condition and results of operations.

These forward-looking statements are based on projections prepared by, and are the responsibility of, our management. Although we believe that our plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, we cannot assure you that we will achieve or realize these plans, intentions or expectations. Forward-looking statements are inherently subject to risks, uncertainties and assumptions relating to, among other things:

- our rapid growth may not be sustainable and depends on our ability to attract and retain customers;
- our business could be harmed if we fail to manage our growth effectively;
- our projections are subject to risks, assumptions, estimates and uncertainties;
- our business is subject to a variety of U.S. and foreign laws, which are subject to change and could adversely affect our business;
- the pricing of our products and services and reimbursement for medical procedures conducted using our products and services;
- failure to protect or enforce our intellectual property rights could harm our business, results of operations and financial condition;
- the ability to maintain the listing of our Class A common stock on the New York Stock Exchange;
- economic downturns and political and market conditions beyond our control could adversely affect our business, financial condition and results of operations; and
- the impact of the COVID-19 pandemic on our business, financial condition and results of operations.
These and other factors that could cause actual results to differ from those implied by the forward-looking statements in this Annual Report on Form 10-K are more fully described in Item 1A under the heading “Risk Factors.” The risks described under the heading “Risk Factors” are not exhaustive. Other sections of this Annual Report on Form 10-K, such as the description of our Business set forth in Item 1 and our Management’s Discussion and Analysis of Financial Condition and Results of Operations set forth in Item 7 describe additional factors that could adversely affect our business, financial condition or results of operations. New risk factors emerge from time to time, and it is not possible to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements. Forward-looking statements are not guarantees of performance. You should not put undue reliance on these statements, which speak only as of the date hereof. All forward-looking statements attributable to the Company or persons acting on the Company’s behalf are expressly qualified in their entirety by the foregoing cautionary statements. We undertake no obligations to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.
SUMMARY OF RISK FACTORS

Our business is subject to numerous risks and uncertainties that you should consider before investing in our securities. Some of the principal risk factors are summarized below:

- We have a limited operating history on which to assess the prospects for our business, we have generated limited revenue from sales of our products, and we have incurred losses since inception. We anticipate that we will continue to incur significant losses for at least the next several years as we continue to commercialize our existing products and services and seek to develop and commercialize new products and services.
- We may need to raise additional funding to expand the commercialization of our products and services and to expand our research and development efforts. This additional financing may not be available on acceptable terms, or at all. Failure to obtain this necessary capital when needed may force us to delay, limit or terminate our product commercialization or development efforts or other operations.
- Our success depends upon market acceptance of our products and services, our ability to develop and commercialize existing and new products and services and generate revenues, and our ability to identify new markets for our technology.
- Medical device development is costly and involves continual technological change, which may render our current or future products obsolete.
- We will be dependent upon the success of our sales and customer acquisition and retention strategies.
- If we do not successfully manage the development and launch of new products, we will not meet our long-term forecasts, and operating and financial results and condition could be adversely affected.
- We will need to expand our organization, and we may experience difficulties in recruiting needed additional employees and consultants and retaining existing employees and consultants, which could disrupt our operations.
- We have limited experience in marketing and selling our products and related services, and if we are unable to successfully commercialize our products and related services, our business and operating results will be adversely affected.
- We have and may continue to experience pricing pressures from contract suppliers or manufacturers on which we rely.
- We may experience manufacturing problems or delays that could limit the growth of our revenue or increase our losses.
- We rely on limited or sole suppliers for some of the materials and components used in our products, and we may not be able to find replacements or immediately transition to alternative suppliers, which could have a material adverse effect on our business, financial condition, results of operations and reputation.
- If we do not successfully optimize and operate our sales and distribution channels or we do not effectively expand and update infrastructure, our operating results and customer experience may be negatively impacted and we may have difficulty achieving market awareness and selling our products.
- The market for our products and services is new, rapidly evolving, and increasingly competitive, as the healthcare industry in the United States is undergoing significant structural change, which makes it difficult to forecast demand for our products and services.
- The COVID-19 pandemic has and could continue to negatively affect various aspects of our business, make it more difficult for us to meet our obligations to our customers, and result in reduced demand for our products and services, which could have a material adverse effect on our business, financial condition, results of operations, or cash flows.
- Unfavorable global economic conditions could adversely affect our business, financial condition or results of operations.
We have incurred and will incur increased costs and demands upon management as a result of complying with the laws and regulations affecting public companies, which could adversely affect our business, results of operations, and financial condition.

We are subject to extensive government regulation, which could restrict the development, marketing, sale and distribution of our products and could cause us to incur significant costs.

There is no guarantee that the U.S. Food and Drug Administration, or FDA, will grant 510(k) clearance or pre-market approval, or PMA, of our future products, and failure to obtain necessary clearances or approvals for our future products would adversely affect our ability to grow our business.

If we fail to obtain marketing authorizations in other countries for existing products or products under development, we will not be able to commercialize these products in those countries.

We may be subject to enforcement action if we engage in improper or off-label marketing or promotion of our products, including fines, penalties and injunctions.

Because we do not require training for users of our current products, although they are limited under FDA's marketing clearances to use by trained healthcare practitioners, there exists a potential for misuse of these products, which could ultimately harm our reputation and business.

We are subject to complex and evolving U.S. and foreign laws and regulations regarding privacy, data protection, and other matters. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in customer growth or engagement, or otherwise harm our business.

Cybersecurity risks and cyber incidents could result in the compromise of confidential data or critical data systems and give rise to potential harm to customers, remediation and other expenses, expose us to liability under HIPAA, consumer protection laws, or other common law theories, subject us to litigation and federal and state governmental inquiries, damage our reputation, and otherwise be disruptive to our business and operations.

If we are unable to protect our intellectual property, our ability to maintain any technological or competitive advantage over our competitors and potential competitors would be adversely impacted, and our business may be harmed.

We may need or may choose to obtain licenses from third parties to advance our research or allow commercialization of our current or future products, and we cannot provide any assurances that we would be able to obtain such licenses.

The exercise of our outstanding warrants for our Class A common stock will increase the number of shares eligible for future resale in the public market and result in dilution to our stockholders.

If we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results, our ability to operate our business and investors’ views of us.

The valuation of our warrants could increase the volatility in our net income (loss) in our consolidated statements of operations.

We face the risk of product liability claims and may be subject to damages, fines, penalties and injunctions, among other things.

We are currently subject to a securities class action lawsuit, the unfavorable outcome of which may have a material adverse effect on our financial condition, results of operations and cash flows.

These and other material risks we face are described more fully in Item 1A, Risk Factors, which investors should carefully review prior to making an investment decision with respect to the Company or its securities.
PART I

All brand names or trademarks appearing in this report are the property of their respective holders. Use or display by us of other parties’ trademarks, trade dress, or products in this report is not intended to, and does not, imply a relationship with, or endorsement or sponsorship of, us by the trademark or trade dress owners. Unless the context requires otherwise, references in this report to the “Company,” “we,” “us,” and “our” refer to Butterfly Network, Inc. and its wholly-owned subsidiaries.

Item 1. BUSINESS

Overview

We are an innovative digital health business transforming care with hand-held, whole body ultrasound. Powered by our proprietary Ultrasound-on-Chip™ technology, our solution enables the acquisition of imaging information from an affordable, powerful device that fits in a healthcare professional’s pocket with a unique combination of cloud-connected software and hardware technology that is easily accessed through a mobile app. Butterfly enables the practical application of ultrasound information into the clinical workflow.

Butterfly iQ+ is the only ultrasound transducer that can perform whole-body imaging in a single handheld probe using semiconductor technology. Our Ultrasound-on-Chip™ reduces the cost of manufacturing, while our software is intended to make the product easy to use, fully integrated with the clinical workflow and accessible on a user’s smartphone, tablet and almost any hospital computer system connected to the Internet.

Through our portable proprietary, handheld solution, protected by a robust intellectual property portfolio and empowered in part by our proprietary software and Artificial Intelligence (“AI”), we aim to enable the delivery of imaging information with the least amount of effort, unlocking information and enabling more informed and earlier medical decisions no matter where clinical care takes place. In addition, Butterfly Blueprint™ provides a system-wide ultrasound platform with Compass™ software that integrates into a healthcare system’s clinical and administrative infrastructure to be able to deploy Butterfly iQ+, which we believe can help optimize care at scale across the full spectrum of departments and specialties in a healthcare system, including nursing.

We market and sell the Butterfly system, which includes probes and related accessories and software subscriptions, to healthcare systems, physicians and healthcare providers through a direct sales force, distributors, strategic partners and our eCommerce channel. We generated total revenue of $62.6 million and $46.3 million in the years ended December 31, 2021 and 2020, respectively. We also incurred net losses of $32.9 million and $162.7 million for the years ended December 31, 2021 and 2020.

We employ approximately 463 employees as of December 31, 2021 and sell our products in approximately 30 countries through our sales force and independent distributors and directly to physicians through our eCommerce channel.

Corporate History and Information

The Company, formerly known as Longview Acquisition Corp. (“Longview”), was incorporated in Delaware on February 4, 2020. Prior to February 12, 2021, we were a blank check company formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, reorganization or similar business combination with one or more businesses.

On February 12, 2021 we completed the business combination (the “Business Combination”) pursuant to the terms of the Business Combination Agreement, dated as of November 19, 2020 (the “Business Combination Agreement”), by and among Longview, Clay Merger Sub, Inc., a Delaware corporation (“Merger Sub”), and Butterfly Network, Inc., a Delaware corporation (“Merger Sub”), and Butterfly Network, Inc., a Delaware corporation (“Legacy Butterfly”). The transaction resulted in the Company being renamed to “Butterfly Network, Inc.,” Legacy Butterfly being renamed “BFly Operations, Inc.” and the Company’s Class A common stock and warrants to purchase Class A common stock commencing trading on the New York Stock Exchange (“NYSE”) on February 16, 2021 under the symbol “BFly” and “BFly Ws”, respectively. As a result of the Business Combination, we received gross proceeds of approximately $589 million and the business of Legacy Butterfly became our business.
Legacy Butterfly was founded in 2011 by Dr. Jonathan Rothberg, a serial entrepreneur who received the Presidential Medal of Technology & Innovation in 2016 for inventing a novel next generation DNA sequencing method and has founded more than 10 healthcare/technology companies, including 454 Life Sciences, Ion Torrent and CuraGen. Legacy Butterfly has raised over $400 million in equity investments and partnership milestones from leading institutional investors, including Baillie Gifford, and strategic partners, including the Bill & Melinda Gates Foundation.

We have wholly-owned subsidiaries organized in Australia, Germany, the Netherlands, the United Kingdom and Taiwan. Our principal executive offices are located at 530 Old Whitfield Street, Guilford, Connecticut 06437 and our telephone number is (203) 689-5650.

The Evolution of Ultrasound

Digital health is systematically changing the way healthcare practitioners deliver care by providing information that informs better decision-making, while increasing access and significantly reducing patient-care costs. Butterfly iQ+ is designed for this new wave of medical care with an easy-to-use interface that displays ultrasound information on your smartphone or tablet in real-time.

Historically, the global ultrasound market has been dominated by traditional cart-based devices. These devices are accessible only to highly specialized, highly trained technicians and are located predominantly in hospitals, imaging centers, and physicians’ offices. Many healthcare institutions throughout the world lack the facilities and capital necessary to acquire and maintain expensive cart-based devices and cannot afford the highly trained individuals required to operate them.

Traditional cart-based equipment typically ranges from $45,000 to $60,000 per new device in the mid-range and is required to be operated by trained healthcare professionals. More recently, we have seen the introduction of point-of-care ultrasound (POCUS) and handheld devices with an average price point of $15,000, based on $5,000 to $7,000 per probe, some requiring two to three probes to cover a comparable range of cleared indications to the single probe Butterfly iQ+ and an upfront software investment for access to advanced imaging modes (e.g. pulsed-wave Doppler) and workflow (e.g. cloud storage) which can reach upwards of $2,000. However, these POCUS devices operate off the same platform as traditional cart-based ultrasound, limited by their application of the same 60-year-old piezoelectric crystal technology, leaving limited opportunity for future progress.

Although still required to be operated by trained healthcare practitioners, we are developing a technology roadmap to make it easier for users of all skill levels to use the device. By taking the burden off the user, we believe that Butterfly iQ+ will change the paradigm of how clinical decisions are made with a handheld, whole body ultrasound that can provide critical information earlier in care. We believe that this information delivered through imaging with an intuitive user interface will further drive costs down and expand the use of imaging at clinical point-of-care.

Market Opportunity

Long term, we are on a journey to address a potential new market that we estimate exceeds $100 billion. We believe our solution addresses an unmet need across an addressable market of 42 million healthcare practitioners, including approximately 2 million veterinarians and vet technicians, 12 million medical doctors and 28 million nurses and midwives worldwide.

In the near term, we are first driving adoption with healthcare practitioners, including doctors and nurses in healthcare systems and a focused group of initial customers in the veterinary market, comprised of companion animal, mixed animal, equine veterinarians and veterinary academic institutions.

We believe our solution can address this market, and moves beyond the restrictions of the existing ultrasound market, because our solution empowers practitioners with imaging information at point-of-care that is practical, mobile, interoperable, and easy-to-use. Our aspiration is to be as ubiquitous as the stethoscope and a tool used by physicians everywhere and anywhere care is delivered.
We believe our differentiated Butterfly iQ+ handheld device and our growing user base of healthcare systems, medical schools and individual practitioners, position us well to drive an evolution in healthcare. Similar to the human patient market, our solution for the veterinarian market is also driving an impact in veterinary care and education.

We believe the valuable information generated from a small handheld with low cost, quality imaging and an interface designed for ease-of-use are attractive to healthcare systems that seek to improve care at lower cost. These attributes also allow the use of our Butterfly iQ+ by practitioners beyond traditional health system environments to where health systems look to evolve, such as the home. This evolution would enable the application of ultrasound information in broad clinical utility and practice with patient-performed scanning to home monitoring, subject to our obtaining appropriate marketing authorizations for such intended uses.

The advantages of our technology align with recent industry trends, including the shift to in-home medical care, affordability, harnessing of AI and deep learning, collaboration through the cloud, disruptive medical innovation, and increasing access to care. In addition, by expanding the settings in which medical imaging can be done, the Butterfly iQ+ device may provide opportunities for earlier detection and prevention of disease, while reducing cost. This aligns with the focus on consumer health empowerment, wellness, and acceleration of value-based care, all of which are important themes in the healthcare industry today and we believe have become increasingly more important during the COVID-19 pandemic.

**Business Strategy**

As the first semiconductor-based, handheld, whole body ultrasound devices, the Butterfly iQ and iQ+ cloud-based solution is a leading part of the medical imaging revolution. Leveraging this novel technology, our solution can scan, process and store high quality images at the bedside that can then be transferred between systems, as well as address hospital and health system workflows, an interoperability valued by customers in today’s market.

We believe that with our current products and solutions, we have created a new standard for medical imaging, and we are focused on staying at the leading edge of technical innovation. We believe our solution is only the first step in our development and we plan to continually improve it and expand within healthcare systems to enable these customers to deploy our solution at scale.

We believe that through the penetration of the existing addressable market, and the potential subsequent expansion into new markets, as well as places that do not currently use medical imaging or where access to imaging is limited, we can bring the adoption of medical imaging to greater scale in countries where there is limited access to healthcare.

In the near-term, we are focused on key markets and opportunities to innovate and grow as we develop a new market. We are driving adoption of Butterfly across four areas:

1) Hospitals and healthcare systems, initially focused in the United States;
2) Expanding into international markets and driving global health equity to improve care across all settings;
3) Moving Butterfly into home-based care, subject to appropriate authorizations; and
4) Capturing opportunities in adjacent markets to drive growth.

Across these four areas, we have three core principles that will help drive adoption that we call our “3 E’s” – our commitment to ensure that Butterfly is: Easy, Everywhere, and Economical.

- **Easy** to use, enabling access to the most information with the least amount of effort through education, an intuitive interface and AI.
- **Everywhere**, the scope of our journey to change the standard of care. We are focused on making Butterfly useful in more settings with cutting edge features and capabilities and building new business models to put Butterfly into every clinician’s pocket.
- **Economical**, creating, capturing and delivering value and affordability for all. We are focused on completing health economics studies to demonstrate that our system delivers better, more informed, lower cost care.
Because the Butterfly iQ+ is mobile and easy-to-use, healthcare practitioners can have access to ultrasound information outside of traditional settings, increasing convenience for both practitioners and patients. This could improve health outcomes, while avoiding expensive treatments, generating economic value for both the patient and payor, which is aligned with the healthcare mega-trend of value-based care. As our device reaches new markets and new users and, with appropriate marketing authorizations, enables more direct interaction with patients, including remote patient monitoring, we believe this trend will accelerate, further improving outcomes and reducing costs. This reduction of costs has the potential to create economic value for the whole healthcare system across clinical applications and markets where ultrasound scanning is used.

Longer term, as patient-focused, value-based care delivery models continue to scale, we believe handheld ultrasound devices will find a potential market in at-home care settings with at-home medical personnel and patient-performed scanning, subject to appropriate authorizations.

Products

Our products include a combination of hardware and software, including Butterfly iQ and iQ+ probes, software subscriptions, and accessories. In addition, we also offer cloud-based software solutions to healthcare systems, teleguidance, in-app educational tutorials, formal education programs through our Butterfly Academy software, as well as clinical support and services for large scale deployments.

Butterfly iQ and iQ+

In 2018, Legacy Butterfly commercially launched Butterfly iQ, the world’s first handheld, single-probe, whole-body ultrasound system using semiconductor technology that is commercially available, and in 2020, Legacy Butterfly launched the Butterfly iQ+ with additional features and improved performance.

Since then, we have sold and shipped more than 57,000 Butterfly iQ and Butterfly iQ+ devices (“iQ devices”). Butterfly iQ+’s list price is approximately $2,400 per device, making it a high-quality and affordable alternative to the costly traditional cart-based equipment and a number of other handheld devices currently on the market. Powered by our Ultrasound-on-Chip™, Butterfly’s high-performance imaging capabilities support fast and confident clinical decision-making.

Our Butterfly iQ+ device connects directly to a compatible iPhone or Android smartphone or tablet to provide its imaging and software features for more than two consecutive hours according to average use as determined from field data analytics and charges to full battery in approximately five hours. In select countries, our proprietary software harnesses AI designed to drive ease-of-use for image acquisition and improved analysis, further used to guide and educate practitioners, as well as provide quality control.

The Butterfly iQ+ has 22 pre-set settings generated in part with AI that optimize images obtained from scanning different areas of the body.

Within the Butterfly application, users can utilize six imaging modes, including B-Mode, Color Doppler, M-Mode Power Doppler and Pulsed Wave Doppler, Biplane, as well as additional measuring tools used for a variety of specialties, nursing and obstetrician calculations.

These features allow healthcare practitioners to perform surface area and volume measurements on the anatomical objects that are imaged and can use color Doppler to identify movement of fluid, similar to features provided by legacy products in the market.

- For the obstetric clinicians, the device tools can perform gestational age and amniotic fluid index calculations.
- The device tools can provide automated bladder volume calculations, with 3D visualizations and enables easier line placements using NeedleViz™ technology and Biplane Imaging™. These tools can be utilized across broad clinical applications and specialties.
Using TeleGuidance™, healthcare practitioners can perform ultrasound remotely, providing real-time guidance by connecting with a novice user or peer directly from the Butterfly iQ+ app. Through our Teleguidance feature, healthcare practitioners can control the settings of the application while the device is in use and help the user identify the image.

We believe these pre-set settings and intuitive operation features through smartphones will enable healthcare practitioners who are not medical imaging experts to adopt our device, expanding our user base beyond the traditional ultrasound user base. This traditional base of ultrasound users has been limited because existing ultrasound devices often require unique environments and extensive training to operate, while the Butterfly iQ+ device can be used by general and other healthcare practitioners across the healthcare industry.

Butterfly iQ+ is comprised of both durable hardware and dynamic software solutions designed to make ultrasound imaging accessible to all healthcare practitioners, including nurses. We also sell accessories for the Butterfly iQ and iQ+ including cases, adaptors and carts.

Software Subscriptions

We believe that the software and analytics capabilities of our solution coupled with the Butterfly iQ+ device empowers smarter and expanded scanning, quality assurance, credentialing, documentation and billing that can generate both incremental revenue for healthcare systems and independent practitioners, but also reduce costs for payers from earlier detection and prevention of adverse downstream events due to suboptimal care decisions or treatment complications.

We currently offer different software membership plans, including Pro Individual, our complete ultrasound solution for individual users that is priced at $420 per year, and Pro Custom, an offering that allows individuals to choose their add-on features, to suit their needs. In addition, we offer other membership plans that are specific to customer needs, including iQ+ Care, for bladder scanner and vascular access application solutions, integrated software enterprise solutions to enable ultrasound deployments at scale and medical education subscriptions for universities.

Through our software subscription options, users can upload scanned images to our HIPAA-compliant cloud, which has unlimited storage and links to electronic medical records (“EMRs”), hospital and office systems, allowing for seamless transfer of images that can also be accessed from a desktop computer.

Through our ongoing collaborations with the healthcare community, we are continuing to optimize our software ecosystem, including by harnessing AI to develop additional clinical and product advancements for our users. We believe that these efforts could drive ease-of-use for image acquisition, improve analysis, and expand its most utilized features with extensive quality control. Our AI has and is expected to continue to allow us to develop programs that guide and educate healthcare practitioners on how to utilize the Butterfly iQ+ device, with the goal of improving their clinical impact and productivity globally.

Educational Tools

Our platform features education tools to enable users to quickly gain proficiency in conducting exams, including hundreds of educational videos taught by experts. In 2021 we launched Butterfly Academy™ that provides embedded education and training to enable clinicians across care settings, to support long-term scaling of Butterfly throughout a healthcare system and for use in medical education applications. In addition, our software application also features TeleGuidance, which is the first integrated ultrasound telemedicine platform. This tool allows a remote, trained healthcare practitioner to view and guide the ultrasound imaging through the smartphone application and live video.

Butterfly iQ+ Vet

In 2021, we launched Butterfly iQ+ Vet, a handheld ultrasound system designed to bring value to veterinarians in a variety of care settings, helping to usher in a new standard for veterinary medicine.
As of December 31, 2021, iQ+ Vet is available in 21 international markets, bringing first of its kind innovation to veterinarians. The product includes a specially designed animal-specific probe for ease of use and maneuvering, Color-Doppler and NeedleViz. We are changing the way that veterinarians deliver care, providing more information through imaging at the point-of-care, particularly since their patients do not speak.

Marketing and Sales

We market our products through our targeted U.S. sales organization, which is engaged in sales efforts and promotional activities primarily to health institutions as well as to healthcare institutions through direct sales and distributor partnerships outside of the United States. In the United States, Butterfly has been purchased by a clinician in all of the largest 100 healthcare systems. We use a variety of marketing tools to drive adoption, foster continued usage and establish brand loyalty for our devices and software. We recognize the importance of the role of education in accelerating adoption of our products by those medical professionals without existing ultrasound skills.

We sell through three main channels:

- A targeted, regional, direct salesforce focused on large healthcare system-wide implementations.
- An eCommerce website through which we sell our Butterfly iQ+ and iQ+ Vet to healthcare practitioners in these geographies, where allowed by local law.
- Distributor, veterinary and affiliate relationships to unlock additional channels to supplement our direct and eCommerce sales.

In 2021, we have invested heavily in building out and educating our salesforce and sales support teams, and plan to continue to do so, with the ultimate goal of growing adoption at large scale healthcare systems. As we continue to grow, we plan to expand on our client experience resources to work with our customers to deploy Butterfly iQ+ and Butterfly Blueprint. We believe that we can build a community of healthcare system customers around our solution to share insights, techniques, and new regulatory-compliant ways of applying our solution, all of which we believe should continue to drive clinical behavior change, adoption and retention, as well as clinical and economic studies.

As we expanded our healthcare system software offerings and developed relationships with larger health systems in 2021, we have increased the proportion of our sales to health systems compared to eCommerce. Because institutions often make decisions to purchase on a system-wide level, we believe enterprise sales can generate economies of scale with larger volumes and larger numbers of users, while also increasing user retention. The health system channel also yields more comprehensive software subscriptions, which further increases our revenue from devices and subscriptions sold. We are working towards increasingly integrated solutions to maximize our value to large healthcare customers, as well as continuing to improve our sales and support infrastructure. Our ability to connect and integrate with traditional third-party ultrasound systems gives enterprise customers a solution to the governance and workflow challenges that may have previously limited the utilization and billing of point of care imaging devices. Health system customers deploying our solution can benefit from a streamlined clinical workflow that reduces the exam documentation burden typically associated with traditional ultrasound systems. By adopting Butterfly Blueprint and Compass software, customers can responsibly manage and optimize value from their fleets of point of care imaging devices.

We continue to develop our sales and marketing organization, which consists of a dedicated sales team, sales operations and sales support personnel that are complemented by a marketing team. As of December 31, 2021, we had 124 people employed globally in sales, sales support, and marketing.

Geographies

Butterfly iQ+ is being used in approximately 30 markets. Outside of our core commercial geographies, Butterfly iQ+ is also being utilized in over 70 low resource settings around the world, where we have partnerships with non-governmental organizations (“NGOs”) like the Bill & Melinda Gates Foundation to deliver our technology to underserved communities. Currently, we have over 100 NGOs and global health partnerships in place with organizations that align with our mission to deliver care around the world and bring potentially lifesaving medical imaging to patients, often for the first time.
In terms of geographic markets, for the fiscal year ended December 31, 2021, a substantial majority of our revenues were derived from sales to customers based in the United States. We aim to further expand our international customer base in the future. We believe our differentiated Butterfly iQ+ handheld device and our growing user base of Butterfly iQ+ practitioners, with sales to or agreements with most of the largest 100 U.S. healthcare systems and across approximately 30 countries, position us well to compete in the existing ultrasound market and to potentially expand into emerging markets.

**Technology**

Butterfly is a pioneer in putting ultrasound on a semiconductor chip. This novel and proprietary Ultrasound-on-Chip™ technology enables whole-body complete ultrasound imaging with a single probe. We are continuing to improve our software by harnessing AI with a goal to drive ease-of-use for image acquisition, improve analysis, guide and educate practitioners, and provide quality control. As a result of utilizing these technologies, our first and second generation, Butterfly iQ and iQ+ products have a small, hand-held size, low cost, and simple user interface, making ultrasound technology more accessible outside of large healthcare institutions. This contrasts sharply to existing systems that are built using often expensive piezoelectric crystal technology, which can lead to high upfront costs and thereby constrain access and usage.

Additionally, the technology driving the Butterfly iQ and Butterfly iQ+ devices may be able to continually scale and improve. In 2021, we have continued to improve our chip technology, AI capabilities and image quality. We expect to continue development of the device with product offerings that may include enhanced performance, additional procedural applications, changes to the device that enable and encourage usage and alternative form factors.

With cloud-based technology, we have also continued to create content and applications to enrich the overall software ecosystems and deliver additional clinical and product advancements for our users. To date, we have launched a variety of software offerings for individual physicians, as well as launched Butterfly Blueprint to develop an operating system that addresses the workflow needs of our large healthcare system customers. We plan to continue to build solutions and features, including AI in our software to improve ease-of-use for our customers.

As of December 31, 2021, we owned approximately 352 issued patents and had approximately 455 pending patent applications.

**Research and Development**

We plan to develop future applications, subject to appropriate marketing authorization, to leverage our unique hardware foundation and commitment to improving our software using AI. Simultaneously, we plan to enhance our software capabilities, pursuing regulatory authorizations as necessary, with new features to support clinical procedures, and further workflow automations for Butterfly Blueprint and our Compass software, in order to more deeply integrate our platform with healthcare systems, as we work with these customers to deploy Butterfly in their organizations.

In this way, we expect our solution will continue to innovate naturally, as well as through our enhancements to our proprietary technology. In order to pave the way for the potential future at-home use of Butterfly iQ+ and other future form factors, we anticipate we will need to validate the at-home applications through focused clinical trials and also seek additional regulatory authorizations.

We believe these hardware developments, along with our software enhancements and user education initiatives, will bring ultrasound to healthcare systems and healthcare practitioners. We believe that with our differentiated and continually expanding solution, we have the potential to drive user adoption and change clinical behavior. We plan to partner with healthcare systems to continue to inform the development of new innovative products, services and software applications, leveraging our core technology and platform capabilities.

We believe our product roadmap is designed to continue to position us as one of the leading disruptors in the medical imaging market and eventually, potentially the remote patient monitoring market. We expect to continue development of
our hardware with product offerings that may include enhanced performance, features to enable more usage and alternative form factors.

Beyond these hardware and software product roadmaps, we plan to develop new innovative products, services and software applications, leveraging our core technology and platform capabilities. Through this product development, we believe we will be positioned to remain on the forefront of medical imaging with a continued focus on enabling access to more information at low cost and reduced effort and with education, an intuitive interface and AI to unlock the power of point-of-care information quickly and confidently, allowing us to enable healthcare practitioners to transform care with Butterfly.

Reimbursement

The Butterfly iQ+ leverages pre-existing, routine CPT codes that enable healthcare providers and practitioners to obtain per-scan reimbursement in the specialties of anesthesiology, cardiology, critical care, emergency medicine, endocrinology and ultrasound-guided procedures. We intend to pursue incremental, new or expansionary CPT codes for reimbursement in future scan categories and categories concurrent to support the successful go-to-market strategy of the product pipeline.

Competition

Several large companies, such as GE, Philips and Sonosite currently constitute the bulk of ultrasound sales. High regulatory, distribution, manufacturing and service-related long-term contractual costs represent significant barriers to entry for any new player. We expect that the existing market participants will remain strong active players in the future.

As a general matter, we view competition on two levels:

- Conventional ultrasound systems; and
- The development of other hand-held ultrasound systems with the same or better attributes.

The primary competition comes from established market participants offering conventional ultrasound systems. While Butterfly's target is often non-traditional ultrasound users we do compete with both traditional ultrasound manufacturers as well as other handheld ultrasound systems.

Our People

Our employees embody our mission to democratize healthcare and to make medical imaging accessible to everyone around the world by using our proprietary technology. We believe that our people are the reason for our success, and we have organized ourselves to maximize productivity and performance. We maintain a high bar for talent and actively work to build diversity within our workforce.

Demographics. As of December 31, 2021, we had 463 employees. As of December 31, 2021, 436 of our employees were located in the United States and 27 were located in the United Kingdom, the Netherlands, Germany, Spain, the United Arab Emirates, Hong Kong and Taiwan. None of our employees are represented by a labor union or are subject to a collective bargaining agreement. We supplement our employee population with independent contractors, contingent workers and temporary workforce support as needed.

Total Rewards. To attract qualified applicants to our company and retain our employees, we offer a competitive total rewards package for all employees, consisting of market, competitive-base salaries, annual target cash bonus that recognize and reward company performance as well as individual results, long-term equity incentives that encourage our employees to focus on long-term value creation, and comprehensive benefits. For 2022, we added a company match to our 401(k) savings program.

Career Growth and Development. We offer a variety of resources and programs that attract, engage, develop, advance and retain employees. Our training and development provides employees the support they need to perform well in their current role while planning and preparing for future roles. Our employees have access to a number of online courses, including through our electronic learning management system and our newly-launched LinkedIn Learning program. Our employee development program also promotes the importance of compliance across our business.
Employee Engagement. We believe engaged employees produce stronger business results and are more likely to build a career with the Company. In our first year as a public company, we launched an employee engagement survey to provide baseline data for executive management and leaders to drive continuous improvement in our organization and employee work experience based on data. With 89% of our employees participating in our engagement survey, we believe we have an engaged workforce.

Diversity, Equity and Inclusion. We are committed to growing and cultivating an environment that fosters diversity, equity and inclusion (“DEI”) and values the diverse perspectives, backgrounds, experiences and geographies of our employees and other stakeholders. We seek to promote greater diversity among our employees, enhance knowledge and understanding of key DEI issues, reward progress on our DEI goals and foster an environment where our employees and stakeholders feel included and valued for their diverse experiences and perspectives. We endeavor to hire employees from a broad pool of talent with diverse backgrounds, perspectives and abilities and we believe diverse leaders serve as role models for our inclusive workforce. We seek to continuously build on our inclusive hiring strategies, track our progress and hold ourselves accountable for greater diversity.

Employee Health. We are committed to protecting our workforce, customers, and communities. Our focus is directed towards ensuring all of our employees, as well as temporary contractors and visitors to our sites, can work safely. We have prioritized the health and safety of our employees during the COVID-19 pandemic, while continuing the supply of innovative products to healthcare systems, physicians and healthcare providers. Vaccinations are generally required for our employees in the U.S., and we are committed to implementing similar requirements in other jurisdictions wherever possible.

Manufacturing

Our Butterfly iQ products are built using both custom-made and off-the-shelf components supplied by outside manufacturers and vendors located in China, Taiwan and Thailand. The key custom-made component in the Butterfly iQ probe is the ultrasound transducer module consisting of a custom chip and lens.

We purchase some of our components and materials used in manufacturing, including the transducer module, from single sources. Although we believe that alternatives would be available, it would take time to identify and validate replacement components, which could negatively affect our ability to supply our products on a timely basis. We cannot give assurances that any alternative supplier would be able to recreate the manufacturing processes currently in use. To mitigate this risk, we typically carry a significant inventory of critical components.

All of our Butterfly iQ probes are manufactured, tested, shipped and supported by Benchmark Electronics, Inc., or Benchmark, from its facility in Thailand. We believe that this manufacturing strategy and supply chain is efficient and conserves capital. However, in the event it becomes necessary to utilize a different contract manufacturer for our Butterfly iQ products, we would experience additional costs, delays and difficulties in doing so, and our business could be harmed.

Key Agreements

Foundry Service Agreement with Taiwan Semiconductor Manufacturing Company Limited

We entered into a Foundry Service Agreement, or FSA, with Taiwan Semiconductor Manufacturing Company Limited, or TSMC, as amended, under which TSMC agreed to manufacture integrated circuits used for the semiconductor chips in our probes. The FSA provides for us to place purchase orders with TSMC, which are not binding until accepted by TSMC. The FSA also provides for TSMC to use commercially reasonable efforts to support us for our products to be manufactured at TSMC and for us to meet minimum purchase obligations. Under the agreement, we prepaid an amount to TSMC to be used against a portion of the purchase price for future purchases once the prepayment amount is reached. To the extent that we fail to fulfill our monthly wafer consumption requirement, TSMC has the right to deduct the shortfall from payments made by us to TSMC. In addition, we are required to buy back from TSMC unused raw wafers that TSMC purchases from its supplier.
The FSA also provides that TSMC will indemnify us for intellectual property infringement or misappropriation claims against us related to the wafer manufacturing process and that we will indemnify TSMC for any intellectual property infringement or misappropriation claims arising from TSMC’s compliance with our instructions, specifications, designs or requirements to manufacture, sell, or ship the wafers or arising from any harm caused by our medical device products.

The FSA’s initial term expires on December 31, 2022, subject to automatic renewal for successive two-year terms unless terminated by either party upon three months’ notice prior to the end of the then-current term. The FSA may also be terminated by written notice at any time upon the bankruptcy or insolvency of or upon or after a material breach by the other party. After the initial two-year term, either party may terminate the FSA immediately, with or without cause, by giving the other party 12 months prior written notice of termination. TSMC may terminate the FSA if we do not place a purchase order for a period of 12 consecutive months or upon certain change of control transactions, including a merger, consolidation or other change of control or similar transactions to which we are party involving a semiconductor provider.

In connection with the FSA, we and TSMC developed a proprietary manufacturing process and continue to collaborate on manufacturing process improvements.

Manufacture and Supply Agreement with Benchmark Electronics, Inc.

In October 2015, we entered into a Manufacture and Supply Agreement with Benchmark, which was amended effective in August 2019 and February 2021, or the MSA. Under the MSA, as amended, Benchmark agreed to manufacture our products pursuant to binding purchase orders, as well as non-binding forecasts. The parties have agreed to meet periodically regarding any minimum order quantities under the MSA.

Under the terms of the MSA, we granted Benchmark a non-exclusive, non-transferable, revocable, fully-paid, royalty-free license, without the right to sublicense, to use our technology solely to manufacture our products. The MSA provides that we will own any right, title and interest in any improvements or modifications to our technology made in the course of performance of Benchmark’s obligations under the MSA. We and Benchmark also agreed to indemnify each other against certain third-party claims.

Pursuant to the February 2021 amendment, we agreed to provide global production exclusivity to Benchmark for our current products and other handheld probes which may be manufactured for us, for a specified exclusivity period, in exchange for delayed payment of certain invoices that we paid in March 2021. The exclusivity period is terminable and we have the right to purchase products from another supplier in the event Benchmark fails to deliver more than 10% of the products based on the revenue of orders during the calendar quarter.

The MSA has an initial three-year term and will renew automatically for additional two-year terms unless either party gives 180 days’ prior written notice before the end of the then-current term to the other party electing not to renew the agreement. The MSA or any purchase order under the MSA may be terminated by either party for convenience upon 90 days’ prior written notice to the other party. The MSA may also be terminated by either party by written notice upon the occurrence of (i) a breach by the other party under the agreement which is not cured within 30 days after written notice by the terminating party, (ii) the other party becomes insolvent, dissolves, liquidates or ceases to conduct business or (iii) the occurrence of payment-related breaches. Benchmark may also terminate the agreement upon the filing of any petition against us under bankruptcy or similar laws, where such petition is not vacated within 10 days via court order.

Distribution Agreement with Cardinal Health 105, Inc.

In July 2018, we entered into a Distribution Agreement with Cardinal Health 105, Inc., or Cardinal Health. Under the Distribution Agreement, we are responsible for delivery of our products to Cardinal Health’s facilities, and Cardinal Health acts as the distribution agent and authorized distributor of record of our products to our customers, including, but not limited to, wholesalers, specialty distributors, physicians, clinics, hospitals, pharmacies and other healthcare providers in the United States. Under the Distribution Agreement, we provide Cardinal Health with forecasts of the volume of our products to be handled and distributed by Cardinal Health. We make payments to Cardinal Health for its distribution services pursuant to a fee schedule.
The initial term of the Distribution Agreement expired in August 2020. The Distribution Agreement is subject to automatic renewal for additional successive two-year terms unless we terminate the agreement upon 90 prior written days’ notice or Cardinal Health terminates the agreement upon written notice of non-renewal to us at least 180 days prior to the end of a term. Either party may terminate the Distribution Agreement upon (i) the other party’s entry into bankruptcy proceedings, receipt of a bankruptcy order that is not discharged within 30 days, or similar events, or (ii) a material breach by the other party that is not cured within 30 days after the non-breaching party gives written notice. Additionally, if we breach our payment obligations under the Distribution Agreement and such breach is not cured within 15 days after Cardinal Health provides written notice of non-payment, Cardinal Health may terminate the agreement upon 90 days’ prior written notice.

Intellectual Property

Protection of our intellectual property is a strategic priority for our business. We rely on a combination of patents, trademark, copyright, trade secret and other intellectual property rights protection and contractual restrictions to protect our proprietary technologies.

The patents owned and in-licensed by us are generally directed to the architecture of our ultrasonic imaging devices, our microfabricated ultrasonic transducers and machine learning for ultrasound applications. We have developed a portfolio of issued patents and pending patent applications directed to commercial products and technologies for potential development. We believe that our intellectual property is a core strength of our business, and our strategy includes the continued development of our patent portfolio.

Butterfly iQ, IQ+ and Related Technology

As of December 31, 2021, we owned approximately 352 issued patents and approximately 455 pending patent applications. Of our approximately 352 issued patents, approximately 104 were issued U.S. utility patents and approximately 35 were issued U.S. design patents. Of our approximately 455 pending patent applications, approximately 149 were pending U.S. utility patent applications and approximately 13 were pending U.S. design applications. In addition, as of December 31, 2021, we owned approximately 213 issued patents in foreign jurisdictions, including Australia, Canada, Europe, Japan, China, Taiwan, Korea, and India, and approximately 293 pending patent applications in foreign jurisdictions, including Australia, Canada, Europe, Japan, China, Taiwan, Korea and India, corresponding to the foregoing. In total, as of December 31, 2021, we owned approximately 187 patent families generally directed to our ultrasound products, including manufacturing, circuit components, and add-on features. These issued patents and pending patent applications (if they were to be issued as patents) have expected expiration dates ranging between 2030 and 2042.

In addition to patents, we also rely on trade secrets, technical know-how and continuing innovation to develop and maintain our competitive position. We seek to protect our proprietary information and other intellectual property by generally requiring our employees, consultants, contractors, suppliers, outside scientific collaborators and other advisors to execute non-disclosure and assignment of invention agreements on commencement of their employment or engagement. Agreements with our employees also forbid them from using or incorporating the proprietary rights of third parties during their engagement with us. We also generally require confidentiality or material transfer agreements from third parties that receive our confidential data or materials.

License Agreements

We have entered into exclusive and non-exclusive licenses in the ordinary course of business relating to our technologies or other intellectual property rights or assets.

Exclusive (Equity) Agreement with Leland Stanford Junior University

In June 2013, we entered into an Exclusive (Equity) Agreement, or the Stanford Agreement, with the Board of Trustees of the Leland Stanford Junior University, or Stanford. Pursuant to the Stanford Agreement, Stanford granted us a co-exclusive, worldwide license to make, have made, use, import, offer to sell and sell products covered by patent rights to Stanford’s wafer bonding technology. The rights licensed to us are for ultrasound applications using the wafer bonding technology excluding certain applications, and the license remains exclusive, except for certain non-exclusive applications,
until the earlier of December 23, 2023 or the seventh anniversary of the first sale of any product using the licensed technology, and thereafter will be
nonexclusive until the last licensed patent expires. The last licensed patent is currently expected to expire in 2030. The rights licensed to us, except for
the non-exclusive applications, are sublicensable during such exclusive term, subject to our continued development or sale of the products using
the technology licensed under the agreement and, following the exclusive term, subject to Stanford’s prior approval. The Stanford Agreement outlines
certain milestones to be met by us in connection with the development and sales of these products.

Under the terms of the Stanford Agreement, we paid a one-time, non-refundable upfront royalty fee. We are required to pay Stanford low single-digit
royalties on all net sales of products that use the licensed technology, as well as a portion of any sublicensing revenues, during the term of the Stanford
Agreement and if certain products using the licensed technology are made, used, imported, or offered for sale before the date the Stanford Agreement
terminates, and those products are sold after the termination date, we will pay Stanford an earned royalty for our exercise of rights based on the net sales
of those products. We are also obligated to pay Stanford annual license maintenance fees, which are fully creditable against any royalty payments made
by us for such year. We are also required to provide Stanford with periodic reports documenting our progress toward the development and
commercialization of products using the licensed technology. Stanford is responsible under the agreement for preparing, filing and prosecuting patent
claims and for maintaining the patents pertaining to the licensed technology.

Stanford may terminate the agreement in the event that we are materially delinquent on any payment, fail to diligently develop and commercialize a
product incorporating the licensed technology, materially miss a milestone under the agreement, are in material breach of any substantive provision
under the agreement, or knowingly provide any false report or are materially delinquent on any report, in each case which is not remedied within cure
period. In addition, if we are not diligently developing and commercializing such a product incorporating the licensed technology, materially miss a
milestone or knowingly provide a false report or are delinquent on any report, and we do not cure, the agreement shall not terminate, but it remains
subject to termination by Stanford and the license shall convert to a non-exclusive license. We may terminate the agreement at any time upon at least
30 days’ prior written notice. Upon termination of the agreement, all rights to the licensed technology revert to Stanford. Our obligation to pay royalties
accrued or accruable survives any termination or expiration of the agreement.

Government Regulation

The diagnostic medical devices that we manufacture and distribute are subject to regulation by numerous regulatory bodies, including the FDA and
comparable international regulatory agencies. These agencies require manufacturers of medical devices to comply with applicable laws and regulations
governing the development, testing, manufacturing, packaging, labeling, marketing and distribution of medical devices. Devices are generally subject to
varying levels of regulatory control, the most comprehensive of which requires that a clinical evaluation program be conducted before a device can be
approved for marketing and commercial distribution. In addition, healthcare regulatory bodies in the United States and around the world impose a range
of requirements related to paying for medical devices and the procedures in which they are used, including laws intended to prevent fraud, waste, and
abuse of healthcare dollars.

U.S. Laws and Regulations

At the federal level, our diagnostic ultrasound products and certain accessories are medical devices subject to extensive and ongoing regulation by the
FDA. Under the Federal Food, Drug and Cosmetic Act, referred to as the FDCA, and its implementing regulations, the FDA regulates product design
and development, nonclinical and clinical testing, pre-market clearance, authorization or approval, establishment registration and product listing,
product manufacturing, product packaging and labeling, product storage, advertising and promotion, product distribution, recalls and field actions,
servicing and post-market clinical surveillance. Some of our products are also subject to the Radiation Control for Health and Safety Act, administered
by the FDA, which imposes performance standards and record keeping, reporting, product testing and product labeling requirements for electronic
products that emit radiation, such as x-rays, although diagnostic ultrasound products like ours are subject only to a limited portion of those requirements.
A number of U.S. states also impose licensing and compliance regimes on companies that manufacture or distribute prescription devices into or within
the state.
In addition, the commercialization and use of our devices in the United States is subject to regulation by the U.S. Department of Health and Human Services, or HHS, and state agencies responsible for reimbursement and regulation of payment for health care items and services. Federal laws and regulations apply primarily in connection with government payer programs such as the Medicare and Medicaid programs, but state laws apply more broadly, encompassing health care items and services covered by private payers. At the state and federal level, the government’s interest is in regulating the quality and cost of health care and protecting the independent clinical judgment of licensed healthcare providers.

The FDA and the Federal Trade Commission, or FTC, also regulate the advertising and promotion of our products to ensure that any claims made in commerce are consistent with the products’ regulatory clearances, that there is scientific data to substantiate the claims being made, that the advertising is neither false nor misleading, and that patient or physician testimonials or endorsements we or our agents disseminate comply with disclosure and other regulatory requirements. In general, medical device manufacturers and distributors may not promote or advertise their products for uses not within the scope of a given product’s intended use(s), make unsupported safety and effectiveness claims, or use third parties to make claims about the product that the manufacturer/distributor could not lawfully make itself.

**FDA Regulation of Medical Devices**

The FDA classifies medical devices into three classes based on risk. Regulatory control increases from Class I (lowest risk) to Class III (highest risk). The FDA generally must clear or approve the commercial sale of most new medical devices that fall within product categories designated as Class II and III. Commercial sales of Class II (except for Class II devices exempt from pre-market notification requirements) and Class III medical devices within the United States must be preceded either by a pre-market notification and clearance pursuant to Section 510(k) of the FDCA (Class II) or by the granting of a pre-market approval, or PMA, (Class III), after a pre-market application is submitted. Both 510(k) notifications and PMA applications must be submitted to FDA with user fees (approximately $13,000 for a 510(k) and approximately $375,000 for a PMA in FY 2022), although reduced fees for small businesses are available. Class I devices are generally exempt from pre-market review and notification, as are some moderate-risk Class II devices. All classes of devices must comply with FDA's Quality System Regulation, or QSR, establishment registration, medical device listing, labeling requirements, and medical device reporting, or MDR, regulations, which are collectively referred to as device general controls. Class II devices may also be subject to special controls such as performance standards, post-market surveillance, FDA guidelines or particularized labeling. Some Class I and Class II devices may be exempted by regulation from the requirement of compliance with substantially all of the QSR.

A 510(k) pre-market notification must contain information sufficient to demonstrate that the new device is substantially equivalent to a device commercially distributed prior to May 28, 1976 or to a device that has been determined by the FDA to be substantially equivalent to such a so-called “pre-amendments” device. To obtain 510(k) clearance for a non-exempt Class II device, we must submit a pre-market notification to the FDA demonstrating that our product is substantially equivalent to such a predicate device. The FDA's 510(k) clearance process generally takes from three to 12 months from the date the application is submitted, but it may take longer if the FDA has significant questions or needs more information about the new device or its manufacturing or quality controls.

As part of the 510(k) notification process for Class II devices like our iQ system, which has an existing classification regulation available for purposes of the regulatory filing, the FDA may require the following:

- Comprehensive product description and indications for use.
- Extensive nonclinical tests and/or animal studies, performed in accordance with the FDA's Good Laboratory Practice, or GLP, regulations, as well as any performance standards or other testing requirements established by FDA through regulations or device-specific guidance.
- Comprehensive review of one or more predicate devices and development of data supporting the new product's substantial equivalence to such predicate devices.

Assuming successful completion of all required testing, a detailed 510(k) notification is submitted to the FDA requesting clearance to market the product. This pre-market notification includes all relevant data from pertinent pre-clinical and clinical trials (if applicable), together with detailed information relating to the product’s manufacturing controls and proposed labeling, and other relevant documentation. The FDA evaluates all 510(k) submissions prior to filing for full approval.
review based on specific acceptance criteria and may issue a refuse-to-accept notification if the submission is deficient with respect to any of the established criteria. If the FDA determines that the applicant’s device is substantially equivalent to the identified predicate device(s), the agency will issue a 510(k) clearance letter that authorizes commercial marketing of the device for one or more specific indications for use. If the FDA determines that the applicant’s device is not substantially equivalent to the predicate device(s), the agency will issue a not-substantially-equivalent letter stating that the new device may not be commercially distributed.

After a new medical device receives FDA 510(k) clearance, any modification that could significantly affect the device’s safety or effectiveness, or that would constitute a major change in its intended use, requires a new 510(k) clearance or could require the submission of a PMA. The FDA requires each manufacturer to make the determination of whether a device modification requires a new 510(k) notification or PMA in the first instance, but the FDA may review any such decision. If the FDA disagrees with a manufacturer’s decision not to seek a new 510(k) clearance or PMA for a particular change, the FDA may retroactively require the manufacturer to submit a 510(k) pre-market notification or a PMA. The FDA may also require the manufacturer to cease U.S. marketing and/or recall any distributed units of the modified device until 510(k) clearance or PMA approval for the modification is obtained.

If a previously unclassified new medical device does not qualify for the 510(k) pre-market notification process because no predicate device to which it is substantially equivalent can be identified, the device is automatically classified into Class III. However, if such a device would be considered low or moderate risk (in other words, it does not rise to the level of requiring the approval of a PMA), it may be eligible for the De Novo classification process. The De Novo classification process allows a device developer to request that the novel medical device be able to obtain marketing authorization as either a Class I or Class II device, rather than having it regulated as a high-risk Class III device subject to the PMA requirements. As with the 510(k) pre-market notification process described above, any modification to a device authorized through the De Novo process that could significantly affect the safety or effectiveness of such device, or that would constitute a major change in its intended use, requires a new 510(k) clearance or could require the submission of a PMA. De Novo classification requests are also subject to user fees, unless a specific exemption applies (over $112,000 in FY 2022).

In October 2021, the FDA issued a final rule that would formally codify requirements for the medical device De Novo process and the procedures and criteria for product developers to file a De Novo classification request (86 Fed. Reg. 54,826). Over the twenty years preceding the final rule, the De Novo process has been implemented by the FDA pursuant to statutory authorities and somewhat organically through informal guidance and iterative changes by Congress. Although the final rule does not affect marketed products such as our marketed products, the FDA’s goals in promulgating the final rule are to create a predictable, consistent and transparent De Novo classification process for innovative medical device developers.

As an alternative to the De Novo classification process, a company that develops or manufactures a novel device could also file a reclassification petition seeking to change the automatic Class III designation of the novel post-amendment device under Section 513(f)(3) of the FDCA. The FDA can also initiate reclassification of an existing device type on its own initiative. In December 2018, the FDA issued a final rule to clarify the administrative process through which the FDA reclassifies a medical device. To reclassify a device under section 513(e) of the FDCA, the FDA must first publish a proposed reclassification order that includes a summary of the valid scientific evidence that supports the reclassification; convene a device classification panel meeting; and consider comments to the public docket before it then publishes a final reclassification order in the Federal Register.

Our iQ and iQ+ probes have been classified and are regulated as Class II devices, although future products we develop may be classified as Class III devices and may require a PMA. A PMA application must be supported by valid scientific evidence, which typically requires extensive data, including technical, pre-clinical, clinical, manufacturing and labeling data, to demonstrate to the FDA’s satisfaction the safety and efficacy of the device for its intended use(s). A PMA application also must include a complete description of the device and its components, a detailed description of the methods, facilities and controls used to manufacture the device, and proposed labeling. After a PMA application is submitted and found to be sufficiently complete, it is considered “filed” and the FDA begins an in-depth review of the submitted information. During this substantive review period, the FDA may request additional information or clarification of information already provided. Also during the review period, an advisory panel of experts from outside the FDA may
be convened to review and evaluate the application and provide recommendations to the FDA. In addition, the FDA generally will conduct a pre-
approval inspection of the manufacturing facility to evaluate compliance with the QSR, which requires manufacturers to implement and follow design,
testing, control, documentation and other quality assurance procedures.

FDA review of a PMA application is required to be completed within 180 days of the application’s filing date although in some cases approval may take
significantly longer. The current user fee agreement between the FDA and the medical device industry sets as a target that PMA reviews be completed in
under one year. The FDA can delay, limit or deny approval of a PMA application for many reasons, including:

- the product may not be safe or effective for its intended use(s) to the FDA's satisfaction;
- the data from the applicant’s nonclinical studies and clinical trials may be insufficient to support approval;
- the manufacturing process or facilities that the applicant uses may not meet applicable requirements; and
- changes in the FDA approval policies or adoption of new regulations may require additional data to demonstrate the safety or effectiveness of
  the device.

If an FDA evaluation of a PMA application or manufacturing facility is favorable, the FDA will generally issue an “approval letter,” which usually
contains a number of conditions that must be met in order to secure final approval of the PMA. When and if those conditions have been met to the
satisfaction of the FDA, the agency will issue a PMA approval letter authorizing commercial marketing of a device, subject to the conditions of
approval and the limitations established in the approval letter. If the FDA's evaluation of a PMA application or manufacturing facility is not favorable,
the FDA will deny approval of the PMA or issue a “not approvable letter.” The FDA may also determine that additional trials are necessary, in which
case the PMA approval may be delayed for several months or years while such additional trials are conducted and data is submitted in an amendment to
the PMA. The PMA process can be expensive, uncertain and lengthy. PMA approval may also be granted with post-approval requirements such as the
need for additional patient follow-up for an indefinite period of time.

New PMA applications or PMA supplements may be required for any modifications to the manufacturing process, labeling, device specifications,
materials or design of a device that is approved through the PMA process. PMA supplements often require submission of the same type of information
as an initial PMA application, except that the supplements are limited to information needed to support any changes from the device covered by the
approved PMA application and may or may not require as extensive clinical data or the convening of an advisory panel.

Clinical trials are almost always required to support a PMA application and are sometimes required for a 510(k) pre-market notification. In order to
conduct a clinical investigation involving human subjects for the purpose of demonstrating the safety and effectiveness of a medical device, a company
must, among other things, apply for and obtain institutional review board, or IRB, approval of the proposed investigation. In addition, if the clinical
study involves a “significant risk” (as defined by the FDA) to human health, the sponsor of the investigation must also submit and obtain FDA approval
of an investigational device exemption, or IDE, application. An IDE application must be supported by appropriate data, such as animal and laboratory
testing results, showing that it is safe to test the device in humans and that the testing protocol is scientifically sound. The IDE application must be
approved in advance by the FDA for a specified number of study participants, unless the product is deemed a non-significant risk device and eligible for
abbreviated IDE requirements. Generally, clinical trials for a significant risk device may begin once the IDE application is approved by the FDA and the
study protocol and informed consent are approved by a duly-appointed IRB for each clinical trial site. The FDA's approval of an IDE allows clinical
testing to go forward, but does not bind the FDA to accept the results of the trial as sufficient to prove the product’s safety and efficacy, even if the trial
meets its intended success criteria. All clinical trials must be conducted in accordance with the FDA's IDE regulations, which govern investigational
device labeling, prohibit promotion, and specify an array of Good Clinical Practice, or GCP, requirements, which include, among other things,
recordkeeping, reporting and monitoring responsibilities of study sponsors and study investigators. Clinical trials must further comply with the FDA's
regulations for IRB approval and for informed consent and other human subject protections. Required records and reports are subject to inspection by
the FDA. The results of clinical testing may be unfavorable or, even if the intended safety and efficacy success criteria are achieved, may not be
considered sufficient for the FDA to grant approval or clearance of a product.
The commencement or completion of any of our clinical trials may be delayed or halted, or may be inadequate to support approval of a PMA application (or clearance of a 510(k) notification or grant of a De Novo classification request, as applicable), for numerous reasons, including, but not limited to, the following:

- the FDA, the IRB(s), or other regulatory authorities may not approve a clinical trial protocol or a clinical trial, or may place a clinical trial on hold;
- participants may not enroll in clinical trials at the rate we anticipate;
- participants may not comply with trial protocols;
- participant follow-up may not occur at the rate we anticipate;
- patients may experience adverse side effects;
- participants may die during a clinical trial, even though their death may not be related to the use of our products;
- IRBs and third-party clinical investigators may delay or reject our trial protocol;
- third-party clinical investigators may decline to participate in a trial or may not perform a trial on our anticipated schedule or consistent with the clinical trial protocol, GCPs or other FDA requirements;
- we or third-party organizations may not perform data collection, monitoring and analysis in a timely or accurate manner or consistent with the clinical trial protocol or investigational or statistical plans;
- third-party clinical investigators may have significant financial interests related to us or the study that the FDA deems sufficient to make the study results unreliable, or we or investigators fail to disclose such interests;
- any unfavorable regulatory inspections of our clinical trial sites or manufacturing facilities, which may, among other things, require us to undertake corrective action or suspend or terminate our clinical trials;
- the interim or final results of the clinical trial may be inconclusive or unfavorable as to safety or effectiveness; and
- the FDA may conclude that the results from our trial and/or trial design are inadequate to demonstrate safety and effectiveness of the product.

In 2017, we received 510(k) clearance from the FDA for our iQ probe, and the FDA determined, following a 2020 pre-submission meeting with us, that the Butterfly iQ+ was eligible to be marketed under the original 510(k).

In addition, our proprietary software and data transfer service allows researchers to control the transfer of data from certain devices to research tools and databases according to their own research workflows. The infrastructure of the data management service is considered a “medical device data system”, or MDDS, and does not require 510(k) clearance. An MDDS is a hardware or software product that transfers, stores, converts, formats, and displays medical device data. An MDDS does not modify the data or modify the display of the data, and it does not by itself control the functions or parameters of any other medical device. An MDDS is not intended to be used for active patient monitoring. Software that meets the definition of an MDDS (such as that comprising our service offering) is excluded from the definition of “device” under the FDCA, and from the regulations applicable to devices, while hardware that meets the definition of an MDDS is generally classified as a low-risk, Class I device product that is exempt from pre-market review and notification.

After a device is authorized for marketing and placed in commercial distribution (or, for 510(k)-exempt products, placed into commerce without first obtaining FDA clearance or approval), numerous regulatory requirements continue to apply to the device. All device classes must meet general regulatory controls, including:

- establishment registration and device listing;
- the QSR, which requires manufacturers to follow design, testing, control, storage, supplier/contractor selection, complaint handling, documentation and other quality assurance procedures;
- labeling regulations, which govern the mandatory elements of the device labels and packaging (including Unique Device Identifier markings for certain categories of products);
- the MDR regulations, which require that manufacturers report to the FDA if a device may have caused or contributed to a death or serious injury or malfunctioned in a way that would likely cause or contribute to a death or serious injury if it were to recur;
- voluntary and mandatory device recalls to address problems when a device is defective and/or could be a risk to health; and
correction and removal reporting regulations, which require that manufacturers report to the FDA field corrections and product recalls or removals if undertaken to reduce a risk to health posed by the device or to remedy a violation of the FDCA that may present a risk to health.

The FDA's MDR requirements also extend to healthcare facilities that use medical devices in providing care to patients, or “device user facilities,” which include hospitals, ambulatory surgical facilities, nursing homes, outpatient diagnostic facilities, or outpatient treatment facilities, but not physician offices. A device user facility must report any device-related death to both the FDA and the device manufacturer, or any device-related serious injury to the manufacturer (or, if the manufacturer is unknown, to the FDA) within 10 days of the event. Device user facilities are not required to report device malfunctions that would likely cause or contribute to death or serious injury if the malfunction were to recur but may voluntarily report such malfunctions through MedWatch, the FDA's Safety Information and Adverse Event Reporting Program.

In addition, the FDA may require us to conduct post-market surveillance studies or order us to establish and maintain a system for tracking our products through the chain of distribution to the patient level. Failure to comply with applicable regulatory requirements, including those applicable to the conduct of our clinical trials, can result in enforcement action by the FDA, which may lead to any of the following sanctions:

- Warning Letters or Untitled Letters that require corrective action;
- fines and civil penalties;
- unanticipated expenditures;
- delays in approving/clearing or refusal to approve/clear our future products;
- FDA refusal to issue certificates to foreign governments needed to export our products for sale in other countries;
- suspension or withdrawal of FDA approval or clearance;
- product recall or seizure;
- interruption of production;
- operating restrictions;
- injunctions; and
- criminal prosecution.

We and our contract manufacturers, specification developers, and some suppliers of components or device accessories are also required to manufacture medical device products in compliance with current Good Manufacturing Practice requirements set forth in the QSR, unless explicitly exempted by regulation. The QSR requires a quality system for the design, manufacture, packaging, labeling, storage, installation and servicing of marketed devices, and includes extensive requirements with respect to quality management and organization, device design, buildings, equipment, purchase and handling of components or services, production and process controls, packaging and labeling controls, device evaluation, distribution, installation, complaint handling, servicing, and record keeping. The FDA evaluates compliance with the QSR through periodic pre-scheduled or unannounced inspections that may include the manufacturing facilities of our subcontractors. Following such inspections, the FDA may issue reports known as Forms FDA 483 or Notices of Inspectional Observations, which list instances where the FDA inspector believes the manufacturer has failed to comply with applicable regulations and/or procedures. If the observations are sufficiently serious or the manufacturer fails to respond appropriately, the FDA may issue Warning Letters, which are notices of intended enforcement actions against the manufacturer. For less serious violations that may not rise to the level of regulatory significance, the FDA may issue Untitled Letters. The FDA may take more significant administrative or legal action if a manufacturer continues to be in substantial noncompliance with applicable regulations.

For example, if the FDA believes we or any of our contract manufacturers or regulated suppliers are not in compliance with these requirements and patients are being subjected to serious risks, it can shut down our manufacturing operations, require recalls of our products, refuse to approve new marketing applications, initiate legal proceedings to detain or seize products, enjoin future violations, or assess civil and criminal penalties against us or our officers or other employees. Any such action by the FDA would have a material adverse effect on our business. We may be unable to comply with all applicable FDA regulations.
**U.S. Fraud and Abuse Laws and Other Compliance Requirements**

Successfully commercializing a medical device or technology depends not only on FDA approval, but also on broad health insurance or third-party payor coverage. Government and private payors institute coverage criteria to ensure the appropriate utilization of products and services and to control costs. Limited third party payor coverage for a technology or procedure may limit adoption and commercial viability, while broader coverage supports optimal market uptake. Favorable coverage decisions by government payors like Medicare or Medicaid are critical because private payors typically follow the government’s lead regarding reimbursement. However, manufacturers whose technology is reimbursed by government payors are subject to various U.S. federal and state laws pertaining to healthcare fraud and abuse. These laws can be implicated by inappropriate sales and marketing arrangements with healthcare providers. Many commonly accepted commercial practices are illegal in the healthcare industry and violations of these laws are punishable by criminal and civil sanctions, including, in some instances, exclusion from participation in U.S. federal and state healthcare programs, including Medicare and Medicaid.

**Anti-kickback Laws.** The federal Anti-Kickback Statute prohibits persons from knowingly and willfully soliciting, receiving, offering or providing remuneration directly or indirectly to induce either the referral of an individual, or the furnishing, recommending, or arranging of a good or service, for which payment may be made under a federal healthcare program such as Medicare and Medicaid. The definition of “remuneration” has been broadly interpreted to include anything of value, including such items as gifts, discounts, the furnishing of supplies or equipment, credit arrangements, waiver of payments, and providing anything at less than its fair market value. The Department of Health and Human Services — Office of the Inspector General, has issued regulations, commonly known as safe harbors, which set forth certain provisions that, if satisfied in their entirety, will assure healthcare providers and other parties that they will not be prosecuted under the federal Anti-Kickback Statute. The failure of a transaction or arrangement to fit precisely within one or more safe harbors does not necessarily mean that it is illegal or that prosecution will be pursued. However, conduct and business arrangements that do not fully satisfy each applicable safe harbor element may result in increased scrutiny by government enforcement authorities or invite litigation by private citizens under federal whistleblower laws. The Anti-Kickback Statute is broadly interpreted and aggressively enforced, with the result that beneficial commercial arrangements can be criminalized in the healthcare industry because of the Anti-Kickback Statute.

The penalties for violating the federal Anti-Kickback Statute include imprisonment for up to ten years, fines of up to $100,000 per violation and possible exclusion from federal healthcare programs such as Medicare and Medicaid. Many states have adopted prohibitions similar to the federal Anti-Kickback Statute, some of which apply to the referral of patients for healthcare services reimbursed by any source, not only by the government programs such as Medicare and Medicaid.

**Federal False Claims Act.** The federal False Claims Act prohibits knowingly presenting, or causing to be presented, a false claim, or the knowing use of false statements or records to obtain payment from the federal government. When an entity is determined to have violated the False Claims Act, it must pay three times the actual damages sustained by the government, plus mandatory civil penalties of between $11,181 and $22,363 for each separate false claim. Suits filed under the Federal False Claims Act, known as “qui tam” actions, can be brought by any individual on behalf of the government and such individuals (known as “relators” or, more commonly, “whistleblowers”) may share in any amounts paid by the entity to the government in fines or settlement. In addition, certain states have enacted laws modeled after the federal False Claims Act. Qui tam actions have increased significantly in recent years, causing greater numbers of healthcare companies to have to defend a false claim action, even before the validity of the claim is established and even if the government decides not to intervene in the lawsuit. Healthcare companies may decide to agree to large settlements with the government and/or whistleblowers to avoid the cost and negative publicity associated with litigation. In addition, the Affordable Care Act amended federal law to provide that a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal civil False Claims Act. Criminal prosecution is possible for knowingly making or presenting a false or fictitious or fraudulent claim to the federal government.

**Federal Physician Self-Referral Law.** The Federal Physician Self-Referral Law, also referred to as the Stark Law, prohibits a physician (or an immediate family member of a physician) who has a financial relationship with an entity from referring patients to that entity for certain designated health services, including durable medical equipment and supplies, payable by Medicare, unless an exception applies. The Stark Law also prohibits such an entity from presenting or causing to be presented a claim to the Medicare program for such designated health services provided pursuant to a prohibited
representatives from offering, promising, authorizing or making payments to any foreign
FCPA and Other Anti-Bribery and Anti-Corruption Laws.

In addition, certain states have proposed or enacted legislation that will create new data privacy and security obligations for certain entities, such as the California Consumer Privacy Act that went into effect January 1, 2020.

HIPAA and Other Privacy Laws and Regulations. The Health Insurance Portability and Accountability Act of 1996, as amended by the American Recovery and Reinvestment Act of 2009, and implementing regulations, or HIPAA, created two new federal crimes: healthcare fraud and false statements relating to healthcare matters. The healthcare fraud statute prohibits knowingly and willfully executing a scheme to defraud any healthcare benefit program, including private payors. A violation of this statute is a felony and may result in fines, imprisonment or exclusion from government sponsored programs. The false statements statute prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits.

The Recovery and Reinvestment Act of 2009, and implementing regulations, or HIPAA, created two new federal crimes: healthcare fraud and false statements relating to healthcare matters. The healthcare fraud statute prohibits knowingly and willfully executing a scheme to defraud any healthcare benefit program, including private payors. A violation of this statute is a felony and may result in fines, imprisonment or exclusion from government sponsored programs. The false statements statute prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits.

HIPAA, as well as a number of other federal and state privacy-related laws, extensively regulate the use and disclosure of individually identifiable health information, known as "protected health information", or PHI, under HIPAA. HIPAA applies to health plans, healthcare providers who engage in certain standard healthcare transactions electronically, such as electronic billing, and healthcare clearinghouses, all of which are referred to as "covered entities" under HIPAA. HIPAA requires covered entities to comply with privacy regulations limiting the use and disclosure of PHI, or the Privacy Rule, and security regulations that require the implementation of administrative, physical and technical safeguards to protect the security of such information, or the Security Rule. HIPAA also requires covered entities to provide notification to affected individuals and to the federal government in the event of a breach of unsecured PHI, or the Breach Notification Rule. Certain provisions of the Privacy Rule and all provisions of the Security Rule apply to "business associates," or organizations that provide services to covered entities involving the use or disclosure of PHI. Business associates, like us, are subject to direct liability for violation of these provisions. In addition, a covered entity may be subject to criminal and civil penalties as a result of a business associate violating HIPAA, if the business associate is found to be an agent of the covered entity. The HIPAA privacy and security rule impose

Civil Monetary Penalties Law. The Civil Monetary Penalties Law, or CMPL, authorizes the imposition of substantial civil money penalties against an entity that engages in certain prohibited activities including but not limited to violations of the Stark Law or Anti-Kickback Statute, knowing submission of a false or fraudulent claim, employment of an excluded individual, and the provision or offer of anything of value to a Medicare or Medicaid beneficiary that the transferring party knows or should know is likely to influence beneficiary selection of a particular provider for which payment may be made in whole or part by a federal health care program, commonly known as the Beneficiary Inducement CMP. Remuneration is defined under the CMPL as any transfer of items or services for free or for less than fair market value. There are certain exceptions to the definition of remuneration for offerings that meet the Financial Need, Preventative Care, or Promoting Access to Care exceptions (as defined in the CMPL). Sanctions for violations of the CMPL include civil monetary penalties and administrative penalties up to and including exclusion from participation in federal health care programs.

State Analogs of Federal Fraud and Abuse Laws. Many U.S. states have their own laws intended to protect against fraud and abuse in the healthcare industry and more broadly. In some cases these laws prohibit or regulate additional conduct beyond what federal law affects. Penalties for violating these laws can range from fines to criminal sanctions.

Civil Monetary Penalties Law and/or the federal False Claims Act can also form the basis for exclusion from participation in federal and state healthcare programs.

FCPA and Other Anti-Bribery and Anti-Corruption Laws. The U.S. Foreign Corrupt Practices Act, or FCPA, prohibits U.S. corporations and their representatives from offering, promising, authorizing or making payments to any foreign
government official, government staff member, political party or political candidate in an attempt to obtain or retain business abroad. The scope of the FCPA includes interactions with certain healthcare professionals or organizations in many countries. Our present and future business has been and will continue to be subject to various other U.S. and foreign laws, rules and/or regulations.

**Physician Payment Sunshine Act.** Pursuant to the Patient Protection and Affordable Care Act that was signed into law in March 2010, the federal government enacted the Physician Payment Sunshine Act. As a manufacturer of U.S. FDA-regulated devices reimbursable by federal healthcare programs, we are subject to this law, which requires us to track and annually report certain payments and other transfers of value that we make to U.S.-licensed physicians (defined broadly to include doctors, dentists, optometrists, podiatrists, chiropractors and certain advanced non-physician health care practitioners) or U.S. teaching hospitals. We are also required to report certain ownership interests held by physicians and their immediate family members. The HHS Centers for Medicare and Medicaid Services has the potential to impose penalties of up to $1.15 million per year for violations of the Physician Payment Sunshine Act, depending on the circumstances, and payments reported also have the potential to draw scrutiny on payments to and relationships with physicians, which may have implications under the Anti-Kickback Statute, Stark Law and other healthcare laws.

In addition, there has been a recent trend of increased federal and state regulation of payments and other transfers of value provided to healthcare professionals and entities. Similar to the federal law, certain states also have adopted marketing and/or transparency laws relevant to device manufacturers, some of which are broader in scope. Certain states also mandate that device manufacturers implement compliance programs. Other states impose restrictions on device manufacturer marketing practices and require tracking and reporting of gifts, compensation, and other remuneration to healthcare professionals and entities. The need to build and maintain a robust compliance program with different compliance and/or reporting requirements increases the possibility that a healthcare company may violate one or more of the requirements, resulting in fines and penalties.

**International Laws and Regulations**

International marketing and distribution of medical devices are subject to regulation by foreign governments, and such regulations may vary substantially from country to country. The time required to obtain marketing authorization in a foreign country may be longer or shorter than that required for FDA clearance or approval, and the requirements may differ. There is a trend towards harmonization of quality system standards among the European Union, or EU, United States, Canada and various other industrialized countries.

The primary regulatory environment in Europe is that of the European Economic Area, or EEA, which is comprised of the 27 Member States of the EU, Iceland, Liechtenstein and Norway. In the EEA, medical devices currently are required to comply with the Essential Requirements defined in Annex I to the EU Medical Devices Directive, or MDD, (applicable in the non-EU EEA Member States via the Agreement on the EEA), a coordinated system for the authorization of medical devices. The directives and standards outlined in the MDD regulate the design, manufacture, clinical trials, labeling and adverse event reporting for medical devices. Devices that comply with the requirements of a relevant directive are entitled to bear the CE conformity marking, indicating that the device conforms to the essential requirements of the applicable directives and, accordingly, can be commercially distributed throughout the EEA. The method of assessing conformity varies depending on the class of the product, but normally involves a combination of self-assessment by the manufacturer and a third-party assessment by a “notified body.” A notified body is an organization designated by an EU country to assess the conformity of certain products before being placed on the market. These bodies carry out tasks related to conformity assessment procedures set out in the applicable legislation, when a third party is required. This third-party assessment may consist of an audit of the manufacturer’s quality system and specific testing of the manufacturer’s product. An assessment by a notified body of one country within the EU is required in order for a manufacturer to commercially distribute the product throughout the EU.

In 2017, EU regulatory bodies finalized a new Medical Device Regulation, which replaced the existing MDD framework and provided three years for transition and compliance, for a final effective date of May 26, 2020. As a result of the COVID-19 pandemic, however, the European Parliament voted in April 2020 to postpone implementation of the Medical Device Regulation by one year, giving the medical device industry and notified bodies until May 26, 2021 to come into compliance. The Medical Device Regulation changes several aspects of the existing regulatory framework for medical
device marketing in Europe and is expected to result in increased regulatory oversight of all medical devices marketed in the EU, which may, in turn, increase the costs, time and requirements that need to be met in order to place an innovative or high-risk medical device on the European market. European medical device manufacturers and distributors are currently benefiting from a grace period for legacy MDD certificates that lasts until May 26, 2024. For a product to qualify for the grace period, there must be no significant changes to such a legacy medical device as described in its existing MDD certificate; the recertification process under the Medical Device Regulation requires a demonstration that the performance and the safety of the currently marketed medical device has been maintained and that the system meets the new regulatory requirements.

Outside of the EU, regulatory authorization needs to be sought on a country-by-country basis in order for us to market our products. Some countries have adopted medical device regulatory regimes, such as the Classification Rules for Medical Devices published by the Hong Kong Department of Health, the Health Sciences Authority of Singapore regulation of medical devices under the Health Products Act, and Health Canada’s risk classification system for invasive devices, among others. Each country may have its own processes and requirements for medical device licensing, approval/clearance, and regulation, therefore requiring us to seek marketing authorizations on a country-by-country basis.

Moreover, as discussed further below, the United Kingdom left the EU on January 31, 2020, with a transitional period that expired on December 31, 2020. The United Kingdom and the EU entered into a trade agreement known as the Trade and Cooperation Agreement (TCA), which came into effect on January 1, 2021. The TCA does not specifically refer to medical devices. However, as a result of Brexit, the Medical Device Regulation will not be implemented in the UK, and previous legislation that mirrored the Medical Device Regulation in the UK law has been revoked. The regulatory regime for medical devices in the UK will continue to be based on the requirements derived from EU legislation as of January 21, 2020, and the UK may choose to retain regulatory flexibility or align with the Medical Device Regulation going forward. CE markings will continue to be recognized in the UK, and certificates issued by EU recognized Notified Bodies will be valid in the UK, until June 30, 2023. For medical devices placed on the UK market after this period, the UK Conformity Assessment, or UKCA, marking will be mandatory. In contrast, UKCA marking and certificates issued by UK Notified Bodies will not be recognized on the EU market. The TCA does provide for cooperation and exchange of information in the area of product safety and compliance, including market surveillance, enforcement activities and measures, standardization related activities, exchanges of officials, and coordinated product recalls (or other similar actions). Depending on which countries products will ultimately be sold in, manufacturers may start seeking alternative sources for components if this would allow them to benefit from no tariffs. The rules for placing medical devices on the Northern Ireland market will differ from those in the UK.

Outside the United States, a range of anti-bribery and anti-corruption laws, as well as some industry-specific laws and codes of conduct, apply to the medical device industry and interactions with government officials and entities and healthcare professionals. Such laws include, but are not limited to the UK Bribery Act of 2010. Further, the EU member countries have emphasized a greater focus on healthcare fraud and abuse and have indicated greater attention to the industry by the European Anti-Fraud Office. Countries in Asia have also become more active in their enforcement of anti-bribery laws and with respect to procurement and supply chain fraud.

In the EU, increasingly stringent data protection and privacy rules that have and will continue to have substantial impact on the use of patient data across the healthcare industry became stronger in May 2018. We are subject to, and work to maintain compliance with, the EU General Data Protection Regulation, or GDPR. The GDPR applies across the EU and includes, among other things, a requirement for prompt notice of data breaches to data subjects and supervisory authorities in certain circumstances and significant fines for non-compliance. The GDPR fine framework can be up to 20 million euros, or up to 4% of the company’s total global turnover of the preceding fiscal year, whichever is higher. The GDPR sets out a number of requirements that must be complied with when handling the personal data of such EU-based data subjects, including: providing expanded disclosures about how their personal data will be used; higher standards for organizations to demonstrate that they have obtained valid consent or have another legal basis in place to justify their data processing activities; the obligation to appoint data protection officers in certain circumstances; new rights for individuals to be “forgotten” and rights to data portability, as well as enhanced current rights (e.g., access requests); the principle of accountability and demonstrating compliance through policies, procedures, training and audit; and the new mandatory data breach regime. In particular, medical or health data, genetic data and biometric data where the latter is used to uniquely identify an individual are all classified as “special category” data under the GDPR and are afforded greater protection and
require additional compliance obligations. Noncompliance could result in the imposition of fines, penalties, or orders to stop noncompliant activities. Due to the strong consumer protection aspects of the GDPR, companies subject to its purview must allocate substantial legal costs to the development of necessary policies and procedures and overall compliance efforts. We expect to incur continued costs associated with maintaining compliance with GDPR into the future.

We will also be subject to evolving EU laws on data export, where we transfer data outside the EU to ourselves, group companies or third parties. The GDPR only permits exports of data outside the EU to jurisdictions that ensure an adequate level of data protection. The United States has not been deemed to offer an adequate level of protection, so in order for us to transfer personal data from the EU to the United States, we must identify a legal basis for data transfer (e.g., the EU Commission approved Standard Contractual Clauses). On July 16, 2020, the Court of Justice of the EU, or CJEU, issued a landmark opinion in the case Maximilian Schrems vs. Facebook (Case C-311/18), or Schrems II. This decision (a) calls into question commonly relied upon data transfer mechanisms as between the EU member states and the United States (such as the Standard Contractual Clauses) and (b) invalidates the EU-U.S. Privacy Shield on which many companies had relied as an acceptable mechanism for transferring such data from the EU to the United States. The CJEU is the highest court in Europe and the Schrems II decision heightens the burden on data importers to assess U.S. national security laws on their business and future actions of EU data protection authorities are difficult to predict. Consequently, it is an ongoing challenge for data importers like us to identify compliant methods of data transfers necessary for their businesses. There is some risk of data transfers from the EU being halted.

Further, as a result of the United Kingdom’s decision to leave the EU, there has been some uncertainty with regard to data protection regulation in the United Kingdom. While the Data Protection Act of 2018 that “implements” and complements the GDPR achieved Royal Assent on May 23, 2018 and is now effective in the United Kingdom, it was not clear whether a transfer of data from the EEA to the United Kingdom would remain lawful under GDPR as of the end of a Brexit transition period on December 31, 2020, when the United Kingdom was treated as a third country for purposes of the GDPR (and other EU laws). On December 24, 2020, the United Kingdom and the EU reached an agreement in principle on the EU-UK Trade Agreement, or the Trade Agreement, for data protection purposes, there is a new transition period of up to six months to enable the European Commission to complete an adequacy assessment of the United Kingdom’s data protection laws. For the time being, personal data can continue to be exported from the EEA to the United Kingdom without a requirement that additional safeguards be adopted, and such transfers will not be prohibited by the GDPR. The new transition period began on January 1, 2021, and ends either (1) on the date which an adequacy decision in relation to the United Kingdom is adopted by the European Commission under the GDPR, or (2) four months after January 1, 2021, which the GDPR shall be extended by two months unless either the EU or the United Kingdom objects. If the European Commission does not reach an adequacy determination regarding United Kingdom data protection laws, transfers of personal data from the EU to the United Kingdom will be prohibited under the GDPR unless EU data exporters take further steps to ensure adequacy for such EU personal data.

Information Available on the Internet

Our internet address is https://www.butterflynetwork.com, to which we regularly post copies of our press releases as well as additional information about us. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports, will be available to you free of charge through the Investors section of our website as soon as reasonably practicable after such materials have been electronically filed with, or furnished to, the Securities and Exchange Commission. The Securities and Exchange Commission maintains an internet site (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Securities and Exchange Commission or the SEC. We include our web site address in this Annual Report on Form 10-K only as an inactive textual reference. Information contained in our website does not constitute a part of this report or our other filings with the SEC.
Item 1A. RISK FACTORS

Except for the historical information contained herein, this report contains forward-looking statements that involve risks and uncertainties. These statements include projections about our finances, plans and objectives for the future, future operating and economic performance and other statements regarding future performance. These statements are not guarantees of future performance or events. Our actual results could differ materially from those discussed in this report. Factors that could cause or contribute to these differences include, but are not limited to, those discussed in the following section, as well as those discussed in Part II, Item 7 entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere throughout this report.

You should consider carefully the following risk factors, together with all of the other information included in this report. If any of the following risks, either alone or taken together, or other risks not presently known to us or that we currently believe to not be significant, develop into actual events, then our business, financial condition, results of operations or prospects could be materially adversely affected. If that happens, the market price of our common stock could decline, and stockholders may lose all or part of their investment.

Unless the context otherwise requires, references in this section to “we,” “us,” “our” and the “Company” refer to Butterfly Network, Inc. and its subsidiaries.

Risks Related to Our Financial Condition and Capital Requirements

We have a limited operating history on which to assess the prospects for our business, we have generated limited revenue from sales of our products, and we have incurred losses since inception. We anticipate that we will continue to incur significant losses for at least the next several years as we continue to commercialize our existing products and services and seek to develop and commercialize new products and services.

Since inception, we have devoted substantially all of our financial resources to develop our products and related services. We have financed our operations primarily through the issuance of equity and convertible debt securities. We have generated limited revenue from the sale of our products and services to date and have incurred significant losses. The amount of our future net losses will depend, in part, on sales and on-going development of our products and related services, the rate of our future expenditures and our ability to obtain funding through the issuance of our securities, strategic collaborations or grants. We expect to continue to incur significant losses for at least the next several years as we continue to commercialize our existing products and services and seek to develop and commercialize new products and services. We anticipate that our expenses will increase substantially if and as we:

- continue to build our sales, marketing and distribution infrastructure to commercialize our products and services;
- continue to develop our products and services;
- seek to identify, assess, acquire, license and/or develop other products and services and subsequent generations of our current products and services;
- seek to maintain, protect and expand our intellectual property portfolio;
- seek to attract and retain skilled personnel; and
- support our operations as a public company.

Our ability to generate future revenue from product and service sales depends heavily on our success in many areas, including, but not limited to:

- launching and commercializing current and future products and services, either directly or in conjunction with one or more collaborators or distributors;
- obtaining and maintaining marketing authorization with respect to each of our products and maintaining regulatory compliance throughout relevant jurisdictions;
- maintaining clinical and economical value for end-users and customers in changing environments;
- addressing any competing technological and market developments;
- negotiating favorable terms in any collaboration, licensing or other arrangements into which we may enter;
establishing and maintaining distribution relationships with third-parties that can provide adequate (in amount and quality) infrastructure to support market demand for our products; and

- maintaining, protecting and expanding our portfolio of intellectual property rights, including patents, trade secrets and know-how.

We have incurred significant losses since inception. As such, you cannot rely upon our historical operating performance to make an investment decision about us.

Since our inception, we have engaged in research and development activities and launched our first product, Butterfly iQ, in the fourth quarter of 2018, and our second product, Butterfly iQ+, in 2020. Since commercialization of the Butterfly iQ, we also engaged in the continued development and sales of our enterprise software. We have financed our operations primarily through the issuance of equity securities and convertible debt. We have incurred net losses of $32.4 million, $162.7 million and $99.7 million in the years ended December 31, 2021, 2020 and 2019, respectively. Our accumulated deficit as of December 31, 2021 was $427.2 million. We do not know whether or when we will become profitable. Our ability to generate revenue and achieve profitability depends upon our ability to accelerate the commercialization of our products and service offerings in line with the demand from current and future customers and our aggressive business strategy. We may be unable to achieve any or all of these goals.

We may need to raise additional funding to expand the commercialization of our products and services and to expand our research and development efforts. This additional financing may not be available on acceptable terms, or at all. Failure to obtain this necessary capital when needed may force us to delay, limit or terminate our product commercialization or development efforts or other operations.

Our operations have consumed substantial amounts of cash since inception. We expect to expend substantial additional amounts to commercialize our products and services and to develop new products and services. We expect to use the funds received in connection with the Business Combination to scale our operations, develop new products and services, expand internationally, and for working capital and general corporate purposes. We may require additional capital to expand the commercialization of our existing products and services and to develop new products and services. In addition, our operating plans may change as a result of many factors that may currently be unknown to us, and we may need to seek additional funds sooner than planned.

We cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all. Moreover, the terms of any future financing may adversely affect the holdings or the rights of our stockholders and the issuance of additional securities, whether equity or debt, by the Company, or the possibility of such issuance, may cause the market price of our common stock to decline. The incurrence of indebtedness could result in increased fixed payment obligations, and we may be required to agree to certain restrictive covenants, such as limitations on our ability to incur additional debt, limitations on our ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. We could also be required to seek funds through arrangements with collaborative partners or otherwise at an earlier stage than otherwise would be desirable, and we may be required to relinquish rights to some of our technologies or products or otherwise agree to terms that are unfavorable to us, any of which may have a material adverse effect on our business, operating results and prospects. In addition, raising additional capital through the issuance of equity or convertible debt securities would cause dilution to holders of our equity securities, and may affect the rights of then-existing holders of our equity securities. Even if we believe that we have sufficient funds for our current or future operating plans, we may seek additional capital if market conditions are favorable or if we have specific strategic considerations.

Risks Related to Our Business and Operations

Our success depends upon market acceptance of our products and services, our ability to develop and commercialize existing and new products and services and generate revenues, and our ability to identify new markets for our technology.

We have developed, and we are engaged in the development of, ultrasound imaging solutions using our ultrasound-on-a-semiconductor-chip technology. We are commercializing Butterfly iQ+ point-of-care ultrasound imaging devices. Our success will depend on the acceptance of our products and services in the U.S. and international healthcare markets. We
are faced with the risk that the marketplace will not be receptive to our products and services over competing products, including traditional cart-based ultrasound devices used in hospitals, imaging centers and physicians’ offices, and that we will be unable to compete effectively. Factors that could affect our ability to successfully commercialize our current products and services and to commercialize any potential future products and services include:

- challenges of developing (or acquiring externally-developed) technology solutions that are adequate and competitive in meeting the requirements of next-generation design challenges; and
- dependence upon physicians’ and other healthcare practitioners’ acceptance of our products.

We cannot assure investors that our current products and services or any future products and services will gain broad market acceptance. If the market for our current products and services or any future products and services fails to develop or develops more slowly than expected, or if any of the services and standards supported by us do not achieve or sustain market acceptance, our business and operating results would be materially and adversely affected.

**Medical device development is costly and involves continual technological change, which may render our current or future products obsolete.**

The market for point-of-care medical devices is characterized by rapid technological change, medical advances and evolving industry standards. Any one of these factors could reduce the demand for our devices or services or require substantial resources and expenditures for research, design and development to avoid technological or market obsolescence.

Our success will depend on our ability to enhance our current technology, services and systems and develop or acquire and market new technologies to keep pace with technological developments and evolving industry standards, while responding to changes in customer needs. A failure to adequately develop or acquire device enhancements or new devices that will address changing technologies and customer requirements adequately, or to introduce such devices on a timely basis, may have a material adverse effect on our business, financial condition and results of operations.

We might have insufficient financial resources to improve existing devices, advance technologies and develop new devices at competitive prices. Technological advances by one or more competitors or future entrants into the field may result in our current devices becoming non-competitive or obsolete, which may decrease revenues and profits and adversely affect our business and results of operations.

We may encounter significant competition across our existing and future planned products and services and in each market in which we sell or plan to sell our products and services from various companies, many of which have greater financial and marketing resources than we do. Our primary competitors include General Electric, Phillips Healthcare, Canon Medical Systems (f/k/a Toshiba), Hitachi and Siemens Healthineers, which, per IHI Markit data, are the top five manufacturers of legacy cart-based incumbent ultrasound devices.

In addition, our competitors, which are well-established manufacturers with significant resources, may engage in aggressive marketing tactics. Competitors may also possess the ability to commercialize additional lines of products, bundle products or offer higher discounts and incentives to customers in order to gain a competitive advantage. If the prices of competing products are lowered as a result, we may not be able to compete effectively.

**We will be dependent upon the success of our sales and customer acquisition and retention strategies.**

Our business is dependent upon the success of our sales and customer acquisition and retention strategies, and our marketing efforts are focused on developing a strong reputation with healthcare providers and increasing awareness of our products and services. If we fail to maintain a high quality of service or a high quality of device technology, we may fail to retain existing users or add new users. If we do not successfully continue our sales efforts and promotional activities, particularly to health systems and large institutions, or if existing users decrease their level of engagement, our revenue, financial results and business may be significantly harmed. Our future success depends upon continued expansion of our commercial operations in the United States and internationally, as well as entering additional markets to commercialize our products and services. We believe that our growth will depend on the further development and commercialization of our current products and services, and marketing authorization of our future products and services. If we fail to expand the
use of our products and services in a timely manner, we may not be able to expand our market share or to grow our revenue. Our financial performance will be substantially dictated by our success in adding, retaining and engaging active users of our products. If customers do not perceive our products or services to be useful, reliable and trustworthy, we may not be able to attract or retain customers or otherwise maintain or increase the frequency and duration of their engagement. As our business model is predicated on both hardware and software sales, there is risk that any decline in software renewal rates will adversely impact our business. To date, utilization of our software has varied across different medical specialties, but usage does not directly correlate to renewal of subscriptions, as different medical specialties interact with the device in different ways depending on their clinical focus and routine. A decrease in customer retention, growth or engagement with our products and services may have a material and adverse impact on our revenue, business, financial condition and results of operations.

Any number of factors could negatively affect customer retention, growth and engagement, including:

- customers increasingly engaging with competing products;
- failure to introduce new and improved products and services;
- inability to continue to develop products for mobile devices that customers find engaging, that work with a variety of mobile operating systems and networks and that achieve a high level of market acceptance;
- changes in customer sentiment about the quality or usefulness of our products and services or concerns related to privacy and data sharing, safety, security or other factors;
- inability to manage and prioritize information to ensure customers are presented with content that is engaging, useful and relevant to them;
- adverse changes in our products that are mandated by legislation or regulatory agencies, both in the United States and internationally; or
- technical or other problems preventing us from delivering products or services in a rapid and reliable manner or otherwise affecting the user experience.

If we do not successfully manage the development and launch of new products, we will not meet our long term forecasts, and operating and financial results and condition could be adversely affected.

Our technology on a microchip has the potential to allow us to monitor patients in various care settings due to its portability and cost. We expect our development path will be directed at accessing and optimizing our technology for use in various care settings, potentially including home scanning and or wearable patient technology, subject to appropriate regulatory authorization. We face risks associated with launching such new products. If we encounter development or manufacturing challenges or discover errors during our product development cycle, the product launch dates of new products may be delayed, which will cause delays in our ability to achieve our forecasted results. The expenses or losses associated with unsuccessful product development or launch activities or lack of market acceptance of our new products could adversely affect our business or financial condition.

We expect to generate an increasing portion of our revenue internationally in the future and may become subject to various additional risks relating to our international activities, which could adversely affect our business, operating results and financial condition.

During the years ended December 31, 2021, 2020 and 2019, approximately 31%, 28% and 13%, respectively, of our product and service revenue was generated from customers located outside of the United States. We believe that a substantial percentage of our future revenue will come from international sources as we expand our sales and marketing opportunities internationally. We have limited experience operating internationally, and engaging in international business involves a number of difficulties and risks, including:

- the challenges associated with building local brand awareness, obtaining local key opinion leader support and clinical support, implementing reimbursement strategies and building local marketing and sales teams;
- required compliance with foreign regulatory requirements and laws, including regulations and laws relating to patient data and medical devices;
- trade relations among the United States and those foreign countries in which our current or future customers, distributors, manufacturers and suppliers have operations, including protectionist measures such as tariffs and
import or export licensing requirements, whether imposed by the United States or such foreign countries, in particular the strained trade relations between United States and China since 2018;
- difficulties and costs of staffing and managing foreign operations;
- difficulties protecting, procuring or enforcing intellectual property rights internationally;
- required compliance with anti-bribery laws, such as the U.S. Foreign Corrupt Practices Act, data privacy requirements, labor laws and anti-
  competition regulations;
- laws and business practices that may favor local companies;
- longer payment cycles and difficulties in enforcing agreements and collecting receivables through certain foreign legal systems;
- political and economic instability and war or other military conflict, including the ongoing conflict occurring in Ukraine, which could have a
  material adverse impact on our sales in Europe and elsewhere; and
- potentially adverse tax consequences, tariffs, customs charges, bureaucratic requirements and other trade barriers.

If we dedicate significant resources to our international operations and are unable to manage these risks effectively, our business, operating results
and financial condition may be adversely affected.

We are subject to export and import control laws and regulations that could impair our ability to compete in international markets or subject us to
liability if we violate such laws and regulations.

We are required to comply with export and import control laws, which may affect our ability to enter into or complete transactions with certain
customers, business partners, and other persons. In certain circumstances, export control regulations may prohibit the export of certain products,
services, and technologies. We may be required to obtain an export license before exporting a controlled item, and granting of a required license cannot
be assured. Compliance with the import laws that apply to our businesses may restrict our access to, and may increase the cost of obtaining, certain
products and could interrupt our supply of imported inventory.

Exported technologies necessary to develop and manufacture certain products are subject to U.S. export control laws and similar laws of other
jurisdictions. We may be subject to adverse regulatory consequences, including government oversight of facilities and export transactions, monetary
penalties, and other sanctions for violations of these laws. In certain instances, these regulations may prohibit us from developing or manufacturing
certain of our products for specific applications outside the United States. Failure to comply with any of these laws and regulations could result in civil
and criminal, monetary, and nonmonetary penalties; disruptions to our business; limitations on our ability to import and export products and services;
or damage to our reputation.

If we experience decreasing prices for our products and are unable to reduce our expenses, including the per unit cost of producing our products,
there may be a material adverse effect on our business, results of operations, financial condition and cash flows.

We may experience decreasing prices for our products due to pricing pressure from managed care organizations and other third-party payors and
suppliers, increased market power of our payors as the medical device industry consolidates, and increased competition among suppliers, including
manufacturing services providers. If the prices for our products and services decrease and we are unable to reduce our expenses, including the cost of
sourcing materials, logistics and the cost to manufacture our products, our business, results of operations, financial condition and cash flows may be
adversely affected. To the extent that we engage in enterprise sales, we may be subject to procurement discounts, which could have a negative impact on
the prices of our products.

If we are unable to attract, recruit, train, retain, motivate and integrate key personnel, we may not achieve our goals.

Our future success depends on our ability to attract, recruit, train, retain, motivate and integrate key personnel, including our Founder and Chairman, Dr.
Jonathan Rothberg, and our President and Chief Executive Officer, Todd M. Fruchterman, M.D., Ph.D., as well as our management team and our
research and development, manufacturing, software engineering and sales and marketing personnel. Competition for qualified personnel is intense.
Several members of our senior management team ended their service with us during the past year. The loss or incapacity of existing members of our
executive management team could adversely affect our operations if we experience difficulties in hiring qualified
successors. Our executive officers have signed offer letters or employment agreements with us, but their service is at-will and may end at any point in time. In addition, all of our employees are at-will, which means that either we or the employee may terminate their employment at any time.

We believe that our management team must be able to act decisively to apply and adapt our business model in the rapidly changing markets in which we will compete. In addition, we rely upon technical and scientific employees or third-party contractors to effectively establish, manage and grow our business. Consequently, we believe that our future viability will depend largely on our ability to attract and retain highly skilled managerial, sales, scientific and technical personnel. In order to do so, we increased our employee compensation in 2021 and in the future we may need to pay higher compensation or fees to our employees or consultants than we currently expect, and such higher compensation payments may have a negative effect on our operating results. Competition for experienced, high-quality personnel is intense, and there is no assurance that we will be able to recruit and retain such personnel. Our growth depends, in particular, on attracting and retaining highly-trained sales personnel with the necessary technical background and ability to understand our products and services at a technical level to effectively identify and sell to potential new customers and develop new products. Because of the technical nature of our products and the dynamic market in which we compete, any failure to attract, recruit, train, retain, motivate and integrate qualified personnel could materially harm our operating results and growth prospects. Recruiting, training and retention difficulties can limit our ability to support our research and development and commercialization efforts.

We will need to expand our organization, and we may experience difficulties in recruiting needed additional employees and consultants, which could disrupt our operations.

As our development and commercialization plans and strategies develop, we will need additional managerial, operational, sales, marketing, financial, legal and other resources. The competition for qualified personnel in the medical device industry is intense. Due to this intense competition, we may be unable to attract and retain the qualified personnel necessary for the development of our business or to recruit suitable replacement personnel.

Our management may need to divert a disproportionate amount of its attention away from our day-to-day activities and devote a substantial amount of time to managing these growth activities. We may not be able to effectively manage the expansion of our operations, which may result in weaknesses in our infrastructure, operational mistakes, loss of business opportunities, loss of employees and reduced productivity among remaining employees. Our expected growth could require significant capital expenditures and may divert financial resources from other projects, such as the development of additional products. If our management is unable to effectively manage our growth, our expenses may increase more than expected, our ability to generate and/or grow revenue could be reduced and we may not be able to implement our business strategy. Our future financial performance and our ability to commercialize products and services and compete effectively will depend, in part, on our ability to effectively manage any future growth.

We have limited experience in marketing and selling our products and related services, and if we are unable to successfully commercialize our products and related services, our business and operating results will be adversely affected.

We have limited experience marketing and selling our products and related services. We currently sell our products to healthcare practitioners through eCommerce, distributors and enterprise sales. Future sales of our products will depend in large part on our ability to effectively market and sell our products and services, successfully manage and expand our sales force, and increase the scope of our marketing efforts. We may also enter into additional distribution arrangements in the future. Because we have limited experience in marketing and selling our products, our ability to forecast demand, the infrastructure required to support such demand and the sales cycle to customers is unproven. If we do not build an efficient and effective marketing and sales force, our business and operating results will be adversely affected.
We have chosen to engage a single supplier, Taiwan Semiconductor Manufacturing Company Limited, or TSMC, to supply and manufacture a key component of our products. If TSMC fails to fulfill its obligations under its existing contractual arrangements with us or does not perform satisfactorily, or if this relationship is terminated for other reasons, our ability to source our devices would be negatively and adversely affected. In addition, our obligation to purchase a minimum volume from TSMC may adversely affect our cash flows.

We have chosen to engage a single supplier, Taiwan Semiconductor Manufacturing Company Limited, or TSMC, a semiconductor manufacturer, to manufacture and supply all of the wafers used to create the semiconductor chips in our probes. See Item 1, Business — Manufacturing — Key Agreements — Foundry Service Agreement with Taiwan Semiconductor Manufacturing Company Limited. Since our contracts with TSMC are non-exclusive and do not commit TSMC to supply or manufacture quantities beyond the amounts included in our forecasts, TSMC may give other customers’ needs higher priority than ours, and we may not be able to obtain adequate supplies in a timely manner or on commercially reasonable terms. If TSMC is unable to supply components or devices, our business would be harmed.

We entered into a Foundry Service Agreement, or FSA, with TSMC, under which TSMC agreed to manufacture, and we committed to purchase, a minimum volume of the wafers used for the semiconductor chips in our probes. Our minimum purchase obligation could adversely affect our cash flows, such as in times when we have sufficient inventory and would otherwise be able to use our cash for other purposes. Pursuant to the FSA, we are required to buy back from TSMC any unused raw wafers. If we are required to buy back from TSMC any unused raw wafers pursuant to the FSA, our cash flows may be adversely impacted.

In addition, if we were to lose component suppliers such as TSMC, there can be no assurance that we will be able to identify or enter into agreements with alternative suppliers on a timely basis on acceptable terms, if at all. An interruption in our ability to sell and deliver our products or instruments to customers could occur if we encounter delays or difficulties in securing these components, or if the quality of the components supplied do not meet our specifications, or if we cannot then obtain an acceptable substitute. If any of these events occur, our business and operating results could be harmed.

We rely on a single contract manufacturer, Benchmark Electronics, Inc., or Benchmark, to test, assemble and supply our finished products. If Benchmark fails to fulfill its obligations under its existing contractual arrangements with us or does not perform satisfactorily, our ability to source our devices could be negatively and adversely affected.

In October 2015, we entered into a Manufacture and Supply Agreement, or MSA, with Benchmark. Under the MSA, as amended effective in August 2019 and February 2021, Benchmark will manufacture our products pursuant to binding 90-day purchase orders, as well as non-binding 180-day “forecasts” estimating our product shipment requirements, submitted by us to Benchmark each month, which may become binding in certain cases. We also have certain inventory related obligations, including the obligation to purchase excess and obsolete components from Benchmark. In addition, pursuant to the February 2021 amendment, we agreed to provide global production exclusivity to Benchmark for our current products and other handheld probes which may be manufactured for us, for a specified exclusivity period. See Item 1, Business — Manufacturing — Key Agreements — Manufacture and Supply Agreement with Benchmark Electronics, Inc.

In the event it becomes necessary to utilize a different contract manufacturer for our component products, we would experience additional costs, delays and difficulties in obtaining such components as a result of identifying and entering into an agreement with a new contract manufacturer as well as preparing such new manufacturer to meet the logistical requirements associated with manufacturing our devices, and our business would suffer.

We have and may continue to experience pricing pressures from contract suppliers or manufacturers on which we rely.

Due to supply constraints, we have seen our costs increase in 2021 but we were largely able to offset these costs through manufacturing efficiencies and pricing actions. However, we expect there will continue to be supply constraints; our suppliers are continuing to raise prices and may continue to raise prices in the future, which we may not be able to offset through manufacturing efficiencies or pricing actions. Because we currently rely on TSMC to supply our custom components and on Benchmark to manufacture our finished products, such pricing pressures from either party could
increase our costs and force us to increase the prices of our products if we are unable to enter into alternative arrangements with other suppliers or manufacturers, potentially leading to decreased customer demand.

**We may experience manufacturing problems or delays that could limit the growth of our revenue or increase our losses.**

We may encounter unforeseen situations that would result in delays or shortfalls in our production as well as delays or shortfalls caused by our outsourced manufacturing suppliers and by other third-party suppliers who manufacture components for our products. The FDA (and comparable foreign regulatory authorities) has comprehensive and prescriptive guidelines for medical device component manufacturers, requiring these manufacturers to establish and maintain processes and procedures to adequately control environmental conditions that could adversely affect product quality and impact patient safety. Clean room standards are an example of these requirements. Failure of component manufacturers or other third-party suppliers to comply with applicable standards could delay the production of our products. If we are unable to keep up with demand for our products, our revenue could be impaired, market acceptance for our products could be adversely affected and our customers might instead purchase our competitors' products. Our inability to successfully manufacture our products would have a material adverse effect on our operating results.

**We rely on limited or sole suppliers for some of the materials and components used in our products, and we may not be able to find replacements or immediately transition to alternative suppliers, which could have a material adverse effect on our business, financial condition, results of operations and reputation.**

We rely on limited or sole suppliers for certain materials and components that are used in our products. While we periodically forecast our needs for such materials and enter into standard purchase orders with them, we do not have long-term contracts with some of these suppliers. If we were to lose such suppliers, or if such suppliers were unable to fulfill our orders or to meet our manufacturing specifications, there can be no assurance that we will be able to identify or enter into agreements with alternative suppliers on a timely basis or on acceptable terms, if at all. An interruption in our operations could occur if we encounter delays or difficulties in securing these materials and components, or if the quality of the materials and components supplied do not meet our requirements, or if we cannot then obtain an acceptable substitute. The time and effort required to qualify a new supplier and ensure that the new materials and components provide the same or better quality results could result in significant additional costs. Any such interruption could significantly affect our business, financial condition, results of operations and reputation. To mitigate this risk, we typically carry significant inventory of critical components. While we believe that our level of inventory is currently sufficient for us to continue the manufacturing of our products without a disruption to our business in the event that we must replace one of our suppliers, there can be no assurance that we can maintain this level of inventory in the future.

**Acquisitions or joint ventures could disrupt our business, cause dilution to our stockholders and otherwise harm our business.**

We may acquire other businesses, products or technologies as well as pursue strategic alliances, joint ventures, technology licenses or investments in complementary businesses. Other than the Business Combination, we have not made any acquisitions to date, and our ability to do so successfully is unproven. Any of these transactions could be material to our financial condition and operating results and expose us to many risks, including:

- disruption in our relationships with customers, distributors, manufacturers or suppliers as a result of such a transaction;
- unanticipated liabilities related to acquired companies;
- difficulties integrating acquired personnel, technologies and operations into our existing business;
- diversion of management’s time and focus away from operating our business to acquisition integration challenges;
- increases in our expenses and reductions in our cash available for operations and other uses; and
- possible write-offs or impairment charges relating to acquired businesses.

Foreign acquisitions involve unique risks in addition to those mentioned above, including those related to the integration of operations across different cultures and languages, currency risks and the particular economic, political and regulatory risks associated with specific countries.
In addition, the anticipated benefit of any acquisition may not materialize. Future acquisitions or dispositions could result in potentially dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities or amortization expenses or write-offs of goodwill, any of which could harm our financial condition. We cannot predict the number, timing or size of future joint ventures or acquisitions, if any, or the effect that any such transactions might have on our operating results.

If we do not successfully optimize and operate our sales and distribution channels or we do not effectively expand and update infrastructure, our operating results and customer experience may be negatively impacted.

If we do not adequately predict market demand or otherwise optimize and operate our sales and distribution channels successfully, this could result in excess or insufficient inventory or fulfillment capacity, increased costs, or immediate shortages in product or component supply, or harm our business in other ways. In addition, if we do not maintain adequate infrastructure to enable us to, among other things, manage our purchasing and inventory, this could negatively impact our operating results and user experience.

If we are unable to continue the development of an adequate sales and marketing organization and/or if our direct sales organization is not successful, we may have difficulty achieving market awareness and selling our products in the future.

We must continue to develop and grow our sales and marketing organization and enter into partnerships or other arrangements to market and sell our products and/or collaborate with third parties, including distributors and others, to market and sell our products to maintain the commercial success of Butterfly iQ+ and to achieve commercial success for any of our future products. Developing and managing a direct sales organization is a difficult, expensive and time-consuming process.

To continue to develop our sales and marketing organization to successfully achieve market awareness and sell our products, we must:

- continue to recruit and retain adequate numbers of effective and experienced sales and marketing personnel;
- effectively train our sales and marketing personnel in the benefits and risks of our products;
- establish and maintain successful sales, marketing, training and education programs that educate health care professionals so they can appropriately inform their patients about our products;
- manage geographically dispersed sales and marketing operations; and
- effectively train our sales and marketing personnel on the applicable fraud and abuse laws that govern interactions with healthcare practitioners as well as current and prospective patients and maintain active oversight and auditing measures to ensure continued compliance.

We may not be able to successfully manage our sales force or increase our product sales at acceptable rates.

Our use of programmatic digital advertising platforms for our eCommerce sales may lead to unwanted advertising and to reputational harm.

Currently, we use programmatic digital advertising platforms that automatically place advertisements for our products on websites visited by those who have visited and/or made purchases from our website. This could lead to unwanted context for advertising about our products and services, resulting in ineffective advertising or even reputational harm.

If we are unable to establish and maintain adequate sales and marketing capabilities or enter into and maintain arrangements with third parties to sell and market our products, our business may be harmed.

We cannot guarantee that we will be able to maintain our current volume of sales in the future. A substantial reduction in sales could have a material adverse effect on our operating performance. To the extent that we enter into additional arrangements with third parties to perform sales or marketing services in the United States, Europe or other countries, our product margins could be lower than if we directly marketed and sold our products. To the extent that we enter into co-promotion or other marketing and sales arrangements with other companies, any revenue received will depend on the skills
and efforts of others, and we cannot predict whether these efforts will be successful. In addition, the growth of market acceptance of our products by healthcare practitioners outside of the United States will largely depend on our ability to continue to demonstrate the relative safety, effectiveness, reliability, cost-effectiveness and ease of use of such products. If we are unable to do so, we may not be able to increase product revenue from our sales efforts in Europe or other countries. If we are unable to establish and maintain adequate sales, marketing and distribution capabilities, independently or with others, our future revenue may be reduced and our business may be harmed.

The market for our products and services is new, rapidly evolving, and increasingly competitive, as the healthcare industry in the United States is undergoing significant structural change, which makes it difficult to forecast demand for our products and services.

The market for our products and services is new and rapidly evolving, and it is uncertain whether we will achieve and sustain high levels of demand and market adoption. Our future financial performance will depend in part on growth in this market and on our ability to adapt to the changing demands of customers. It is difficult to predict the future growth rate and size of our target market. As a result, our market projections may not be achieved. Negative publicity concerning our products could limit market acceptance of our products and services. If our customers do not perceive the benefits of our products and services, or if our products and services do not attract new customers, then our market may not develop at all, or it may develop more slowly than we expect. Our success will depend to a substantial extent on the willingness of healthcare organizations to increase their use of our technology and our ability to demonstrate the value of our technology relative to competing products and services to existing and potential customers. If healthcare organizations do not recognize or acknowledge the benefits of our products and services or if we are unable to reduce healthcare costs or drive positive health outcomes, then the market for our solutions might not develop at all, or it might develop more slowly than we expect. Similarly, negative publicity regarding patient confidentiality and privacy in the context of technology-enabled healthcare or concerns experienced by competitors could limit market acceptance of our products and services.

The healthcare industry in the United States is undergoing significant structural change and is rapidly evolving. We believe that demand for our products and services has been driven in large part by rapidly growing costs in the traditional healthcare system, the movement toward patient-centricity and personalized healthcare, and advances in technology. Widespread acceptance of personalized healthcare is critical to our future growth and success. A reduction in the growth of personalized healthcare could reduce the demand for our products and services and result in a lower revenue growth rate or decreased revenue. Additionally, our products and services are offered on a subscription basis, and the adoption of subscription business models is still relatively new, especially in the healthcare industry. If companies do not shift to subscription business models and subscription health management tools do not achieve widespread adoption, or if there is a reduction in demand for subscription products and services or subscription health management tools, our business, financial condition, and results of operations could be adversely affected. Further, the ability of our customers to purchase our products is often contingent upon the customer’s ability to secure adequate funding. Such funding may be derived from internal and external resources, which are subject to a number of circumstances outside of our control. Therefore, it is possible customer funding intended to use towards the purchase of our products may be either delayed or cancelled, which could present a negative impact on a customer’s ability to complete purchases and/or continue payments for ongoing subscription services.

Quality problems could lead to recalls or safety alerts and/or reputational harm and could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Quality of our products is very important to us and our customers due to the serious and costly consequences of product failure. Our business exposes us to potential product liability risks that are inherent in the design, manufacture, and marketing of medical devices. Product or component failures, manufacturing nonconformities, design defects, off-label use, or inadequate disclosure of product-related risks or product-related information with respect to our products, if they were to occur, could result in inaccurate imaging and safety risks. These problems could lead to the recall of, or the issuance of a safety alert relating to, our products, and could result in product liability claims and lawsuits.

Additionally, the manufacture and production of our products must occur in a highly controlled and clean environment to minimize particles and other yield- and quality-limiting contaminants. Weaknesses in process control or minute impurities in materials may cause defective products. If we are not able to maintain stringent quality controls, or if contamination
problems arise, our development and commercialization efforts could be delayed, which would harm our business and results of operations.

If we fail to meet any applicable product quality standards and our products are the subject of recalls or safety alerts, our reputation could be damaged, we could lose customers, and our revenue and results of operations could decline.

**Our devices use lithium-ion battery cells, which have been observed to catch fire or emit smoke and flame, and these events may raise concerns about the batteries that we use.**

The battery pack used in Butterfly’s iQ+ makes use of lithium-ion cells. On rare occasions, lithium-ion cells can rapidly release the energy they contain by venting smoke and flames in a manner that can ignite nearby materials. Publicized incidents of laptop computers and cell phones bursting into flames have focused consumer attention on the safety of these cells. There can be no assurance that the battery packs that we use would not fail, and this could lead to property damage, personal injury or death, and may subject us to lawsuits. We may also have to recall products due to battery-related safety concerns, which would be time-consuming and expensive. Also, negative perceptions in the healthcare and patient communities regarding the suitability of lithium-ion cells for medical applications or any future incident involving lithium-ion cells could seriously harm our business, even in the absence of an incident involving us.

**If we are not able to develop and release new products and services, or successful enhancements, new features and modifications to our existing products and services, to successfully implement our Software-as-a-Services, or SAAS, solutions or to achieve adequate clinical utility, our business, financial condition and results of operations could be adversely affected.**

The markets in which we operate are characterized by rapid technological change, frequent new product and service introductions and enhancements, changing customer demands, and evolving industry standards. The introduction of products and services embodying new technologies can quickly make existing products and services, including software memberships, obsolete and unmarketable. Additionally, changes in laws and regulations could impact the usefulness of our products and could necessitate changes or modifications to our products to accommodate such changes. We invest substantial resources in researching and developing new products and enhancing existing products by incorporating additional features, improving functionality, and adding other improvements to meet customers’ evolving needs. The success of any enhancements or improvements to our existing products or any new products depends on several factors, including timely completion, competitive pricing, adequate quality testing, integration with new and existing technologies and third-party partners’ technologies and overall market acceptance. We may not succeed in developing, marketing and delivering on a timely and cost-effective basis enhancements or improvements to our existing products or any new products that respond to continued changes in market demands or new customer requirements, and any enhancements or improvements to our products or any new solutions may not achieve market acceptance. Since developing our products is complex, the timetable for the release of new products and enhancements to existing products is difficult to predict, and we may not offer new products and updates as rapidly as our customers require or expect. Any new products that we develop may not be introduced in a timely or cost-effective manner, may contain errors or defects, or may not achieve the broad market acceptance necessary to generate sufficient revenue. Moreover, even if we introduce new products, we may experience a decline in revenue from our existing products that is not offset by revenue from the new products. For example, customers may delay making purchases of new products to permit them to make a more thorough evaluation of these products or until industry and marketplace reviews become widely available. Customers may also delay purchasing a new product because their existing Butterfly or other device continues to meet their needs. Some customers may hesitate to migrate to a new product due to concerns regarding the performance of the new product. In addition, we may lose existing customers who choose a competitor’s products and services. This could result in a temporary or permanent revenue shortfall and adversely affect our business, financial condition and results of operations.

The introduction of new products and solutions by competitors, the development of entirely new technologies to replace existing offerings or shifts in healthcare benefits trends could make our products obsolete or adversely affect our business, financial condition and results of operations. We may experience difficulties with software development, industry standards, design or marketing that could delay or prevent our development, introduction or implementation of new products, enhancements, additional features or capabilities. If customers do not widely purchase and adopt our products, we may not be able to realize a return on our investment. If we do not accurately anticipate customer demand or if we are...
unable to develop, license or acquire new features and capabilities on a timely and cost-effective basis, or if such enhancements do not achieve market acceptance, this could result in adverse publicity, loss of revenue or market acceptance or claims by customers brought against us, each of which could have a material and adverse effect on our reputation, business, results of operations and financial condition.

The COVID-19 pandemic has and could continue to negatively affect various aspects of our business, make it more difficult for us to meet our obligations to our customers, and result in reduced demand for our products and services, which could have a material adverse effect on our business, financial condition, results of operations, or cash flows.

In December 2019, a novel strain of coronavirus was reported to have surfaced in Wuhan, China, and it has since spread throughout other parts of the world, including the United States. Any outbreak of contagious diseases, or other adverse public health developments, could have a material adverse effect on our business operations. These impacts to our operations have included, and could again in the future include, disruptions or restrictions on the ability of our employees and customers to travel or of us to pursue collaborations and other business transactions, travel to customers and/or conduct live demonstrations of our products at promotional events, maintain our presence in medical schools and other educational institutions, oversee the activities of our third-party manufacturers and suppliers and make shipments of materials. We may also be impacted by the temporary closure of the facilities of suppliers, manufacturers or customers. The COVID-19 pandemic may also continue to cause financial strain on our customer base due to decreased funding and other revenue shortfalls. With the recent Omicron variant wave of infections, we have seen our customer base become further strained in solving immediate problems associated with the variant. As a result, some of our customers have had to shift their attention to these pressing issues, resulting in longer sales cycles and slower adoption in the near term.

Travel restrictions and business closures have and may in the future adversely impact our operations locally and worldwide, including our ability to manufacture, market, sell or distribute our products, and such restrictions and closure have caused or may cause temporary closures of facilities of suppliers, manufacturers or customers. Disruptions in the operations of our suppliers, customers, and manufacturers and access to customers have and may in the future adversely impact our sales and operating results. In addition, travel restrictions have made it more difficult for us to monitor the quality of our third-party manufacturing operations when we are unable to conduct in-person quality audits of those facilities.

In addition, the issues originally brought on by COVID-19 continue to have an ongoing adverse impact on global supply chains, including ours. We have experienced constraints in availability, increasing lead times and costs required to obtain some inventory components. As a result of the COVID-19 pandemic and the measures designed to contain its spread, our suppliers may not have the materials, capacity, or capability to supply our components according to our schedule and specifications. Further, there may be logistics issues, including our ability and our supply chain’s ability to maintain production, as well as transportation demands that may cause further delays. If our suppliers’ operations are curtailed, we may need to seek alternate sources of supply, which may be more expensive. Alternate sources may not be available or may result in delays in shipments to us from our suppliers and subsequently to our customers. In addition, the COVID-19 pandemic and the measures designed to stop the spread of the virus may have similar effects on our customers. The current pandemic may also give rise to force majeure contractual protections being asserted by customers and/or suppliers that we maintain contracts with, potentially relieving contractual obligations these parties have to us. In any case, any disruption of our suppliers’ or customers’ businesses would likely negatively impact our sales and operating results.

While the disruptions of the COVID-19 pandemic are expected to be temporary, the duration and financial impact of the pandemic cannot be estimated at this time, and the impact on our supply chain and customers has and could continue to have an adverse effect on our results of operations and cash flows. Further, while the potential impact and duration of the COVID-19 pandemic on the global economy and our business in particular may be difficult to assess or predict, the COVID-19 pandemic has resulted in, and may continue to result in, significant disruption of global financial markets and an economic downturn that may continue to affect demand for our products and services, reduce our ability to access capital or our customers’ ability to pay us for past or future purchases, impact our operating results, and have a negative impact on our liquidity and stock price. In addition, an extended recession or an additional financial market correction resulting from the spread of COVID-19 could, adversely affect demand for our products and services, our business and the value of our common stock. The global pandemic of COVID-19 continues to rapidly evolve, and we will continue to monitor the COVID-19 situation closely. Given the uncertainty and potential economic volatility of the impact of the
COVID-19 pandemic, the recent developments we have experienced may change based on new information that may emerge concerning COVID-19, the actions to contain it or address its impact and the economic impact on local, regional, national and international markets. In addition, the continued spread of COVID-19 and actions taken to mitigate such spread as well as the prolonged nature of the pandemic or the occurrence of other outbreaks of contagious diseases could adversely impact our business, financial condition, operating results and cash flows.

Unfavorable global economic conditions could adversely affect our business, financial condition or results of operations.

Our results of operations could be adversely affected by general conditions in the global economy and in the global financial markets, including changes in inflation, interest rates and overall economic conditions and uncertainties. We have experienced pricing increases from our suppliers and we have increased compensation to our employees to help ensure employee retention. To the extent inflation or other factors increase our business costs, it may not be feasible to pass price increases on to our customers or offset higher costs through manufacturing efficiencies. Inflation could also adversely affect the ability of our customers to purchase our products. An economic downturn could result in a variety of risks to our business, including weakened demand for our products and our inability to raise additional capital when needed on acceptable terms, if at all. A weak or declining economy could also result in further constraints on our suppliers or cause future customers to delay making payments for our products. Any of the foregoing could harm our business and we cannot anticipate all of the ways in which the current economic climate and financial market conditions could adversely impact our business.

We have incurred and will incur increased costs and demands upon management as a result of complying with the laws and regulations affecting public companies, which could adversely affect our business, results of operations, and financial condition.

We have incurred and will incur significant legal, accounting and other expenses that we did not incur as a private company, including costs associated with public company reporting requirements. We also have incurred and will continue to incur costs associated with corporate governance requirements, including requirements under the Sarbanes-Oxley Act, as well as rules implemented by the SEC and the NYSE. These rules and regulations are expected to increase our legal and financial compliance costs and to make some activities more time consuming and costly. For example, our executive officers and other personnel will need to devote substantial time regarding operations as a public company and compliance with applicable laws and regulations. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as executive officers, which may adversely affect investor confidence in the Company and could cause our business or stock price to suffer.

The enactment of legislation implementing changes in the U.S. taxation of international business activities, the adoption of other tax reform policies or changes in tax legislation or policies in jurisdictions outside of the United States could materially impact our results of operations and financial condition.

We are subject to income tax in the numerous jurisdictions in which we operate. Reforming the taxation of international businesses has been a priority for politicians, and a wide variety of potential changes have been proposed. Some proposals, several of which have been enacted, impose incremental taxes on gross revenue, regardless of profitability. Furthermore, it is reasonable to expect that global taxing authorities will be reviewing current legislation for potential modifications in reaction to the implementation of the 2017 Tax Cuts and Jobs Act, or the TCJA, in the United States. Due to the expanding scale of our international business activities, changes in the taxation of such activities may increase our worldwide effective tax rate and the amount of taxes we pay and harm our business.

In the United States, the TCJA enacted on December 22, 2017 significantly affected U.S. tax law by changing how the United States imposes income tax on multinational corporations. The U.S. Department of Treasury has broad authority to issue regulations and interpretative guidance that may significantly impact how we will apply the law and impact our results of operations in the period issued.

The TCJA requires complex computations not previously provided in U.S. tax law. As such, the application of accounting guidance for such items remain uncertain. Further, compliance with the TCJA and the accounting for such provisions
requires an accumulation of information not previously required or regularly produced. As additional regulatory guidance is issued by the applicable taxing authorities, as accounting treatment is clarified, and as we perform additional analysis on the application of the law, our effective tax rate could be materially different.

**Our ability to use net operating losses and certain other tax assets to offset future income may be subject to certain limitations.**

As of December 31, 2021, we had federal net operating loss carry forwards, or NOLs, of approximately $494.7 million, of which approximately $73.7 million will begin to expire in 2031, if not utilized. Unused NOLs may be carried forward to offset future taxable income if we achieve profitability in the future, unless such NOLs expire under applicable tax laws. However, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its pre-change NOLs and other pre-change tax attributes (such as research tax credits) to offset post-change taxable income. For Section 382 purposes, an ownership change generally occurs where the aggregate equity ownership of one or more stockholders or groups of stockholders who owns at least 5% of a corporation’s stock increases its ownership by more than 50 percentage points over its lowest ownership percentage within a three-year period (calculated on a rolling basis). The Company has completed an ownership shift analysis through September 30, 2021 and determined that an ownership change has occurred on February 12, 2021 within the meaning of Section 382 and 383 of the Code. Based on our ownership change limitation study, we are limited to utilize only a portion of our pre-change federal NOLs and tax credits until 2026. However, the limitation due to the ownership change will not result in any of the NOLs or tax credits expiring untilized. In addition, future changes in our stock ownership, including future offerings, as well as other changes that may be outside of our control, could result in additional ownership changes under Section 382 of the Code. Our NOLs and tax credits may also be limited under similar provisions of state laws. We have recorded a full valuation allowance related to our NOLs and other deferred tax assets due to the uncertainty of the ultimate realization of the future benefits of those assets.

In addition to the limitations discussed above under Sections 382 of the Code, the utilization of NOLs incurred in taxable years beginning after December 31, 2017, are subject to limitations adopted by the Tax Cuts and Jobs Act, as modified by the Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act. Under the TCJA, in general, NOLs generated in taxable years beginning after December 31, 2017 may offset no more than 80 percent of such year’s taxable income and there is no ability for such NOLs to be carried back to a prior taxable year. The CARES Act modifies the TCJA with respect to the TCJA’s limitation on the deduction of NOLs and provides that NOLs arising in taxable years beginning after December 31, 2017 and before January 1, 2021, may be carried back to each of the five taxable years preceding the tax year of such loss, but NOLs arising in taxable years beginning after December 31, 2020 may not be carried back. In addition, the CARES Act eliminates the limitation on the deduction of NOLs to 80 percent of current year taxable income for taxable years beginning before January 1, 2021. As a result of such limitation, we may be required to pay federal income tax in some future year notwithstanding that we had a net loss for all years in the aggregate.

**U.S. taxation of international business activities or the adoption of tax reform policies could materially impact our future financial position and results of operations.**

Limitations on the ability of taxpayers to claim and utilize foreign tax credits and the deferral of certain tax deductions until earnings outside of the United States are repatriated to the United States, as well as changes to U.S. tax laws that may be enacted in the future, could impact the tax treatment of future foreign earnings. Should the scale of our international business activities expand, any changes in the U.S. taxation of such activities could increase our worldwide effective tax rate and harm our future financial position and results of operations.

**Taxing authorities may successfully assert that we should have collected or we in the future should collect sales and use, value-added, or similar taxes, and we could be subject to liability with respect to past or future sales, which could adversely affect our results of operations.**

Jurisdictions in which we do not collect sales, use, value-added, or similar taxes on our products may assert that such taxes are applicable, which could result in tax assessments, penalties, and interest, and we may be required to collect such taxes in the future. Such tax assessments, penalties, interest, or future requirements would adversely affect our financial condition and results of operations. Further, in June 2018, the Supreme Court held in *South Dakota v. Wayfair, Inc.* that states could impose sales tax collection obligations on out-of-state sellers even if those sellers lack any physical presence
within the states imposing the sales taxes. Under *Wayfair*, a person requires only a “substantial nexus” with the taxing state before the state may subject the person to sales tax collection obligations therein. An increasing number of states (both before and after the publication of *Wayfair*) have considered or adopted laws that attempt to impose sales tax collection obligations on out-of-state sellers. The Supreme Court’s *Wayfair* decision has removed a significant impediment to the enactment and enforcement of these laws, and it is possible that states may seek to tax out-of-state sellers on sales that occurred in prior tax years, which could create additional administrative burdens for us, put us at a competitive disadvantage if such states do not impose similar obligations on our competitors, and decrease our future sales, which would adversely impact our business, financial condition, and results of operations.

*We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and other worldwide anti-bribery laws by us or our agents.*

We are subject to the U.S. Foreign Corrupt Practices Act, or FCPA, which prohibits companies and their intermediaries from making payments in violation of law to non-U.S. government officials for the purpose of obtaining or retaining business or securing any other improper advantage. Our planned future reliance on independent distributors to sell our products internationally demands a high degree of vigilance in enforcing our policy against participation in corrupt activity, because these distributors could be deemed to be our agents, and we could be held responsible for their actions. Other U.S. companies in the medical device and pharmaceutical fields have faced criminal penalties under the FCPA for allowing their agents to deviate from appropriate practices in doing business with such non-U.S. government officials. We are also subject to similar anti-bribery laws in the jurisdictions in which we operate, including the United Kingdom’s Bribery Act of 2010, which also prohibits commercial bribery and makes it a crime for companies to fail to prevent bribery. We have limited experience in complying with these laws and in developing procedures to monitor compliance with these laws by our agents. These laws are complex and far-reaching in nature, and, as a result, we cannot assure investors that we would not be required in the future to alter one or more of our practices to be in compliance with these laws or any changes in these laws or the interpretation thereof.

Any violations of these laws, or allegations of such violations, could disrupt our operations, involve significant management distraction, involve significant costs and expenses, including legal fees, and could result in a material adverse effect on our business, prospects, financial condition, or results of operations. We could also incur severe penalties, including criminal and civil penalties, disgorgement, and other remedial measures.

**Risks Related to Government Regulation and Other Legal Compliance Matters**

*We are subject to extensive government regulation, which could restrict the development, marketing, sale and distribution of our products and could cause us to incur significant costs.*

Our ultrasound imaging products and associated services are subject to extensive pre-market and post-market regulation by the FDA and various other federal, state, local and foreign government authorities. Government regulation of medical devices is meant to assure their safety and effectiveness, and includes requirements for, among other things:

- design, development and manufacturing processes;
- labeling, content and language of instructions for use and storage;
- product testing, non-clinical studies and clinical trials;
- regulatory authorizations, such as pre-market clearance or pre-market approval;
- establishment registration, device listing and ongoing compliance with the QSR requirements;
- advertising and promotion;
- marketing, sales and distribution;
- conformity assessment procedures;
- product traceability and record-keeping procedures;
- review of product complaints, complaint reporting, recalls and field safety corrective actions;
- post-market surveillance, including reporting of deaths or serious injuries and malfunctions that, if they were to recur, could lead to death or serious injury;
- post-market studies (if applicable); and
- product import and export.
The laws and regulations to which we and our products are subject are complex and subject to periodic changes. Regulatory changes could result in restrictions on our ability to carry on or expand our operations, higher than anticipated costs or lower than anticipated sales.

Before a new medical device, or a significant modification of a medical device, including a new use of or claim for an existing product, can be marketed in the United States, it must first receive either 510(k) clearance or pre-market approval, or PMA, from the FDA, unless an exemption applies. In the 510(k) clearance process, the FDA must determine that a proposed device is “substantially equivalent” to a device legally on the market, known as a “predicate” device, with respect to intended use, technology and safety and effectiveness, in order to clear the proposed device for marketing. Clinical data is sometimes required to support substantial equivalence. Further, if a previously unclassified new medical device does not qualify for the 510(k) pre-market notification process because no predicate device to which it is substantially equivalent can be identified, the device is automatically classified into Class III. If such a device would be considered low or moderate risk (in other words, it does not rise to the level of requiring the approval of a PMA), it may be eligible for the De Novo classification process.

Obtaining 510(k) clearance, De Novo classification, or PMA approval for medical devices can be expensive and time-consuming, and entails significant user fees, unless an exemption is available. The FDA’s process for obtaining 510(k) clearance usually takes three to 12 months, but it can last longer. In the PMA approval process, the FDA must determine that a proposed device is safe and effective for its intended use based, in part, on extensive data, including but not limited to, technical, non-clinical, clinical trial, manufacturing and labeling data. The process for obtaining a PMA is more costly and uncertain than for a 510(k), and approval can take anywhere from at least one year to, in some cases, multiple years from the time the application is initially filed with the FDA. Modifications to products that are approved through a PMA application generally require further FDA approval. Some of our future products may require PMA approval. In addition, the FDA may require that we obtain a PMA prior to marketing future changes of our existing products. Further, we may not be able to obtain additional 510(k) clearances or PMAs for new products or for modifications to, or additional indications for, our products in a timely fashion or at all. Delays in obtaining future clearances or approvals could adversely affect our ability to introduce new or enhanced products in a timely manner, which in turn could harm our revenue and future profitability.

We received 510(k) clearance for the Butterfly iQ+ in 2017, and the FDA determined, following a 2020 pre-submission meeting with us, that the Butterfly iQ+ was eligible to be marketed under the original 510(k) clearance. We may be required to obtain a new 510(k) clearance or PMA for significant post-market modifications to our products, including any modifications made to the Butterfly iQ+. In order to pave the way for at-home use of the Butterfly iQ+ and future products or services, we anticipate that we will need to validate at-home applications through focused clinical trials.

In order to conduct a clinical investigation involving human subjects for the purpose of demonstrating the safety and effectiveness of a medical device, if necessary, for a PMA application, De Novo classification request, or 510(k) notification, a company must, among other things, apply for and obtain institutional review board, or IRB, approval of the proposed investigation. In addition, if the clinical study involves a “significant risk” (as defined by the FDA) to human health, the sponsor of the investigation must also submit and obtain FDA approval of an investigational device exemption, or IDE, application and follow applicable IDE regulations. Unless IDE-exempt, nonsignificant risk devices are still subject to certain abbreviated IDE requirements, however, an IDE application is not required if such abbreviated requirements are met. We may not be able to obtain any necessary FDA and/or IRB approval to undertake clinical trials in the United States for future devices we develop and intend to market in the United States. If we do obtain such approvals, the FDA may find that our studies do not comply with the IDE or other regulations governing clinical investigations or the data from any such trials may not support clearance or approval of the investigational device. Moreover, certainty that clinical trials will meet desired endpoints, produce meaningful or useful data and be free of unexpected adverse effects, or that the FDA will accept the validity of foreign clinical study data (if applicable) cannot be assured, and such uncertainty could preclude or delay market clearance or authorizations resulting in significant financial costs and reduced revenue.

We are also subject to numerous post-marketing regulatory requirements, which include quality system regulations related to the manufacture of our devices, labeling regulations and medical device reporting, or MDR, regulations. The last of these regulations requires us to report to the FDA if our devices cause or contribute to a death or serious injury, or malfunction in a way that would likely cause or contribute to a death or serious injury if the malfunction recurred. If we
fail to comply with present or future regulatory requirements that are applicable to Butterfly, we may be subject to enforcement action by the FDA, which may include any of the following sanctions:

- untitled letters, warning letters, fines, injunctions, consent decrees and civil penalties;
- customer notification, or orders for repair, replacement or refunds;
- voluntary or mandatory recall or seizure of Butterfly’s current or future products;
- administrative detention by the FDA of medical devices believed to be adulterated or misbranded;
- operating restrictions, suspension or shutdown of production;
- refusal of our requests for 510(k) clearance or PMA of new products, new intended uses or modifications to existing products;
- rescission of 510(k) clearance or suspension or withdrawal of PMAs that have already been granted; and
- criminal prosecution.

The occurrence of any of these events may have a material adverse effect on our business, financial condition and results of operations.

**There is no guarantee that the FDA will grant 510(k) clearance or PMA approval of our future products, and failure to obtain necessary clearances or approvals for our future products would adversely affect our ability to grow our business.**

Some of our new or modified products will require FDA clearance of a 510(k) notification or FDA approval of a PMA application, or potentially a grant of a De Novo classification. The FDA may refuse our requests for 510(k) clearance or PMA of new products or may not clear or approve these products for the indications that are necessary or desirable for successful commercialization. Early stage review may also result in delays or other issues. For example, the FDA has issued guidance intended to explain the procedures and criteria used in assessing whether 510(k) and PMA submissions should be accepted for substantive review. Under the “Refuse to Accept” guidance, the FDA conducts an early review against specific acceptance criteria to inform 510(k) and PMA submitters if the submission is administratively complete, or if not, to identify the missing element(s). Submitters are given the opportunity to provide the FDA with any information identified as missing. If the information is not provided within a specified time, the submission will not be accepted for FDA review. The FDA may also change its clearance and approval policies, adopt additional regulations or revise existing regulations, or take other actions that may prevent or delay approval or clearance of our products under development or impact our ability to gain clearance or approval for modifications to our currently approved or cleared products in a timely manner. Significant delays in receiving clearance or approval, or the failure to receive clearance or approval for our new products, would have an adverse effect on our ability to expand our business.

**Recent initiatives by the FDA to enhance and modernize various regulatory pathways for device products and its overall approach to safety and innovation in the medical technology industry creates the possibility of changing product development costs, requirements, and other factors and additional uncertainty for our future products and business.**

Regulatory requirements may change in the future in a way that adversely affects us. Any change in the laws or regulations that govern the clearance and approval processes or the post-market compliance requirements relating to our current and future products could make it more difficult and costly to obtain clearance or approval for new products, or to produce, market and distribute existing products.

For example, the FDA and other government agencies have been focusing on the cybersecurity risks associated with certain medical devices and encouraging device manufacturers to take a more proactive approach to assessing the cybersecurity risks of their devices both during development and on a periodic basis after the devices are in commercial distribution. These regulatory efforts could lead to new FDA requirements in the future or additional product liability or other litigation risks if any of our products is considered to be susceptible to third-party tampering. In December 2016, Congress passed the 21st Century Cures Act, which made multiple changes to the FDA’s rules for medical devices as well as for clinical trials, and in August 2017, Congress passed the Medical Device User Fee reauthorization package, which affects medical device regulation both pre- and post-approval and could have certain impacts on our business. Since that time, the FDA has announced a series of efforts to modernize and streamline the 510(k) notification and regulatory review process and monitoring post-market safety, and issued a final rule to formalize the De Novo classification process to provide clarity to
innovative device developers. In addition, the next FDA reauthorization package is currently being negotiated and is required to be finalized by Congress in mid-2022. Changes in the FDA 510(k) process could make clearance more difficult to obtain, increase delay, add uncertainty and have other significant adverse effects on our ability to obtain and maintain clearance for our products.

It is unclear at this time whether and how various activities initiated or announced by the FDA to modernize the U.S. medical device regulatory system could affect our business, as some of the FDA’s new medical device safety and innovation initiatives have not been formalized and remain subject to change. For example, a 2018 Medical Device Safety Action Plan announced by former FDA Commissioner Gottlieb included a particular focus on post-market surveillance and how to respond when new safety concerns emerge once a product is on the market. The increased attention that the medical technology industry is receiving from FDA leadership that understands the challenging and rapidly changing nature of the U.S. health care system creates the possibility of unanticipated regulatory and other potential changes to our products and our overall business. In response to the COVID-19 public health emergency, the FDA’s device and diagnostic center leadership has exercised a significant amount of enforcement discretion to meet the medical community’s and patients’ needs for remote monitoring and other innovative solutions that involve digital health products. In December 2021, the FDA issued draft guidance documents describing a phased transition process for medical devices that were developed or modified during the course of the pandemic to treat COVID-19 patients or allow greater access to patients, including medical imaging devices that were developed or modified in accordance with FDA’s Enforcement Policy for Imaging Systems During the COVID-19 Public Health Emergency. It is unclear how those policies could impact the medical device industry in the future.

If we fail to obtain marketing authorization in other countries for existing products or products under development, we will not be able to commercialize these products in those countries.

In order for us to market our products in countries outside of the United States, we must comply with extensive safety and quality regulations in other countries regarding the quality, safety and efficacy of our products. These regulations, including the requirements for approvals, clearance or CE mark grant, and the time required for regulatory review, vary from country to country. Failure to obtain regulatory approval, clearance or CE mark (or equivalent) in any foreign country in which we plan to market our products may harm our ability to generate revenue and harm our business. Approval and CE marking procedures vary between countries and can involve additional product testing and additional administrative review periods. The time required to obtain approval or CE mark in other countries might differ from that required to obtain FDA clearance. The regulatory approval or CE marking process in other countries may include all of the risks detailed above regarding FDA clearance in the United States. Regulatory approval or the CE marking of a product in one country does not ensure regulatory approval in another, but a failure or delay in obtaining regulatory approval or a CE mark in one country may negatively impact the regulatory process in others. Failure to obtain regulatory approval or a CE mark in other countries or any delay or setback in obtaining such approval could have the same adverse effects described above regarding FDA clearance in the United States.

The primary regulatory environment in Europe is that of the EEA, which is comprised of the Member States of the EU, Iceland, Liechtenstein and Norway. We cannot be certain that we will be successful in meeting and continuing to meet the requirements to market a medical device in the EEA in light of the current transition period between the prior system, called the Medical Device Directive, or MDD, to the current system, called the Medical Device Regulation. The Medical Device Regulation went into force in May 2017 but allowed a three-year transition period until May 2020 for Member States, regulatory authorities, and medical device stakeholders to come into compliance with the new requirements. A one-year delay of the compliance date of the Medical Device Regulation was implemented in response to the COVID-19 pandemic, such that May 2021 was the deadline for industry compliance. Compared to the MDD, the Medical Device Regulation promotes a shift from the pre-approval stage (i.e., the path to CE Marking) to a life-cycle approach and places greater emphasis on clinical data and clinical evaluations to assure the safety and performance of new medical devices. Moreover, the Medical Device Regulation includes elements intended to strengthen the conformity assessment procedures, assert greater control over notified bodies and their standards, increase overall system transparency, and impose more robust device vigilance requirements on manufacturers and distributors. Among other changes, many device manufacturers will need to switch notified bodies to one that has received its designation under the Medical Device Regulation, which will require those manufacturers to undergo an audit and have all their documentation reviewed by the new notified body before it can assess their medical device products under the new standards. European medical device manufacturers and
distributors are currently benefiting from a grace period for legacy MDD certificates that lasts until May 26, 2024. For a product to qualify for the grace period, there must be no significant changes to such a legacy medical device as described in its existing MDD certificate; the recertification process under the Medical Device Regulation requires a demonstration that the performance and the safety of the currently marketed medical device has been maintained and that the system meets the new regulatory requirements. The new rules and procedures that have been created under the overhauled European regulations will likely result in increased regulatory oversight of all medical devices marketed in the EU, and this may, in turn, increase the costs, time and requirements that need to be met in order to place an innovative or high-risk medical device on the EEA market.

If we, our contract manufacturers or our component suppliers are unable to manufacture our products in sufficient quantities, on a timely basis, at acceptable costs and in compliance with regulatory and quality requirements, the manufacturing and distribution of our devices could be interrupted, and our product sales and operating results could suffer.

We, our contract manufacturers and our component suppliers are required to comply with the FDA’s Quality System Regulation or QSR, which is a complex regulatory framework that covers the procedures and documentation of the design, testing, production, control, quality assurance, labeling, packaging, sterilization, storage, shipping and servicing of our devices. Compliance with applicable regulatory requirements is subject to continual review and is monitored rigorously through periodic, sometimes unannounced, inspections by the FDA. We cannot assure investors that our facilities or our third-party manufacturers’ or suppliers’ facilities would pass any future quality system inspection. Failure of our or our third-party manufacturers and component suppliers to adhere to QSR requirements or take adequate and timely corrective action in response to an adverse quality system inspection finding could delay production of our products and lead to fines, difficulties in obtaining regulatory clearances, recalls, enforcement actions, including injunctive relief or consent decrees, or other consequences, which could have a material adverse effect on our financial condition or results of operations. Any such failure, including the failure of our contract manufacturers, to achieve and maintain the required high manufacturing standards could result in further delays or failures in product testing or delivery, cost overruns, increased warranty costs or other problems that could harm our business and prospects.

In addition, any of our products shipped internationally are also required to comply with the International Organization for Standardization, or ISO, quality system standards as well as European Directives and norms in order to produce products for sale in the EU. In addition, any of our products shipped internationally are also required to comply with the International Organization for Standardization, or ISO, quality system standards as well as European Directives and norms in order to produce products for sale in the EU. The FDA is also expected to publish proposed regulations in 2022 intended to modernize and harmonize the QSR with the applicable ISO standards, which may have wide-reaching effects on medical device production and the industry as a whole.

In addition, many countries such as Canada and Japan have very specific additional regulatory requirements for quality assurance and manufacturing. If we fail to continue to comply with current good manufacturing requirements, as well as ISO or other regulatory standards, we may be required to cease all or part of our operations until we comply with these regulations. Maintaining compliance with multiple regulators adds complexity and cost to our manufacturing and compliance processes.

Our current or future products may be subject to product recalls even after receiving FDA clearance or approval. A recall of our products, either voluntarily or at the direction of the FDA, or the discovery of serious safety issues with our products, could have a significant adverse impact on us.

The FDA and similar governmental bodies in other countries have the authority to require the recall of our products if we or our third-party manufacturers fail to comply with relevant regulations pertaining to, among other things, manufacturing practices, labeling, advertising or promotional activities, or if new information is obtained concerning the safety or efficacy of these products. For example, under the FDA’s MDR regulations, we are required to report to the FDA any incident in which our products may have caused or contributed to a death or serious injury or in which our products malfunctioned in a manner likely to cause or contribute to death or serious injury if that malfunction were to recur. Repeated adverse events or product malfunctions may result in a voluntary or involuntary product recall, or administrative or judicial seizure or injunction, when warranted. A government-mandated recall may be ordered if the FDA finds that there is a reasonable
probability that the device would cause serious, adverse health consequences or death. A voluntary recall by us could occur as a result of any material deficiency in a device, such as manufacturing defects, labeling deficiencies, packaging defects or other failures to comply with applicable regulations, such as a failure to obtain marketing approval or clearance before launching a new product. In February 2020, we initiated a voluntary recall of two software tools after being notified by the FDA that each of them required clearance via a 510(k) pre-market notification. The FDA evaluated the recall and subsequently terminated it in June 2020. In general, if we decide to make a change to our product, we are responsible for determining whether to classify the change as a recall. It is possible that the FDA could disagree with our initial classification. The FDA requires that certain classifications of recalls be reported to the FDA within 10 working days after the recall is initiated. If a change to a device addresses a violation of the federal Food, Drug, and Cosmetic Act, or FDCA, that change would generally constitute a medical device recall and require submission of a recall report to the FDA.

Recalls of any of our products would divert managerial and financial resources and have an adverse effect on our reputation, results of operations and financial condition, which could impair our ability to produce our products in a cost-effective and timely manner in order to meet our customers’ demands. We may also be subject to product liability claims, be required to bear other costs, or be required to take other actions that may have a negative impact on our future sales and our ability to generate profits. Companies are required to maintain certain records of recalls, even if they are not reportable to the FDA. We may initiate voluntary recalls involving our products in the future that we determine do not require notification to the FDA. If the FDA disagrees with our determinations, the FDA could require us to report those actions as recalls. A future recall, withdrawal, or seizure of any product could materially and adversely affect consumer confidence in the Butterfly brand, lead to decreased demand for our products and negatively affect our sales. In addition, the FDA could take enforcement action for failing to report recalls when they were conducted by us or one of our agents.

We may be subject to enforcement action if we engage in improper or off-label marketing or promotion of our products, including fines, penalties and injunctions.

Our promotional materials and training methods must comply with FDA and other applicable laws and regulations, including the prohibition of the promotion of unapproved, or off-label, uses. Physicians may, however, use our products off-label, as the FDA does not restrict or regulate a physician’s practice of medicine. Medical device manufacturers and distributors are permitted to promote their products in a way that is consistent with the FDA-authorized labeling and indications for use. However, if the FDA determines that our promotional materials or training materials promote a 510(k)-cleared or approved medical device in a manner inconsistent with its labeling, it could request that we modify our training or promotional materials or subject us to regulatory or enforcement actions, including the issuance of an Untitled Letter, a Warning Letter, injunction, seizure, civil fine or criminal penalties. In addition to ensuring that the claims we make are consistent with our regulatory clearances or approvals, the FDA also ensures that promotional labeling for all regulated medical devices is neither false nor misleading.

It is also possible that other federal, state or foreign enforcement authorities might take action if they consider our promotional or training materials to constitute promotion of an off-label use, which could result in significant fines or penalties under other statutory authorities, such as laws prohibiting false claims for reimbursement. In that event, our reputation could be damaged, and adoption of our products could be impaired. Although our policy is to refrain from making statements or from disseminating promotional material that could be considered off-label promotion of our products, the FDA or another regulatory agency could disagree and conclude that we have engaged in off-label promotion. In addition, the off-label use of our products may increase the risk of product liability claims. Product liability claims are expensive to defend and could divert our management’s attention, result in substantial damage awards against us, and harm our reputation. Recent court decisions have impacted the FDA’s enforcement activity regarding off-label promotion in light of First Amendment considerations, although there are still significant risks in this area in part due to the potential False Claims Act exposure. Further, this area is subject to ongoing policy changes at the federal level, resulting in some degree of uncertainty for regulated businesses. For example, in August 2021, the FDA issued a final rule revising the agency’s regulation governing the types of evidence relevant to determining the “intended use” of a medical device under the FDCA, which has significant implications for when a manufacturer or distributor has engaged in off-label marketing.
Direct-to-consumer marketing and social media efforts may expose us to additional regulatory scrutiny, including from the Federal Trade Commission, or FTC, and other consumer protection agencies and regulators.

In addition to the laws and regulations enforced by the FDA, advertising for various services and for non-restricted medical devices is subject to federal truth-in-advertising laws enforced by the FTC, as well as comparable state consumer protection laws. Our efforts to promote our prescription products via direct-to-consumer marketing and social media initiatives may subject us to additional scrutiny of our practices. For example, the FTC and other consumer protection agencies scrutinize all forms of advertising (whether in digital or traditional formats) for business services, consumer-directed products, and non-restricted medical devices to ensure that advertisers are not making false, misleading or unsubstantiated claims or failing to disclose material relationships between the advertiser and its products’ endorsers, among other potential issues. The FDA oversees the advertising and promotional labeling for restricted medical devices and ensures, among other things, that there is effective communication of, and a fair and balanced presentation of, the risks and benefits of such high-risk medical devices.

Under the Federal Trade Commission Act, or FTC Act, the FTC is empowered, among other things, to (a) prevent unfair methods of competition and unfair or deceptive acts or practices in or affecting commerce; (b) seek monetary redress and other relief for conduct injurious to consumers; and (c) gather and compile information and conduct investigations relating to the organization, business, practices, and management of entities engaged in commerce. The FTC has very broad enforcement authority, and failure to abide by the substantive requirements of the FTC Act and other consumer protection laws can result in administrative or judicial penalties, including civil penalties, injunctions affecting the manner in which we would be able to market services or products in the future, or criminal prosecution. We plan to increase our advertising activities that may be subject to these federal and state truth-in-advertising laws. Any actual or perceived non-compliance with those laws could lead to an investigation by the FTC or a comparable state agency, or could lead to allegations of misleading advertising by private plaintiffs. Any such action against us would disrupt our business operations, cause damage to our reputation, and have a material adverse effect on our business.

In some instances in our advertising and promotion, we may make claims regarding our product as compared to competing products, which may subject us to heightened regulatory scrutiny, enforcement risk, and litigation risks.

The FDA requires that promotional labeling be truthful and not misleading, including with respect to any comparative claims made about competing products or technologies. In addition to FDA implications, the use of comparative claims also presents risk of a lawsuit by the competitor under federal and state false advertising and unfair competition statutes (e.g., the Lanham Act) or unfair and deceptive trade practices law, and possibly also state libel law. Such a suit may seek injunctive relief against further advertising, a court order directing corrective advertising, and compensatory and punitive damages where permitted by law. Further, notwithstanding the ultimate outcome of any Lanham Act or similar complaint, our reputation and relationship with certain customers or distribution partners may be harmed as a result of the allegations related to our products or our business practices more generally.

Because we do not require training for users of our current products, although they are limited under FDA's marketing clearances to use by trained healthcare practitioners, there exists a potential for misuse of these products, which could ultimately harm our reputation and business.

Federal regulations allow us to sell our medical device products to or on the order of practitioners licensed by law to use or order the use of a prescription device. The definition of “licensed practitioners” varies from state to state. As a result, our products may be purchased or operated by physicians with varying levels of training and, in many states, by non-physicians, including nurse practitioners, chiropractors and technicians. Outside the United States, many jurisdictions do not require specific qualifications or training for purchasers or operators of medical device products. We do not supervise the procedures performed with our products, nor can we require that direct medical supervision occur. Although product training is offered, neither we nor our distributors require purchasers or operators of our non-invasive products to attend training sessions. The lack of required training and the purchase and use of our non-invasive products by non-physicians may result in product misuse and adverse treatment outcomes, which could harm our reputation and expose us to costly product liability litigation.
We are subject to federal, state and foreign laws prohibiting “kickbacks” and false or fraudulent claims, and other fraud and abuse laws, transparency laws, and other health care laws and regulations, which, if violated, could subject us to substantial penalties. Additionally, any challenge to or investigation into our practices under these laws could cause adverse publicity and be costly to respond to, and thus could harm our business.

Our relationships with customers and third-party payors are subject to broadly applicable fraud and abuse and other health care laws and regulations that may constrain Butterfly’s sales, marketing and other promotional activities by limiting the kinds of financial arrangements, including sales programs and certain customer and product support programs, we may have with hospitals, physicians or other purchasers of medical devices. Other federal and state laws generally prohibit individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payors that are false or fraudulent, or are for items or services that were not provided as claimed. These laws include, among others, the federal healthcare Anti-Kickback Statute, the federal civil False Claims Act, other federal health care false statement and fraud statutes, the Open Payments program, the Civil Monetary Penalties Law, and analogous fraud and abuse and transparency laws in most states, as described in Item 1, Business — Government Regulation. While the federal laws generally apply only to products or services for which payment may be made by a federal healthcare program, state laws often apply regardless of whether federal funds may be involved.

While we believe and make every effort to ensure that our business arrangements with third parties and other activities and programs comply with all applicable laws, these laws are complex, and our activities may be found not to be compliant with one or more of these laws, which may result in significant civil, criminal and/or administrative penalties, fines, damages and exclusion from participation in federal health care programs. Even an unsuccessful challenge or investigation into our practices could cause adverse publicity, and be costly to respond to, and thus could have a material adverse effect on our business, financial condition and results of operations. Our compliance with Medicare and Medicaid regulations may be reviewed by federal or state agencies, including the Office of Inspector General for the U.S. Department of Health and Human Services, or OIG, Centers for Medicare & Medicaid Services, or CMS, and the U.S. Department of Justice, or may be subject to whistleblower lawsuits under federal and state false claims laws. To ensure compliance with Medicare, Medicaid and other regulations, government agencies conduct periodic audits of the Company to ensure compliance with various supplier standards and billing requirements.

Similarly, our international operations are subject to the provisions of the FCPA, which prohibits U.S. companies and their intermediaries from making payments in violation of law to non-U.S. government officials for the purpose of obtaining or retaining business or securing any other improper advantage. In many countries, the healthcare professionals that medical device distributors regularly interact with may meet the definition of a foreign official for purposes of the FCPA. International business operations are also subject to various other international anti-bribery laws such as the U.K. Anti-Bribery Act. Despite meaningful measures that we undertake to facilitate lawful conduct, which include training and compliance programs and internal policies and procedures, we may not always prevent unauthorized, reckless or criminal acts by our employees or agents, or employees or agents of businesses or operations we may acquire. Violations of these laws, or allegations of such violations, could disrupt operations, involve significant management distraction and have a material adverse effect on our business, financial condition and results of operations, among other adverse consequences.

If we are found to have violated laws protecting the confidentiality and security of health information, we could be subject to civil or criminal penalties, which could increase our liabilities and harm our reputation or our business.

There are a number of federal and state laws protecting the confidentiality and security of individually identifiable health information, or PHI, and restricting the use and disclosure of that protected information. In particular, the U.S. Department of Health and Human Services promulgated privacy rules under the Health and Insurance Portability and Accountability Act, or HIPAA. The HIPAA privacy rules protect medical records and other personal health information by limiting their use and disclosure, giving individuals the right to access, amend and seek accounting of their own health information and limiting most use and disclosures of health information to the minimum amount reasonably necessary to accomplish the intended purpose. The HIPAA security rules require the implementation of administrative, physical and technical safeguards to protect the security of PHI. HIPAA applies to health plans, health care providers who engage in certain standard healthcare transactions electronically, such as electronic billing, and healthcare clearinghouses, all of which are referred to as “covered entities.” HIPAA also applies to “business associates,”
or organizations that provide services to covered entities involving the use or disclosure of PHI. Business associates, like us, are subject to direct liability for violations of HIPAA.

Penalties for HIPAA violations can be issued by the U.S. Department of Health and Human Services’ Office for Civil Rights, the U.S. Department of Justice, and state attorneys general. Financial penalties can range from $100 to $50,000 per violation, with a maximum penalty of $1.5 million per year for violation. HIPAA authorizes states attorneys general to file suit on behalf of state residents; in such cases, courts can award damages, costs and attorneys’ fees related to HIPAA violations in addition to the aforementioned financial penalties. While HIPAA does not create a private right of action allowing individuals to sue in civil court for HIPAA violations, the HIPAA rules have been used as the basis for a duty of care claim in state civil suits for negligence or recklessness in the misuse or breach of PHI. Further, to provide “covered entity” clients with services that involve access to PHI, HIPAA requires us to enter into business associate agreements that require us to safeguard PHI in accordance with HIPAA. If we fail to comply with the terms of our business associate agreements, we may also be liable contractually.

Additionally, we are subject to any state laws that are more restrictive than the rules issued under HIPAA. These laws vary by state and could impose stricter standards and additional penalties. If we are found to be in violation of these applicable state laws, we could be subject to additional civil or criminal penalties, which could increase our liabilities, harm our reputation and have a material adverse effect on our business, financial condition and results of operations.

We are subject to complex and evolving U.S. and foreign laws and regulations regarding privacy, data protection, and other matters. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in customer growth or engagement, or otherwise harm our business.

We are subject to a variety of laws and regulations in the United States and abroad that involve matters central to our business, including laws and regulations relating to privacy, data sharing and data protection, artificial intelligence and use of machine learning, rights of publicity, content, intellectual property, advertising, marketing, distribution, data security, data retention and deletion, personal information, electronic contracts and other communications, competition, protection of minors, consumer protection, telecommunications, product liability, taxation, economic or other trade prohibitions or sanctions, corrupt practices, fraud, waste and abuse restrictions, and securities law compliance. The introduction of new products or expansion of our activities in certain jurisdictions may subject us to additional laws and regulations. For example, both the federal and various state governments of the United States have adopted or are considering laws, guidelines or rules for the collection, distribution, use and storage of information collected from or about customers or their devices. The California Consumer Privacy Act, or CCPA, for example, which became effective January 1, 2020, substantially expands privacy obligations of many businesses providing services to California residents, including us. The CCPA requires new disclosures to California consumers, imposes new rules for collecting or using information about minors, and affords consumers new rights, such as the right to know whether the data is sold or disclosed and to whom, the right to request that a company delete personal information collected, the right to opt out of the sale of personal information and the right to non-discrimination in terms of price or service when a consumer exercises a privacy right. If we fail to comply with these regulations, the CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. Moreover, a newly passed ballot initiative, the California Privacy Rights Act, or CPRA, which will become operational in 2023, expands on the CCPA, creating new consumer rights and protections, including: the right to correct personal information, the right to opt out of the use of personal information in automated decision making, the right to opt out of “sharing” consumer’s personal information for cross-context behavioral advertising, the right to restrict use of and disclosure of sensitive personal information, including geolocation data to third parties. We will need to evaluate and potentially update our privacy program to ensure compliance with the CPRA and may incur additional costs and expenses in our effort to comply.

In addition, foreign data protection, privacy, and other laws and regulations can be more restrictive than those in the United States. For example, the EU General Data Protection Regulation 2016/267, or GDPR, which came into force on May 25, 2018, implemented stringent operational requirements for the collection, use, storage of, protection of and disclosure of personal data. The GDPR introduced more stringent requirements (which will continue to be interpreted through guidance and decisions over the coming years), including but not limited to requiring organizations to erase an individual’s information upon request, limiting the purposes for which personal data may be used, and implementing mandatory data
breach notification requirements, requiring organizations in taking certain measures when engaging third party processors and imposing certain obligations on service providers. The GDPR also confers a private right of action on data subjects and consumer associations to lodge complaints with the supervisory authorities, seek judicial remedies and obtain compensation for damages resulting from violations of the GDPR. The European regime also includes directives which, among other things, require EU member states to regulate marketing by electronic means, the use of web cookies and other tracking technology. Each EU Member State has transposed the requirements of such directives into its own national data privacy regime, and therefore, the laws may differ between jurisdictions. We may also be subject to EU rules with respect to cross-border transfers of personal data out of the European Economic Area, or EEA. Recent legal developments in Europe have created complexity and uncertainty regarding transfers of personal data from the EEA to the United States, as the CJEU invalidated the EU-US Privacy Shield Framework, or Privacy Shield, on July 16, 2020, which may impact our ability to transfer personal data outside of the EEA to the United States or other jurisdictions. The United Kingdom’s withdrawal from the EU may also require us to find alternative solutions for the compliant transfer of personal data into and possibly from the United Kingdom as we will have to comply with the GDPR and also the UK equivalent. If found non-compliant with any of the many requirements under the GDPR, we may be subject to fines of up to the greater of €20 million or up to 4% of our total global annual turnover.

While the CJEU invalidated the EU-U.S. Privacy Shield Framework, the Court upheld the Standard Contractual Clauses as a valid mechanism for data transfers from the EEA to the United States. We anticipated this issue, which is why in our Data Processing Addendum, the Standard Contractual Clauses automatically come into effect as a back-up transfer mechanism for personal data to be transferred from the EEA to the United States in the event of Privacy Shield invalidation. We are closely following the European Commission’s draft guidance on the Standard Contractual Clauses and the European Data Protection Board’s draft guidance on supplemental tools to ensure that data transfers are handled in accordance with GDPR and to determine if any changes to our privacy program are necessary.

Data localization laws in some countries may mandate that certain types of data collected in a particular country be stored and/or processed within that country. We could be subject to audits in Europe and around the world, particularly in the areas of consumer and data protection, as we continue to grow and expand our operations. Legislators and regulators may make legal and regulatory changes, or interpret and apply existing laws, in ways that make our products less useful to customers, require us to incur substantial costs, expose us to unanticipated civil or criminal liability, or cause us to change our business practices. These changes or increased costs could negatively impact our business and results of operations in material ways. If we fail to comply with these standards, we could be subject to criminal penalties and civil sanctions, including fines and penalties and amounts could be significant.

Cybersecurity risks and cyber incidents could result in the compromise of confidential data or critical data systems and give rise to potential harm to customers, remediation and other expenses, expose us to liability under HIPAA, consumer protection laws, or other common law theories, subject us to litigation and federal and state governmental inquiries, damage our reputation, and otherwise be disruptive to our business and operations.

Cyber incidents can result from deliberate attacks or unintentional events. We collect and store on our networks sensitive information, including intellectual property, proprietary business information and personally identifiable information of individuals, such as our customers and employees. The secure maintenance of this information and technology is critical to our business operations. We have implemented multiple layers of security measures to protect the confidentiality, integrity and availability of this data and the systems and devices that store and transmit such data. We utilize current security technologies, including encryption and data depersonalization, and our defenses are monitored and routinely tested. Despite these efforts, threats from malicious persons and groups, new vulnerabilities and advanced new attacks against information systems create risk of cybersecurity incidents. These incidents can include, but are not limited to, gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may not immediately produce signs of intrusion, we may be unable to anticipate these incidents or techniques, timely discover them, or implement adequate preventative measures.

Cybersecurity threats can come from a variety of sources, and may range in sophistication from an individual hacker to malfeasance by employees, consultants or other service providers to state-sponsored attacks. Cyber threats may be generic, or they may be custom-crafted against our information systems. Over the past several years, cyber-attacks have become
more prevalent and much harder to detect and defend against. Our network and storage applications, as well as those of our contractors, may be
vulnerable to cyber-attack, malicious intrusion, malfeasance, loss of data privacy or other significant disruption and may be subject to unauthorized
access by hackers, employees, consultants or other service providers. In addition, hardware, software or applications that we develop or procure from
third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Unauthorized
parties may also attempt to gain access to our systems or facilities through fraud, trickery or other forms of deceiving our employees, contractors and
temporary staff.

There can be no assurance that we will not be subject to cybersecurity incidents that bypass our security measures, impact the integrity, availability or
privacy of personal health information or other data subject to privacy laws or disrupt our information systems, devices or business, including our ability
to deliver services to our users. As a result, cybersecurity, physical security and the continued development and enhancement of our controls, processes
and practices designed to protect our enterprise, information systems and data from attack, damage or unauthorized access remain a priority for us. As
cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective
measures or to investigate and remediate any cybersecurity vulnerabilities. The occurrence of any of these events could result in:

- harm to customers and end-users;
- business interruptions and delays;
- the loss, misappropriation, corruption or unauthorized access of data;
- litigation, including potential class action litigation, and potential liability under privacy, security and consumer protection laws or other
  applicable laws;
- reputational damage;
- increase to insurance premiums; and
- foreign, federal and state governmental inquiries, any of which could have a material, adverse effect on our financial position and results of
  operations and harm our business reputation.

Security breaches, loss of data and other disruptions could compromise sensitive information related to our business or prevent us from accessing
critical information and expose us to liability, which could adversely affect our business and our reputation.

In the ordinary course of our business, we collect and store sensitive data, intellectual property and proprietary business information owned or
controlled by us or our users. This data encompasses a wide variety of business-critical information, including research and development information,
commercial information, and business and financial information. We face four primary risks relative to protecting this critical information: loss of
access; inappropriate disclosure; inappropriate modification; and inadequate monitoring of our controls over the first three risks.

The secure processing, storage, maintenance, and transmission of this critical information is vital to our operations and business strategy, and we
devote significant resources to protecting such information. Although we take measures to protect sensitive information from unauthorized access or
disclosure, our information technology and infrastructure may be vulnerable to attacks by hackers or viruses, breaches, interruptions due to employee
error, malfeasance, lapses in compliance with privacy and security mandates, or other disruptions. Any such breach or interruption could compromise
our networks and the information stored there could be accessed by unauthorized parties, publicly disclosed, lost, or stolen.

Any such security breach or interruption, as well as any action by us or our employees or contractors that might be inconsistent with the rapidly
evolving data privacy and security laws and regulations applicable within the United States and elsewhere where we conduct business, could result in
enforcement actions by U.S. states, the U.S. federal government or foreign governments, liability or sanctions under data privacy laws that protect
personally identifiable information, regulatory penalties, other legal proceedings such as, but not limited to, private litigation, the incurring of
significant remediation costs, disruptions to our development programs, business operations and collaborations, diversion of management efforts and
damage to our reputation, which could harm our business and operations. For example, the CCPA provides for both civil penalties and a private right
of action for data breaches as a result of an entity’s non-compliance with the CCPA. Because of the rapidly moving nature of technology and the
increasing
sophistication of cybersecurity threats, our measures to prevent, respond to and minimize such risks may be unsuccessful.

With respect to medical information, we follow HIPAA rules and applicable state laws, separate personal information from medical information, and further employ additional encryption tools to protect the privacy and security of Butterfly’s users and medical data. However, hackers may attempt to penetrate our computer systems, and, if successful, misappropriate personal or confidential business information. In addition, an associate, contractor or other third party with whom we do business may attempt to circumvent our security measures in order to obtain such information, and may purposefully or inadvertently cause a breach involving such information. While we continue to implement additional protective measures to reduce the risk of and detect cyber incidents, cyber-attacks are becoming more sophisticated and frequent, and the techniques used in such attacks change rapidly.

In addition, non-compliance with any foreign data privacy and data security regulations, such as the GDPR, which requires stringent data breach notification obligations, among many other requirements, resulting in a data breach may result in fines of up to €20 million or 4% of the annual global revenues of the infringer, whichever is greater. There can be no assurance that our efforts to comply with these and other applicable data privacy regulatory regimes will be successful.

Further, unauthorized access, loss or dissemination of sensitive information could also disrupt our operations, including our ability to conduct research and development activities, process and prepare company financial information, manage various general and administrative aspects of our business and damage our reputation, any of which could adversely affect our business and reputation. In addition, there can be no assurance that we will promptly detect any such disruption or security breach, if at all. To the extent that any disruption or security breach were to result in a loss of or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the further development of our products could be delayed.

**Broad-based domestic and international government initiatives to reduce spending, particularly those related to healthcare costs, may reduce reimbursement rates for medical procedures, which will reduce the cost-effectiveness of our products and services.**

Healthcare reforms, changes in healthcare policies and changes to third-party coverage and reimbursements, including legislation enacted reforming the U.S. healthcare system and both domestic and foreign healthcare cost containment legislation, and any future changes to such legislation, may affect demand for our products and services and may have a material adverse effect on our financial condition and results of operations. The ongoing implementation of the Affordable Care Act, in the United States, as well as state-level healthcare reform proposals could reduce medical procedure volumes and impact the demand for medical device products or the prices at which we can sell products. These reforms include a national pilot program on payment bundling to encourage hospitals, physicians and other providers to improve the coordination, quality and efficiency of certain healthcare services through bundled payment models. The impact of this healthcare reform legislation, and practices including price regulation, competitive pricing, comparative effectiveness of therapies, technology assessments, and managed care arrangements are uncertain. There can be no assurance that current levels of reimbursement will not be decreased in the future, or that future legislation, regulation, or reimbursement policies of third parties will not adversely affect the demand for our products and services or our ability to sell products and provide services on a profitable basis. The adoption of significant changes to the healthcare system in the United States, the EEA or other jurisdictions in which we may market our products and services, could limit the prices we are able to charge for our products and services or the amounts of reimbursement available for our products and services, could limit the acceptance and availability of our products and services, reduce medical procedure volumes and increase operational and other costs.

There have been judicial and Congressional challenges to certain aspects of the Affordable Care Act, and as a result, certain sections of the Act have not been fully implemented or were effectively repealed. However, following several years of litigation in the federal courts, in June 2021, the United States Supreme Court upheld the Affordable Care Act when it dismissed a legal challenge to the Act’s constitutionality. Further legislative and regulatory changes under the Affordable Care Act remain possible, although the new Democrat-led presidential administration has been taking steps to strengthen the Affordable Care Act and the 117th Congress is not expected to have the same interest in repealing the law, in part due
to the healthcare economic impacts of the ongoing COVID-19 pandemic on many subsets of the U.S. population. In addition to the Affordable Care Act, there have been and will likely continue to be other federal and state changes that affect the provision of healthcare goods and services in the United States. While we are unable to predict what changes may ultimately be enacted, to the extent that future changes affect how our products and services are paid for and reimbursed by government and private payers, our business could be adversely impacted. Moreover, complying with any new legislation or reversing changes implemented under the Affordable Care Act could be time-intensive and expensive, resulting in a material adverse effect on the business.

Inadequate funding for the FDA, the SEC and other government agencies could hinder their ability to hire and retain key leadership and other personnel, prevent new products and services from being developed or commercialized in a timely manner or otherwise prevent those agencies from performing normal business functions on which the operation of our business may rely, which could negatively impact our business.

The ability of the FDA to review and approve or clear new medical device products can be affected by a variety of factors, including government budget and funding levels, ability to hire and retain key personnel and accept the payment of user fees, and statutory, regulatory, and policy changes. Average review times at the agency have fluctuated in recent years as a result. In addition, government funding of the SEC and other government agencies on which our operations may rely, including those that fund research and development activities, is subject to the political process, which is inherently fluid and unpredictable.

Disruptions at the FDA and other agencies may also increase the time necessary for new products to be reviewed and/or approved by necessary government agencies, which would adversely affect our business. For example, over the last several years, the U.S. government has shut down several times, and certain regulatory agencies, such as the FDA and the SEC, have had to furlough critical employees and stop critical activities. Separately, in response to the COVID-19 pandemic, in March 2020, the FDA temporarily postponed routine surveillance inspections of domestic manufacturing facilities and provided guidance regarding the conduct of clinical trials, which has since been further updated and is being refreshed on a periodic basis. The FDA has also noted that it is continuing to ensure timely reviews of applications for medical products during the COVID-19 pandemic in line with its user fee performance goals and conducting “mission-critical” domestic and foreign inspections to ensure compliance of manufacturing facilities with FDA quality standards.

Subsequently, in July 2020, the FDA announced its intention to resume certain on-site inspections of domestic manufacturing facilities subject to a risk-based prioritization system. The FDA intends to use this risk-based assessment system to identify the categories of regulatory activity that can occur within a given geographic area, ranging from mission-critical inspections to resumption of all regulatory activities. The agency’s rating system is used to assist in determining when and where it is safest to conduct such inspections based on data about the virus’s trajectory in a given state and locality and the rules and guidelines that are put in place by state and local governments. The FDA's assessment of whether an inspection is mission-critical considers many factors related to the public health benefit of U.S. patients having access to the product subject to inspection, including whether the products are used to diagnose, treat, or prevent a serious disease or medical condition for which there is no other appropriate substitute. Both for-cause and pre-approval inspections can be deemed mission-critical.

Additionally, regulatory authorities outside the United States may adopt similar restrictions or other policy measures in response to the COVID-19 pandemic. If a prolonged government shutdown or slowdown occurs, or if global health concerns continue to prevent the FDA or other regulatory authorities from conducting their regular inspections, reviews, or other regulatory activities, it could significantly impact the ability of the FDA to timely review and process regulatory submissions, which could have a material adverse effect on our future business. Further, future government shutdowns could impact our ability to access the public markets and obtain necessary capital in order to properly capitalize and continue our operations.
Risks Related to Butterfly’s Intellectual Property

If we are unable to protect our intellectual property, our ability to maintain any technological or competitive advantage over our competitors and potential competitors would be adversely impacted, and our business may be harmed.

We rely on patent protection as well as trademark, copyright, trade secret and other intellectual property rights protection and contractual restrictions to protect our proprietary technologies, all of which provide limited protection and may not adequately protect our rights or permit us to gain or keep any competitive advantage. As of December 31, 2021, we owned approximately 352 issued patents and approximately 455 pending patent applications. Of our approximately 352 issued patents, approximately 104 were issued U.S. utility patents and approximately 35 were issued U.S. design patents. Of our approximately 455 pending patent applications, approximately 145 were pending U.S. utility patent applications and approximately 13 were pending U.S. design applications. In addition, as of December 31, 2021, we owned approximately 213 issued patents in foreign jurisdictions, including Australia, Canada, Europe, Japan, China, Taiwan, Korea and India, and 293 pending patent applications in foreign jurisdictions, including Australia, Canada, Europe, Japan, China, Taiwan, Korea and India, corresponding to the foregoing. In total, as of December 31, 2021, we owned approximately 187 patent families generally directed to our ultrasound products, including manufacturing, circuit components and add-on features. These issued patents and pending patent applications (if they were to issue as patents) have expected expiration dates ranging between 2030 and 2042. If we fail to protect our intellectual property, third parties may be able to compete more effectively against us, we may lose our technological or competitive advantage, or we may incur substantial litigation costs in our attempts to recover or restrict use of our intellectual property.

We cannot assure investors that any of our currently pending or future patent applications will result in granted patents, and we cannot predict how long it will take for such patents to be granted or whether the scope of such patents, if granted, will adequately protect our products from competitors. It is possible that, for any of our patents that have granted or that may be granted in the future, others will design alternatives that do not infringe upon our patented technologies. Further, we cannot assure investors that other parties will not challenge any patents granted to us or that courts or regulatory agencies will hold our patents to be valid or enforceable. We cannot guarantee investors that we will be successful in defending challenges made against our patents and patent applications. Any successful third-party challenge to our patents could result in the unenforceability or invalidity of such patents, or to such patents being interpreted narrowly or otherwise in a manner adverse to our interests. Our ability to establish or maintain a technological or competitive advantage over our competitors may be diminished because of these uncertainties. For these and other reasons, our intellectual property may not provide us with any competitive advantage. For example:

- We or our licensors might not have been the first to make the inventions covered by each of our pending patent applications or granted patents;
- We or our licensors might not have been the first to file patent applications for our inventions. To determine the priority of these inventions, we may have to participate in interference proceedings or derivation proceedings declared by the U.S. Patent and Trademark Office, or USPTO, that could result in substantial cost to us. No assurance can be given that our patent applications or granted patents (or those of our licensors) will have priority over any other patent or patent application involved in such a proceeding;
- Others may independently develop similar or alternative products and technologies or duplicate any of our products and technologies;
- It is possible that our owned or licensed pending patent applications will not result in granted patents, and even if such pending patent applications grant as patents, they may not provide a basis for intellectual property protection of commercially viable products, may not provide us with any competitive advantages, or may be challenged and invalidated by third parties;
- We may not develop additional proprietary products and technologies that are patentable;
- The patents of others may have an adverse effect on our business; and
- While we apply for patents covering our products and technologies and use thereof, as we deem appropriate, we may fail to apply for patents on important products and technologies in a timely fashion or at all, or we may fail to apply for patents in potentially relevant jurisdictions.
To the extent our intellectual property offers inadequate protection, or is found to be invalid or unenforceable, we would be exposed to a greater risk of direct competition. If our intellectual property does not provide adequate coverage over our products and protection against our competitors’ products, our competitive position could be adversely affected, as could our business.

Software is a critical component of our devices. To the extent such software is not protected by our patents, we depend on copyright and trade secret protection and non-disclosure agreements with our employees, strategic partners and consultants, which may not provide adequate protection.

The measures that we use to protect the security of our intellectual property and other proprietary rights may not be adequate, which could result in the loss of legal protection for, and thereby diminish the value of, such intellectual property and other rights.

In addition to pursuing patents on our technology, we also rely upon trademarks, trade secrets, copyrights and unfair competition laws, as well as license agreements and other contractual provisions, to protect our intellectual property and other proprietary rights. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated. In addition, we take steps to protect our intellectual property and proprietary technology by entering into confidentiality agreements and intellectual property assignment agreements with our employees, consultants, corporate partners and, when needed, our advisors. Our suppliers also have access to the patented technology owned or used by us as well as other proprietary information, and these suppliers are subject to confidentiality provisions under their agreements with us.

Such agreements or provisions may not be enforceable or may not provide meaningful protection for our trade secrets or other proprietary information in the event of unauthorized use or disclosure or other breaches of the agreements, and we may not be able to prevent such unauthorized disclosure. Notwithstanding any such agreements, there is no assurance that our current or former manufacturers or suppliers will not use and/or supply our competitors with our trade secrets, know-how or other proprietary information to which these parties gained access or generated from their relationship with us. This could lead to our competitors gaining access to patented or other proprietary information. Moreover, if a party to an agreement with us has an overlapping or conflicting obligation to a third party, our rights in and to certain intellectual property could be undermined. Monitoring unauthorized disclosure is difficult, and we do not know whether the steps we have taken to prevent such disclosure are, or will be, adequate. If we were to enforce a claim that a third party had illegally obtained and was using our trade secrets, it would be expensive and time-consuming, the outcome would be unpredictable, and any remedy may be inadequate. In addition, courts outside the United States may be less willing to protect trade secrets.

In addition, competitors could purchase our products and attempt to replicate some or all of the competitive advantages we derive from our development efforts, willfully infringe our intellectual property rights, design around our protected technology or develop their own competitive technologies that fall outside of our intellectual property rights. If our intellectual property does not adequately protect our market share against competitors’ products and methods, our competitive position could be adversely affected, as could our business.

We are party to the Technology and Services Exchange Agreement by and among us and certain affiliated companies, pursuant to which the parties have agreed to share personnel and certain non-core technologies. The sharing arrangements under the agreement may prevent us from fully utilizing our personnel and/or the technologies shared under the agreement. Furthermore, if this agreement were to terminate, or if we were to lose access to these technologies and services, our business could be adversely affected.

We entered into a Technology and Services Exchange Agreement, or the TSEA, by and among us and other participant companies controlled by the Rothbergs, consisting of AI Therapeutics, Inc., Quantum-Si Incorporated, Hyperfine Operations, Inc. (f/k/a Hyperfine, Inc.), 4Bionics LLC, Tesseract Health, Inc., Liminal Operations, Inc. (f/k/a Liminal Sciences, Inc.) and Detect, Inc. (f/k/a Homodeus Inc.). The TSEA, signed in November 2020, became effective upon the Closing. Under the TSEA, we and the other participant companies may, in their discretion, permit the use of certain non-core technologies, which include any technologies, information or equipment owned or otherwise controlled by the participant company that are not specifically related to the core business area of the participant, such as software.
hardware, electronics, fabrication and supplier information, vendor lists and contractor lists, with the other participant companies. The TSEA provides that ownership of each non-core technology shared by us or another participant company will remain with the company that originally shared the non-core technology. In addition, any participant company (including the Company) may, in its discretion, permit its personnel to be engaged by another participant company to perform professional, technical or consulting services for such participant. Unless otherwise agreed to by us and the other participant company, all rights, title and interest in and to any inventions, works-of-authorship, idea, data or know-how invented, made, created or developed by the personnel (employees, contractors or consultants) in the course of conducting services for a participant company, or Created IP, will be owned by the participant company for which the work was performed, and the recipient participant company grants to the party that had its personnel provide the services that resulted in the creation of the Created IP a royalty-free, perpetual, limited, worldwide, non-exclusive, sublicensable (and with respect to software, sub-licensable in object code only) license to utilize the Created IP only in the core business field of the originating participant company, including a license to create and use derivative works based on the Created IP in the originating participant’s core business field, subject to any agreed upon restrictions.

The technology- and personnel-sharing arrangements under the TSEA may prevent us from fully utilizing our personnel if such personnel are also being used by the other participant companies and may also cause our personnel to enter into agreements with or provide services to other companies that interfere with their obligations to us. Created IP under the TSEA may be relevant to our business and created by our personnel but owned by the other participant companies. Furthermore, if the TSEA were to terminate, or if we were to lose access to the technologies and services available pursuant to the TSEA, our business could be adversely affected.

Our wafer bonding technology for ultrasound applications is licensed to us by Stanford University. Any loss of our rights to this technology could prevent us from selling our products.

Our wafer bonding technology for use in ultrasound applications is licensed co-exclusively to us from Stanford until the end of December 2023, at which time the license becomes non-exclusive. We also license on a non-exclusive basis 7 active patents from Stanford. We do not own the patents that underlie these licenses. Our rights to use the licensed technology and employ the inventions claimed in the licensed patents are subject to the continuation of and compliance with the terms of the license. Our principal obligations under the license agreements with Stanford include the following:

- royalty payments;
- meeting certain milestones pertaining to development, commercialization and sales of products using the licensed technology;
- annual maintenance fees;
- using commercially reasonable efforts to develop and sell a product using the licensed technology and developing a market for such product; and
- providing certain reports.

If we breach any of these obligations, Stanford may have the right to terminate the licenses, which could result in us being unable to develop, manufacture and sell products using the licensed technology. Termination of our license agreements with Stanford would have a material adverse effect on our business.

In addition, we are a party to a number of other agreements that include licenses to intellectual property, including non-exclusive licenses. We may need to enter into additional license agreements in the future. Our business could suffer, for example, if any current or future licenses terminate, if the licensors fail to abide by the terms of the license, if the licensed patents or other rights are found to be invalid or unenforceable, or if we are unable to enter into necessary licenses on acceptable terms.

We may need or may choose to obtain licenses from third parties to advance our research or allow commercialization of our current or future products, and we cannot provide any assurances that we would be able to obtain such licenses.

We may need or may choose to obtain licenses from third parties to advance our research or allow commercialization of our current or future products, and we cannot provide any assurances that third-party patents do not exist that might be enforced against our current or future products in the absence of such a license. We may fail to obtain any of these
licences on commercially reasonable terms, if at all. Even if we are able to obtain a license, it may be non-exclusive, thereby giving our competitors access to the same technologies licensed to us. If we could not obtain a license, we may be required to expend significant time and resources to develop or license replacement technology. If we are unable to do so, we may be unable to develop or commercialize the affected products, which could materially harm our business and the third parties owning such intellectual property rights could seek either an injunction prohibiting our sales, or, with respect to our sales, an obligation on our part to pay royalties and/or other forms of compensation.

Licensing intellectual property involves complex legal, business and scientific issues. Disputes may arise between us and our licensors regarding intellectual property subject to a license agreement, including:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- whether and the extent to which our technology and processes infringe on intellectual property of the licensor that is not subject to the licensing agreement;
- our right to sublicense patent and other rights to third parties under collaborative development relationships;
- our diligence obligations with respect to the use of the licensed technology in relation to our development and commercialization of our products, and what activities satisfy those diligence obligations; and
- the ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our licensors and us and our partners.

If disputes over licensed intellectual property prevent or impair our ability to maintain the licensing arrangements on acceptable terms, we may be unable to successfully develop and commercialize the affected product, or the dispute may have an adverse effect on our results of operations.

In addition to agreements pursuant to which we in-license intellectual property, we have in the past, and we may in the future, grant licenses under our intellectual property. Like in-licenses, out-licenses are complex, and disputes may arise between us and our licensees, such as the types of disputes described above. Moreover, our licensees may breach their obligations, or we may be exposed to liability due to our failure or alleged failure to satisfy our obligations. Any such occurrence could have an adverse effect on our business.

If we or any of our partners are sued for infringing the intellectual property rights of third parties, such litigation would be costly and time consuming, and an unfavorable outcome in any such litigation could have a material adverse effect on our business.

Our success also depends on our ability to develop, manufacture, market and sell our products and perform our services without infringing upon the proprietary rights of third parties. Numerous U.S. and foreign-issued patents and pending patent applications owned by third parties exist in the fields in which we are developing products and services. As part of a business strategy to impede our successful commercialization and entry into new markets, competitors may claim that our products and/or services infringe their intellectual property rights and may suggest that we enter into license agreements.

Even if such claims are without merit, we could incur substantial costs and the attention of our management, and technical personnel could be diverted in defending us against claims of infringement made by third parties or settling such claims. Any adverse ruling by a court or administrative body, or perception of an adverse ruling, may have a material adverse impact on our ability to conduct our business and our finances. Moreover, third parties making claims against us may be able to obtain injunctive relief against us, which could block our ability to offer one or more products or services and could result in a substantial award of damages against us. In addition, since we sometimes indemnify customers, collaborators or licensees, we may have additional liability in connection with any infringement or alleged infringement of third-party intellectual property.

Because patent applications can take many years to issue, there may be pending applications, some of which are unknown to us, that may result in issued patents upon which our products or proprietary technologies may infringe. Moreover, we may fail to identify issued patents of relevance or incorrectly conclude that an issued patent is invalid or not infringed by our technology or any of our products. There is a substantial amount of litigation involving patent and other intellectual property rights in the medical device space. As we face increasing competition and as our business grows, we will likely
face more claims of infringement. If a third party claims that we or any of our licensors, customers or collaboration partners infringe upon a third party’s intellectual property rights, we may have to:

- seek licenses that may not be available on commercially reasonable terms, if at all;
- abandon any infringing product or redesign our products or processes to avoid infringement;
- pay substantial damages including, in an exceptional case, treble damages and attorneys’ fees, which we may have to pay if a court decides that the product or proprietary technology at issue infringes upon or violates the third-party’s rights;
- pay substantial royalties or fees or grant cross-licenses to our technology; or
- defend litigation or administrative proceedings that may be costly whether we win or lose, and which could result in a substantial diversion of our financial and management resources.

We may be involved in lawsuits to protect or enforce our patents or the patents of our licensors, which could be expensive, time-consuming and unsuccessful.

Competitors may infringe our patents or the patents that we license. In the event of infringement or unauthorized use, we may file one or more infringement lawsuits, which can be expensive and time-consuming. An adverse result in any such litigation proceedings could put one or more of our patents at risk of being invalidated, being found to be unenforceable or being interpreted narrowly and could put our patent applications at risk of not issuing. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation.

Many of our competitors are larger than we are and have substantially greater resources. They are, therefore, likely to be able to sustain the costs of complex patent litigation longer than we could. In addition, the uncertainties associated with litigation could have a material adverse effect on our ability to raise any funds necessary to continue our operations, continue our internal research programs, in-license needed technology, or enter into development partnerships that would help us bring our products to market.

In addition, patent litigation can be very costly and time-consuming. An adverse outcome in any such litigation or proceedings may expose us or any of our future development partners to loss of our proprietary position, expose us to significant liabilities, or require us to seek licenses that may not be available on commercially acceptable terms, if at all.

Our issued patents could be found invalid or unenforceable if challenged in court, which could have a material adverse impact on our business.

If we or any of our partners were to initiate legal proceedings against a third party to enforce a patent covering one of our products or services, the defendant in such litigation could counterclaim that our patent is invalid and/or unenforceable. In patent litigation in the United States, defendant counterclaims alleging invalidity and/or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including lack of novelty, obviousness or non-enablement, or failure to claim patent eligible subject matter. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the USPTO, or made a misleading statement during prosecution. Third parties may also raise similar claims before the USPTO even outside the context of litigation. The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to the validity question, for example, we cannot be certain that there is no invalidating prior art of which we and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the challenged patent. Such a loss of patent protection would have a material adverse impact on our business.

We may be subject to claims that our employees, consultants or independent contractors have wrongfully used or disclosed alleged trade secrets of their other clients or former employers to us, which could subject us to costly litigation.

As is common in the medical device industry, we engage the services of consultants and independent contractors to assist us in the development of our products. Many of these consultants and independent contractors were previously employed at, or may have previously provided or may be currently providing consulting or other services to, universities or other
technology, biotechnology or pharmaceutical companies, including our competitors or potential competitors. We may become subject to claims that we, a consultant or an independent contractor inadvertently or otherwise used or disclosed trade secrets or other information proprietary to their former employers or their former or current clients. We may similarly be subject to claims stemming from similar actions of an employee, such as one who was previously employed by another company, including a competitor or potential competitor. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to our management team. If we were to be unsuccessful, we could lose access or exclusive access to valuable intellectual property.

We may be subject to claims challenging the inventorship or ownership of our patents and other intellectual property.

We generally enter into confidentiality and intellectual property assignment agreements with our employees, consultants, and contractors. These agreements generally provide that inventions conceived by the party in the course of rendering services to us will be our exclusive property. However, those agreements may not be honored and may not effectively assign intellectual property rights to us. For example, even if we have a consulting agreement in place with an academic advisor pursuant to which such academic advisor is required to assign any inventions developed in connection with providing services to us, such academic advisor may not have the right to assign such inventions to us, as it may conflict with his or her obligations to assign all such intellectual property to his or her employing institution.

We may not be able to protect our intellectual property rights throughout the world, which could materially, negatively affect our business.

Filing, prosecuting and defending patents on current and future products in all countries throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the United States can be less extensive than those in the United States. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the United States. Consequently, regardless of whether we are able to prevent third parties from practicing our inventions in the United States, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States. These products may compete with our products in the United States, but enforcement is not as strong as it is in the United States. These products may compete with our products and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing. Even if we pursue and obtain issued patents in particular jurisdictions, our patent claims or other intellectual property rights may not be effective or sufficient to prevent third parties from competing. Patent protection must ultimately be sought on a country-by-country basis, which is an expensive and time-consuming process with uncertain outcomes. Accordingly, we may choose not to seek patent protection in certain countries, and we will not have the benefit of patent protection in such countries.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license and may adversely impact our business.

In addition, we also face the risk that our products are imported or reimported into markets with relatively higher prices from markets with relatively lower prices, which would result in a decrease of sales and any payments we receive from the affected market. Recent developments in U.S. patent law have made it more difficult to stop these and related practices based on theories of patent infringement.
Changes in patent laws or patent jurisprudence could diminish the value of patents in general, thereby impairing our ability to protect our products.

The America Invents Act, or AIA, was signed into law on September 16, 2011, and many of the substantive changes under the AIA became effective on March 16, 2013. An important change introduced by the AIA is that, as of March 16, 2013, the United States transitioned to a “first-to-file” system for deciding which party should be granted a patent when two or more patent applications are filed by different parties claiming the same invention. A third party that files a patent application in the USPTO after that date but before we file could therefore be awarded a patent covering an invention of ours even if we had made the invention before it was made by the third party. This requires us to be cognizant of the time from invention to filing of a patent application, but circumstances could prevent us from promptly filing patent applications on our inventions.

Among some of the other changes introduced by the AIA are changes that limit where a patent holder may file a patent infringement suit and providing additional opportunities for third parties to challenge any issued patent in the USPTO. This applies to all of our owned and in-licensed U.S. patents, even those issued before March 16, 2013. Because of a lower evidentiary standard in USPTO proceedings compared to the evidentiary standard in U.S. federal courts necessary to invalidate a patent claim, a third party could potentially provide evidence in a USPTO proceeding sufficient for the USPTO to hold a claim invalid even though the same evidence would be insufficient to invalidate the claim if first presented in a district court action. Accordingly, a third party may attempt to use the USPTO procedures to invalidate our patent claims that would not have been invalidated if first challenged by the third party as a defendant in a district court action. The AIA and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents.

Additionally, the U.S. Supreme Court has ruled on several patent cases in recent years, such as Impression Products, Inc. v. Lexmark International, Inc., Association for Molecular Pathology v. Myriad Genetics, Inc., Mayo Collaborative Services v. Prometheus Laboratories, Inc. and Alice Corporation Pty. Ltd. v. CLS Bank International, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on actions by the U.S. Congress and decisions by the federal courts and the USPTO, the laws and regulations governing patents could change in unpredictable ways that could weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other provisions during the patent process. There are situations in which noncompliance can result in abandonment or lapse of a patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, competitors might be able to enter the market earlier than would otherwise have been the case. In some cases, our licensors may be responsible for, for example, these payments, thereby decreasing our control over compliance with these requirements.

If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected.

Our registered or unregistered trademarks or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names, which we need to build name recognition by potential partners or customers in our markets of interest. At times, competitors may adopt trade names or trademarks similar to ours, thereby impeding our ability to build brand identity and possibly leading to market confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, then we may not be able to compete effectively and our business may be adversely affected.
We may use third-party open source software components in future products, and failure to comply with the terms of the underlying open source software licenses could restrict our ability to sell such products.

We have chosen, and we may choose in the future, to use open source software in our products, including our Software Development Kit, or SDK, which is meant to provide a governed ecosystem for third parties to create content and applications that will serve to enrich the overall software ecosystem and deliver additional clinical and product advancements for our users. Use and distribution of open source software may entail greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. Some open source licenses may contain requirements that we make available source code for modifications or derivative works we create based upon the type of open source software we use. If we combine our proprietary software with open source software in a certain manner, we could, under certain open source licenses, be required to release the source code of our proprietary software to the public. This would allow our competitors to create similar products with less development effort and time and ultimately could result in a loss of product sales.

Although we intend to monitor any use of open source software to avoid subjecting our products to conditions we do not intend, the terms of many open source licenses have not been interpreted by U.S. courts, and there is a risk that any such licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to commercialize our products. Moreover, there is no assurance that our processes for controlling our use of open source software in our products will be effective. If we are held to have breached the terms of an open source software license, we could be required to seek licenses from third parties to continue offering our products on terms that are not economically feasible, to re-engineer our products, to discontinue the sale of our products if re-engineering could not be accomplished on a timely basis, or to make generally available, in source code form, our proprietary code, any of which could adversely affect our business, operating results and financial condition.

We use third-party software that may cause errors or failures of our products that could lead to lost customers or harm to our reputation.

We use software licensed from third parties in our products. Any errors or defects in third-party software or other third-party software failures could result in errors, defects or cause our products to fail, which could harm our business and be costly to correct. Many of these providers attempt to impose limitations on their liability for such errors, defects or failures, and if enforceable, we may have additional liability to our customers or third-party providers that could harm our reputation and increase our operating costs.

We will need to maintain our relationships with third-party software providers and to obtain software from such providers that does not contain any errors or defects. Any failure to do so could adversely impact our ability to deliver reliable products to our customers and could harm our reputation and results of operations.

Numerous factors may limit any potential competitive advantage provided by our intellectual property rights.

The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately protect our business, provide a barrier to entry against our competitors or potential competitors, or permit us to maintain our competitive advantage. Moreover, if a third party has intellectual property rights that cover the practice of our technology, we may not be able to fully exercise or extract value from our intellectual property rights. The following examples are illustrative:

- others may be able to develop and/or practice technology that is similar to our technology or aspects of our technology but that is not covered by the claims of any patents that have issued, or may issue, from our owned or in-licensed patent applications;
- we might not have been the first to make the inventions covered by a pending patent application that we own or license;
- we might not have been the first to file patent applications covering an invention;
- others may independently develop similar or alternative technologies without infringing our intellectual property rights;
pending patent applications that we own or license may not lead to issued patents;
patents, if issued, that we own or license may not provide us with any competitive advantages, or may be held invalid or unenforceable, as a result of legal challenges by our competitors;
third parties may compete with us in jurisdictions where we do not pursue and obtain patent protection;
we may not be able to obtain and/or maintain necessary or useful licenses on reasonable terms or at all;
third parties may be able to also license the intellectual property that we have licensed nonexclusively;
third parties may assert an ownership interest in our intellectual property and, if successful, such disputes may preclude us from exercising exclusive rights over that intellectual property;
we may not be able to maintain the confidentiality of our trade secrets or other proprietary information;
we may not develop or in-license additional proprietary technologies that are patentable; and
the patents of others may have an adverse effect on our business.

Should any of these events occur, they could significantly harm our business and results of operations.

**Risks Related to Our Securities and to Being a Public Company**

The Company's outstanding warrants became exercisable for the Company's Class A common stock upon the first anniversary of Longview's initial public offering. The exercise of these outstanding warrants will increase the number of shares eligible for future resale in the public market and result in dilution to our stockholders.

As of February 1, 2022, there were 13,799,457 outstanding public warrants to purchase 13,799,457 shares of our Class A common stock at an exercise price of $11.50 per share, which warrants became exercisable 12 months from the closing of our initial public offering, which occurred on May 26, 2020. In addition, as of February 1, 2022, there were 6,853,333 private placement warrants outstanding exercisable for 6,853,333 shares of our Class A common stock at an exercise price of $11.50 per share. In certain circumstances, the public warrants and private placement warrants may be exercised on a cashless basis. To the extent such warrants are exercised, additional shares of our Class A common stock will be issued, which will result in dilution to the holders of our Class A common stock and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market could adversely affect the market price of our Class A common stock, the impact of which is increased as the value of our stock price increases.

If we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results, our ability to operate our business and investors' views of us.

We are required to comply with Section 404 of the Sarbanes-Oxley Act. Section 404 of the Sarbanes-Oxley Act requires public companies to maintain effective internal control over financial reporting. In particular, we must perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting. In addition, we are required to have our independent registered public accounting firm attest to the effectiveness of our internal control over financial reporting. Ensuring that we have adequate internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis is a costly and time-consuming effort that will need to be evaluated frequently. We may need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge.

As previously disclosed in our Amendment No. 1 to our Annual Report on Form 10-K/A for the year ended December 31, 2020, we identified a material weakness in our internal controls over financial reporting related to inaccurate accounting for public warrants and private placement warrants issued in connection with our initial public offering. 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 and corrected on a timely basis. In response to this material weakness we implemented our remediation plan, which included acquiring enhanced access to accounting literature, research materials and documents and improving the communication among our personnel and third-party professionals with whom we may consult regarding the application of complex accounting transactions. Our enhanced review processes and procedures were in place as of December 31, 2021. We have tested the related internal controls and have concluded, through testing, that the newly implemented
controls are operating effectively, and that the material weakness previously identified has been remediated as December 31, 2021.

If we fail to maintain the effectiveness of our internal controls or fail to comply in a timely manner with the requirements of the Sarbanes-Oxley Act, or if we or our independent registered public accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, this could have a material adverse effect on our business. We could lose investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on the price of our common stock and we could be subject to sanctions or investigations by the NYSE, the SEC or other regulatory authorities, which would require additional financial and management resources. In addition, if our efforts to comply with new or changed laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

Our ability to successfully implement our business plan and comply with Section 404 requires us to be able to prepare timely and accurate financial statements. We expect that we will need to continue to improve existing, and implement new operational and financial systems, procedures and controls to manage our business effectively. Any delay in the implementation of, or disruption in the transition to, new or enhanced systems, procedures or controls, may cause our operations to suffer and we may be unable to conclude that our internal control over financial reporting is effective and to obtain an unqualified report on internal controls from our independent registered public accounting firm as required under Section 404 of the Sarbanes-Oxley Act. This, in turn, could have an adverse impact on trading prices for our common stock, and could adversely affect our ability to access the capital markets.

The valuation of our warrants could increase the volatility in our net income (loss) in our consolidated statements of operations.

The change in fair value of our warrants is the result of changes in stock price and warrants outstanding at each reporting period. The change in fair value of warrant liabilities represents the mark-to-market fair value adjustments to the outstanding warrants issued in connection with the initial public offering of Longview. Significant changes in our stock price or number of warrants outstanding may adversely affect our net income (loss) in our consolidated statements of operations.

Because we are a “controlled company” within the meaning of the NYSE rules, our stockholders may not have certain corporate governance protections that are available to stockholders of companies that are not controlled companies.

So long as more than 50% of the voting power for the election of our directors is held by an individual, a group or another company, we will qualify as a “controlled company” within the meaning of the NYSE corporate governance standards. As of February 1, 2022, Dr. Rothberg controls approximately 76.9% of the voting power of our outstanding capital stock. As a result, we are a “controlled company” within the meaning of the NYSE corporate governance standards and will not be subject to the requirements that would otherwise require us to have: (i) a majority of independent directors; (ii) a nominating committee comprised solely of independent directors; (iii) compensation of our executive officers determined by a majority of the independent directors or a compensation committee comprised solely of independent directors; and (iv) director nominees selected, or recommended for our board of directors’ selection, either by a majority of the independent directors or a nominating committee comprised solely of independent directors.

Dr. Rothberg may have his interest in the Company diluted due to future equity issuances or his own actions in selling shares of our Class B common stock, in each case, which could result in a loss of the “controlled company” exemption under the NYSE listing rules. We would then be required to comply with those provisions of the NYSE listing requirements.

The dual class structure of our common stock has the effect of concentrating voting power with the chairman of our board of directors and founder, which will limit an investor’s ability to influence the outcome of important transactions, including a change in control.

Shares of our Class B common stock have 20 votes per share, while shares of our Class A common stock have one vote per share. As of February 1, 2022, Dr. Rothberg holds all of the issued and outstanding shares of our Class B common
stock and holds approximately 76.9% of the voting power of our capital stock and is able to control matters submitted to our stockholders for approval, including the election of directors, amendments of our organizational documents and any merger, consolidation, sale of all or substantially all of our assets or other major corporate transactions. Dr. Rothberg may have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. This concentrated control may have the effect of delaying, preventing or deterring a change in control of the Company, could deprive our stockholders of an opportunity to receive a premium for their capital stock as part of a sale of the Company, and may affect the market price of shares of our Class A common stock.

We cannot predict the impact our dual class structure may have on the stock price of our Class A common stock.

We cannot predict whether our dual class structure will result in a lower or more volatile market price of our Class A common stock or in adverse publicity or other adverse consequences. For example, certain index providers have announced restrictions on including companies with multiple-class share structures in certain of their indexes. Under these policies, our dual class capital structure would make us ineligible for inclusion in certain indices, and as a result, mutual funds, exchange-traded funds and other investment vehicles that attempt to passively track those indices will not be investing in our stock. It is unclear what effect, if any, these policies will have on the valuations of publicly traded companies excluded from such indices, but it is possible that they may depress valuations, as compared to similar companies that are included. As a result, the market price of shares of our Class A common stock could be adversely affected.

Delaware law and provisions in our certificate of incorporation and bylaws could make a takeover proposal more difficult.

Our organizational documents are governed by Delaware law. Certain provisions of Delaware law and of our certificate of incorporation and bylaws could discourage, delay, defer or prevent a merger, tender offer, proxy contest or other change of control transaction that a stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares of our Class A common stock held by our stockholders. These provisions provide for, among other things:

- the ability of our board of directors to issue one or more series of preferred stock;
- stockholder action by written consent only until the first time when Dr. Rothberg ceases to beneficially own a majority of the voting power of our capital stock;
- certain limitations on convening special stockholder meetings;
- advance notice for nominations of directors by stockholders and for stockholders to include matters to be considered at our annual meetings;
- amendment of certain provisions of the organizational documents only by the affirmative vote of (i) a majority of the voting power of our capital stock and (ii) at least two-thirds of the outstanding shares of our Class B common stock, voting as a separate class; and
- a dual-class common stock structure with 20 votes per share of our Class B common stock, the result of which is that Dr. Rothberg has the ability to control the outcome of matters requiring stockholder approval, even though Dr. Rothberg owns less than a majority of the outstanding shares of our capital stock.

These anti-takeover provisions as well as certain provisions of Delaware law could make it more difficult for a third party to acquire the Company, even if the third party’s offer may be considered beneficial by many of our stockholders. As a result, our stockholders may be limited in their ability to obtain a premium for their shares. If prospective takeovers are not consummated for any reason, we may experience negative reactions from the financial markets, including negative impacts on the price of our common stock. These provisions could also discourage proxy contests and make it more difficult for our stockholders to elect directors of their choosing and to cause the Company to take other corporate actions that our stockholders desire.
Our certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings and the federal district courts as the sole and exclusive forum for other types of actions and proceedings, in each case, that may be initiated by our stockholders, which could limit our stockholders' ability to obtain what such stockholders believe to be a favorable judicial forum for disputes with the Company or our directors, officers or other employees.

Our certificate of incorporation provides that, unless we consent to the selection of an alternative forum, any (i) derivative action or proceeding brought on behalf of the Company; (ii) action asserting a claim of breach of a fiduciary duty owed by, or any other wrongdoing by, any current or former director, officer or other employee or stockholder of the Company; (iii) action asserting a claim against the Company arising pursuant to any provision of the DGCL or our certificate of incorporation or our bylaws; (iv) action to interpret, apply, enforce, or determine the validity of any provisions in the certificate of incorporation of bylaws; or (v) action asserting a claim against the company or any director or officer of the Company governed by the internal affairs doctrine, shall, to the fullest extent permitted by law, be exclusively brought in the Court of Chancery of the State of Delaware or, if such court does not have subject matter jurisdiction thereof, the federal district court of the State of Delaware. Subject to the foregoing, the federal district courts of the United States are the exclusive forum for the resolution of any action, suit or proceeding asserting a cause of action under the Securities Act. The exclusive forum provision does not apply to suits brought to enforce any liability or duty created by the Exchange Act. Any person or entity purchasing or otherwise acquiring an interest in any shares of our capital stock shall be deemed to have notice of and to have consented to the forum provisions in our certificate of incorporation. These choice-of-forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that he, she or it believes to be favorable for disputes with the Company or our directors, officers or other employees or stockholders, which may discourage such lawsuits. We note that there is uncertainty as to whether a court would enforce these provisions and that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. Section 22 of the Securities Act creates concurrent jurisdiction for state and federal courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder.

Alternatively, if a court were to find these provisions of our certificate of incorporation inapplicable or unenforceable with respect to one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could materially adversely affect our business, financial condition and results of operations and result in a diversion of the time and resources of our management and board of directors.

Litigation Risks

We face the risk of product liability claims and may be subject to damages, fines, penalties and injunctions, among other things.

Our business exposes us to the risk of product liability claims that are inherent in the testing, manufacturing and marketing of medical devices, including those which may arise from the misuse (including system hacking or other unauthorized access by third parties to our systems) or malfunction of, or design flaws in, our hardware and software products. This liability may vary based on the FDA classification associated with our devices and with the laws of the state or other applicable jurisdiction governing product liability standards applied to specification developers and/or manufacturers in a given negligence or strict liability lawsuit. We may be subject to product liability claims if our products cause, or merely appear to have caused, an injury. Claims may be made by patients, healthcare providers or others selling our products. The risk of product liability claims may also increase if our products are subject to a product recall, whether voluntary or mandatory, or government seizure. Product liability claims may be brought by individuals or by groups seeking to represent a class.

Although we have insurance at levels that we believe to be appropriate, this insurance is subject to deductibles and coverage limitations. Our current product liability insurance may not continue to be available to us on acceptable terms, if at all, and, if available, the coverage may not be adequate to protect us against any future product liability claims. Further, if additional medical device products are approved or cleared for marketing, or if we launch additional 510(k)-exempt device products or products that are not FDA-regulated medical devices, we may seek additional insurance coverage. If we are unable to obtain insurance at an acceptable cost or on acceptable terms with adequate coverage or otherwise protect against potential product liability claims, we will be exposed to significant liabilities, which may harm
A product liability claim, recall or other claim with respect to uninsured liabilities or for amounts in excess of insured liabilities could result in significant costs and significant harm to our business.

We may be subject to claims against us even if the apparent injury is due to the actions of others or misuse of the device or a partner device. Healthcare providers may use our products in a manner that is inconsistent with the products’ labeling and that differs from the manner in which they were used in clinical studies and authorized for marketing by the FDA. Off-label use of products by healthcare providers is common, and any such off-label use of our products could subject us to additional liability, or require design changes to limit this potential off-label use once discovered. Defending a suit, regardless of merit, could be costly, could divert management attention and might result in adverse publicity, which could result in the withdrawal of, or result in reduced acceptance of, our products in the market.

Additionally, we have entered into various agreements where we indemnify third parties for certain claims relating to our products. These indemnification obligations may require us to pay significant sums of money for claims that are covered by these indemnification obligations. We are not currently subject to any product liability claims; however, any future product liability claims against us, regardless of their merit, may result in negative publicity about us that could ultimately harm our reputation and could have a material adverse effect on our business, financial condition, results of operations.

We are currently subject to a securities class action lawsuit, the unfavorable outcome of which may have a material adverse effect on our financial condition, results of operations and cash flows.

On February 16, 2022, a purported class action lawsuit was filed against us, certain of our executive officers and directors, and certain of Longview’s executive officers and directors prior to the Business Combination, alleging violations of the Exchange Act and Rule 10b-5 and Rule 14a-9 promulgated thereunder. The alleged class consists of all persons or entities who purchased or otherwise acquired the Company’s stock between February 16, 2021 and November 15, 2021 and/or holders as of the record date for the special meeting of shareholders held on February 12, 2021 in connection with the approval of the Business Combination. The lawsuit is premised upon allegations that the defendants made false and misleading statements and/or omissions about its post-Business Combination business and financial prospects, including the impact of the COVID-19 pandemic. While we intend to vigorously defend against this action, there is no assurance that we will be successful in the defense or that insurance will be available or adequate to fund any settlement or judgment or the litigation costs of the action. This action may divert management resources, we may incur substantial costs, and any unfavorable outcome may have a material adverse effect on our financial condition, results of operations and cash flows.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

We currently maintain our executive offices at 530 Old Whitfield Street, Gutilford, Connecticut. In addition, during fiscal year 2021, we signed a lease for office space in Burlington, Massachusetts for our corporate headquarters. The Burlington, Massachusetts operating lease expires in 2032. The lease is for approximately 61,138 rentable square feet consisting of the entire building located at 1600 District Avenue. In addition to serving as our corporate headquarters, the office will also support our sales, marketing, research and development and other general and administrative functions. We expect to begin occupying the Burlington, Massachusetts office space in the first half of fiscal year 2022.

We also occupy other office space domestically in New York, New York, Guilford, Connecticut and Palo Alto, California. We also occupy office space internationally in Taiwan. We lease the office space under operating leases. We consider our current office space adequate for our current operations.

Item 3. LEGAL PROCEEDINGS

On February 16, 2022, a putative class action lawsuit, styled Rose v. Butterfly Network, Inc., et al. (Case 2:22-cv-00854) was filed in the United States District Court for the District of New Jersey against the Company, its President and Chief Executive Officer, its Chief Financial Officer, the Chairman of its board of directors, as well as Longview’s Chairman (who is a director of the Company), Chief Executive Officer, Chief Financial Officer and members of Longview’s board.
of directors prior to the Business Combination, alleging violations of Sections 10(b), 14(a) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rules 10b-5 and 14a-9 promulgated thereunder. The alleged class consists of all persons or entities who purchased or otherwise acquired the Company’s stock between February 16, 2021 and November 15, 2021 and/or holders as of the record date for the special meeting of shareholders held on February 12, 2021 in connection with the approval of the Business Combination. The lawsuit is premised upon allegations that the defendants made false and misleading statements and/or omissions about its post-Business Combination business and financial prospects, including the impact of the COVID-19 pandemic. The Company intends to vigorously defend against this action. The lawsuit seeks unspecified damages, together with interest thereon, as well as the costs and expenses of litigation. There is no assurance that the Company will be successful in the defense of the litigation or that insurance will be available or adequate to fund any potential settlement or judgment or the litigation costs of the action. The Company is unable to predict the outcome or reasonably estimate a range of possible loss at this time.

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

Our Class A common stock and warrants to purchase Class A common stock are traded on the NYSE under the symbols “BFLY” and “BFLY WS” respectively.

Stockholders

As of February 1, 2022, the Company had approximately 171,733,179 shares of Class A common stock issued and outstanding held of record by 325 holders, approximately 26,426,937 shares of Class B common stock issued and outstanding held of record by five holders, approximately 13,799,457 public warrants held of record by one holder and 6,853,333 private placement warrants issued in connection with Longview’s initial public offering held of record by one holder, each exercisable for one share of Class A Common Stock at a price of $11.50 per share.

Unregistered Sales of Securities

Not applicable.

Issuer Purchases of Equity Securities

Not applicable.

Item 6. [RESERVED]
The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the financial statements and related notes included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements reflecting our current expectations, estimates and assumptions concerning events and financial trends that may affect our future operating results or financial position. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed in the sections entitled “Risk Factors” and “Cautionary Statement Regarding Forward-Looking Statements” appearing elsewhere in this Annual Report on Form 10-K.

Overview

We are an innovative digital health business transforming care with hand-held, whole body ultrasound. Powered by our proprietary Ultrasound-on-Chip™ technology, our solution enables the acquisition of imaging information from an affordable, powerful device that fits in a healthcare professional’s pocket with a unique combination of cloud-connected software and hardware technology that is easily accessed through a mobile app.

Butterfly iQ+ is an ultrasound transducer that can perform whole-body imaging in a single handheld probe using semiconductor technology. Our Ultrasound-on-Chip™ makes ultrasound more accessible outside of large healthcare institutions, while our software is intended to make the product easy to use and fully integrated with the clinical workflow, accessible on a user’s smartphone, tablet, and almost any hospital computer system connected to the Internet. Butterfly aims to enable the delivery of imaging information anywhere at point-of-care to drive earlier detection throughout the body and remote management of health conditions. We market and sell the Butterfly system, which includes probes and related accessories and software subscriptions, to healthcare systems, physicians and healthcare providers through a direct sales force, distributors and our eCommerce channel.

Business Combination

On February 12, 2021 we completed the business combination with Longview (the “Business Combination”) pursuant to the terms of the Business Combination Agreement, dated as of November 19, 2020 (the “Business Combination Agreement”), by and among Longview Acquisition Corp. ("Longview" or “the Company”), Clay Merger Sub, Inc., a Delaware corporation (“Merger Sub”), and Butterfly Network, Inc., a Delaware corporation (“Legacy Butterfly”). The Business Combination was approved by Longview's stockholders at its special meeting held on February 12, 2021. The transaction resulted in the Company being renamed to "Butterfly Network, Inc.” and the Company's Class A common stock and warrants to purchase Class A common stock commencing trading on the New York Stock Exchange ("NYSE") on February 16, 2021 under the symbol "BFLY" and “BFLY WS”, respectively. As a result of the Business Combination, we received gross proceeds of approximately $589 million.

COVID-19

The COVID-19 pandemic that began in 2020 has created significant global economic uncertainty. Uncertainty remains regarding the extent, timing and duration of the pandemic, including the emergence of new strains of the virus that may be more contagious or virulent and the extent to which the availability of vaccines and other safety measures will positively impact public health conditions. The uncertainty and potential economic volatility impact our customer base, supply chains, business practices and employees.

The COVID-19 pandemic and its economic impact have caused financial strain on our customer base due to decreased funding and other revenue shortfalls. With the recent Delta and Omicron variant waves of infections, we have seen our customer base become further strained in solving immediate problems associated with the variants. As a result, some of our customers have had to shift their attention to these pressing issues, resulting in longer sales cycles and slower adoption in the near term.
In addition, the issues originally brought on by COVID-19 continue to have an ongoing adverse impact on global supply chains, including ours. We have experienced constraints in availability, increasing lead times and costs required to obtain some inventory components. We have and will continue to implement operating efficiencies in our supply chain and manufacturing processes to help offset the cost increases in component parts for our device.

The pandemic caused us to make modifications to our business practices, including work from home policies, establishing strict health and safety protocols for our offices specific to COVID-19 and imposing restrictions on employee travel. Our employees have resumed traveling to perform sales-generating and corporate activities, and we have opened our offices and have allowed employees at their discretion to return to our offices. We are designing and implementing a plan to allow employees to safely resume work in the office on a more regular basis.

We continue to closely monitor the developments of COVID-19 for any material impact on our business. Given the uncertainty and potential economic volatility of the impact of the COVID-19 pandemic, the recent developments we have experienced may change based on new information that may emerge concerning COVID-19, the actions to contain it or address its impact and its economic impact on local, regional, national and international markets.

**Key Performance Metrics**

We review the key performance measures discussed below to evaluate the business and measure performance, identify trends, formulate plans and make strategic decisions.

**Units fulfilled**

We define units fulfilled as the number of devices whereby control is transferred to a customer. We do not adjust this metric for returns as our volume of returns has historically been low. We view units fulfilled as a key indicator of the growth of our business. We believe that this metric is useful to investors because it presents our core growth and performance of our business period over period.

![Graph showing units fulfilled](image)

Units fulfilled decreased by 839, or 11.1%, for the three months ended December 31, 2021 compared to the three months ended December 31, 2020, primarily caused by the positive impact of the launch of the Butterfly iQ+ and certain sales initiatives in the prior year period and slowing sales in our e-commerce channel. The decrease was partially offset by increased sales from our veterinary, distributor and direct sales force channels.

**Subscription Mix**

We define subscription mix as a percentage of our total revenue recognized in a reporting period that is subscription-based, consisting primarily of our software as a service (“SaaS”) offering. We view subscription mix as a key indicator of the
profitability of our business, and thus we believe that this metric is useful to investors. Because the costs and associated expenses to deliver our subscription offerings are lower as a percentage of sales than the costs of sales of our products, we believe a shift towards subscription will result in an improvement in profitability and margin expansion.

Subscription mix increased by 4.1 percentage points, to 24.1% for the three months ended December 31, 2021 compared to the three months ended December 31, 2020. The increase was due to an increased volume of units fulfilled and corresponding licenses sold since the prior year and current year subscription renewals, as well as the timing of revenue recognition for our SaaS and other subscription contracts and the timing of units fulfilled during the quarter. Revenue from such contracts is deferred and recognized over the service period.

Non-GAAP Financial Measures

We present non-GAAP financial measures in order to assist readers of our consolidated financial statements in understanding the core operating results that our management uses to evaluate the business and for financial planning purposes. Our non-GAAP financial measures, Adjusted Gross Profit, Adjusted Gross Margin and Adjusted EBITDA, provide an additional tool for investors to use in comparing our financial performance over multiple periods.

Adjusted Gross Profit, Adjusted Gross Margin and Adjusted EBITDA are key performance measures that our management uses to assess our operating performance. Adjusted Gross Profit, Adjusted Gross Margin and Adjusted EBITDA facilitate internal comparisons of our operating performance on a more consistent basis. We use these performance measures for business planning purposes and forecasting. We believe that Adjusted Gross Profit, Adjusted Gross Margin and Adjusted EBITDA enhance an investor’s understanding of our financial performance as they are useful in assessing our operating performance from period-to-period by excluding certain items that we believe are not representative of our core business.

Our Adjusted Gross Profit, Adjusted Gross Margin and Adjusted EBITDA may not be comparable to similarly titled measures of other companies because they may not calculate these measures in the same manner. Adjusted Gross Profit, Adjusted Gross Margin and Adjusted EBITDA are not prepared in accordance with U.S. GAAP and should not be considered in isolation of, or as an alternative to, measures prepared in accordance with U.S. GAAP. When evaluating our performance, you should consider Adjusted Gross Profit, Adjusted Gross Margin and Adjusted EBITDA alongside other financial performance measures prepared in accordance with U.S. GAAP, including gross profit, gross margin, operating loss and net loss.
Adjusted Gross Profit and Adjusted Gross Margin

We calculate Adjusted Gross Profit as gross profit adjusted to exclude depreciation and amortization, non-recurring changes to our warranty liability, non-recurring losses on purchase commitments and non-recurring inventory write-downs. We calculate Adjusted Gross Margin as gross margin adjusted to exclude depreciation and amortization, non-recurring changes to our warranty liability, non-recurring losses on purchase commitments and non-recurring inventory write-downs.

Our changes in the warranty liability are excluded from gross profit and gross margin when they are outside the normal course of operations for our business. The non-recurring warranty liability adjustments are for changes in our warranty policy resulting from a shift in product lines that impacted our estimate of future warranty costs.

We also exclude from gross profit and gross margin non-recurring losses on purchase commitments and non-recurring inventory write-downs when they are outside the normal course of business and in the period the expenses are incurred. The non-recurring losses on purchase commitments relate to inventory supply agreements where the expected losses exceed the benefit of the contracts, and the non-recurring inventory write-down adjustments are for excess and obsolete inventory resulting from a shift in product lines.

The following table reconciles Adjusted Gross Profit to gross profit and Adjusted Gross Margin to gross margin, the most directly comparable financial measures calculated and presented in accordance with U.S. GAAP:

<table>
<thead>
<tr>
<th></th>
<th>Years ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
</tr>
<tr>
<td>Revenue</td>
<td>$ 62,565</td>
</tr>
<tr>
<td>Cost of revenue</td>
<td>45,511</td>
</tr>
<tr>
<td>Gross profit</td>
<td>$ 17,054</td>
</tr>
<tr>
<td>Gross margin</td>
<td>27.3%</td>
</tr>
<tr>
<td>Add:</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>536</td>
</tr>
<tr>
<td>Warranty liability policy change</td>
<td>(560)</td>
</tr>
<tr>
<td>Loss on purchase commitments</td>
<td>13,965</td>
</tr>
<tr>
<td>Inventory write-downs</td>
<td>582</td>
</tr>
<tr>
<td>Adjusted gross profit</td>
<td>$ 31,577</td>
</tr>
<tr>
<td>Adjusted gross margin</td>
<td>50.5%</td>
</tr>
</tbody>
</table>

Adjusted EBITDA

We calculate Adjusted EBITDA as net loss adjusted to exclude interest income, interest expense, changes in the fair value of warrant liabilities, other expense, net, provision for income taxes, stock-based compensation, depreciation and amortization and other non-recurring items. The other non-recurring items include costs related to our executive transition, adjustments for the warranty liability policy changes, discretionary transaction bonuses, non-recurring losses on purchase commitments, non-recurring inventory write-downs and other fees incurred with the close of the Business Combination.

Our non-recurring discretionary bonuses are excluded from Adjusted EBITDA when they are outside the normal course of operations for our business and were given at the discretion of management due to the completion of the Business Combination. The non-recurring costs related to the executive transition include one-time severance and bonus payments and the recruiting expenses for our current CEO. The non-recurring warranty liability adjustments are for changes in our warranty policy resulting from a shift in product lines that impacted our estimate of future warranty costs. The non-recurring losses on purchase commitments relate to inventory supply agreements where the expected losses exceed the benefit of the contracts and the non-recurring inventory write-down adjustments are for excess and obsolete inventory.
resulting from a shift in product lines. The non-recurring impairment relates to other long term assets that are not expected to be utilized in subsequent periods.

The following table reconciles Adjusted EBITDA to net loss, the most directly comparable financial measure calculated and presented in accordance with U.S. GAAP:

<table>
<thead>
<tr>
<th>(In thousands)</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loss</td>
<td>$ (32,409)</td>
<td>$ (162,745)</td>
<td>$ (99,697)</td>
</tr>
<tr>
<td>Interest income</td>
<td>(2,573)</td>
<td>(283)</td>
<td>(2,695)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>651</td>
<td>1,141</td>
<td>—</td>
</tr>
<tr>
<td>Change in fair value of warrant liabilities</td>
<td>(161,095)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other expense, net</td>
<td>2,577</td>
<td>231</td>
<td>96</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>121</td>
<td>39</td>
<td>—</td>
</tr>
<tr>
<td>Stock based compensation</td>
<td>47,798</td>
<td>11,004</td>
<td>6,038</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>2,090</td>
<td>1,316</td>
<td>758</td>
</tr>
<tr>
<td>CEO transition costs</td>
<td>5,398</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Warranty liability policy change</td>
<td>(560)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Transaction bonus</td>
<td>1,653</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Impairments</td>
<td>—</td>
<td>1,390</td>
<td>—</td>
</tr>
<tr>
<td>Loss on purchase commitments</td>
<td>13,965</td>
<td>60,113</td>
<td>9,500</td>
</tr>
<tr>
<td>Inventory write-downs</td>
<td>582</td>
<td>2,570</td>
<td>—</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>$ (121,802)</td>
<td>$ (85,226)</td>
<td>$ (86,000)</td>
</tr>
</tbody>
</table>

Description of Certain Components of Financial Data

Revenue

Revenue consists of revenue from the sale of products, such as medical devices and accessories, and related services, classified as subscription revenue on our consolidated statements of operations and comprehensive loss, which are SaaS subscriptions and Support. SaaS subscriptions include licenses for teams and individuals as well as enterprise level subscriptions. For sales of products, which include the ultrasound devices and any ultrasound device accessories, revenue is recognized at a point in time upon transfer of control to the customer. SaaS subscriptions and Support are generally related to stand-ready obligations and are recognized ratably over time.

Over time as adoption of our devices increases through further market penetration and as practitioners in the Butterfly network continue to use our devices, we expect our annual revenue mix to shift more toward subscriptions. The quarterly revenue mix may be impacted by the timing of device sales.

Cost of revenue

Cost of product revenue consists of product costs including manufacturing costs, personnel costs and benefits, inbound freight, packaging, warranty replacement costs, payment processing fees and inventory obsolescence and write-offs. We expect our cost of product revenue to fluctuate over time due to the level of units fulfilled in any given period and decrease as a percentage of revenues over time as we focus on operational efficiencies in our supply chain and take appropriate pricing actions. Additionally, we expect there will continue to be supply constraints; our suppliers are continuing to raise prices and may continue to raise prices in the future, which we may not be able to offset through pricing actions and manufacturing efficiencies. In 2021, due to supply constraints, many of our suppliers increased costs but we were largely able to offset these costs. Furthermore, as the Company has new product releases, the costs incurred may fluctuate as the costs of new products may be greater than previous product releases.

Cost of subscription revenue consists of personnel costs, cloud hosting costs and payment processing fees. Because the costs and associated expenses to deliver our SaaS offerings are less than the costs and associated expenses of manufacturing and selling our device, we anticipate an improvement in profitability and margin expansion over time as our revenue mix
shifts increasingly towards subscriptions. We plan to continue to invest additional resources into our products to expand and further develop our SaaS offerings. The level and timing of investment in these areas could affect our cost of subscription revenue in the future. We expect the cost of subscription revenue to increase as a percentage of subscription revenue in the near term due to the investments we are making, but will continue to be lower than the cost of product revenue as a percentage of product revenue.

Loss on product purchase commitments relates to inventory supply agreements where the expected losses exceed the benefit of the contracts. We consider a variety of factors and data points when determining the existence and scope of a loss for the minimum purchase commitment. The factors and data points include Company-specific forecasts which are reliant on our limited sales history, agreement-specific provisions, macroeconomic factors and market and industry trends. Determining the loss is subjective and requires significant management judgment and estimates. Future events may differ from those assumed in our assessment, and therefore the loss may change in the future.

Research and development (R&D)

Research and development expenses primarily consist of personnel costs and benefits, facilities-related expenses, depreciation expense, consulting and professional fees, fabrication services, software and other outsourcing expenses. Most of our research and development expenses are related to developing new products and services and improving existing products and services, which we define as not having reached the point of commercialization, and improving our products and services that have been commercialized. Consulting expenses are related to general development activities and clinical/regulatory research. Fabrication services include certain third-party engineering costs, product testing and test boards. Research and development expenses are expensed as incurred. We expect to continue to make substantial investments in our product development, clinical and regulatory capabilities. Prospectively on an annual basis, we expect research and development spending to increase in absolute dollars in the near term and then fluctuate over time due to the level and timing of our product development efforts. In the near term, we expect research and development expenses as a percentage of revenue will increase on an annual basis and then fluctuate over time as we evaluate expansion opportunities. On a quarterly basis, we expect research and development expenses as a percentage of revenue will fluctuate given the level and timing of the product development efforts as well the amount of revenue recognized in a period.

Sales and marketing

Sales and marketing expenses primarily consist of personnel costs and benefits, third party logistics, fulfillment and outbound shipping costs, digital marketing, advertising, promotional, as well as conferences, meetings and other events and related facilities and information technology costs. We expect our sales and marketing expenses to increase in absolute dollars in the long term as we continue to increase the size of our direct sales force and sales support personnel and expand into new products and markets. We expect our sales and marketing expenses will also increase in the near term as we promote our brand through marketing and advertising initiatives, expand market presence and hire additional personnel to drive penetration and generate leads. In the near term, we expect that sales and marketing expenses as a percentage of revenues will increase on an annual basis and then fluctuate over time as we evaluate expansion opportunities. On a quarterly basis, we expect sales and marketing expenses as a percentage of revenue may fluctuate given the level and timing of the sales and marketing initiatives as well the amount of revenue recognized in a period.

General and administrative

General and administrative expenses primarily consist of personnel costs and benefits, insurance, patent fees, software costs, facilities costs and outside services. Outside services consist of professional services, legal and other professional fees. We expect our general and administrative expenses to increase in absolute dollars in the foreseeable future. In the near term, we anticipate general and administrative expenses as a percentage of revenue will decrease on an annual basis. On a quarterly basis we expect it to fluctuate over time due to the timing and amount of these expenses as well the amount of revenue recognized in a period.
## Results of Operations

We operate as a single reportable segment to reflect the way our chief operating decision maker ("CODM") reviews and assesses the performance of the business. The accounting policies are described in Note 2 “Summary of Significant Accounting Policies” in our consolidated financial statements included in this Annual Report on Form 10-K.

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>2021</th>
<th>% of revenue</th>
<th>2020</th>
<th>% of revenue</th>
<th>2019</th>
<th>% of revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product</td>
<td>$47,868</td>
<td>76.5 %</td>
<td>$38,347</td>
<td>82.9 %</td>
<td>$25,081</td>
<td>90.9 %</td>
</tr>
<tr>
<td>Subscription</td>
<td>14,697</td>
<td>23.5 %</td>
<td>7,905</td>
<td>17.1 %</td>
<td>2,502</td>
<td>9.1 %</td>
</tr>
<tr>
<td>Total revenue</td>
<td>$62,565</td>
<td>100.0 %</td>
<td>$46,252</td>
<td>100.0 %</td>
<td>$27,583</td>
<td>100.0 %</td>
</tr>
<tr>
<td>Cost of revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product</td>
<td>29,308</td>
<td>46.8 %</td>
<td>46,294</td>
<td>100.1 %</td>
<td>38,357</td>
<td>139.1 %</td>
</tr>
<tr>
<td>Subscription</td>
<td>2,238</td>
<td>3.6 %</td>
<td>1,068</td>
<td>2.3 %</td>
<td>621</td>
<td>2.3 %</td>
</tr>
<tr>
<td>Loss on product purchase commitments</td>
<td>13,965</td>
<td>22.3 %</td>
<td>60,113</td>
<td>130.0 %</td>
<td>9,500</td>
<td>34.4 %</td>
</tr>
<tr>
<td>Total cost of revenue</td>
<td>$45,511</td>
<td>72.7 %</td>
<td>$107,475</td>
<td>232.4 %</td>
<td>$48,478</td>
<td>175.8 %</td>
</tr>
<tr>
<td>Gross profit</td>
<td>$17,054</td>
<td>27.3 %</td>
<td>$(61,223)</td>
<td>(132.4) %</td>
<td>$(20,895)</td>
<td>(75.8) %</td>
</tr>
</tbody>
</table>

Operating expenses:
- Research and development: 74,461 119.0 % 49,738 107.5 % 48,934 177.4 %
- Sales and marketing: 49,604 79.3 % 26,263 56.8 % 14,282 51.8 %
- General and administrative: 85,717 137.0 % 24,395 52.7 % 18,185 65.9 %

Total operating expenses: $209,782 335.3 % $108,396 217.1 % $81,401 295.7 %

Loss from operations: $ (192,728) (308.0) % $ (161,619) (349.4) % $ (102,296) (370.9) %

Interest income: 2,573 4.1 % 285 0.6 % 2,695 9.8 %

Interest expense: (651) (1.0) % (1,141) (2.5) % — — %

Change in fair value of warrant liabilities: 161,095 257.5 % — — %

Other income (expense), net: (2,577) (4.1) % (231) (0.5) % (96) (0.3) %

Loss before provision for income taxes: $ (32,288) (51.6) % $ (162,706) (351.8) % $ (99,697) (361.4) %

Provision for income taxes: 121 0.2 % 39 0.1 % — — %

Net loss: $ (32,409) (51.8) % $ (162,745) (351.9) % $ (99,697) (361.4) %

## Comparison of the Years Ended December 31, 2021 and 2020

### Revenue

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>2021</th>
<th>2020</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product</td>
<td>$47,868</td>
<td>$38,347</td>
<td>$9,521</td>
<td>24.8 %</td>
</tr>
<tr>
<td>Subscription</td>
<td>14,697</td>
<td>7,905</td>
<td>6,792</td>
<td>85.9 %</td>
</tr>
<tr>
<td>Total revenue</td>
<td>$62,565</td>
<td>$46,252</td>
<td>$16,313</td>
<td>35.3 %</td>
</tr>
</tbody>
</table>

Total revenue increased by $16.3 million, or 35.3%, for the year ended December 31, 2021 compared to the year ended December 31, 2020.

Product revenue increased by $9.5 million, or 24.8%, for the year ended December 31, 2021 compared to the year ended December 31, 2020. The increase in product revenue was primarily driven by a higher volume of Butterfly iQ+ probes sold, as a result of our increased investment in our sales and marketing efforts domestically and internationally. In addition, product revenue was positively impacted as we were able to sell our probes for higher prices due to a unit price increase.
beginning in the third quarter and reduced discounting in the contract. For the year ended December 31, 2020, product revenue was positively impacted by COVID-19, as the Butterfly iQ was utilized in the monitoring of acute symptoms of COVID-19, although we are unable to measure precisely the positive impact of COVID-19 on our revenue for the year end December 31, 2020.

Subscription revenue increased by $6.8 million, or 85.9%, for the year ended December 31, 2021 compared to the year ended December 31, 2020. The increase was driven by an increased volume of our SaaS subscriptions sold in conjunction with sales of our devices, as well as the current year subscription renewals.

Cost of revenue

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Year ended December 31</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of revenue:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product</td>
<td>$ 29,308</td>
<td>$ 46,294</td>
<td>$(16,986)</td>
</tr>
<tr>
<td>Subscription</td>
<td>2,238</td>
<td>1,068</td>
<td>1,170</td>
</tr>
<tr>
<td>Loss on product purchase commitments</td>
<td>13,965</td>
<td>60,113</td>
<td>(46,148)</td>
</tr>
<tr>
<td>Total cost of revenue:</td>
<td>$ 45,511</td>
<td>$ 107,475</td>
<td>$(61,964)</td>
</tr>
<tr>
<td>Percentage of revenue</td>
<td>72.7 %</td>
<td>232.4 %</td>
<td></td>
</tr>
</tbody>
</table>

Cost of product revenue decreased by $17.0 million, or 36.7%, for the year ended December 31, 2021 compared to the year ended December 31, 2020. This decrease was driven by the sale of our second generation product, the Butterfly iQ+, which is less costly to produce. The overall decrease of product cost of revenue was primarily driven by decreases in product costs of $9.2 million, a decrease in warranty expense of $1.9 million and a decrease in net realizable value inventory adjustments and excess and obsolete inventory charges of $7.7 million. The decreases were partially offset by an increase in component product costs related to global supply chain constraints of $1.2 million and an increase in royalty fees due to increased sales of the Butterfly iQ+ of $0.6 million.

Cost of subscription revenue increased by $1.2 million, or 109.6%, for the year ended December 31, 2021 compared to the year ended December 31, 2020. This increase was primarily driven by increased cloud hosting costs and amortization expenses.

Loss on product purchase commitments decreased by $46.1 million, or 76.8%, for the year ended December 31, 2021 compared to the year ended December 31, 2020. The decrease is primarily due to a lower purchase commitment loss based on an estimate of future excess inventory related to an agreement with a certain third-party vendor of $39.1 million. Additionally, the decrease is due to the non-recurrence of losses on purchase commitments with other third-party vendors recorded in the prior year of $7.0 million.

Research and development

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Year ended December 31</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and development</td>
<td>$ 74,461</td>
<td>$ 49,738</td>
<td>$ 24,723</td>
</tr>
<tr>
<td>Percentage of revenue</td>
<td>119.0 %</td>
<td>107.5 %</td>
<td></td>
</tr>
</tbody>
</table>

Research and development expenses increased by $24.7 million, or 49.7%, for the year ended December 31, 2021 compared to the year ended December 31, 2020. This increase was primarily driven by increases in personnel costs including stock-based compensation expense of $19.8 million, an increase in software costs of $1.2 million and an increase in professional service fees of $3.5 million as we continue to invest in expanding our overall product development capabilities and resources.
### Sales and marketing

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Year ended December 31</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales and marketing</td>
<td>$ 49,604</td>
<td>$ 23,341</td>
<td>88.9 %</td>
</tr>
<tr>
<td>Percentage of revenue</td>
<td>79.3 %</td>
<td>56.8 %</td>
<td></td>
</tr>
</tbody>
</table>

Sales and marketing expenses increased by $23.3 million, or 88.9%, for the year ended December 31, 2021 compared to the year ended December 31, 2020. This increase was primarily driven by an increase in personnel cost including stock-based compensation of $14.8 million, an increase in demand generation costs of $4.7 million due to investments made to promote sales growth, an increase in travel and entertainment costs of $1.1 million related to internal and external events and an increase in professional service fees of $1.4 million to support our sales and marketing efforts.

### General and administrative

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Year ended December 31</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>General and administrative</td>
<td>$ 85,717</td>
<td>$ 61,322</td>
<td>251.4 %</td>
</tr>
<tr>
<td>Percentage of revenue</td>
<td>137.0 %</td>
<td>52.7 %</td>
<td></td>
</tr>
</tbody>
</table>

General and administrative expenses increased by $61.3 million, or 251.4%, for the year ended December 31, 2021 compared to the year ended December 31, 2020. This increase is primarily due to an increase in stock-based compensation expense of $26.8 million due to the additional awards granted and the performance condition for certain restricted stock units being achieved upon the Closing of the Business Combination. In addition to stock-based compensation, the increase was primarily driven by increased personnel costs of $18.6 million due to investments made to scale up our back-office support and executive functions, certain costs with regards to our CEO transition, an increase in recruiting expense of $3.5 million, an increase in professional services of $6.6 million, an increase in software costs of $1.7 million and an increase in other general and administrative costs incremental to being a publicly traded company of $3.3 million.

### Loss from operations

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Year ended December 31</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss from operations</td>
<td>$ (192,728)</td>
<td>$ (31,109)</td>
<td>19.2 %</td>
</tr>
<tr>
<td>Percentage of revenue</td>
<td>(308.0)%</td>
<td>(349.4)%</td>
<td></td>
</tr>
</tbody>
</table>

Loss from operations increased by $31.1 million, or 19.2%, for the year ended December 31, 2021 compared to the year ended December 31, 2020. This increase was primarily a result of increases in operating expenses of $109.4 million partially offset by an increase in gross profit of $78.3 million. The increase in gross profit was primarily due to a higher volume of sales, lower cost of product revenue and lower losses on purchase commitments.

### Net loss

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Year ended December 31</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loss</td>
<td>(32,409)</td>
<td>130,336</td>
<td>(80.1)%</td>
</tr>
<tr>
<td>Percentage of revenue</td>
<td>(51.8)%</td>
<td>(351.9)%</td>
<td></td>
</tr>
</tbody>
</table>

Net loss decreased by $130.3 million, or 80.1%, for the year ended December 31, 2021 compared to the year ended December 31, 2020. This decrease in net loss was primarily a result of the gain for the change in the fair value of the warrant liabilities of $161.1 million. The warrant liabilities were recorded as part of the Business Combination and therefore did not exist in the prior year. The gain was partially offset by the increased loss from operations of $31.1 million.
Comparison of the Years Ended December 31, 2020 and 2019

Certain items in the prior year’s consolidated financial statements have been reclassified to conform to the current year presentation reflected in the consolidated financial statements. We reclassified the loss on product purchase commitments that was recorded within cost of product revenue on the consolidated statement of operations and comprehensive loss to be presented separately.

Revenue

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31,</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
<td></td>
</tr>
<tr>
<td>Revenue:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product</td>
<td>$ 38,347</td>
<td>$ 25,081</td>
<td>$ 13,266</td>
</tr>
<tr>
<td>Subscription</td>
<td>7,905</td>
<td>2,502</td>
<td>5,403</td>
</tr>
<tr>
<td>Total revenue:</td>
<td>$ 46,252</td>
<td>$ 27,583</td>
<td>$ 18,669</td>
</tr>
</tbody>
</table>

Total revenue increased by $18.7 million, or 67.7%, for the year ended December 31, 2020 compared to the year ended December 31, 2019.

Product revenue increased by $13.3 million, or 52.9%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. The increase in product revenue was primarily driven by a higher volume of Butterfly iQ probes sold, as a result of our increased investment in our sales and marketing efforts.

Subscription revenue increased by $5.4 million, or 215.9%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. The increase was driven by an increased volume of our Saas subscriptions sold in conjunction with sales of our devices.

Cost of revenue

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31,</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
<td></td>
</tr>
<tr>
<td>Cost of revenue:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product</td>
<td>$ 46,294</td>
<td>$ 38,357</td>
<td>$ 7,937</td>
</tr>
<tr>
<td>Subscription</td>
<td>1,068</td>
<td>621</td>
<td>447</td>
</tr>
<tr>
<td>Loss on product purchase commitments</td>
<td>60,113</td>
<td>9,500</td>
<td>50,613</td>
</tr>
<tr>
<td>Total cost of revenue:</td>
<td>$ 107,475</td>
<td>$ 48,478</td>
<td>$ 58,997</td>
</tr>
<tr>
<td>Percentage of revenue</td>
<td>232.4 %</td>
<td>175.8 %</td>
<td></td>
</tr>
</tbody>
</table>

Cost of product revenue increased by $7.9 million, or 20.7%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. This increase was primarily driven by a $6.9 million increase in costs as a result of increased volume of devices sold and $2.6 million in non-recurring inventory write-downs.

Cost of subscription revenue increased by $0.4 million, or 72.0%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. This increase was primarily driven by increased cloud hosting costs.

Loss on product purchase commitments increased by $50.6 million, or 532.8%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. During 2019, we signed a multi-year inventory supply arrangement with a certain third party manufacturing vendor. The agreement includes a vendor advance payment that was written down during the year ended December 31, 2019, resulting in a $9.5 million loss on purchase commitments. Based on the assessment of our demand forecast and agreement specific provisions, we also recognized a $53.2 million loss during the year ended December 31, 2020 related to minimum purchase commitments for inventory that is expected to not be sold through. In addition, as a result of a shift in production from the Butterfly iQ to the Butterfly iQ+, we renegotiated certain inventory purchase commitments with other third party manufacturing vendors and as a result we recognized the expected losses on those commitments of $7.0 million for the year ended December 31, 2020.
Research and development

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Year ended December 31,</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>$ 49,738</td>
<td>$ 48,934</td>
<td>$ 804</td>
</tr>
<tr>
<td>Percentage of revenue</td>
<td>107.5 %</td>
<td>177.4 %</td>
<td></td>
</tr>
</tbody>
</table>

Research and development expenses increased by $0.8 million, or 1.6%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. This increase was primarily driven by increased personnel costs of $7.2 million as we continue to invest in expanding our internal research capabilities. These expenses were partially offset by lower spending on consulting of $1.8 million, travel costs of $1.4 million, fabrication of $2.6 million and other research and development costs of $0.6 million.

Sales and marketing

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Year ended December 31,</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
<td></td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>$ 26,263</td>
<td>$ 14,282</td>
<td>$ 11,981</td>
</tr>
<tr>
<td>Percentage of revenue</td>
<td>56.8 %</td>
<td>51.8 %</td>
<td></td>
</tr>
</tbody>
</table>

Sales and marketing expenses increased by $12.0 million, or 83.9%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. This increase was primarily driven by higher personnel cost and benefits of $9.3 million associated with increases in sales and sales personnel and higher demand generation costs of $2.5 million due to investments made to promote sales growth.

General and administrative

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Year ended December 31,</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>$ 24,395</td>
<td>$ 18,185</td>
<td>$ 6,210</td>
</tr>
<tr>
<td>Percentage of revenue</td>
<td>52.7 %</td>
<td>65.9 %</td>
<td></td>
</tr>
</tbody>
</table>

General and administrative expenses increased by $6.2 million, or 34.1%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. This increase was primarily driven by increased personnel costs of $4.8 million due to investments made to scale up our back-office support and executive functions, increased consulting and professional services of $0.9 million and an increased bad debt expense of $0.6 million.

Loss from operations

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Year ended December 31,</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
<td></td>
</tr>
<tr>
<td>Loss from operations</td>
<td>(161,619)</td>
<td>(102,296)</td>
<td>(59,323)</td>
</tr>
<tr>
<td>Percentage of revenue</td>
<td>(349.4)%</td>
<td>(370.9)%</td>
<td></td>
</tr>
</tbody>
</table>

Loss from operations increased by $59.3 million, or 58.0%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. This increase was primarily a result of a gross margin decrease of $40.3 million and increases in operating expenses of $19.0 million. The decrease in gross margin was primarily due to losses from purchase commitments of $60.1 million in the year ended December 31, 2020, partially offset by an increase of $10.3 million in margin on products and subscription revenue items and $9.5 million in vendor advance write-downs in the prior year.
Net loss

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Year ended December 31,</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>$ (162,745)</td>
<td>$ (99,697)</td>
<td>$ (63,048)</td>
</tr>
<tr>
<td>Percentage of revenue</td>
<td>(351.9)%</td>
<td>(361.4)%</td>
<td></td>
</tr>
</tbody>
</table>

Net loss increased by $63.0 million, or 63.2%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. This increase was primarily a result of a higher operating loss of $59.3 million and lower interest income of $2.4 million.

Liquidity and Capital Resources

Since our inception, our primary sources of liquidity are cash flows from operations and issuances of preferred stock and convertible notes. In addition, on February 12, 2021, we completed the Business Combination, and as a result we received gross proceeds of approximately $589 million. Our primary uses of liquidity are operating expenses, working capital requirements and capital expenditures. Cash flows from operations have been historically negative as we continue to develop new products and services and increase our sales and marketing efforts. We expect to be cash flow negative on an annual basis, although we may have quarterly results where cash flows from operations are positive.

We expect to continue to incur losses from operations, as we continue to invest in research and development of our products and in sales and marketing efforts into expanding new markets and verticals as well as continued efforts in existing markets and verticals.

We expect that the funds raised in connection with the Business Combination and cash flows from operations will be sufficient to meet our liquidity, capital expenditure, and anticipated working capital requirements and fund our operations for at least the next 12 months. We expect to use the funds raised in connection with the Business Combination to scale our sales and marketing capabilities, develop new products and services and for working capital and general corporate purposes.

Our cash and cash equivalents balance as of December 31, 2021 was $422.8 million. Our future capital requirements may vary from those currently planned and will depend on various factors, including our rate of revenue growth and the timing and extent of spending on strategic business initiatives.

We have restricted cash of $4.0 million as of December 31, 2021 to secure a letter of credit for one of our leases, which is expected to be maintained as a security deposit for the duration of the lease.

Our material cash requirements include our facility lease arrangements for office space and inventory purchase obligations. As of December 31, 2021, we had fixed lease payment obligations of $42.6 million, with $2.0 million payable within 12 months. The purchase obligations are primarily related to contracts for key inventory components in our manufacturing process. As of December 31, 2021, we had fixed purchase obligations of $116.1 million, with $62.2 million payable within 12 months. We expect to pay for approximately half of the fixed purchase obligations payable within the next twelve months using vendor advances.

As of December 31, 2021, we had no obligations, assets or liabilities, which would be considered off-balance sheet arrangements. We do not participate in transactions that create relationships with unconsolidated entities or financial partnerships, often referred to as variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements. We have not entered into any off-balance sheet financing arrangements, established any special purpose entities, guaranteed any debt or commitments of other entities, or purchased any non-financial assets.
Cash flows

The following table summarizes our sources and uses of cash for the years ended December 31, 2021, 2020 and 2019:

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash used in operating activities</td>
<td>$(189,187)</td>
<td>$(81,700)</td>
<td>$(120,432)</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(9,870)</td>
<td>(2,376)</td>
<td>(4,468)</td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>565,692</td>
<td>54,280</td>
<td>324</td>
</tr>
<tr>
<td>Net (decrease) increase in cash, cash equivalents and restricted cash</td>
<td>$366,635</td>
<td>$(29,796)</td>
<td>$(124,576)</td>
</tr>
</tbody>
</table>

Comparison of the period for the years ended December 31, 2021 and December 31, 2020

Cash flows used in operating activities

Net cash used in operating activities represents the cash receipts and disbursements related to our activities other than investing and financing activities. We expect cash provided by financing activities such as the Business Combination will continue to be our primary source of funds to support operating needs and capital expenditures for the foreseeable future.

Net cash used in operating activities increased by $107.5 million, or 131.6%, for the year ended December 31, 2021 compared to year ended December 31, 2020. The increase in net cash used in operating activities was due to a $65.6 million increase in accrued purchase commitments resulting from increased purchases of inventory components and purchase commitment losses recorded during the period. This increase was partially offset by a decrease of $12.2 million in inventories due to the costs of revenue recognized during the period. The increase in net cash used in operating activities was also due to an $10.6 million increase in prepaid expenses and other assets to be used in operations, as well as a $30.8 million increase in accounts payable and accrued expenses due to the timing of expenses and payments. Additionally, there was a $138.7 million increase in adjustments to reconcile net loss primarily due to the change in fair value of warrant liabilities of $161.1 million.

Cash flows used in investing activities

Net cash used in investing activities increased by $7.5 million, or 315.4%, for the year ended December 31, 2021 compared to year ended December 31, 2020. The increase was primarily due to an increase of $5.5 million in purchases of property and equipment to support the growth and scaling of the business. The increase was also due to the investment activity for the funds received from the Business Combination.

Cash flows provided by financing activities

Net cash provided by financing activities increased by $511.4 million or 942.2%, for the year ended December 31, 2021 compared to year ended December 31, 2020. The increase was primarily due to net proceeds from the Business Combination of $548.4 million. Additionally, the proceeds from the exercise of stock options increased by $19.7 million, which was partially offset by a $4.4 million repayment of a loan under the Paycheck Protection Program that was issued in fiscal 2020, the non-recurrence of $50.0 million of proceeds from the issuance of convertible debt in fiscal 2020 and $4.4 million of proceeds from the loan payable issued in fiscal 2020.

Comparison of the period for the years ended December 31, 2020 and December 31, 2019

Cash flows used in operating activities

Net cash used in operating activities decreased by $38.7 million, or 32.2%, to $81.7 million for the year ended December 31, 2020 compared to the year ended December 31, 2019. The decrease in net cash used in operating activities resulted from higher outstanding liabilities of $58.9 million and lower vendor advances of $50.2 million due to a spending.
ramp in 2019 that did not recur in 2020. The higher outstanding liabilities consisted of a purchase commitments accrual of $42.6 million due to minimum purchase commitments for inventory that could not be sold through, as well as higher accrued expenses and other liabilities of $8.7 million and accounts payable of $8.6 million resulting from the timing of payments. The decrease in net cash used in operating activities was also due to an increase of non-cash charges of $14.0 million. The increase of $14.0 million was primarily the result of an increase in stock-based compensation expense of $5.0 million and an increase in inventory write-downs of $4.4 million as well as an impairment charge of $1.4 million for other long term assets.

The offsetting decrease resulted from an increase in net loss of $63.0 million on a year over year basis and increases in cash used for inventory and accounts receivable of $22.1 million and $3.2 million, respectively. The increase in cash used for inventory is due to maintaining higher levels of inventory on hand for expected sales growth in future years.

Cash flows used in investing activities

Net cash used in investing activities decreased by $2.1 million, or 46.8%, for the year ended December 31, 2020 compared to the year ended December 31, 2019. The decrease was due to our lower spending on machinery and equipment and leasehold improvements.

Cash flows provided by financing activities

For the year ended December 31, 2020, net cash provided by financing activities was $54.3 million, reflecting net proceeds from the issuance of $47.9 million in convertible debt, proceeds received of $4.4 million under the Paycheck Protection Program and proceeds of $2.0 million from the exercise of stock options.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The process of preparing financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the period. We base our assumptions, judgments and estimates on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions. We evaluate our assumptions, judgments and estimates on a regular basis. Historically, our assumptions, judgments and estimates relative to our critical accounting policies have not differed materially from actual results.

While our significant accounting policies are described in more detail in Note 2 “Summary of Significant Accounting Policies” in our consolidated financial statements, we believe that the following accounting policies are those most critical to the judgments and estimates used in the preparation of our financial statements.

Revenue recognition

We generate revenue from the sale of products and subscriptions. Our contracts with customers often include multiple performance obligations. Generally, we have identified the following performance obligations can be promised in our contracts with customers:

- Hardware devices and accessories;
- Maintenance and support for the software that is used in connection with the hardware devices, including the right to an unspecified number of software updates as and when available;
- Cloud-based software subscriptions, which represent an obligation to provide the customer with ongoing access to our hosted software applications on a continuous basis throughout the subscription period;
● Implementation and integration services; and
● Extended warranties.

Transaction price is allocated to all identified performance obligations based on relative standalone selling prices of the underlying goods or services. For most performance obligations except certain services, we have an observable standalone selling price. We use estimation techniques, which require significant judgment, to estimate the standalone selling price for goods and services for which an observable selling price is not available. Our sales of hardware devices represent a bundled sale of a good and a service that includes two performance obligations. We have an observable standalone selling price for the bundle and estimate the standalone selling price of the performance obligations within the bundle using estimation techniques that maximize the use of observable inputs.

Each unit of hardware devices and accessories is a performance obligation satisfied at a point in time, usually upon transfer of control of the good to the customer. Our services, including the cloud-based software subscriptions, extended warranties, and support and maintenance, are stand-ready obligations that are satisfied over time. We use the time elapsed (straight-line) measure of progress to recognize revenue.

We account for the warranty as an assurance type warranty. At the time revenue is recognized, an estimate of future warranty costs is recorded as a component of cost of revenue and as liability in accrued expenses. Factors that affect the warranty obligation include historical as well as current product failure rates, service delivery costs incurred in correcting product failures, and warranty policies and business practices.

Our contracts with customers include variable consideration in the form of refunds and credits for product returns and price concessions. We estimate variable consideration using the expected value method based on a portfolio of data from similar contracts.

Stock-based compensation

Our stock-based compensation program includes restricted stock units and stock option grants to our employees, directors and consultants. Stock options are granted at exercise prices not less than the fair market value of our common stock at the dates of grant. For purposes of restricted stock unit grants, the grant date fair value is calculated as the fair market value of the stock on the date of grant. Stock-based compensation expense is recognized over the requisite service periods of awards, which is typically three to four years. We do not apply a forfeiture rate assumption to our awards.

The fair values of stock option grants are estimated using a Black-Scholes option-pricing model. Key inputs and assumptions include the expected term of the option, stock price volatility, risk-free interest rate, dividend yield, stock price and exercise price. Many of the assumptions require significant judgment and changes in assumptions could have a significant impact in the determination of stock-based compensation expense.

No related tax benefits of the stock-based compensation expense have been recognized and no related tax benefits have been realized from the exercise of stock options due to our net operating loss carryforwards.

Inventory and inventory valuation

Inventories are stated at the lower of actual cost, determined using the average cost method, or net realizable value (“NRV”). We routinely evaluate quantities and value of our inventories in light of current market conditions and market trends and record a write-down against the cost of inventories for NRV below cost. NRV is based upon an estimated average selling price reduced by the estimated costs of completion, disposal, and transportation. The determination of NRV involves numerous judgments including estimating selling prices, existing customer orders, and estimated costs of completion, disposal, and transportation. If actual market conditions differ from our estimates, future results of operations could be materially affected. We reduce the value of our inventory for estimated obsolescence or lack of marketability by the difference between the cost of the affected inventory and the estimated market value.
The valuation of inventory also requires us to estimate excess and obsolete inventory. We periodically review the age, condition and turnover of our inventory to determine whether any inventory has become obsolete or has declined in value and incur a charge to operations for known and anticipated inventory obsolescence. We also consider the rate at which new products will be accepted in the marketplace and how quickly customers will transition from older products to newer products, including whether older products can be re-manufactured into new products. The evaluation also takes into consideration new product development schedules, the effect that new products might have on the sale of existing products, product obsolescence, product merchantability and other factors. Market conditions are subject to change and if actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required, which would have a negative impact on gross margin.

Losses expected to arise from firm, non-cancelable and unhedged commitments for the future purchase of inventory items are recognized unless the losses are recoverable through firm sales contracts or other means. We consider a variety of factors and data points when determining the existence and scope of a loss for the minimum purchase commitment. The factors and data points include Company-specific forecasts which are reliant on our limited sales history, agreement-specific provisions, macroeconomic factors and market and industry trends. Determining the loss is subjective and requires significant management judgment and estimates. Future events may differ from those assumed in our assessment, and therefore the loss may change in the future.

We capitalize manufacturing overhead expenditures as part of inventory costs. Capitalized costs primarily include management’s best estimate and allocation of the direct labor, materials costs and other overhead costs incurred related to inventory acquired or produced but not sold during the respective period. Manufacturing overhead costs are capitalized to inventory and are recognized as cost of revenues in future periods based on our rate of inventory turnover.

Recently Adopted Accounting Pronouncements

A description of recently issued accounting pronouncements that may potentially impact our financial position and results of operations is disclosed in Note 2 “Summary of Significant Accounting Policies – Recent Accounting Pronouncements Adopted” to our consolidated financial statements contained in this Annual Report on Form 10-K.

Emerging Growth Company

We were an “emerging growth company”, as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). However, based on the market value of our common stock held by non-affiliates as of June 30, 2021, we became a large accelerated filer and thus ceased to be an emerging growth company on December 31, 2021. As a result, we were required to adopt new or revised accounting standards as required by public companies, including those standards which we had previously deferred pursuant to the JOBS Act. Additionally, we are no longer able to take advantage of the reduced regulatory and reporting requirements of emerging growth companies.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We did not have any floating rate debt as of December 31, 2021. Our cash and cash equivalents are comprised primarily of bank deposits and money market accounts. The primary objective of our investments is the preservation of capital to fulfill liquidity needs. We do not enter into investments for trading or speculative purposes. Due to the short-term nature of these investments, we do not expect cash flows to be affected to any significant degree by a sudden change in market interest rates.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition or results of operations, other than its impact on the general economy. Nonetheless, to the extent our costs are subject to inflationary pressures, we may not be able to fully offset such higher costs through price increases or manufacturing efficiencies. Our inability or failure to do so could harm our business, financial condition and results of operations.
**Foreign Exchange Risk**

We operate our business primarily within the United States and currently execute the majority of our transactions in U.S. dollars. We have not utilized hedging strategies with respect to such foreign exchange exposure. This limited foreign currency translation risk is not expected to have a material impact on our consolidated financial statements.
Item 8.  FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Audited Consolidated Financial Statements of Butterfly Network, Inc.

<table>
<thead>
<tr>
<th>Index to Financial Statements and Financial Statement Schedules</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reports of Independent Registered Public Accounting Firm</td>
<td>F-2</td>
</tr>
<tr>
<td>Consolidated Balance Sheets</td>
<td>F-5</td>
</tr>
<tr>
<td>Consolidated Statements of Operations and Comprehensive Loss</td>
<td>F-6</td>
</tr>
<tr>
<td>Consolidated Statements of Changes in Convertible Preferred Stock and Stockholders’ Equity (Deficit)</td>
<td>F-7</td>
</tr>
<tr>
<td>Consolidated Statements of Cash Flows</td>
<td>F-8</td>
</tr>
<tr>
<td>Notes to the Consolidated Financial Statements</td>
<td>F-9</td>
</tr>
</tbody>
</table>
Item 9.  CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

Item 9A.  CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Disclosure controls and procedures 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 Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our company’s reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2021.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2021 based on the guidelines established in the Internal Control—Integrated Framework (2013 framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Internal control over financial reporting includes policies and procedures that provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

Based on the results of its evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2021. Our independent registered public accounting firm, Deloitte & Touche LLP, has issued an auditors’ report on the effectiveness of our internal control over financial reporting, which is included in Item 8 of this Annual Report on Form 10-K.

Changes in Internal Controls

As previously disclosed in our Amendment No. 1 to our Annual Report on Form 10-K/A for the year ended December 31, 2020, we identified a material weakness in our internal controls over financial reporting related to inaccurate accounting for public warrants and private placement warrants issued in connection with our initial public offering. 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 and corrected on a timely basis.

In response to this material weakness we implemented our remediation plan previously disclosed in our Amendment No. 1 to our Annual Report on Form 10-K/A for the year ended December 31, 2020. Our plan included acquiring enhanced access to accounting literature, research materials and documents and improving the communication among our personnel and third-party professionals with whom we may consult regarding the application of complex accounting transactions.
Our enhanced review processes and procedures were in place as of December 31, 2021. We have tested the related internal controls and have concluded, through testing, that the newly implemented controls are operating effectively, and that the material weakness previously identified has been remediated as December 31, 2021.

Other than the changes made to remediate the material weakness described above, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the fourth quarter ended December 31, 2021, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. OTHER INFORMATION

Not applicable.

Item 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Board of Directors and Management

The following table sets forth certain information concerning our executive officers and directors as of February 1, 2022:

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive Officers:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Todd M. Fruchterman, M.D., Ph.D.</td>
<td>52</td>
<td>President, Chief Executive Officer and Director</td>
</tr>
<tr>
<td>Stephanie Fielding(1)</td>
<td>40</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>John Martin</td>
<td>63</td>
<td>Chief Medical Officer</td>
</tr>
<tr>
<td>Mary Miller</td>
<td>47</td>
<td>General Counsel and Corporate Secretary</td>
</tr>
<tr>
<td>Stacey Pugh</td>
<td>49</td>
<td>Chief Commercial Officer</td>
</tr>
<tr>
<td>Troy Quander</td>
<td>51</td>
<td>Senior Vice President Regulatory &amp; Quality</td>
</tr>
<tr>
<td>Andrei Stoica, Ph.D.</td>
<td>49</td>
<td>Chief Technology Officer</td>
</tr>
<tr>
<td>Darius Shahida</td>
<td>30</td>
<td>Chief Strategy Officer and Chief Business Development Officer</td>
</tr>
<tr>
<td><strong>Non-Employee Directors:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jonathan M. Rothberg, Ph.D.</td>
<td>58</td>
<td>Chairman of the Board</td>
</tr>
<tr>
<td>Larry Robbins</td>
<td>52</td>
<td>Director</td>
</tr>
<tr>
<td>Dawn Carfora</td>
<td>50</td>
<td>Director</td>
</tr>
<tr>
<td>Elazar Edelman, M.D., Ph.D.</td>
<td>65</td>
<td>Director</td>
</tr>
<tr>
<td>John Hammergren</td>
<td>63</td>
<td>Director</td>
</tr>
<tr>
<td>Gianluca Pettiti</td>
<td>43</td>
<td>Director</td>
</tr>
<tr>
<td>S. Louise Phanstiel</td>
<td>63</td>
<td>Director</td>
</tr>
<tr>
<td>Erica Schwartz, M.D., J.D., M.P.H.</td>
<td>50</td>
<td>Director</td>
</tr>
</tbody>
</table>

(1) As previously reported, Ms. Fielding delivered her resignation as our Chief Financial Officer effective as of April 30, 2022.

Executive Officers

Todd M. Fruchterman, M.D., Ph.D. has served as our President and Chief Executive Officer and as a director of the Company since the Closing of the Business Combination in February 2021, and had served as President and Chief Executive Officer and as a director of Legacy Butterfly since February 2021. Prior to joining the Company, from November 2020 through January 2021, Dr. Fruchterman served as Group President, Reliability Solutions of Flex Ltd.,
where he oversaw health solutions and automotive and industrial business units. Before that, Dr. Fruchterman held several leadership roles of increasing responsibility at 3M Company, or 3M, most recently as President and General Manager, Medical Solutions, the largest division of the company, from May 2018 to September 2020. Dr. Fruchterman also served as President and General Manager, Critical & Chronic Care Solutions at 3M from August 2015 to May 2018, and as Senior Vice President R&D, Regulatory Affairs, Chief Technology Officer, and Chief Medical Officer at 3M from February 2011 to August 2015. Prior to joining 3M, Dr. Fruchterman was Executive Vice President, Chief Technology Officer and Chief Medical Officer at Kinetic Concepts, Inc. He previously held various positions at Johnson & Johnson, where he led worldwide biosurgical R&D for the Ethicon division; Schering-Plough, where he directed medical and strategic marketing for the hepatitis business; and Response Genetics, Inc., where he held the positions of President, Chief Executive Officer, and Chief Operating Officer. In addition, Dr. Fruchterman served as a member of the Board of Directors of the Advanced Medical Technology Association (AdvaMed) from October 2016 to September 2020. In 2018 and 2019, Dr. Fruchterman was also a core participant in the Innovation and Investment Summit at the U.S. Department of Health and Human Services. Dr. Fruchterman earned his M.D. from the University of Pennsylvania School of Medicine, his Ph.D. in physiology and biophysics from the University of Louisville, and his B.A. in biological basis of behavior from the University of Pennsylvania. Dr. Fruchterman’s qualifications to serve on our board of directors include his extensive leadership experience in the healthcare industry.

Stephanie Fielding has served as our Chief Financial Officer since the Closing of the Business Combination in February 2021, where she is responsible for the Closing of the Business Combination in February 2021, where she is responsible for all aspects of our financial and accounting activities. Ms. Fielding previously served as Legacy Butterfly’s Chief Financial Officer from November 2021 to February 2021 and Senior Vice President of Finance from April 2020 to November 2020. Prior to joining the Company, Ms. Fielding spent over eight years at Amazon, serving from September 2019 to March 2020 as Director of Finance, Global Operations Customer Experience, where she led global finance teams in domains including customer service, customer facing delivery and reverse logistics offerings, and hardware development. Ms. Fielding also served as the Director of Finance and Analytics for Delivery Experience, from October 2017 to August 2019, as Senior Finance Manager of Delivery Finance and Analytics from June 2016 to September 2017, as Senior Manager of AWS Infrastructure FP&A from August 2014 to May 2016 and as Senior Manager of Marketing Finance for Europe. Before joining Amazon, Ms. Fielding worked in the power and energy sectors. She held several roles in the treasury and strategic marketing groups at UGI Corporation from 2009 to 2011, and was a buy-side analyst with responsibility for fixed income investments in power and energy at Delaware Investments from 2005 to 2007. Ms. Fielding received her M.B.A. from Columbia Business School and B.A. from Yale University and is a CFA® charterholder.

John Martin, M.D. has served as our Chief Medical Officer since November 2020 and previously served as the Chief Medical Officer of Legacy Butterfly and 4Catalyzer Corporation since April 2017. Prior to joining Legacy Butterfly and 4Catalyzer Corporation, Dr. Martin was at Medstar Health. Dr. Martin is also an Assistant Professor in the Division of Vascular Surgery at the University of Maryland. Dr. Martin completed a residency in general surgery and vascular surgery at Parkland Memorial Hospital in Dallas, Texas. He is board certified in vascular surgery and a Fellow of the America College of Surgeons. He served in the United States Air Force for seven years, first as a corpsman and then, after completing medical school and training, he returned as a Surgeon. He has held multiple positions throughout his career including Chief of Vascular Surgery and Director of Heart and Vascular Services at Anne Arundel Medical Center, President of Cardiology Associates, and Vice President of Physician Operations for MedStar Medical Group. He is founder and President of the Heart Health Foundation and the award-winning Dare to CARE Program. He is the author of multiple peer reviewed papers and book chapters, holds several patents and developed clinical software used across the country. An often-requested speaker, his most recent events include Wall Street Journal Live in Hong Kong and TedMed. Dr. Martin earned his M.D. from UT Southwestern Medical School, and his M.B.A. from the John Hopkins University Carey Business School.

Mary Miller has served as our General Counsel and Corporate Secretary since the Closing of the Business Combination in February 2021. She served as Legacy Butterfly’s General Counsel from December 2020 to February 2021. From December 2017 to December 2020, Ms. Miller was Chief Risk Officer and General Counsel at Columbia Care Inc., where she oversaw all legal, regulatory, and compliance aspects of the organization, including corporate governance, corporate finance, strategic transactions, contract negotiations, and intellectual property, litigation, and employment matters and managed all regulatory and compliance matters. Prior to that, from March 2017 to December 2017, Ms. Miller served as a Member at Outside GC LLC, where she provided startup, growth, and established companies with proactive legal risk
management solutions, frequently serving as outside general counsel. Ms. Miller was the founder of mosaicHub, Inc. and served as its Chief Executive Officer from 2011 to June 2016. Prior to that, from 2010 to 2012, she served as General Counsel at General Catalyst Partners, and from 2007 to 2010, she served as Vice President, Associate General Counsel and Corporate Secretary at Fidelity Investments Inc. Ms. Miller began her career as a Corporate Associate at Ropes & Gray LLP. Ms. Miller received her B.A. in Political Science from Boston College and J.D. from Boston College Law School.

Stacey Pugh has served as our Chief Commercial Officer since March 2021. Ms. Pugh held leadership positions across sales, marketing, medical affairs, and business development during her 18 plus year career at medical device manufacturers Medtronic plc, Covidien Ltd. and Kinetic Concepts, Inc. Ms. Pugh joined us from Medtronic, where she served as SVP and President of Medtronic's Neurovascular business area from October 2020 to March 2021. In this role, she oversaw global development through commercialization and was responsible for P&L management and revenue growth. Ms. Pugh also served as Vice President and General Manager of Medtronic's Neurovascular business area from June 2016 to October 2020 and as Vice President, EMEA of Medtronic’s Neurovascular business area from February 2015 to May 2016. Prior to that, she spent nearly eight years in a variety of clinical development roles at Kinetic Concepts, and the early years of her career in critical care, trauma nursing and nursing education. Ms. Pugh received her B.S. in nursing from West Texas A&M University.

Troy Quander has served as our Senior Vice President of Regulatory and Quality since September 2021. Mr. Quander has over twenty-five years of Food and Drug Administration (“FDA”) and industry experience with a focus on Regulatory Affairs, Regulatory Compliance and Quality. Prior to joining the Company, from June 2019 to September 2021, Mr. Quander served as Vice President of Regulatory Affairs for Olympus, where he led overall strategy development, implementation and coordination of regulatory and quality activities. Before that, Mr. Quander held several leadership roles at Roche Diagnostics, a division of F. Hoffmann-La Roche AG, most recently as Vice President of Quality from June 2016 to January 2019. Mr. Quander also served as Vice President of Regulatory Affairs at Roche Diagnostics from February 2012 to June 2016. In addition, Mr. Quander has held leadership roles of increasing responsibilities at Becton Dickinson, OraSure Technologies, Johnson & Johnson and bioMerieux. Mr. Quander spent a portion of his career at the FDA's Center for Biologics, where he performed submission reviews of in vitro diagnostics and conducted facility inspections. Mr. Quander received his B.A. in Biology from Lincoln University.

Darius Shahida has served as our Chief Strategy Officer and Chief Business Development Officer since the Closing of the Business Combination in February 2021. Mr. Shahida previously served as Legacy Butterfly’s Chief Strategy Officer and Chief Business Development Officer from January 2020 to February 2021, where he led Legacy Butterfly’s financing, business development, global health, and strategic efforts. Mr. Shahida also served as Legacy Butterfly’s Head of Growth from August 2018 to January 2020, where he helped oversee the Series D preferred stock financing and subsequent commercial launch and global roll out of the Butterfly iQ, and he served as Legacy Butterfly’s Chief of Staff from January 2018 to August 2018. He also served as Chief Business and Chief Strategy Officer of 4Catalyzer Corporation, or 4Catalyzer, from January 2018 until he transitioned fully to Butterfly in November 2020. Before joining Legacy Butterfly and 4Catalyzer, Mr. Shahida served as Head of Trading of Birch Grove Capital LP from August 2015 to August 2017, where he was responsible for all trading and healthcare investing across credit, equities, convertibles, bank debt, and commodities as well as advising on risk and portfolio management. Prior to that, Mr. Shahida served as Special Situations Analyst at Morgan Stanley & Co. LLC from August 2013 to August 2015. In that role, he was responsible for sourcing and structuring banking transactions and acted as Morgan Stanley’s specialist on Argentina during default proceedings. Mr. Shahida received his M.B.A. from Harvard Business School and B.S. from Duke University.

Andrei Stoica, Ph.D. has served as our Chief Technology Officer since July 2021. Dr. Stoica joined us from BioTelemetry, where he served as the Chief Technology Officer from April 2020 to July 2021. In this role, Dr. Stoica was responsible for hardware and software product development, product management, enterprise, product information technology and product manufacturing and distribution. Prior to his role at BioTelemetry, Dr. Stoica held several leadership roles of increasing responsibilities at IQVIA, from October 2006 to April 2020, with the last position as Senior Vice President, IT Systems Development. In this role, Dr. Stoica led the development of IQVIA's data cloud platform. Dr. Stoica received his B.S. in Computer Science from Polytechnic University of Bucharest and M.S. in Computer Science from the University of South Carolina. Dr. Stoica holds a Ph.D. in Computer Science from the University of South Carolina.
Non-Employee Directors

Jonathan M. Rothberg, Ph.D. is the founder of Legacy Butterfly and served as the Chairman of our board of directors since the Closing of the Business Combination in February 2021. Dr. Rothberg served as the Chairman of Legacy Butterfly’s board of directors since March 2014. He previously served as Legacy Butterfly’s Chief Executive Officer from March 2014 to April 2020, and as Legacy Butterfly’s President from March 2014 to April 2014. Dr. Rothberg is a scientist and entrepreneur who was awarded the National Medal of Technology and Innovation, the nation’s highest honor for technological achievement, by President Obama for inventing and commercializing high-speed DNA sequencing. Dr. Rothberg is the founder of the 4Catalyzer medical technology incubator and the founder of its companies: Legacy Butterfly, AI Therapeutics, Inc. (formerly LAM Therapeutics, Inc.), Quantum-Si Incorporated (Nasdaq:QSI), Hyperfine, Inc. (Nasdaq:HYPR), including its wholly owned subsidiaries Hyperfine Operations, Inc. (formerly Hyperfine, Inc.) and Liminal Operations, Inc. (formerly Liminal Sciences, Inc.), Tesseract Health, Inc., Detect, Inc. (formerly Homodeus Inc.) and 4Bionics LLC. These companies focus on using inflection points in medicine, such as deep learning, next-generation sequencing, and the silicon supply chain, to address global healthcare challenges. Dr. Rothberg serves as Interim Chief Executive Officer and Executive Chairman of the board of Quantum-Si Incorporated (Nasdaq:QSI) and Vice Chairman of Hyperfine, Inc. (Nasdaq:HYPR). Dr. Rothberg previously founded and served as Chairman, Chief Executive Officer, and Chief Technology Officer of Ion Torrent Systems, Inc. from 2007 to 2010, and founded and served as Chairman and Chief Executive Officer of RainDance Technologies, Inc. from 2004 to 2009. From 1999 to 2007, Dr. Rothberg co-founded and served as Chairman of ClarifI, Inc., and from 1999 to 2006, he founded and served as Chairman, Chief Executive Officer and Chief Technology Officer of 454 Life Sciences Corporation. With 454 Life Sciences, Dr. Rothberg brought to market the first new way to sequence genomes since Sanger and Gilbert won the Nobel Prize for their method in 1980. With 454’s technology, Dr. Rothberg sequenced the first individual human genome, and with Svante Paabo he initiated the first large-scale effort to sequence ancient DNA (The Neanderthal Genome Project). Prior to 454 Life Sciences, Dr. Rothberg founded and served as Chairman and Chief Executive Officer of Curagen Corporation from 1993 to 2004. His contributions to the field of genome sequencing include the first non-bacterial cloning method (cloning by limited dilution) and the first massively parallel DNA sequencing method (parallel sequencing by synthesis on a single substrate), concepts that have formed the basis for all subsequent next generation sequencing technologies. Dr. Rothberg is an Ernst and Young Entrepreneur of the Year, is the recipient of The Wall Street Journal’s First Gold Medal for Innovation, SXSW Best in Show, Nature Methods First Method of the Year Award, the Connecticut Medal of Technology, the DKGJ Biochemical Analysis Prize, and an Honorary Doctorate of Science from Mount Sinai. Dr. Rothberg is a member of the National Academy of Engineering, the Connecticut Academy of Science and Engineering, is a trustee of Carnegie Mellon University and an Adjunct Professor of Genetics at Yale University. Dr. Rothberg received his Ph.D., M.Phil., and M.S. in biology from Yale University and his B.S. in chemical engineering from Carnegie Mellon University. Dr. Rothberg’s qualifications to serve on our board of directors include his significant scientific, executive and board leadership experience in the technology industry, as well as his knowledge of our business as Legacy Butterfly’s founder and former Chief Executive Officer.

Larry Robbins has served on our board of directors since February 2020. Mr. Robbins was Longview’s Chairman from its inception to February 2021. Mr. Robbins is the Founder, Portfolio Manager and CEO of Glenview. Prior to founding Glenview in 2000, Mr. Robbins spent six years as an analyst and partner at Omega Advisors on their U.S. equity long/short team. He joined Omega after three years at Gleacher & Company, a merger and acquisition advisory boutique in New York. Through their Robbins Family Foundation, Mr. Robbins and his wife Sarahmay are active supporters of education reform both in New York City and on a national level. He serves as Chairman of the Board for Together Education, and he is a Board Member for the Relay Graduate School of Education, Robin Hood Foundation and Zearn. In addition, Mr. Robbins is the Senior Chair of the Wall Street Division of the UJA-Federation. Mr. Robbins graduated with honors from the Wharton School and Moore School of the University of Pennsylvania in 1992, where he received his Bachelor of Science in Economics and Engineering, with majors in accounting, finance, marketing, and systems engineering. Mr. Robbins qualifications to serve on our board of directors include his significant investment experience.

Dawn Carfora has served on our board of directors since the Closing of the Business Combination in February 2021. Ms. Carfora currently serves as Vice President, Business Planning and Operations, Global Business Group of Meta Platforms, Inc. (formerly Facebook, Inc.), or Meta, since September 2019. Prior to that, Ms. Carfora held a variety of senior leadership roles at Meta, including as Director, GMS Operations (Global Sales Operations) from October 2017 to September 2019 and as Director, Sales Operations, North America from March 2014 to October 2017. Ms. Carfora...
previously served as Chief Financial Officer of MagPlus Inc. from November 2013 to March 2014, as Senior Vice President, Operations at PDR Network, LLC, or PDR, from June 2013 to November 2013, as Chief Financial Officer at PDR from September 2009 to June 2013, and as Senior Director, Sales Operations at PDR from May 2007 to September 2009. Before joining PDR, Ms. Carfora served as Vice President, General Manager at MediZine Inc. from April 2005 to May 2007, as Director of Finance and Operations of Primedia Inc. from 1999 to 2003, as Manager, Financial Planning & Analysis of Twentieth Century Fox Home Entertainment, Inc. in 1999, as Experienced Senior Internal Audit Services at Ernst & Young LLP in 1998, and as Manager, Finance at Bertelsmann SE & Co. from 1993 to 1997. Ms. Carfora received her B.S. in business administration, finance from Rider University. Ms. Carfora’s qualifications to serve on our board of directors include her extensive experience in management, business planning and operations.

Elazer Edelman, M.D., Ph.D. has served on our board of directors since March 2021. Dr. Edelman has served as the Edward J. Poitras Professor in Medical Engineering and Science at the Massachusetts Institute of Technology which he joined in 1993, Professor of Medicine at Harvard Medical School which he joined in 1989, and Senior Attending Physician in the coronary care unit at the Brigham and Women’s Hospital in Boston with which he has been associated since 1984. He and his laboratory have pioneered basic findings in vascular biology and the development and assessment of biotechnology. Dr. Edelman has directed the Massachusetts Institute of Technology’s Institute for Medical Engineering and Science and Clinical Research Center as well as the Harvard-MIT Biomedical Engineering Center, all dedicated to applying the rigor of the physical sciences to elucidate fundamental biologic processes and mechanisms of disease. He is the founder and has served on the board of director of Autus Valve Technologies, Inc. since 2019, BioDevek, Inc. since 2015, and PanTher Therapeutics, LLC since 2014. Dr. Edelman completed internal medicine training and clinical fellowship in Cardiovascular Medicine at the Brigham and Women’s Hospital and a research fellowship at the Department of Pathology at Harvard Medical School. Dr. Edelman received his M.D. from Harvard Medical School and his Ph.D. in Medical Engineering and Medical Physics, M.S. in Electrical Engineering and Computer Science, and B.S. in Bioelectrical Engineering and Applied Biology from the Massachusetts Institute of Technology. Dr. Edelman’s qualifications to serve on our board of directors include his medical and biomedical engineering background and his extensive scientific advisory experience and co-founding of a number of technology companies.

John Hammergren has served on our board of directors since the Closing of the Business Combination in February 2021. Mr. Hammergren served as Chairman of the Board of Directors of McKesson Corporation, or McKesson, from July 2002 to April 2019, and as President and Chief Executive Officer of McKesson from April 2001 to April 2019. Mr. Hammergren joined McKesson in 1996 and held a number of management positions before becoming President and Chief Executive Officer and had been a director since 1999. Mr. Hammergren also served as the Chairman of the Supervisory Board of McKesson Europe, formerly known as Celesio AG, from March 2014 to August 2018. Mr. Hammergren also served as the Chairman of Change Healthcare, from March 2017 to March 2020. Additionally, Mr. Hammergren is currently a member of the Board of Trustees for the Center for Strategic & International Studies. Mr. Hammergren received his M.B.A. from Xavier University, Ohio and his B.A. in business administration and management from the University of Minnesota, Minneapolis. Mr. Hammergren's qualifications to serve on our board of directors include his nearly 40 years of work experience in various aspects of the supply, pharmaceutical, device, software, products and service requirements directly supporting the health care industry’s care delivery objectives in the U.S. and global marketplace.

Gianluca Pettiti has served on our board of directors since the Closing of the Business Combination in February 2021. Mr. Pettiti has served as Executive Vice President of Thermo Fisher Scientific Inc., or Thermo Fisher, since January 2022. Previously, Mr. Pettiti was Senior Vice President and President, Specialty Diagnostics of Thermo Fisher since 2018. Prior to that, Mr. Pettiti held a variety of other senior leadership roles at Thermo Fisher, including as President, Biosciences from January 2018 to September 2019, as President, China from January 2015 to December 2017, as President, Greater China Life Technologies from April 2013 to December 2014, as Vice President and Chief Executive Officer, Latin America Life Technologies from March 2010 to March 2013, as Director Finance, EMEA Life Technologies from January 2009 to March 2010, and as Senior Manager, Financial Planning & Analysis – EMEA from February 2006 to December 2008. Prior to joining Thermo Fisher, Mr. Pettiti served as FP&A Manager of GE Money Bank GmbH. Mr. Pettiti served as a member of the Global Future Council on Health and Healthcare of the World Economic Forum from February 2016 to January 2019 and as a member of the Enactus China Board of Directors from January 2015 to December 2017. Mr. Pettiti earned his Master of Science in Engineering, Engineering Industrial Management, from
Politecnico di Torino. Mr. Pettiti’s qualifications to serve on our board of directors include his extensive leadership experience in the life sciences and diagnostics industry.

S. Louise Phanstiel has served on our board of directors since the Closing of the Business Combination in February 2021. Ms. Phanstiel serves as Chair of the Board of Directors of Myriad Genetics, Inc., or Myriad, since March 2020 and has been a Director of Myriad since September 2009. Ms. Phanstiel previously held several executive positions at Anthem, Inc., formerly WellPoint, Inc., from 1996 to 2007. Ms. Phanstiel was President, Specialty Products, which included behavioral health services; Senior Vice President, Chief of Staff and Corporate Planning in the Office of the Chairman; and Chief Accounting Officer, Controller and Chief Financial Officer for all WellPoint, Inc. subsidiaries. Previously, Ms. Phanstiel was a partner at the international services firm PricewaterhouseCoopers, LLP, formerly Coopers & Lybrand, LLP, where she specialized in insurance. Ms. Phanstiel’s life science experience includes having previously served on the Board of Directors and Chair of the Audit Committees at publicly traded companies, Inveresk Research Group, Inc. and Verastem Oncology. Ms. Phanstiel received her B.A. in accounting from Golden Gate University and is a Certified Public Accountant. Ms. Phanstiel’s qualifications to serve on our board of directors include her significant experience in the healthcare industry, her extensive knowledge of financial accounting, internal control and public company reporting, and her experience serving on the board of directors of other publicly traded companies.

Erica Schwartz, M.D., J.D., M.P.H. has served on our board of directors since September 2021. Dr. Schwartz has served as President of Insurance Solutions at United Healthcare since October 2021. Previously, Dr. Schwartz served as the Deputy Surgeon General for the U.S. Department of Health and Human Services from March 2019 to April 2021, where she led the country’s public health deployment in response to the COVID-19 pandemic. Prior to her role as the Deputy Surgeon General, Dr. Schwartz spent 24 years in the uniformed service, during which time she was promoted through the ranks to Rear Admiral of the U.S. Coast Guard, where she served as the Chief Medical Officer and Director of Health, Safety, and Work Life from 2015 to 2019. Previously, Dr. Schwartz served as the U.S. Coast Guard’s Chief of Health Services from 2013 to 2015 and Preventive Medicine Chief from 2005 to 2013. Dr. Schwartz has served on the board of directors of Aveanna Healthcare Holdings Inc., a provider of a broad range of pediatric and adult healthcare services, since May 2021. Dr. Schwartz is trained and board certified in Preventive Medicine. She received a Bachelor of Science degree in Biomedical Engineering from Brown University, an Medical Doctorate from Brown University School of Medicine, a Master of Public Health degree with a dual concentration in health services administration and occupational and environmental medicine from the Uniformed Services University of the Health Sciences, and a Juris Doctorate from the University of Maryland School of Law. Dr. Schwartz’s qualifications to serve on our board of directors include her extensive leadership experience in healthcare and her background in medicine, biomedical engineering and law.

Role of Board in Risk Oversight

The board of directors have extensive involvement in the oversight of risk management related to the Company and its business and accomplishes this oversight through the regular reporting to the board of directors by the audit committee. The audit committee periodically reviews the Company’s accounting, reporting and financial practices, including the integrity of its financial statements, the surveillance of administrative and financial controls and its compliance with legal and regulatory requirements. Through its regular meetings with management, including the finance, legal, internal audit and information technology functions, the audit committee reviews and discusses all significant areas of our business and summarizes for the board of directors areas of risk and the appropriate mitigating factors. In addition, the board of directors receives periodic detailed operating performance reviews from management.

Controlled Company Exemption

Jonathan M. Rothberg, Ph.D. beneficially owns a majority of the voting power of all outstanding shares of the Company’s common stock. As a result, we are a “controlled company” within the meaning of the NYSE’s corporate governance standards. Under these corporate governance standards, a company of which more than 50% of the voting power for the election of directors is held by an individual, group or another company is a “controlled company” and may elect not to comply with certain corporate governance standards, including the requirements (1) that a majority of its board of directors consist of independent directors, (2) that its board of directors have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities and (3) that its board of directors have a nominating and corporate governance committee that is composed entirely of independent
directors with a written charter addressing the committee’s purpose and responsibilities. As a result, we may utilize one or more of these exemptions, and you may not have the same protections afforded to stockholders of companies that are subject to all of these corporate governance requirements. For example, our nominating and corporate governance committee is not currently composed entirely of independent directors. If we cease to be a “controlled company” and our shares continue to be listed on the NYSE, we will be required to comply with these standards and, depending on the board’s independence determination with respect to its then-current directors, we may be required to add additional directors to our board in order to achieve such compliance within the applicable transition periods.

Composition of the Board of Directors

Our business and affairs are managed under the direction of our board of directors. Our board of directors is declassified, and the directors are elected annually.

Independence of the Board of Directors

NYSE rules generally require that independent directors must comprise a majority of a listed company’s board of directors. As a controlled company, we are largely exempt from such requirements. Based upon information requested from and provided by each proposed director concerning his or her background, employment and affiliations, including family relationships, we have determined that Larry Robbins, Dawn Carfora, Elazer Edelman, M.D., Ph.D., John Hammergren, Gianluca Pettiti, S. Louise Phanstiel and Erica Schwartz, M.D., J.D., M.P.H., representing seven of the Company’s directors, are “independent” as that term is defined under the applicable rules and regulations of the SEC and the listing requirements and rules of the NYSE.

Board Committees

The standing committees of the board of directors consist of an audit committee, a compensation committee, a nominating and corporate governance committee and a technology committee. The board of directors may from time to time establish other committees.

Our chief executive officer and other executive officers regularly report to the non-executive directors and the audit, the compensation and the nominating and corporate governance committees to ensure effective and efficient oversight of our activities and to assist in proper risk management and the ongoing evaluation of management controls. We believe that the leadership structure of the board of directors will provide appropriate risk oversight of our activities given the controlling interests held by Jonathan M. Rothberg, Ph.D.

Audit Committee

Our audit committee consists of S. Louise Phanstiel, who serves as the chairperson, Gianluca Pettiti and John Hammergren. Each member of the audit committee qualifies as an independent director under the NYSE corporate governance standards and the independence requirements of Rule 10A-3 under the Exchange Act. The board of directors has determined that Ms. Phanstiel qualifies as an “audit committee financial expert” as such term is defined in Item 407(d)(5) of Regulation S-K and possesses financial sophistication, as defined under the rules of the NYSE.

The purpose of the audit committee is to prepare the audit committee report required by the SEC to be included in our proxy statement and to assist the board of directors in overseeing and monitoring (1) the quality and integrity of the financial statements, (2) compliance with legal and regulatory requirements, (3) our independent registered public accounting firm’s qualifications and independence, (4) the performance of our internal audit function and (5) the performance of our independent registered public accounting firm.

The board of directors has adopted a written charter for the audit committee, which is available on the Company’s website at https://www.butterflynetwork.com under About Us – Investors – Governance – Corporate Governance.
Compensation Committee

Our compensation committee consists of Gianluca Pettiti, who serves as the chairperson, Dawn Carfora, S. Louise Phanstiel and Larry Robbins.

The purpose of the compensation committee is to assist the board of directors in discharging its responsibilities relating to (1) setting our compensation program and compensation of our executive officers and directors, (2) monitoring our incentive and equity-based compensation plans, (3) preparing the compensation committee report required to be included in our proxy statement under the rules and regulations of the SEC, and (4) overseeing matters relating to human capital management, including diversity and inclusion and internal pay equity.

The board of directors has adopted a written charter for the compensation committee, which is available on the Company’s website at https://www.butterflynetwork.com under About Us – Investors – Governance – Corporate Governance.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee consists of Jonathan M. Rothberg, Ph.D., who serves as the chairperson, John Hammargren, Larry Robbins and Erica Schwartz, M.D., J.D., M.P.H. The purpose of the nominating and corporate governance committee is to assist the board of directors in discharging its responsibilities relating to (1) identifying individuals qualified to become new board of directors members, consistent with criteria approved by the board of directors, (2) reviewing the qualifications of incumbent directors to determine whether to recommend them for reelection and selecting, or recommending that the board of directors select, the director nominee for the next annual meeting of stockholders, (3) identifying board of directors members qualified to fill vacancies on any board of directors committee and recommending that the board of directors appoint the identified member or members to the applicable committee, (4) reviewing and recommending to the board of directors corporate governance principles applicable to the Company, (5) overseeing the evaluation of the board of directors and management and (6) handling such other matters that are specifically delegated to the committee by the board of directors from time to time.

The board of directors has adopted a written charter for the nominating and corporate governance committee, which is available on the Company’s website at https://www.butterflynetwork.com under About Us – Investors – Governance – Corporate Governance.

Technology Committee

Our technology committee consists of Elazer Edelman, M.D., Ph.D., who serves as the chairperson, Jonathan M. Rothberg, Ph.D., and Erica Schwartz, M.D, JD, MPH. The purpose of the technology committee is to oversee science and technology matters of the Company.

The board of directors have adopted a written charter for the technology committee, which is available on the Company’s website at https://www.butterflynetwork.com under About Us – Investors – Governance – Corporate Governance.

Code of Business Conduct

We have adopted a code of business conduct that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer, which is available on our website at https://www.butterflynetwork.com under About Us – Investors – Governance – Corporate Governance. Our code of business conduct is a “code of ethics,” as defined in Item 406(b) of Regulation S-K. Please note that our Internet website address is provided as an inactive textual reference only. We will make any legally required disclosures regarding amendments to, or waivers of, provisions of our code of ethics on our Internet website.

Corporate Governance Guidelines

Our board of directors has adopted corporate governance guidelines in accordance with the corporate governance rules of the NYSE that serve as a flexible framework within which our board of directors and its committees operate. These guidelines cover a number of areas including board membership criteria and director qualifications, director
responsibilities, board agenda, meetings of non-management directors, committee responsibilities and assignments, board member access to management and independent advisors, director communications with third parties, director compensation, director orientation and continuing education, and evaluation of our chief executive officer management succession planning. A copy of our corporate governance guidelines is posted on our website at https://www.butterflynetwork.com under About Us – Investors – Governance – Corporate Governance.

Item 11. EXECUTIVE COMPENSATION

Compensation Discussion & Analysis

This Compensation Discussion and Analysis (CD&A) discusses our compensation policies and determinations that apply to our named executive officers. When we refer to our named executive officers, or NEOs, we are referring to the following individuals whose 2021 compensation is set forth below in the Summary Compensation Table and subsequent compensation tables.

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Todd M. Fruchterman, M.D., Ph.D.</td>
<td>President, Chief Executive Officer and Director</td>
</tr>
<tr>
<td>Stephanie Fielding</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>Stacey Pugh</td>
<td>Chief Commercial Officer</td>
</tr>
<tr>
<td>Darius Shahida</td>
<td>Chief Strategy Officer and Chief Business Development Officer</td>
</tr>
<tr>
<td>Andrei Stoica, Ph.D.</td>
<td>Chief Technology Officer</td>
</tr>
<tr>
<td>Laurent Faracci</td>
<td>Former Chief Executive Officer</td>
</tr>
</tbody>
</table>

While the discussion in the CD&A is focused on our NEOs, many of our executive compensation programs apply broadly across our executive ranks.

Executive Summary

2021 Business Highlights

On February 12, 2021, we completed the business combination with Longview Acquisition Corp. and became a public company.

We are an innovative digital health business transforming care with hand-held, whole-body ultrasound. Powered by our proprietary Ultrasound-on-Chip™ technology, our solution enables the acquisition of imaging information from an affordable, powerful device that fits in a healthcare professional’s pocket with a unique combination of cloud-connected software and hardware technology that is easily accessed through a mobile app. Butterfly enables the practical application of ultrasound information into the clinical workflow.

We market and sell the Butterfly system, which includes probes and related accessories and software subscriptions, to healthcare systems, physicians and healthcare providers through a direct sales force, distributors, strategic partners and our eCommerce channel.

We employ 463 employees as of December 31, 2021 and sell our products in approximately 30 countries through our sales force and independent distributors and directly to physicians through our eCommerce channel.

2021 Financial and Business Performance Highlights

- Annual revenue of $62.6 million, growing 35% from $46.3 million in 2020.
- Gross margin was 27.3% and Adjusted gross margin was 50.5%.
- Gross profit was $17.1 million and Adjusted gross profit was $31.6 million.
- Net loss was $32.4 million and Adjusted EBITDA was a loss of $121.8 million.
• Strengthened talent foundations of the company with key appointments to the executive management team and the Board of Directors and initiated an evolution of the company’s business strategy and business model.
• Announced an exclusive partnership with Caption Health the only FDA-cleared AI-guided ultrasound software to develop an integrated solution with Butterfly to enhance cardiac assessment and improve the ease of image capture and image interpretation in a variety of care settings.
• Received a Class III Medical Device License in Canada for Butterfly iQ+.
• Expanded the Company’s commercial reach:
  - Announced international distributor partnerships in Hong Kong, Chile, Pakistan, Middle East, North Africa, Turkey and India.
  - Created a veterinary sales team and launched iQ+ Vet Ultrasound in the United States and internationally, expanding Butterfly’s vet presence into new territories through both internal personnel and distribution partners.
  - In 2021, Temple University, Lewis Katz School of Medicine distributed Butterfly iQ+ to all of their first- and second-year medical students.

Please refer to Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Non-GAAP Financial Measures” in this Annual Report on Form 10-K for a description and reconciliation of non-GAAP financial measures relative to reported GAAP financial measures.

**Key 2021 Compensation Actions**

The primary elements of our total direct compensation program for the NEOs and a summary of the actions taken by the Compensation Committee during 2021 are set forth below:

<table>
<thead>
<tr>
<th>Compensation Component</th>
<th>Link to Business and Talent Strategies</th>
<th>2021 Compensation Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Salary (pg 99)</td>
<td>• Competitive base salaries help attract and retain executive talent. • Fixed cash compensation recognizes factors such as individual contribution, tenure, and scope.</td>
<td>Determined market-competitive salary rates for executive team that promoted retention and provide a fixed level of compensation.</td>
</tr>
<tr>
<td>Annual Incentive Compensation (pg 100)</td>
<td>• Focus executives on achieving annually established financial and strategic targets that are key indicators of ongoing operational performance and support our business strategy.</td>
<td>Annual cash incentive awards were earned at target at 100%, reflecting Committee assessment of financial, operational, and strategic performance</td>
</tr>
<tr>
<td>Long-Term Incentive Compensation (pg 101)</td>
<td>• Incentivize and reward long-term gains in shareholder value, with vesting terms up to four years to ensure retention while rewarding executives for past performance and future potential growth. • Encourages executive ownership and alignment with external shareholders.</td>
<td>Executives awarded a combination of stock options, restricted stock units, and performance-based awards based on employment agreements/offer letters and competitive market conditions.</td>
</tr>
</tbody>
</table>

**Our Executive Compensation Philosophy**

The Company requires top talent with a wide range of skills, experience, and leadership qualities to lead the organization in support of our mission to democratize healthcare and to make medical imaging accessible to everyone around the world by using our proprietary technology. In order to attract and retain the talent required to fulfill our mission, accelerate growth, and promote stockholder value, the Compensation Committee’s goal is to implement an executive compensation program that is built upon the following objectives:

- **Attracting and Retaining the Right Talent.** Executive compensation should be market-competitive in order to attract and retain highly motivated talent with a performance-driven mindset, while supporting sound compensation principles in alignment sound corporate governance practices.
• **Pay for Performance.** A material portion of an executive’s target compensation should be at-risk and directly aligned with Company performance, with short-term (annual performance-based bonus) and long-term (equity awards) incentive programs that appropriately balance incentives for short- and long-term performance. In consideration of the early stage of the company and the need of building scale and infrastructure to serve the large addressable opportunity, the performance assessment has taken into consideration short-term targets as well as business development milestones, required to set up the Company for sustained and accelerated future growth.

• **Alignment with Stockholder Interests.** Our executives’ interests should be aligned with stockholder interests, furthered through the encouragement of equity ownership through our annual long-term incentive (“LTI”) program.

**How We Determine Executive Compensation**

**Oversight Responsibilities for Executive Compensation**

The table below summarizes the key oversight responsibilities for executive compensation.

| Compensation Committee | • Establishes executive compensation philosophy  
  | • Approves incentive compensation programs and performance goals for the annual bonus plan  
  | • Approves all compensation actions for the named executive officers and other members of senior management, other than the CEO  
  | • Recommends CEO compensation to the Board  
| All Independent Board Members | • Assess performance of the CEO and approves his compensation  
  | • Management, including the CEO, develops preliminary recommendations regarding compensation matters with respect to all NEOs, other than the CEO, and provides these recommendations to the Compensation Committee, which makes the final determination  
  | • Responsible for the administration of the compensation programs once Compensation Committee decisions are finalized  
  | • CEO is not involved in any decision as to his own compensation  
| CEO and Management | Use of Market Data

When establishing the newly-hired NEO’s target total direct compensation opportunity for 2021, the Compensation Committee considered the competitive market for comparable executives and compensation opportunities provided by comparable companies. Market comparison information for the NEOs was sourced from publicly available peer group information, as well as industry-specific survey data provided by Aon Plc, our independent compensation consultant for 2021. Both data sources served as important reference points in assessing the competitiveness of base salary, incentive targets, and total direct compensation, as well as on overall market design practices. Overall, the Compensation Committee targeted the midpoint of the market for the newly-hired NEOs.

Our 2021 peer group is composed of a set of 15 medical device/diagnostic and software companies, which was recommended to the Compensation Committee by Aon. Based on data compiled by Aon at the time of the peer group review, our revenues and market capitalization were at the 50th and 28th percentiles, respectively, in relation to the 2021 peer group.

<table>
<thead>
<tr>
<th>2021 Compensation Peer Group</th>
</tr>
</thead>
</table>
| Adaptive Biotechnologies | Invitae | Outset Medical  
| Asana | iRhythm Technologies | Quanterix  
| AtriCure | JFrog | ShockWave Medical  
| Berkeley Lights | NanoString Technologies | Silk Road Medical  
| Inari Medical | Nevro | Twist Bioscience  

For 2022, the Compensation Committee reviewed the existing compensation peer group in consultation with our newly retained independent compensation consultant, FW Cook, for continued financial and business fit. The table below reflects the 18-company 2022 Compensation Peer Group utilized to inform compensation decisions for the NEOs in fiscal 2022. Based on data compiled by FW Cook at the time of the peer group review, our revenues and market capitalization were at the 29th and 14th percentiles, respectively, in relation to the 2022 peer group.

<table>
<thead>
<tr>
<th>2022 Compensation Peer Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adaptive Biotechnologies</td>
</tr>
<tr>
<td>AtriCure</td>
</tr>
<tr>
<td>Axonics</td>
</tr>
<tr>
<td>Berkeley Lights</td>
</tr>
<tr>
<td>Health Catalyst</td>
</tr>
<tr>
<td>Inari Medical</td>
</tr>
<tr>
<td>Invitae</td>
</tr>
<tr>
<td>iRhythm Technologies</td>
</tr>
<tr>
<td>NanoString Technologies</td>
</tr>
<tr>
<td>Nevro</td>
</tr>
<tr>
<td>Outset Medical</td>
</tr>
<tr>
<td>Pulmonix</td>
</tr>
<tr>
<td>Quanterix</td>
</tr>
<tr>
<td>ShockWave Medical</td>
</tr>
<tr>
<td>Silk Road Medical</td>
</tr>
<tr>
<td>Twist Bioscience</td>
</tr>
</tbody>
</table>

### 2021 Named Executive Officer Compensation

#### Base Salary

Base salaries are a fixed amount paid to each executive for performing his or her normal duties and responsibilities. We determine the amount based on the executive’s overall performance, level of responsibility, and comparison to market data. Based on these criteria, our named executive officers had the following annual base salaries for 2021:

<table>
<thead>
<tr>
<th>Name</th>
<th>2021 Base Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Todd M. Fruchterman, M.D., Ph.D.</td>
<td>$750,000</td>
</tr>
<tr>
<td>Stephanie Fielding</td>
<td>$400,000</td>
</tr>
<tr>
<td>Stacey Pugh</td>
<td>$480,000</td>
</tr>
<tr>
<td>Darius Shahida</td>
<td>$400,000</td>
</tr>
<tr>
<td>Andrei Stoica, Ph.D.</td>
<td>$440,000</td>
</tr>
<tr>
<td>Laurent Faracci</td>
<td>$600,000</td>
</tr>
</tbody>
</table>

#### Annual Bonus Plan

Our annual bonus plan for 2021 is a cash program that rewards employees for achieving critical business and financial goals that are key indicators of ongoing operational performance and support our ongoing business strategy. The Compensation Committee reviews our target annual bonus opportunities each year to ensure they are competitive. The target annual incentive opportunity as a percent of annual base salary for each of our NEOs in 2021 was as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>2021 Target Bonus (% of Base Salary)</th>
<th>2021 Target Bonus ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Todd M. Fruchterman, M.D., Ph.D.</td>
<td>100%</td>
<td>$750,000</td>
</tr>
<tr>
<td>Stephanie Fielding</td>
<td>50%</td>
<td>$200,000</td>
</tr>
<tr>
<td>Stacey Pugh</td>
<td>70%</td>
<td>$336,000</td>
</tr>
<tr>
<td>Darius Shahida</td>
<td>50%</td>
<td>$200,000</td>
</tr>
<tr>
<td>Andrei Stoica, Ph.D.</td>
<td>50%</td>
<td>$220,000</td>
</tr>
<tr>
<td>Laurent Faracci</td>
<td>100%</td>
<td>$600,000</td>
</tr>
</tbody>
</table>

The Compensation Committee undertook a rigorous and holistic review of performance when determining final bonus payouts for the NEOs. Considerations included the desire to retain the current management team amid the Company’s recent Business Combination and a volatile business and macroeconomic environment, as well as reward management’s significant efforts in 2021, including:

- 35% year-over-year annual revenue growth driven by increase in product and software subscription sales.
- Better than expected Adjusted EBITDA at $(121.8) million
- Significant investment to build a foundation in the leadership of Butterfly to accelerate growth and realize our long-term vision of improving clinical care across a range of geographies, applications and care settings.
- Pivoting the company's strategy, innovation and commercial organizations to address clinical behavior change at health systems, medical education institutions, as well as the international and the veterinary market.
- Efficient supply chain management despite significant headwinds posed by COVID-19.
- Ensuring the health and safety of Company employees.

Based on the review process outlined above, the Compensation Committee determined to award the NEOs 100% of their annual target bonuses, with the exceptions noted below. The annual bonuses are prorated for the NEOs who began employment during 2021.

<table>
<thead>
<tr>
<th>Name</th>
<th>Target Bonus Opportunity</th>
<th>Annual Cash Incentive Earned</th>
<th>% of Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Todd M. Fruchterman, M.D., Ph.D.</td>
<td>100%</td>
<td>$684,247(1)</td>
<td>100%</td>
</tr>
<tr>
<td>Stephanie Fielding</td>
<td>50%</td>
<td>$150,000</td>
<td>75%</td>
</tr>
<tr>
<td>Stacey Pugh</td>
<td>70%</td>
<td>$267,879 (3)</td>
<td>100%</td>
</tr>
<tr>
<td>Darius Shahida</td>
<td>50%</td>
<td>$200,000</td>
<td>100%</td>
</tr>
<tr>
<td>Andrei Stoica, Ph.D.</td>
<td>50%</td>
<td>$99,452 (4)</td>
<td>100%</td>
</tr>
<tr>
<td>Laurent Faracci</td>
<td>100%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

(1) Dr. Fruchterman commenced employment with us on February 1, 2021.
(2) On January 31, 2022, Ms. Fielding delivered her resignation as Chief Financial Officer effective as of April 30, 2022. As described further below, pursuant to Ms. Fielding’s separation agreement, we will pay Ms. Fielding an annual bonus equal to $150,000 for the year ended December 31, 2021.
(3) Ms. Pugh commenced employment with us on March 15, 2021.
(4) Dr. Stoica commenced employment with us on July 19, 2021.

**Equity Incentive Program**

Our 2021 LTI program consisted of stock options, restricted stock units (“RSUs”) and performance stock units (“PSUs”):

<table>
<thead>
<tr>
<th>Award Type</th>
<th>Description / Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock Options</td>
<td>● Vest over a four-year period from the grant date&lt;br&gt;● Realized value strongly linked to share price appreciation following grant date</td>
</tr>
<tr>
<td>Restricted Stock Units</td>
<td>● RSUs awarded to Dr. Fruchterman and Ms. Pugh vest in four equal, annual installments; RSUs awarded to Dr. Stoica vest 25% on the first anniversary of the grant date and quarterly over the subsequent three-year period thereafter&lt;br&gt;● Realized value linked to share price while maintaining retentive glue during times of volatility</td>
</tr>
<tr>
<td>Performance Stock Units</td>
<td>● Awarded to select executives to further incentivize performance&lt;br&gt;● Compensation Committee retains sole discretion to determine final payout&lt;br&gt;● May be earned from 0% - 200% of target units awarded based on revenue and in consideration of strategic and business progress&lt;br&gt;● 66% (Fruchterman)/50% (Pugh) of earned units vest on the second anniversary of the grant date, with the balance vesting on a quarterly basis over the subsequent year</td>
</tr>
</tbody>
</table>
The table below summarizes equity awards (both units awarded, grant date fair value, and intrinsic value as of December 31, 2021 at a $6.69 share price) made to our named executive officers in 2021, reflecting a combination of annual LTI program awards (awarded in February 2021), additional retention grants (awarded in July 2021), and new-hire grants awarded to executives as part of their employment agreements or offer letters:

<table>
<thead>
<tr>
<th>Name</th>
<th>Stock Options</th>
<th>Restricted Stock Units</th>
<th>Performance Stock Units</th>
<th>Total Value</th>
<th>Value at 12/31/2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Todd M. Fruchterman, M.D., Ph.D.</td>
<td>1,744,442</td>
<td>$26,147,071</td>
<td>1,038,300</td>
<td>$35,355,567</td>
<td>$43,172,672</td>
</tr>
<tr>
<td>Stephanie Fielding</td>
<td>0</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Stacey Pugh</td>
<td>91,853</td>
<td>$1,146,325</td>
<td>207,660</td>
<td>$4,585,133</td>
<td>$6,306,462</td>
</tr>
<tr>
<td>Darius Shahida</td>
<td>0</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Andrei Stoica, Ph.D.</td>
<td>121,771</td>
<td>$1,300,514</td>
<td>63,798</td>
<td>$660,003</td>
<td>$1,960,517</td>
</tr>
<tr>
<td>Laurent Faracci</td>
<td>0</td>
<td>$0</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

Ms. Fielding and Mr. Shahida did not receive equity awards in 2021 in recognition of significant awards made to the two executives in December 2020 in connection with the Business Combination agreement. We note that the February 2021 awards (e.g., 92% of the CEO’s total grant date fair value) were granted prior to the completion of the Business Combination at the date of hiring and partially in consideration of the significant amount of equity forfeited. Further detail on 2021 awards can be found in “Grants of Plan-Based Awards” below.

**Equity Incentive Plans**

Our 2012 Employee, Director and Consultant Equity Incentive Plan, as amended (the “2012 Plan”), was in place for many years prior to the Business Combination and was amended in January 2020. Pursuant to the Business Combination, all outstanding awards under the 2012 Plan remain subject to the terms and conditions of such plan and the number of shares issued thereunder and the exercise prices were equitably adjusted based on the exchange ratio in connection with the Business Combination. We may not issue new awards under such plan. In connection with the Business Combination, we adopted the Butterfly Network, Inc. Amended and Restated 2020 Equity Incentive Plan (the “2020 Plan”). The 2020 Plan allows for the grant of options, restricted stock awards, restricted stock unit awards (each restricted stock unit relating to one share of our Class A common stock), other share or cash-based awards and dividend equivalent awards to employees, non-employee directors and consultants.

**Other Compensation and Governance Matters**

**Employment Agreements and Severance Benefits**

We have entered into employment agreements or offer letters with each of our executive officers, including our named executive officers, which set forth their basic terms of at-will employment and establish the individual’s base salary, eligibility to participate in the annual bonus plan and receive equity awards, and eligibility to participate in standard employee benefits. Furthermore, some of these agreements or offer letters also provide for certain benefits under qualifying terminations (see “Potential Payments Upon Termination or Change-In-Control” in this Item 11 for further details).

As described further below, our Executive Severance Plan was approved by the Compensation Committee in May 2021 following the Business Combination. The Compensation Committee believed it was necessary to adopt the Executive Severance Plan to ensure better alignment with market data and the benefits offered by the companies in our peer group, and to attract, retain and motivate superior executive talent. The Executive Severance Plan provides for continued payment of base salary times a multiplier determined based on the NEO’s title or role with us if he or she is terminated by us without cause or resigns for good reason. In addition, all outstanding unvested equity awards held by an NEO who is a participant in the Executive Severance Plan will become fully vested upon termination without cause or for good reason within 12 months following a change of control. We have not provided any excise tax gross-ups to any of our NEOs in the event of a change of control.
Mr. Faracci resigned from his position as Chief Executive Officer effective as of January 23, 2021. In connection with his resignation, on January 24, 2021, we entered into a separation agreement with Mr. Faracci, as described further below. On January 31, 2022, Ms. Fielding delivered her resignation as Chief Financial Officer, effective as of April 30, 2022. In connection with her resignation, on February 3, 2022, we entered into a separation agreement with Ms. Fielding, as described further below.

In addition, as a condition of their employment, each of our NEOs has entered into a confidentiality agreement obligating the officer to refrain from disclosing any of our proprietary information received during the course of employment.

Retirement and Other Benefits

Our named executive officers are eligible to participate in defined contribution retirement programs available to all our salaried employees.

We provide employees with benefits and perquisites based on competitive market conditions. All salaried employees, including the named executive officers, receive the following benefits:

- Health care coverage (Medical, Dental and Vision)
- Life and Disability insurance protection
- Unlimited Paid Time Off
- 401(k) Retirement Savings Plan

Our NEOs (and some other employees) are also entitled to additional benefits, including reimbursement relocation expenses. We also provided annual reimbursement of tax return preparation and finalization costs for 2020 and 2021 tax years as a perquisite to the CEO.

Prohibition on Hedging and Pledging

Our Insider Trading Policy prohibits members of the Board of Directors, NEOs, and all other subject personnel from purchasing financial instruments designed to hedge the economic risk of owning our securities (or entering any transaction that has the same economic effect), and prohibits certain persons, including members of the Board of Directors and the NEOs, from pledging our securities.

Tax Deductibility Policy

The Compensation Committee considered the deductibility of compensation for federal income tax purposes in the design of the Company’s compensation programs. While the Company generally seeks to maintain the deductibility of the incentive compensation paid to its executive officers, the Compensation Committee retains the flexibility necessary to provide cash and equity compensation in line with competitive practices, its compensation philosophy, and the best interests of stockholders, even if these amounts are not fully tax deductible.

Conclusion

It is the opinion of the Compensation Committee that the compensation policies and elements described above provide the necessary incentives to properly align our executive officers’ performance with the interests of our stockholders while maintaining equitable and competitive executive compensation practices that enable us to attract and retain the highest caliber of executive officers.

COMPENSATION COMMITTEE REPORT

Our Compensation Committee has reviewed and discussed the section entitled “Compensation Discussion and Analysis” with our management. Based upon this review and discussion, the Compensation Committee recommended to the Board
of Directors that the section entitled “Compensation Discussion and Analysis” be included in our Annual Report on Form 10-K for the year ended December 31, 2021 and our proxy statement for the 2022 annual meeting of stockholders.

Gianluca Pettiti, Chair
Larry Robbins
Dawn Carfora
Louise Phanstiel

Executive and Director Compensation

Introduction

Longview

None of Longview’s executive officers or directors received any cash compensation for services rendered to Longview. Longview agreed to pay an affiliate of its Sponsor a total of $10,000 per month, for up to 24 months, for office space, utilities, administrative and support services provided to members of its management team. The Sponsor, executive officers and directors, or any of their respective affiliates were reimbursed for any out-of-pocket expenses incurred in connection with activities on its behalf, such as identifying potential target businesses and performing due diligence on suitable business combinations.

Butterfly

The number of securities and exercise prices described in this section have been adjusted as necessary to reflect the number of securities and exercise prices following the Business Combination, except as described herein.
Summary Compensation Table

The following table shows the total compensation paid or accrued during the last three fiscal years ended December 31, 2021, 2020 and 2019 to (1) our Chief Executive Officer, (2) our Chief Financial Officer and (3) our three next most highly compensated executive officers who earned more than $100,000 during the fiscal year ended December 31, 2021 and were serving as executive officers as of such date. The table also includes our former Chief Executive Officer.

<table>
<thead>
<tr>
<th>Name and Principal Position</th>
<th>Year</th>
<th>Salary ($)</th>
<th>Bonus ($)</th>
<th>Stock Awards ($) (1)</th>
<th>Option Awards ($) (2)</th>
<th>All Other Compensation ($) (3)</th>
<th>Total ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Todd Fruchterman, Chief Executive Officer (4)</td>
<td>2021</td>
<td>687,500</td>
<td>3,272,247</td>
<td>17,025,602</td>
<td>26,147,071</td>
<td>1,304,510</td>
<td>48,436,930</td>
</tr>
<tr>
<td></td>
<td>2020</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stephanie Fielding, Chief Financial Officer (5)</td>
<td>2021</td>
<td>400,000</td>
<td>355,000</td>
<td>--</td>
<td>--</td>
<td>236,327</td>
<td>991,327</td>
</tr>
<tr>
<td></td>
<td>2020</td>
<td>194,318</td>
<td>25,000</td>
<td>--</td>
<td>1,751,250</td>
<td></td>
<td>1,970,568</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stacey Pugh, Chief Commercial Officer (6)</td>
<td>2021</td>
<td>380,000</td>
<td>417,879</td>
<td>5,160,136</td>
<td>1,146,325</td>
<td>168,334</td>
<td>7,272,674</td>
</tr>
<tr>
<td></td>
<td>2020</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Darius Shahida, Chief Strategy Officer and Chief Business Development Officer</td>
<td>2021</td>
<td>400,000</td>
<td>1,230,000</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>1,630,000</td>
</tr>
<tr>
<td></td>
<td>2020</td>
<td>400,000</td>
<td>--</td>
<td>4,880,010</td>
<td>1,129,670</td>
<td>--</td>
<td>6,409,680</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>203,125</td>
<td>200,000</td>
<td>--</td>
<td>--</td>
<td>10,500</td>
<td>413,625</td>
</tr>
<tr>
<td>Andrei Stoica, Chief Technology Officer (7)</td>
<td>2021</td>
<td>183,333</td>
<td>749,452</td>
<td>660,002</td>
<td>1,300,514</td>
<td>165,126</td>
<td>3,058,427</td>
</tr>
<tr>
<td></td>
<td>2020</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Laurent Faracci, Former Chief Executive Officer (8)</td>
<td>2021</td>
<td>25,000</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>3,666,800</td>
<td>3,691,800</td>
</tr>
<tr>
<td></td>
<td>2020</td>
<td>450,000</td>
<td>150,000</td>
<td>--</td>
<td>13,264,361</td>
<td>321,589</td>
<td>14,185,950</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) The amounts in this column reflect the aggregate grant date fair value of stock awards granted during 2021, 2020 and 2019, respectively, computed in accordance with ASC 718. The weighted average grant date fair values of stock...
awards granted during these years are included in Note 12 “Equity Incentive Plan” to our consolidated financial statements for the year ended December 31, 2021 included in this Annual Report on Form 10-K. The grant date fair value of each time-based RSU award is measured based on the closing price of our Class A common stock on the date of grant. The value of the PSU awards granted in 2021 to each of Dr. Fruchterman and Ms. Pugh, based upon the then-probable outcome of the performance conditions, as computed in accordance with ASC 718, was $1,149,995 and $575,004 for each award, respectively. Assuming that the maximum level of performance will be achieved, and assuming the $12.48 closing price of our Class A common stock on the date of grant, the value of each such PSU award is $2,299,989 and $1,150,007, respectively. These amounts do not necessarily correspond to the actual value recognized or that may be recognized by the named executive officers.

(2) The amounts in this column reflect the aggregate grant date fair value of the option awards granted during 2021, 2020 and 2019, respectively, computed in accordance with ASC 718, using the Black-Scholes option-pricing model and excluding the effect of estimated forfeitures. See Note 12 “Equity Incentive Plan” to our consolidated audited financial statements for the year ended December 31, 2021 included in this Annual Report on Form 10-K for details as to the assumptions used to calculate the fair value of the option awards.

(3) For the fiscal year ended December 31, 2021, consists of $110 for Dr. Fruchterman and $85 for Ms. Pugh for life insurance premiums; $380 for Dr. Fruchterman, $168,249 for Ms. Pugh, and $165,071 for Dr. Stoica for relocation-related reimbursement; $200,000 for private aviation for Dr. Fruchterman; $53,450 for legal fees for Dr. Fruchterman; $1,050,570 for the portion of Dr. Fruchterman’s reimbursement bonus intended to provide him a net after tax amount of $1,583,000; and severance benefits to Mr. Faracci consisting of $1,050,000 in lump sum severance payments, $16,800 for payment of health plan premiums and $2,600,000 attributable to the accelerated vesting of Mr. Faracci’s options, as discussed below under “— Potential Payments upon Termination or Change-in-Control.”

(4) Dr. Fruchterman commenced employment with us on February 1, 2021.

(5) On January 31, 2022, Ms. Fielding delivered her resignation as Chief Financial Officer effective as of April 30, 2022. In connection with her resignation, we entered into a separation agreement with Ms. Fielding, effective as of February 3, 2022, which provides that Ms. Fielding will remain employed by us through April 30, 2022 in order to assist in the transition of the chief financial officer role. Provided that Ms. Fielding complies with the terms of the separation agreement, including the release and waiver provided therein, on April 30, 2022 we will pay Ms. Fielding an annual bonus equal to $150,000 for the year ended December 31, 2021.

(6) Ms. Pugh commenced employment with us on March 15, 2021.

(7) Dr. Stoica commenced employment with us on July 19, 2021.

(8) Mr. Faracci’s employment with us ended effective January 23, 2021.
2021 Fiscal Year Grants of Plan-Based Awards

The following table shows information regarding grants of non-equity incentive plan awards and grants of equity awards that we made during the fiscal year ended December 31, 2021 to each of our executive officers named in the Summary Compensation Table.

<table>
<thead>
<tr>
<th>Name</th>
<th>Grant Date</th>
<th>Estimated Future Payouts Under Equity Incentive Plan Awards (1)</th>
<th>All Other Stock Awards: Number of Shares of Stock or Units (2)</th>
<th>All Other Option Awards: Number of Securities Underlying Options (3)</th>
<th>Exercise or Base Price of Option Awards ($/Sh) (4)</th>
<th>Grant Date Fair Value of Stock and Option Awards (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Todd Fruchterman, Chief Executive Officer</td>
<td>7/12/2021</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>12.48</td>
<td>$299,969</td>
</tr>
<tr>
<td></td>
<td>2/1/2021</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>15.29</td>
<td>$23,813,411</td>
</tr>
<tr>
<td></td>
<td>7/12/2021</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>12.48</td>
<td>$2,033,691</td>
</tr>
<tr>
<td></td>
<td>7/12/2021</td>
<td>46,073</td>
<td>92,147</td>
<td>184,294</td>
<td>--</td>
<td>$1,149,995</td>
</tr>
<tr>
<td></td>
<td>2/1/2021</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>$15,875,607</td>
</tr>
<tr>
<td>Stephanie Fielding, Chief Financial Officer</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Stacey Pugh, Chief Commercial Officer</td>
<td>7/12/2021</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>12.48</td>
<td>$347,743</td>
</tr>
<tr>
<td></td>
<td>7/12/2021</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>12.48</td>
<td>$798,583</td>
</tr>
<tr>
<td></td>
<td>7/12/2021</td>
<td>23,037</td>
<td>46,074</td>
<td>92,148</td>
<td>--</td>
<td>$575,004</td>
</tr>
<tr>
<td></td>
<td>2/12/2021</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>$4,585,133</td>
</tr>
<tr>
<td>Darius Shahida, Chief Strategy Officer and Chief Business Development Officer</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Andrei Stoica, Chief Technology Officer</td>
<td>7/19/2021</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>10.68</td>
<td>$399,987</td>
</tr>
<tr>
<td></td>
<td>7/19/2021</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>10.68</td>
<td>$900,527</td>
</tr>
<tr>
<td></td>
<td>7/19/2021</td>
<td>--</td>
<td>--</td>
<td>61,798</td>
<td>--</td>
<td>$660,003</td>
</tr>
<tr>
<td>Laurent Faracci, Former Chief Executive Officer</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
</tbody>
</table>

(1) The amounts shown represent the number of shares of our common stock that could be earned with respect to the PSU awards granted in 2021. The number of PSUs that will become earned and vest, and the resulting number of shares of our Class A common stock to be issued, will be determined within 90 days following the end of fiscal year 2022, and the number of shares can range from 0% to a maximum of 200% of the target number. The PSU awards are described in further detail under “Compensation Discussion and Analysis—2021 Named Executive Officer Compensation—Equity-Incentive Program” above.
The exercise price is equal to the fair market value of our common stock, which is the closing price per share of our Class A common stock as reported by the NYSE on the grant date.

These amounts represent the aggregate grant date fair value for option awards, RSU awards and PSU awards granted to our named executive officers, computed in accordance with ASC 718. See Note 2 “Summary of Significant Accounting Policies” to our consolidated financial statements for the year ended December 31, 2021 included in this Annual Report on Form 10-K for details as to the assumptions used to calculate the fair value of the option awards. The grant date fair value of each time-based RSU award is measured based on the closing price of our common stock on the date of grant.

Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table

Todd M. Fruchterman, M.D., Ph.D.

We entered into an employment agreement with Dr. Fruchterman on July 20, 2021, effective February 1, 2021, in accordance with the binding term sheet entered into between us and Dr. Fruchterman on January 23, 2021, pursuant to which Dr. Fruchterman began employment as Chief Executive Officer on February 1, 2021. As set forth in the Term Sheet, the Employment Agreement provides that Dr. Fruchterman’s initial annual base salary is $750,000. Beginning March 1, 2022, Dr. Fruchterman’s annual base salary is $780,000. Dr. Fruchterman is eligible to receive an annual discretionary bonus in a target amount equal to 100% of his annual base salary, or target bonus, subject to a cap of up to 200% of his annual base salary. In connection with his hiring, Dr. Fruchterman received a one-time reimbursement bonus having a net, after tax amount equal to up to $1,583,000 to repay his legal obligation to his previous employer and a one-time signing bonus equal to $1,000,000, with an initial payment of $500,000 and the remaining $500,000 to be paid promptly following the first anniversary of Dr. Fruchterman’s employment. The signing bonus is subject to repayment if Dr. Fruchterman is terminated for cause or resigns from his position without good reason (each as defined in the employment agreement) on or prior to the first anniversary of his employment. Also in connection with his hiring, Dr. Fruchterman was granted an option for 1,500,000 shares of our common stock, or the Initial Option Award, at an exercise price of $15.87, the fair market value of our common stock on the date of the grant, with 25% to vest on the first anniversary of Dr. Fruchterman’s employment start date and the remainder to vest in equal monthly installments over the next 36 months. The number of shares subject to the Initial Option Award was adjusted in connection with the Business Combination to 1,557,450 shares and the exercise price was adjusted to $15.29 per share. On January 23, 2021, Dr. Fruchterman was also granted a restricted stock unit award to receive 1,000,000 shares of our common stock, or the Initial RSU Award, which vests subject to the Closing of the Business Combination, and thereafter in four equal installments on each of the first four anniversaries of Dr. Fruchterman’s employment start date. The number of shares subject to the Initial RSU Award was adjusted in connection with the Business Combination to 1,038,300 shares. Pursuant to Dr. Fruchterman’s employment agreement, he will be eligible for annual equity awards subject to time and performance vesting as determined by our compensation committee at the time of such grant, with performance-based awards not to exceed 50% of the value of any annual award, and time and performance based vesting not to differ materially from performance measures generally applied to senior executives. For the 2021 performance year, Dr. Fruchterman received an award with a grant date value of $2,300,000, with 50% of the award in the form of stock options and 50% of the award in the form of restricted stock units, which will vest over three years pursuant to time-based and performance criteria determined by our compensation committee.

Dr. Fruchterman is entitled to reimbursement for reasonable, customary relocation expenses and legal fees related to negotiation of his employment terms. Dr. Fruchterman is also entitled to annual reimbursement for up to $20,000 of reasonable expenses related to tax preparation and estate planning for the 2020 and 2021 tax years. Dr. Fruchterman will be subject to our Non-Competition, Confidentiality and Intellectual Property Agreement, which includes a one year post-employment covenant not to compete with us in the United States in the field of ultrasound technologies, devices and applications, a two year post-employment covenant not to solicit or service our customers or prospective customers to or for a competing business, and a two year post-employment covenant not to solicit or hire our employees or contractors.

Dr. Fruchterman is entitled to certain benefits in connection with a termination of his employment or a change of control as discussed below under “—Potential Payments upon Termination or Change-in-Control.”
Stephanie Fielding

Ms. Fielding began her position as Chief Financial Officer in November 2020. We entered into an offer letter with Ms. Fielding, as our Senior Vice President of Finance, on March 16, 2020. Pursuant to the terms of her offer letter, Ms. Fielding’s then annual base salary was $225,000. On November 18, 2020, we provided to Ms. Fielding an employment agreement letter which supplements the terms and conditions of her offer letter. Pursuant to her employment agreement letter, Ms. Fielding’s annual base salary is $400,000. On December 17, 2020, Ms. Fielding was granted an option to purchase 375,000 shares at an exercise price of $9.75, the fair market value of our common stock on the date of the grant, 25% of which vested on June 30, 2021 and the remainder to vest in equal monthly installments over the following 36-month period. The number of shares subject to the option award was adjusted in connection with the Business Combination to 389,362 shares and the exercise price was adjusted to $9.40 per share. In addition, on December 17, 2020, Ms. Fielding was granted 125,000 RSUs, which vested subject to the Closing of the Business Combination, and thereafter as follows: 25% of the RSUs vested on December 17, 2021, and the remainder will vest in equal quarterly installments over the following three years. The number of shares subject to the RSU award was adjusted in connection with the Business Combination to 129,788 shares. The option and RSU grants to Ms. Fielding under her November 18, 2020 employment agreement letter replace the obligation to grant 250,000 stock options under her March 16, 2020 offer letter.

Pursuant to her employment agreement letter, Ms. Fielding was entitled to certain benefits in connection with a termination of her employment as discussed below under “—Potential Payments upon Termination or Change-in-Control.”

On January 31, 2022, Ms. Fielding delivered her resignation as Chief Financial Officer effective as of April 30, 2022. In connection with her resignation, we entered into a separation agreement with Ms. Fielding, effective as of February 3, 2022, which provides that Ms. Fielding will remain employed by us through April 30, 2022 in order to assist in the transition of the chief financial officer role. Provided that Ms. Fielding complies with the terms of the separation agreement, including the release and waiver provided therein, on April 30, 2022 we will pay Ms. Fielding an annual bonus equal to $150,000 for the year ended December 31, 2021. All unvested options and restricted stock units subject to Ms. Fielding’s equity awards will be forfeited as of April 30, 2022. The separation agreement also includes other customary provisions.

Stacey Pugh

We entered into an offer letter with Ms. Pugh, as our Chief Commercial Officer, on February 11, 2021 to begin employment on March 15, 2021. Pursuant to the terms of her offer letter, Ms. Pugh’s initial annual base salary is $480,000. Beginning March 1, 2022, Ms. Pugh’s annual base salary is $499,000. Ms. Pugh received a sign on bonus in the amount of $300,000, with the first installment of $150,000 paid in March 2021 and the second installment to be paid following the first anniversary of Ms. Pugh’s start date. For calendar year 2021, Ms. Pugh was eligible to receive a discretionary bonus with a target of 70% of her base salary and a cap of 150% of her base salary. On July 12, 2021, Ms. Pugh was granted an option to purchase 91,853 shares at an exercise price of $12.48, the fair market value of our Class A common stock on the date of the grant, 25% of which vested on February 15, 2022 and the remainder to vest in equal monthly installments over the following three years. In addition, on July 12, 2021, Ms. Pugh was granted 46,074 RSUs, which vest based on performance criteria and time based vesting. If the performance measures are met, 50% of the earned portion of the award will vest on February 15, 2023, with the remainder of the earned portion of the award to vest in eight equal quarterly installments over the following two years.

Ms. Pugh is entitled to certain benefits in connection with a termination of her employment or a change of control as discussed below under “—Potential Payments upon Termination or Change-in-Control.”
Darius Shahida

Mr. Shahida began his position as our Chief Strategy Officer and Chief Business Development Officer in January 2020 and we entered into an employment letter with Mr. Shahida in November 2020. Mr. Shahida previously served as our Head of Growth from August 2018 to January 2020. Pursuant to the terms of his employment letter, Mr. Shahida's annual base salary is $400,000. Beginning March 1, 2022, Mr. Shahida’s annual base salary is $416,000. On December 17, 2020, Mr. Shahida was granted 500,000 RSUs, which vested 50% on the first anniversary of the grant date and the remainder will vest in equal quarterly installments over the following year. The number of shares subject to Mr. Shahida’s RSU award was adjusted in connection with the Business Combination to 519,150 shares.

Mr. Shahida is entitled to certain benefits in connection with a termination of his employment or a change of control as discussed below under “—Potential Payments upon Termination or Change-in-Control.”

Andrei Stoica

We entered into an offer letter with Dr. Stoica, as our Chief Technology Officer and Senior Vice President, on June 3, 2021 to begin employment in July 2021. Pursuant to the terms of his offer letter, Dr. Stoica’s initial annual base salary is $440,000. Beginning March 1, 2022, Dr. Stoica’s annual base salary is $475,000. In August 2021, Dr. Stoica received a one-time make whole payment of $650,000 for incentive and retention forfeiture, which payment is recoverable by us in the event Dr. Stoica voluntarily terminates his employment (other than for good reason) prior to 12 months from his start date. Dr. Stoica receives an annual discretionary bonus with a target of 50% of his base salary. On July 19, 2021, Dr. Stoica was granted an option to purchase 121,771 shares at an exercise price of $10.68, the fair market value of our Class A common stock on the date of the grant, 25% of which will vest on September 30, 2022 and the remainder to vest in equal monthly installments over the following three years. In addition, on July 19, 2021, Dr. Stoica was granted 61,798 RSUs, 25% of which will vest on September 30, 2022 and the remainder to vest in 12 equal quarterly installments thereafter. Dr. Stoica is eligible to participate in our long-term incentive program. Pursuant to the terms of his offer letter, we reimbursed Dr. Stoica for reasonable moving expenses in connection with this relocation to begin employment with us.

Dr. Stoica is entitled to certain benefits in connection with a termination of his employment or a change of control as discussed below under “—Potential Payments upon Termination or Change-in-Control.”

Laurent Faracci

We entered into an offer letter of employment with Mr. Faracci on December 18, 2019, and Mr. Faracci was our Chief Executive Officer from April 2020 to January 2021. The offer letter provided that Mr. Faracci’s annual base salary was $600,000. In 2020, Mr. Faracci was eligible to receive annual discretionary bonuses of up to 100% of his annual base salary, and he would have received a guaranteed bonus of 25% of his annual base salary if he was employed on the date any 2020 bonus was paid in February 2021. In connection with his hiring, Mr. Faracci was granted an option for 4,350,000 shares at an exercise price of $5.02, the fair market value of our common stock on the date of the grant, with 20% to vest on March 31, 2021 and the remainder vesting in equal monthly installments over the next 48 months, subject to Mr. Faracci’s continued employment.

Pursuant to Mr. Faracci’s offer letter, he also received two additional option grants, each for 1,635,000 shares, at an exercise price of $5.02. The number of shares subject to each option award was adjusted in connection with the Business Combination to 3,395,240 shares and the exercise price was adjusted to $4.84 per share. The first option provided for vesting on the closing of a financing in excess of $100 million within two years of Mr. Faracci’s start date at a share price greater than $20.54 and if existing stockholders (and holders of vested options) were allowed to tender up to 5% of their shares. The second option provided for vesting on the closing of a financing in excess of $100 million within five years of Mr. Faracci’s start date at a share price greater than $51.35 and if existing stockholders (and holders of vested options) were allowed to tender up to 5% of their shares. The option grants expired on April 23, 2021, the three month anniversary of Mr. Faracci’s separation date.
Mr. Faracci resigned from his position as Chief Executive Officer effective as of January 23, 2021. In connection with his resignation, on January 24, 2021, we entered into a separation agreement with Mr. Faracci. Under the separation agreement, we paid or provided to Mr. Faracci: (i) a lump sum severance payment in the amount of $900,000, which was equal to one year of his then current annual base salary plus an additional amount equal to 50% of his then current base salary, (ii) payment of the monthly premiums to continue Mr. Faracci and his eligible dependents’ participation in our group health plan for 12 months following the separation date, (iii) a payment of $150,000 representing Mr. Faracci’s bonus payable for 2020, and (iv) accelerated vesting of the 1,522,491 shares of his time-based options that would have vested had Mr. Faracci remained employed through the one year anniversary of his termination date, which options will remain exercisable until January 23, 2026. The number of shares subject to the accelerated time-based options was adjusted in connection with the Business Combination to 1,580,802 shares and the exercise price was adjusted to $4.84 per share. The separation agreement also includes a release and waiver by Mr. Faracci and other customary provisions.

**Outstanding Equity Awards at 2021 Fiscal Year-End**

The following table shows grants of stock options and grants of unvested stock awards outstanding on the last day of the fiscal year ended December 31, 2021, including both awards subject to performance conditions and non-performance-based awards, to each of the executive officers named in the Summary Compensation Table.
<table>
<thead>
<tr>
<th>Name</th>
<th>Grant Date</th>
<th>Option Awards</th>
<th>Stock Awards</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Number of Securities Underlying Exercisable Options (4) Exercisable</td>
<td>Number of Securities Underlying Unexercised Options (6) Unexercisable</td>
</tr>
<tr>
<td>Todd Fruchterman, Chief Executive Officer</td>
<td>7/12/2021</td>
<td>--</td>
<td>24,036 (3)</td>
</tr>
<tr>
<td></td>
<td>2/1/2021</td>
<td>--</td>
<td>1,557,450 (4)</td>
</tr>
<tr>
<td></td>
<td>7/12/2021</td>
<td>--</td>
<td>162,596 (5)</td>
</tr>
<tr>
<td></td>
<td>7/12/2021</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Stephanie Fielding, Chief Financial Officer</td>
<td>12/17/2020</td>
<td>9,728 (8)</td>
<td>16,229</td>
</tr>
<tr>
<td></td>
<td>12/17/2020</td>
<td>136,279 (9)</td>
<td>227,126</td>
</tr>
<tr>
<td></td>
<td>12/17/2020</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Stacey Pugh, Chief Commercial Officer</td>
<td>7/12/2021</td>
<td>--</td>
<td>27,844 (11)</td>
</tr>
<tr>
<td></td>
<td>7/12/2021</td>
<td>--</td>
<td>65,989 (12)</td>
</tr>
<tr>
<td></td>
<td>7/12/2021</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>2/12/2021</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Darius Shahida, Chief Strategy Officer and Chief Business Development Officer</td>
<td>1/16/2018</td>
<td>155,745</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>9/18/2018</td>
<td>129,752 (15)</td>
<td>25,993</td>
</tr>
<tr>
<td></td>
<td>1/21/2020</td>
<td>160,063 (16)</td>
<td>47,597</td>
</tr>
<tr>
<td></td>
<td>12/17/2020</td>
<td>--</td>
<td>259,376 (17)</td>
</tr>
<tr>
<td>Andrei Stoica, Chief Technology Officer</td>
<td>7/19/2021</td>
<td>--</td>
<td>37,452 (18)</td>
</tr>
<tr>
<td></td>
<td>7/19/2021</td>
<td>--</td>
<td>84,319 (19)</td>
</tr>
<tr>
<td></td>
<td>7/19/2021</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Laurent Faracci, Former Chief Executive Officer</td>
<td>4/23/2020</td>
<td>1,580,802</td>
<td>--</td>
</tr>
</tbody>
</table>
(1) All options have a ten-year term from the date of grant.

(2) The market value of the stock awards is based on the closing price of our Class A common stock of $6.69 per share on December 31, 2021.

(3) The shares underlying this option vest as to 33% of the award on February 15, 2022, with the remainder of the award to vest in equal monthly installments over the following two years, subject to continued service through the applicable vesting dates.

(4) The shares underlying this option vest as to 25% of the award on February 1, 2022, with the remainder of the award vesting in 36 equal monthly installments thereafter, subject to Dr. Fruchterman’s continued service through the applicable vesting dates.

(5) The shares underlying this option vest as to 33% of the award on February 15, 2022, with the remainder of the award to vest in equal monthly installments over the following two years, subject to continued service through the applicable vesting dates.

(6) This award vests based on performance criteria and time based vesting. If the performance measures are met, 66% of the earned portion of the award will vest on February 15, 2023, with the remainder of the earned portion of the award to vest in four equal quarterly installments over the following year, subject to continued service through the applicable vesting dates. The amount shown represents the target number of shares of our Class A common stock that could be earned with respect to this award. The number of PSUs that will become earned and vest, and the resulting number of shares of our Class A common stock to be issued, will be determined within 90 days following the end of fiscal year 2022, and the number of shares can range from 0% to a maximum of 200% of the target number. The PSU awards are described in further detail under “Compensation Discussion and Analysis—2021 Named Executive Officer Compensation—Equity Incentive Program” above.

(7) The RSUs vest in 4 equal annual installments on the anniversary of the start of Dr. Fruchterman’s employment by Butterfly (defined below), February 1, 2021, subject to his continued service through the applicable vesting date.

(8) The shares underlying this option vest as to 25% on June 30, 2021, with the remainder vesting in 36 equal monthly installments thereafter, subject to Ms. Fielding’s continued service through the applicable vesting date. As of Ms. Fielding’s separation date, 14,060 unvested shares underlying this option will be forfeited.

(9) The shares underlying this option vest as to 25% on June 30, 2021, with the remainder vesting in 36 equal monthly installments thereafter, subject to Ms. Fielding’s continued service through the applicable vesting date. As of Ms. Fielding’s separation date, 196,845 unvested shares underlying this option will be forfeited.

(10) The RSUs vest as to 25% of the shares on December 17, 2021, with the remainder vesting in 12 equal quarterly installments thereafter, subject to Ms. Fielding’s continued service through the applicable vesting date. As of Ms. Fielding’s separation date, 89,230 unvested RSUs underlying this award will be forfeited.

(11) This award will vest on as to 25% of the award on February 15, 2022, with the remainder of the award to vest in equal monthly installments over the following three years, subject to continued service through the applicable vesting dates.

(12) This award will vest on as to 25% of the award on February 15, 2022, with the remainder of the award to vest in equal monthly installments over the following three years, subject to continued service through the applicable vesting dates.

(13) This award vests based on performance criteria and time based vesting. If the performance measures are met, 50% of the earned portion of the award will vest on February 15, 2023, with the remainder of the earned portion of the award to vest in eight equal quarterly installments over the following two years, subject to continued service to us through the applicable vesting dates. The amount shown represents the target number of shares of our Class A common stock that could be earned with respect to this award. The number of PSUs that will become earned and vest, and the resulting number of shares of our Class A common stock to be issued, will be determined within 90 days following the end of fiscal year 2022, and the number of shares can range from 0% to a maximum of 200% of the target number. The PSU awards are described in further detail under “Compensation Discussion and Analysis—2021 Named Executive Officer Compensation—Equity Incentive Program” above.

(14) The RSUs vest in equal annual installments over four years beginning on February 11, 2022, subject to Ms. Pugh’s continued service through the applicable vesting date.

(15) The shares underlying this option vest in equal monthly installments over 48 months beginning on September 30, 2018, subject to Mr. Shahida’s continued service through the applicable vesting date.
The shares underlying this option vested as to 50% on November 2, 2020, with the remainder vesting in 24 equal monthly installments thereafter, subject to Mr. Shahida’s continued service through the applicable vesting date.

The shares underlying this option vest as to 50% of the shares on December 17, 2021, with the remainder vesting in 4 equal quarterly installments thereafter, subject to Mr. Shahida’s continued service through the applicable vesting date.

The shares underlying this option vest as to 25% on September 30, 2022, with the remainder vesting in 36 equal monthly installments thereafter, subject to Dr. Stoica’s continued service through the applicable vesting date.

The shares underlying this option vest as to 25% on September 30, 2022, with the remainder vesting in 36 equal monthly installments thereafter, subject to Dr. Stoica’s continued service through the applicable vesting date.

The RSUs vest as to 25% on September 30, 2022, with the remainder vesting in 12 equal quarterly installments thereafter, subject to Dr. Stoica’s continued service through the applicable vesting date.

Option Exercises and Stock Vested in 2021

The following table shows information regarding exercises of options to purchase our common stock and vesting of stock awards held by each executive officer named in the Summary Compensation Table during the fiscal year ended December 31, 2021.

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Shares Acquired on Exercise (#)</th>
<th>Value Realized on Exercise ($) (1)</th>
<th>Number of Shares Acquired on Vesting (#)</th>
<th>Value Realized on Vesting ($) (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Todd Fruchterman, Chief Executive Officer</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Stephanie Fielding, Chief Financial Officer</td>
<td>--</td>
<td>--</td>
<td>32,446</td>
<td>236,207</td>
</tr>
<tr>
<td>Stacey Pugh, Chief Commercial Officer</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Darius Shahida, Chief Strategy Officer and Chief Business Development Officer</td>
<td>--</td>
<td>--</td>
<td>259,574</td>
<td>1,889,699</td>
</tr>
<tr>
<td>Andrei Stoica, Chief Technology Officer</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Laurent Faracci, Former Chief Executive Officer</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
</tbody>
</table>

(1) Amounts shown in this column do not necessarily represent actual value realized from the sale of the shares acquired upon exercise of options because in many cases the shares are not sold on exercise but continue to be held by the executive officer exercising the option. The amounts shown represent the difference between the option exercise price and the market price on the date of exercise, which is the amount that would have been realized if the shares had been sold immediately upon exercise.

(2) The value realized on vesting is calculated by multiplying the number of vested shares by the closing price of our Class A common stock on the NYSE on the applicable vesting date.

Pension Benefits

We do not have any qualified or non-qualified defined pension benefit plans.
Nonqualified Deferred Compensation

We do not have any nonqualified defined contribution plans or other deferred compensation plans.

Severance Plan

On May 3, 2021, the Compensation Committee of the Board adopted the Butterfly Network, Inc. Executive Severance Plan, as amended on November 10, 2021 (the “Severance Plan”). Eligible participants in the Severance Plan include our executive officers (other than our Chief Executive Officer, our Chief Financial Officer, our Chief Operating Officer and our Chief Strategy and Chief Business Development Officer) and executive officers reporting directly to our Chief Executive Officer having the title of senior vice president or executive vice president.

Under the Severance Plan, if we terminate a participant’s employment without cause (as defined in the Severance Plan) or a participant resigns for good reason (as defined in the Severance Plan) at any time other than during the twelve (12) month period following a change in control (as such term is defined in the Severance Plan) (the “Change in Control Period”), then the participant is eligible to receive the following benefits:

- Severance payable in the form of salary continuation. The severance amount is equal to participant’s then-current base salary times a multiplier determined based on the participant’s title or role with us.
- We will pay for company contribution for continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, or COBRA, during the severance period.

Under the Severance Plan, if we terminate a participant’s employment without cause or participant resigns for good reason, during the Change in Control Period, then the participant is eligible to receive the following benefits:

- Severance payable in a single lump sum. The severance amount is equal to participant’s then-current base salary and then-current target annual bonus opportunity, times a change in control multiplier determined based on the participant’s title or role with us.
- We will pay for company contribution for continuation coverage under COBRA during the severance period.
- Any outstanding unvested equity awards held by the participant under our then-current outstanding equity incentive plan(s) will become fully vested on the date the termination of such participant’s employment becomes effective.

A participant’s rights to any severance benefits under the Severance Plan are conditioned upon the participant executing and not revoking a valid separation and general release of claims agreement in a form provided by us.

For purposes of severance payments made under our Severance Plan, “good reason” is defined as the participant resigning after the occurrence of one of the following events without the participant’s consent:

- a material reduction of the participant’s base salary as in effect immediately prior to the reduction; or
- a material reduction in the participant’s authority, duties or responsibilities.

The participant must provide us with written notice within 30 days after the occurrence of a good reason event, and we have 30 days to correct the event after receipt of the notice, and the participant must actually terminate his or her employment within 60 days after the date we receive the participant’s notice.

The term “cause” under the Severance Plan means a termination by us after the occurrence of one of the following events:

- willful misconduct or gross negligence in the performance of the participant’s duties;
- refusal to follow the lawful directions of the Chief Executive Officer, which, if curable, has not been cured by the participant within 30 days after he or she receives notice from the Chief Executive Officer;
- breach of a fiduciary duty owed to us;
- fraud, embezzlement or other material dishonesty with respect to us;
- violation of applicable federal, state or local law or regulation governing our business;
• commission, conviction, plea of nolo contendere, guilty plea, or confession to a crime based upon an act of fraud, embezzlement or dishonesty or to a felony;
• habitual abuse of alcohol or any controlled substance or reporting to work under the influence of alcohol or any controlled substance (other than a controlled substance that the participant is properly taking under a current prescription);
• misappropriation (or attempted misappropriation) by the participant of any material assets or business opportunities of us or any of our subsidiaries or affiliates;
• a material failure to comply with our written policies or rules, as they may be in effect from time to time during the participant’s employment, including policies and rules prohibiting discrimination or harassment, which, if curable, has not been cured by the participant within 30 days after he or she receives notice from the Chief Executive Officer;
• a material breach of the participant’s employment agreement or offer letter, the Non-Competition, Confidentiality and Intellectual Property Agreement or any other written agreement between us or one of our subsidiaries and participant, which, if curable, has not been cured by the participant within 30 days after he or she receives notice from the Chief Executive Officer.

The term “change in control” under the Severance Plan means:

(i) any person or group of persons (other than us or our affiliates) becomes the owner, directly or indirectly, of our securities representing more than 50% of the combined voting power of our then outstanding voting securities (the “Outstanding Company Voting Securities”) (but excluding any bona fide financing event in which securities are acquired directly from us); or

(ii) the consummation of a merger or consolidation of us with any other corporation, other than a merger or consolidation (i) that results in the Outstanding Company Voting Securities immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 50% of the combined voting power of the Outstanding Company Voting Securities (or such surviving entity or, if we or the entity surviving such merger is then a subsidiary, the ultimate parent thereof) outstanding immediately after such merger or consolidation, or (ii) immediately following which the individuals who comprise the Board immediately prior thereto constitute at least a majority of the Board of the entity surviving such merger or consolidation or, if we or the entity surviving such merger is then a subsidiary, the ultimate parent thereof;

(iii) the sale or disposition by us of all or substantially all of our assets, other than (i) a sale or disposition by us of all or substantially all of our assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned directly or indirectly by our stockholders following the completion of such transaction in substantially the same proportions as their ownership of us immediately prior to such sale or (ii) a sale or disposition of all or substantially all of our assets immediately following which the individuals who comprise the Board immediately prior thereto constitute at least a majority of the board of directors of the entity to which such assets are sold or disposed or, if such entity is a subsidiary, the ultimate parent thereof;

(iv) provided that with respect to Sections (i), (ii) and (iii) above, a transaction or series of integrated transactions will not be deemed a Change in Control (A) unless the transaction qualifies as a change in control within the meaning of Section 409A of the Code, or (B) if following the conclusion of the transaction or series of integrated transactions, the holders of our Class B Common Stock immediately prior to such transaction or series of transactions continue to have substantially the same proportionate voting power in an entity which owns all or substantially all of our assets immediately following such transaction or series of transactions.

Potential Payments upon Termination or Change-In-Control

We have agreed to provide severance and change of control payments and benefits to our named executive officers under specified circumstances, as described below:
In the event that Dr. Fruchterman is terminated without cause or resigns from his position for good reason, he is entitled to receive a severance payment equal to one year of his then in-effect base salary plus his target bonus, as well as any earned but unpaid annual bonus and payment of an amount equal to COBRA premiums for 12 months. In addition, Dr. Fruchterman’s employment agreement specifies that his outstanding equity awards with time-based vesting will continue to vest for an additional 12 months following his termination and his Initial RSU Award will be vested in full. Dr. Fruchterman’s employment agreement also specifies that, in the event that Dr. Fruchterman is terminated without cause or resigns from his position for good reason within three months prior to or two years following a change in control event (as defined in Dr. Fruchterman’s employment agreement), he is entitled to receive a severance payment equal to two times the sum of his then in-effect base salary plus his target bonus, as well as any earned but unpaid annual bonus and payment of an amount equal to COBRA premiums for 24 months, and his outstanding equity awards with time-based vesting will be vested in full. Finally, Dr. Fruchterman’s employment agreement provides that, upon Dr. Fruchterman’s termination of employment because of his death or his disability, he is entitled to receive payment of any earned but unpaid annual bonus and such additional vesting of his Initial Option Award and Initial RSU Award such that no less than 50% of the Initial Option Award and Initial RSU Award will be vested upon termination of employment.

For purposes of Dr. Fruchterman’s employment agreement, “good reason” means the occurrence of any of the following events without Dr. Fruchterman’s consent: (i) a material reduction of base salary as in effect immediately prior to the reduction; (ii) a material reduction by us of Dr. Fruchterman’s target annual bonus as in effect immediately prior to the reduction, provided a compensation plan change that affects similarly all employees at similar levels will not constitute good reason; (iii) a material reduction in Dr. Fruchterman’s authority, duties or responsibilities, provided however, following a change in control event, a change in job title or reporting relationship without a reduction in Dr. Fruchterman’s base salary or annual bonus target will not constitute good reason; (iv) relocation of the offices at which Dr. Fruchterman is required to work to a location that would increase Dr. Fruchterman’s one-way commute by more than 50 miles; or (v) the failure to re-elect Dr. Fruchterman to serve as a director of the Board; provided that, within 30 days of the first occurrence of the event that Dr. Fruchterman believes constitutes good reason, Dr. Fruchterman notifies the Board in writing of the event, we fail to correct the act or omission within thirty (30) days of the date of Dr. Fruchterman’s written notice and Dr. Fruchterman actually terminates his employment within sixty (60) days of the date of Dr. Fruchterman’s written notice.

For purposes of Dr. Fruchterman’s employment agreement, “cause” means Dr. Fruchterman’s: (i) willful misconduct or gross negligence in the performance of his duties as Chief Executive Officer; (ii) refusal to follow the lawful directions of the Board; (iii) breach of a fiduciary duty owed to us or our shareholders; (iv) fraud, embezzlement or other material dishonesty with respect to us; (v) violation of applicable federal, state or local law or regulation governing our business; (vi) commission, conviction, plea of nolo contendere, guilty plea, or confession to a crime based upon an act of fraud, embezzlement or dishonesty or to a felony; (vii) habitual abuse of alcohol or any controlled substance or reporting to work under the influence of alcohol or any controlled substance (other than a controlled substance that Dr. Fruchterman is properly taking under a current prescription); (viii) misappropriation (or attempted misappropriation) by Dr. Fruchterman of any material assets or business opportunities of us or any of our subsidiaries or affiliates; (ix) a material failure to comply with our written policies or rules, as they may be in effect from time to time during Dr. Fruchterman’s employment, including policies and rules prohibiting discrimination or harassment; or (x) a material breach of Dr. Fruchterman’s employment agreement, the Non-Competition, Confidentiality and Intellectual Property Agreement or any other written agreement between us or one of our subsidiaries and Dr. Fruchterman, provided that Dr. Fruchterman will have 30 days after notice from the Board to cure a failure or a breach under (ix) or (x), if curable.
The following table sets out the estimated potential payments upon termination or a change in control for Dr. Fruchterman, based on the assumptions discussed above and assuming such event occurred on December 31, 2021:

<table>
<thead>
<tr>
<th>Dr. Fruchterman</th>
<th>Termination by the Company without Cause or by the Executive for Good Reason ($)</th>
<th>Termination because of Death or Disability ($)</th>
<th>Termination by the Company without Cause or by the Executive for Good Reason Within 3 Months Before or 24 Months Following a Change in Control ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Severance benefits:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lump sum payment</td>
<td>1,580,000</td>
<td></td>
<td>3,000,000</td>
</tr>
<tr>
<td>Healthcare benefits</td>
<td>16,800</td>
<td></td>
<td>33,600</td>
</tr>
<tr>
<td>Acceleration of equity awards:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market value of equity vesting on termination(1)</td>
<td>6,946,227</td>
<td>3,473,114</td>
<td>6,946,227</td>
</tr>
<tr>
<td>Total Payment</td>
<td>8,463,027</td>
<td>3,473,114</td>
<td>9,963,027</td>
</tr>
</tbody>
</table>

(1) Amounts do not include the value associated with vested stock options. Information about all stock options and other unvested equity awards held by Dr. Fruchterman as of December 31, 2021 is included in the “Outstanding Equity Awards at 2021 Fiscal Year-End” table.

Stephanie Fielding

Ms. Fielding’s employment agreement letter provided that in the event that Ms. Fielding’s employment was terminated by us without cause or by Ms. Fielding with good reason, Ms. Fielding would receive payment of six months of her then annual base salary and would be entitled to vesting of an additional six months of her equity grants if the termination is prior to the two-year anniversary of her start date, and payment of one year of her then annual base salary and vesting of an additional one year of her equity grants if the termination was after the two-year anniversary of her start date.

The following table sets out the estimated potential payments upon termination for Ms. Fielding, based on the assumptions discussed above and assuming such event occurred on December 31, 2021:

<table>
<thead>
<tr>
<th>Ms. Fielding</th>
<th>Termination by the Company without Cause or by the Executive for Good Reason ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Severance benefits:</td>
<td></td>
</tr>
<tr>
<td>Lump sum payment</td>
<td>200,000</td>
</tr>
<tr>
<td>Healthcare benefits</td>
<td>--</td>
</tr>
<tr>
<td>Acceleration of equity awards:</td>
<td></td>
</tr>
<tr>
<td>Market value of equity vesting on termination(1)</td>
<td>108,525</td>
</tr>
<tr>
<td>Total Payment</td>
<td>308,525</td>
</tr>
</tbody>
</table>

(1) Amounts do not include the value associated with vested stock options. Information about all stock options and other unvested equity awards held by Ms. Fielding as of December 31, 2021 is included in the “Outstanding Equity Awards at 2021 Fiscal Year-End” table.

On January 31, 2022, Ms. Fielding delivered her resignation as Chief Financial Officer effective as of April 30, 2022. In connection with her resignation, we entered into a separation agreement with Ms. Fielding, effective as of February 3, 2022, which provides that Ms. Fielding will remain employed by us through April 30, 2022 in order to assist in the transition of the chief financial officer role. Provided that Ms. Fielding complies with the terms of the separation agreement, including the release and waiver provided therein, on April 30, 2022 we will pay Ms. Fielding an annual bonus equal to $150,000 for the year ended December 31, 2021. All unvested options and restricted stock units subject to Ms. Fielding’s equity awards will be forfeited as of April 30, 2022. The separation agreement also includes other customary provisions.
**Stacey Pugh**

Ms. Pugh is eligible to participate in our Severance Plan. In her role as an executive vice president who reports directly to our Chief Executive Officer, Ms. Pugh’s payment multiplier under the Severance Plan is 1.0 for eligible severance both in and not in connection with a change in control.

The following table sets out the estimated potential payments upon termination for Ms. Pugh, based on the assumptions discussed above and assuming such event occurred on December 31, 2021:

<table>
<thead>
<tr>
<th>Ms. Pugh</th>
<th>Termination by the Company without Cause or by the Executive for Good Reason ($)</th>
<th>Termination by the Company without Cause or by the Executive for Good Reason Within 12 Months Following a Change in Control ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Severance benefits:</td>
<td>480,000</td>
<td>816,000</td>
</tr>
<tr>
<td></td>
<td>16,800</td>
<td>16,800</td>
</tr>
<tr>
<td>Acceleration of equity awards:</td>
<td>--</td>
<td>1,389,245</td>
</tr>
<tr>
<td>Market value of equity vesting on termination(1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Payment</td>
<td>496,800</td>
<td>2,222,045</td>
</tr>
</tbody>
</table>

(1) Amounts do not include the value associated with vested stock options. Information about all stock options and other unvested equity awards held by Ms. Pugh as of December 31, 2021 is included in the “Outstanding Equity Awards at 2021 Fiscal Year-End” table.

**Darius Shahida**

In the event that Mr. Shahida’s employment is terminated by us without cause or by Mr. Shahida with good reason, Mr. Shahida will receive payment equal to one year of his then annual base salary and will be entitled to vesting of an additional one year of his equity grants, provided that Mr. Shahida enters into a severance agreement with us containing a customary release of claims and a commitment not to disparage Butterfly, Longview or any of their respective affiliates.

The following table sets out the estimated potential payments upon termination for Mr. Shahida, based on the assumptions discussed above and assuming such event occurred on December 31, 2021:

<table>
<thead>
<tr>
<th>Mr. Shahida</th>
<th>Termination by the Company without Cause or by the Executive for Good Reason ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Severance benefits:</td>
<td>400,000</td>
</tr>
<tr>
<td>Healthcare benefits</td>
<td>--</td>
</tr>
<tr>
<td>Acceleration of equity awards:</td>
<td>1,890,380</td>
</tr>
<tr>
<td>Market value of equity vesting on termination(1)</td>
<td></td>
</tr>
<tr>
<td>Total Payment</td>
<td>2,290,380</td>
</tr>
</tbody>
</table>

(1) Amounts do not include the value associated with vested stock options. Information about all stock options and other unvested equity awards held by Mr. Shahida as of December 31, 2021 is included in the “Outstanding Equity Awards at 2021 Fiscal Year-End” table.
Andrei Stoica

Dr. Stoica is eligible to participate in our Severance Plan. In his role as an executive officer who reports directly to our Chief Executive Officer, Dr. Stoica’s payment multiplier under the Severance Plan is 0.75 for eligible severance not in connection with a change in control and 1.0 for eligible severance in connection with a change in control.

The following table sets out the estimated potential payments upon termination or a change in control for Dr. Stoica, based on the assumptions discussed above and assuming such event occurred on December 31, 2021:

<table>
<thead>
<tr>
<th>Dr. Stoica</th>
<th>Termination by the Company without Cause or by the Executive for Good Reason ($)</th>
<th>Termination by the Company without Cause or by the Executive for Good Reason Within 12 Months Following a Change in Control ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Severance benefits:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Severance payment</td>
<td>330,000</td>
<td>660,000</td>
</tr>
<tr>
<td>Healthcare benefits</td>
<td>12,600</td>
<td>16,800</td>
</tr>
<tr>
<td>Acceleration of equity awards:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market value of equity vesting on termination(1)</td>
<td>--</td>
<td>413,429</td>
</tr>
<tr>
<td>Total Payment</td>
<td>342,600</td>
<td>1,090,229</td>
</tr>
</tbody>
</table>

(1) Amounts do not include the value associated with vested stock options. Information about all stock options and other unvested equity awards held by Dr. Stoica as of December 31, 2021 is included in the “Outstanding Equity Awards at 2021 Fiscal Year-End” table.

Laurent Faracci

Mr. Faracci resigned from his position as Chief Executive Officer effective January 23, 2021. In connection with his resignation, on January 24, 2021, we entered into a separation agreement with Mr. Faracci. Under the separation agreement, we paid or provided to Mr. Faracci: (i) a lump sum severance payment in the amount of $900,000, which is equal to one year of his current annual base salary plus an additional amount equal to 50% of his current base salary, (ii) payment of the monthly premiums to continue Mr. Faracci and his eligible dependents’ participation in our group health plan for 12 months following the separation date, which represented an aggregate payment of $16,800, (iii) a payment of $150,000 representing Mr. Faracci’s bonus payable for 2020, and (iv) accelerated vesting of the 1,522,491 shares of his time-based options that would have vested had Mr. Faracci remained employed through the one year anniversary of his termination date, which options will remain exercisable until January 23, 2026 (adjusted in connection with the Business Combination to 1,580,802 shares underlying the accelerated options at an adjusted exercise price of $4.84 per share). The value attributable to the accelerated vesting of Mr. Faracci’s options was $2,600,000. The total value of the benefits paid or provided to Mr. Faracci in connection with his separation was $3,666,800. The separation agreement also includes a release and waiver by Mr. Faracci and other customary provisions.
Director Compensation

The following table shows the total compensation paid or accrued during the fiscal year ended December 31, 2021 to each of our non-employee directors. Directors who are employed by us are not compensated for their service on our Board of Directors.

<table>
<thead>
<tr>
<th>Name</th>
<th>Fees Earned or Paid in Cash ($)</th>
<th>Stock Awards (1)($)</th>
<th>Option Awards (2)($)</th>
<th>All Other Compensation ($)</th>
<th>Total ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jonathan Rothberg, Ph.D., Chairman</td>
<td>55,354</td>
<td>296,033</td>
<td>308,441</td>
<td>--</td>
<td>659,828</td>
</tr>
<tr>
<td>Dawn Carfora</td>
<td>50,792</td>
<td>296,033</td>
<td>308,441</td>
<td>--</td>
<td>655,266</td>
</tr>
<tr>
<td>Elazer Edelman, M.D., Ph.D.</td>
<td>52,644</td>
<td>299,997</td>
<td>308,441</td>
<td>--</td>
<td>661,082</td>
</tr>
<tr>
<td>John Hammergren</td>
<td>57,417</td>
<td>296,033</td>
<td>308,441</td>
<td>--</td>
<td>661,891</td>
</tr>
<tr>
<td>Gianluca Pettiti</td>
<td>66,250</td>
<td>296,033</td>
<td>308,441</td>
<td>--</td>
<td>670,724</td>
</tr>
<tr>
<td>Louise Phanstiel</td>
<td>68,458</td>
<td>296,033</td>
<td>308,441</td>
<td>--</td>
<td>672,932</td>
</tr>
<tr>
<td>Larry Robbins</td>
<td>48,583</td>
<td>243,405</td>
<td>308,441</td>
<td>--</td>
<td>600,429</td>
</tr>
<tr>
<td>Erica Schwartz, M.D., J.D., M.P.H.</td>
<td>18,049</td>
<td>299,995</td>
<td>--</td>
<td>--</td>
<td>318,044</td>
</tr>
</tbody>
</table>

(1) These amounts represent the aggregate grant date fair value of stock awards granted to each director in 2021 computed in accordance with FASB ASC Topic 718. A discussion of the assumptions used in determining grant date fair value may be found in Note 2 “Summary of Significant Accounting Policies” to our consolidated financial statements, included in this Annual Report on Form 10-K.

(2) These amounts represent the aggregate grant date fair value of options granted to each director in 2021 computed in accordance with FASB ASC Topic 718. A discussion of the assumptions used in determining grant date fair value may be found in Note 2 “Summary of Significant Accounting Policies” to our consolidated financial statements, included in this Annual Report on Form 10-K.

The following table shows outstanding and vested options and unvested RSUs for each non-employee director as of December 31, 2021.

<table>
<thead>
<tr>
<th>Name</th>
<th>Total Options Outstanding</th>
<th>Vested Options</th>
<th>Unvested RSUs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jonathan Rothberg, Ph.D., Chairman</td>
<td>1,051,457</td>
<td>519,418</td>
<td>532,309</td>
</tr>
<tr>
<td>Dawn Carfora</td>
<td>21,645</td>
<td>--</td>
<td>13,157</td>
</tr>
<tr>
<td>Elazer Edelman, M.D., Ph.D.</td>
<td>21,645</td>
<td>--</td>
<td>15,098</td>
</tr>
<tr>
<td>John Hammergren</td>
<td>21,645</td>
<td>--</td>
<td>13,157</td>
</tr>
<tr>
<td>Gianluca Pettiti</td>
<td>21,645</td>
<td>--</td>
<td>13,157</td>
</tr>
<tr>
<td>Louise Phanstiel</td>
<td>21,645</td>
<td>--</td>
<td>13,157</td>
</tr>
<tr>
<td>Larry Robbins</td>
<td>21,645</td>
<td>--</td>
<td>13,157</td>
</tr>
<tr>
<td>Erica Schwartz, M.D., J.D., M.P.H.</td>
<td>--</td>
<td>--</td>
<td>23,904</td>
</tr>
</tbody>
</table>
The following table shows the grant date fair value calculated in accordance with FASB ASC Topic 718 for equity awards granted to each non-
employee director during the fiscal year ended December 31, 2021.

<table>
<thead>
<tr>
<th>Name</th>
<th>RSUs Granted (#)</th>
<th>Options Granted (#)</th>
<th>Grant Date</th>
<th>Grant Date Fair Value ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jonathan Rothberg, Ph.D., Chairman</td>
<td>13,157</td>
<td>-</td>
<td>2/16/2021</td>
<td>296,033</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>21,645</td>
<td>7/1/2021</td>
<td>308,441</td>
</tr>
<tr>
<td>Dawn Carfora</td>
<td>13,157</td>
<td>-</td>
<td>2/16/2021</td>
<td>296,033</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>21,645</td>
<td>7/1/2021</td>
<td>308,441</td>
</tr>
<tr>
<td></td>
<td>21,645</td>
<td>-</td>
<td>7/1/2021</td>
<td>308,441</td>
</tr>
<tr>
<td>John Hammergren</td>
<td>13,157</td>
<td>-</td>
<td>2/16/2021</td>
<td>296,033</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>21,645</td>
<td>7/1/2021</td>
<td>308,441</td>
</tr>
<tr>
<td>Gianluca Pettiti</td>
<td>13,157</td>
<td>-</td>
<td>2/16/2021</td>
<td>296,033</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>21,645</td>
<td>7/1/2021</td>
<td>308,441</td>
</tr>
<tr>
<td>Louise Phanstiel</td>
<td>13,157</td>
<td>-</td>
<td>2/16/2021</td>
<td>296,033</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>21,645</td>
<td>7/1/2021</td>
<td>308,441</td>
</tr>
<tr>
<td>Larry Robbins</td>
<td>13,157</td>
<td>-</td>
<td>3/10/2021</td>
<td>243,405</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>21,645</td>
<td>7/1/2021</td>
<td>308,441</td>
</tr>
<tr>
<td>Erica Schwartz, M.D., J.D., M.P.H.</td>
<td>23,904</td>
<td>-</td>
<td>9/9/2021</td>
<td>299,995</td>
</tr>
</tbody>
</table>

**Director Compensation Policy**

Pursuant to our non-employee director compensation policy, the annual retainer for non-employee directors is $50,000. Annual retainers for committee membership are as follows:

<table>
<thead>
<tr>
<th>Position</th>
<th>Retainer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit committee chairperson</td>
<td>$20,000</td>
</tr>
<tr>
<td>Audit committee member</td>
<td>$10,000</td>
</tr>
<tr>
<td>Compensation committee chairperson</td>
<td>$15,000</td>
</tr>
<tr>
<td>Compensation committee member</td>
<td>$7,500</td>
</tr>
<tr>
<td>Nominating and corporate governance committee chairperson</td>
<td>$10,000</td>
</tr>
<tr>
<td>Nominating and corporate governance committee member</td>
<td>$5,000</td>
</tr>
<tr>
<td>Technology committee chairperson</td>
<td>$15,000</td>
</tr>
<tr>
<td>Technology committee member</td>
<td>$7,500</td>
</tr>
</tbody>
</table>

These fees are payable in arrears in quarterly installments as soon as practicable following the last business day of each fiscal quarter, provided that the amount of such payment will be prorated for any portion of such quarter that a director is not serving on our board of directors, on such committee or in such position. Non-employee directors are also reimbursed for reasonable out-of-pocket business expenses incurred in connection with attending meetings of the board and any committee of the board on which they serve and in connection with other business related to the board. Directors may also be reimbursed for reasonable out-of-pocket business expenses in accordance with our travel and other expense policies, as may be in effect from time to time.

In addition, we grant to new non-employee directors upon their initial election to our board of directors a number of restricted stock units, or RSUs, (each RSU relating to one share of our Class A common stock), having an aggregate fair market value equal to $300,000, determined by dividing (A) $300,000 by (B) the closing price of our Class A common stock on the NYSE on the date of the grant (rounded down to the nearest whole share), on the first business day after the date that the non-employee director is first appointed or elected to the board. Each of these grants shall vest in equal annual installments over three years from the date of the grant, subject to the non-employee director’s continued service as a director on the applicable vesting dates.

Further, in connection with each of our annual meetings of stockholders, each non-employee director automatically receives an option to purchase shares of our Class A common stock having an aggregate grant date fair value of $150,000,
valued based on a Black-Scholes valuation method (rounded down to the nearest whole share), each year on the first business day after our annual meeting of stockholders (or the first business day of the third fiscal quarter of such year if there has been no annual meeting of stockholders held by such date). Each of these options has a term of 10 years from the date of the award and vests at the end of the period beginning on the date of each regular annual meeting of stockholders (or the first business day of the third fiscal quarter, as applicable) and ending on the date of the next regular annual meeting of stockholders, subject to the non-employee director’s continued service as a director through the applicable vesting dates.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth information known to the Company regarding the beneficial ownership of the Company’s common stock as of February 2, 2022 by:

- each person known to the Company to be the beneficial owner of more than 5% of outstanding Company common stock;
- each of the Company’s named executive officers and directors; and
- all current executive officers and directors of the Company as a group.

Beneficial ownership is determined according to the rules of the SEC, which generally provide that a person has beneficial ownership of a security if he, she or it possesses sole or shared voting or investment power over that security, including options and warrants that are currently exercisable or exercisable within 60 days and restricted stock units that vest within 60 days. Company stock issuable upon exercise of options and warrants currently exercisable within 60 days and restricted stock units that vest within 60 days are deemed outstanding solely for purposes of calculating the percentage of total ownership and total voting power of the beneficial owner thereof.

The beneficial ownership of Company common stock is based on 171,733,179 shares of the Company’s Class A common stock and 26,426,937 shares of the Company’s Class B common stock issued and outstanding as of February 2, 2022.
Unless otherwise indicated, the Company believes that each person named in the table below has sole voting and investment power with respect to all shares of the Company’s common stock beneficially owned by them.

<table>
<thead>
<tr>
<th>Name and Address of Beneficial Owner</th>
<th>Number of shares of Class A Common Stock</th>
<th>%</th>
<th>Number of shares of Class B Common stock</th>
<th>%</th>
<th>% of Total Voting Power**</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Directors and Executive Officers:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jonathan M. Rothberg, Ph.D. (1)(2)</td>
<td>10,011,285</td>
<td>5.8</td>
<td>26,426,937</td>
<td>100</td>
<td>76.9</td>
</tr>
<tr>
<td>Larry Robbins(3)</td>
<td>22,097,469</td>
<td>12.4</td>
<td>—</td>
<td>—</td>
<td>2.2</td>
</tr>
<tr>
<td>Dawn Carfora(4)</td>
<td>16,394</td>
<td>*</td>
<td>—</td>
<td>—</td>
<td>*</td>
</tr>
<tr>
<td>Elazer Edelman, M.D., Ph.D. (5)</td>
<td>5,032</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>John Hammersgren(6)(7)</td>
<td>124,484</td>
<td>*</td>
<td>—</td>
<td>—</td>
<td>*</td>
</tr>
<tr>
<td>Gianluca Pettin(7)(8)</td>
<td>22,399</td>
<td>*</td>
<td>—</td>
<td>—</td>
<td>*</td>
</tr>
<tr>
<td>S. Louise Phanstiel(8)</td>
<td>64,434</td>
<td>*</td>
<td>—</td>
<td>—</td>
<td>*</td>
</tr>
<tr>
<td>Erica Schwartz, MD, JD, MPH(9)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Todd M. Fruchterman, M.D. (10)</td>
<td>682,116</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Stephanie Fielding (11)</td>
<td>197,454</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>*</td>
</tr>
<tr>
<td>Stacey Pugh(12)</td>
<td>76,791</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Darius Shahida(12)(13)</td>
<td>727,461</td>
<td>*</td>
<td>—</td>
<td>—</td>
<td>*</td>
</tr>
<tr>
<td>Andrei G. Stoica, Ph.D(14)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Laurent Faracci(14)(15)</td>
<td>1,580,802</td>
<td>*</td>
<td>—</td>
<td>—</td>
<td>*</td>
</tr>
</tbody>
</table>

| **All Current Directors and Executive Officers of the Company as a Group (15 Individuals)** (14) | 34,145,368 | 19.0 | 26,426,937 | 100 | 79.1 |

**Five Percent Holders:**

<table>
<thead>
<tr>
<th>Name and Address of Beneficial Owner</th>
<th>Number of shares of Class A Common Stock</th>
<th>%</th>
<th>Number of shares of Class B Common stock</th>
<th>%</th>
<th>% of Total Voting Power**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jonathan M. Rothberg, Ph.D. (1)(2)</td>
<td>10,011,285</td>
<td>5.8</td>
<td>26,426,937</td>
<td>100</td>
<td>76.9</td>
</tr>
<tr>
<td>Fosun Industrial Co., Limited(15)</td>
<td>10,716,630</td>
<td>6.2</td>
<td>—</td>
<td>—</td>
<td>1.5</td>
</tr>
<tr>
<td>Glenview Capital Management(3)</td>
<td>22,093,084</td>
<td>12.4</td>
<td>—</td>
<td>—</td>
<td>2.2</td>
</tr>
<tr>
<td>FMR LLC(16)</td>
<td>16,111,158</td>
<td>9.4</td>
<td>—</td>
<td>—</td>
<td>2.3</td>
</tr>
<tr>
<td>Blackrock, Inc. (17)</td>
<td>8,801,660</td>
<td>5.1</td>
<td>—</td>
<td>—</td>
<td>1.3</td>
</tr>
<tr>
<td>The Vanguard Group(18)</td>
<td>13,179,593</td>
<td>7.7</td>
<td>—</td>
<td>—</td>
<td>1.9</td>
</tr>
</tbody>
</table>

* Indicates beneficial ownership of less than 1%.

** Percentage of total voting power represents voting power with respect to all shares of the Company’s Class A common stock and the Company’s Class B common stock as a single class. Each share of the Company’s Class B common stock is entitled to 20 votes per share and each share of the Company’s Class A common stock is entitled to one vote per share.

(1) Unless otherwise indicated, the business address of each of these individuals is c/o Butterfly Network, Inc., 530 Old Whitfield Street, Guilford, CT 06437.

(2) Consists of (i) 9,877,113 shares of the Company’s Class A common stock held by Dr. Rothberg, Dr. Rothberg’s spouse, 23rd Century Capital LLC and 1997 JMR Trust Common, LLC, (ii) restricted stock units for 134,172 shares of the Company’s Class A common stock that vest within 60 days of February 2, 2022 held by Dr. Rothberg and (iii) 26,426,937 shares of the Company’s Class B common stock held by 4C Holdings I, LLC, 4C Holdings II, LLC, 4C Holdings III, LLC, 4C Holdings IV, LLC and 4C Holdings V, LLC. Jonathan M. Rothberg, Ph.D., the Company’s Chairman, is the member of 23rd Century Capital LLC and the sole manager of the other entities and therefore has voting and investment control over the shares.

(3) Longview Investors LLC, or its affiliates, is the record holder of the 10,275,000 founder shares reported herein. Mr. Robbins is the managing member of Longview Investors LLC. Mr. Robbins shares voting and dispositive power over the shares held by Longview Investors LLC and may be deemed to beneficially own such shares. Includes (i) 10,275,000 founder shares, (ii) 4,964,751 shares of the Company’s Class A common stock held by Glenview Capital Partners, L.P., Glenview Institutional Partners, L.P., Glenview Capital Master Fund, LTD., Glenview Capital
Opportunity Fund, L.P. and Glenview Offshore Opportunity Master Fund, LTD. (the “Glenview Investment Funds”), and (iii) 6,853,333 shares underlying private placement warrants that are exercisable within 60 days of February 2, 2022. The address of the principal business office for Mr. Robbins, Longview Investors LLC and the Glenview Investment Funds is 767 Fifth Avenue, 44th Floor, New York, New York 10153.

(4) Consists of 12,009 shares of the Company’s Class A common stock and 4,385 restricted stock units that vest within 60 days of February 2, 2022 held by Ms. Carfora.

(5) Consists of restricted stock units that vest within 60 days of February 2, 2022 held by Dr. Edelman.

(6) Consists of 120,099 shares of the Company’s Class A common stock held by Triumph Ventures LP and 4,385 restricted stock units that vest within 60 days of February 2, 2022 held by Mr. Hammergren. Mr. Hammergren is the President of The Stoneyfield Group LLC, the General Partner of Triumph Ventures LP, and therefore has voting and investment control over the shares.

(7) Consists of 18,014 shares of the Company’s Class A common stock and 4,385 restricted stock units that vest within 60 days of February 2, 2022 held by Mr. Pettiti.

(8) Consists of 60,049 shares of the Company’s Class A common stock held by H.G. Phanstiel LP and 4,385 restricted stock units that vest within 60 days of February 2, 2022 held by Ms. Phanstiel. Ms. Phanstiel is the Managing Member of H.G. Phanstiel LP, and therefore has voting and investment control over the shares.

(9) Consists of 160,336 shares of the Company’s Class A common stock and options to purchase 521,780 shares of the Company’s Class A common stock exercisable within 60 days of February 2, 2022 held by Dr. Fruchterman.

(10) Consists of 19,006 shares of the Company’s Class A common stock, options to purchase 170,337 shares of the Company’s Class A common stock exercisable within 60 days of February 2, 2022 and 8,111 restricted stock units that vest within 60 days of February 2, 2022 held by Ms. Fielding.

(11) Consists of options to purchase 24,876 shares of the Company’s Class A common stock exercisable within 60 days of February 2, 2022 and 51,915 restricted stock units that vest within 60 days of February 2, 2022 held by Ms. Pugh.

(12) Consists of 194,300 shares of the Company’s Class A common stock, options to purchase 468,267 shares of the Company’s Class A common stock exercisable within 60 days of February 2, 2022 and 64,894 restricted stock units that vest within 60 days of February 2, 2022 held by Mr. Shahida.

(13) Consists of options to purchase 1,580,802 shares of the Company’s Class A common stock exercisable within 60 days of February 2, 2022 held by Mr. Faracci.

(14) See footnotes 2 through 12. Also includes shares of Class A common stock beneficially owned by Mary Miller, a current executive officer who is not a named executive officer: options to purchase 81,113 shares of the Company’s Class A common stock exercisable within 60 days of February 2, 2022 and 38,936 restricted stock units that vest within 60 days of February 2, 2022.

(15) Consists of shares of the Company’s Class A common stock held by Fosun Industrial Co., Limited (“Fosun Industrial”). Fosun Industrial is a wholly-owned subsidiary of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (“Fosun Pharma”). Fosun Pharma is a subsidiary of, and is beneficially held approximately 38.54% by, Shanghai Fosun High Technology (Group) Co. Ltd. (“Fosun High Technology”). Fosun High Technology is a wholly-owned subsidiary of Fosun International Limited (“Fosun International”), which is a subsidiary of, and is beneficially held approximately 71.40% by, Fosun Holdings Limited (“Fosun Holdings”). Fosun Holdings is a wholly-owned subsidiary of Fosun International Holdings Ltd. (“Fosun International Holdings”). Fosun International Holdings is beneficially held approximately 85.29% by Guo Guangchang and 14.71% by Wang Qunbin. Guo Guangchang controls Fosun International Holdings and could therefore be deemed the beneficial owner of the securities held by Fosun Industrial. The address of the principal business office for Fosun Pharma is No. 1289 Yishan Road (Building A, Fosun Technology Park), Shanghai 200233, People’s Republic of China. The address of the principal business office for Fosun Industrial is Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

(16) Based on the Schedule 13G filed by FMR LLC on February 9, 2022, consists of shares of the Company’s Class A common stock beneficially owned, or that may be deemed to be beneficially owned, by FMR LLC, certain of its subsidiaries and affiliates, and other companies, as of December 31, 2021. FMR LLC, is a parent holding company. Abigail P. Johnson is a Director, the Chairman, the Chief Executive Officer of FMR LLC. Members of the Johnson family, including Abigail P. Johnson, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. The Johnson family group and all other Series B shareholders have entered into a shareholders’ voting agreement under which all Series B voting common shares will be voted in accordance with the majority vote of Series B voting common shares. Accordingly, through their ownership of voting common shares and the execution of the shareholders’ voting agreement,
members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR LLC. Neither FMR LLC nor Abigail P. Johnson has the sole power to vote or direct the voting of the shares owned directly by the various investment companies registered under the Investment Company Act (“Fidelity Funds”) advised by Fidelity Management & Research Company LLC (“FMR Co. LLC”), a wholly owned subsidiary of FMR LLC, which power resides with the Fidelity Funds’ Boards of Trustees. FMR Co. LLC carries out the voting of the shares under written guidelines established by the Fidelity Funds’ Boards of Trustees. The principal business address of FMR LLC is 245 Summer Street, Boston, Massachusetts 02210.

(17) Based on the Schedule 13G filed by BlackRock, Inc. on February 4, 2022, consists of shares of the Company’s Class A common stock beneficially owned, or that may be deemed to be beneficially owned, by BlackRock, Inc. and certain of its subsidiaries as of December 31, 2021. The principal business address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055.

(18) Based on the Schedule 13G filed by The Vanguard Group on February 9, 2022, consists of shares of the Company’s Class A common stock beneficially owned, or that may be deemed to be beneficially owned, by The Vanguard Group, Inc.’s clients, including investment companies registered under the Investment Company Act of 1940 and other managed accounts, as of December 31, 2021. The principal business address of The Vanguard Group is 100 Vanguard Blvd., Malvern, PA 19355.

**Equity Compensation Plan Information**

The following table provides certain aggregate information with respect to all of our equity compensation plans in effect as of December 31, 2021.

<table>
<thead>
<tr>
<th>Plan category</th>
<th>(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights</th>
<th>(b) Weighted-average exercise price of outstanding options, warrants and rights</th>
<th>(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity compensation plans approved by security holders</td>
<td>38,700,000 (1)</td>
<td>$8.11 (2)</td>
<td>17,000,000 (3)</td>
</tr>
<tr>
<td>Equity compensation plans not approved by security holders</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Total</td>
<td>38,700,000</td>
<td>$8.11</td>
<td>17,000,000</td>
</tr>
</tbody>
</table>

(1) Consists of (i) 13.1 million shares to be issued upon exercise of outstanding options and RSUs under the 2012 Plan and (ii) 25.6 million shares to be issued upon exercise of outstanding options and RSUs under the 2020 Plan.

(2) Consists of the weighted-average exercise price of the 16.2 million stock options outstanding on December 31, 2021.


The 2020 Plan has an evergreen provision that allows for an annual increase in the number of shares available for issuance under the 2020 Plan to be added on the first day of each fiscal year, beginning in fiscal year 2021 and ending on the second day of fiscal year 2030. The evergreen provides for an automatic increase in the number of shares available for issuance equal to the lesser of (i) 4% of the number of outstanding shares of common stock on such date and (ii) an amount determined by the plan administrator.
Item 13. **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

As used in this Item 13, “Legacy Butterfly” refers to Butterfly Network, Inc. and its direct and indirect subsidiaries, individually and collectively, prior to the Closing of the Business Combination. Longview refers to Longview Acquisition Corp. prior to the Closing of the Business Combination.

**Longview**

**Relationship with Sponsor**

Prior to the consummation of the initial public offering, on February 12, 2020, Longview Investors LLC, Longview’s Sponsor, purchased 8,625,000 shares of Longview Class B common stock for an aggregate purchase price of $25,000, or approximately $0.0024 per share. In April 2020, the Sponsor transferred 25,000 founder shares to each of Westley Moore, Derek Cribbs and Randy Simpson, Longview’s director nominees, resulting in the Sponsor holding 8,550,000 founder shares. On May 20, 2020, Longview effected a stock dividend with respect to its Class B common stock, resulting in the Sponsor holding an aggregate of 10,275,000 founder shares and there being an aggregate of 10,350,000 founder shares outstanding.

The Sponsor purchased an aggregate of 6,853,333 private placement warrants in connection with Longview’s initial public offering, at a price of $1.50 per warrant, generating gross proceeds, before expenses, of approximately $10,280,000. Each private placement warrant entitles the holder to purchase one share of Class A common stock at $11.50 per share. The private placement warrants provided that the private placement warrants (including the Class A common stock issuable upon exercise of the private placement warrants) were not permitted, subject to certain limited exceptions, to be transferred, assigned or sold until 30 days after the completion of the Business Combination.

On January 11, 2021, Longview issued an unsecured promissory note (the “Note”) in the principal amount of up to $2 million to the Sponsor, which principal amount could be drawn down from time to time in increments of no less than $10,000. Longview drew an aggregate of $2 million on the Note. The Note bore interest at a rate of 6.00% per annum, compounded annually and computed on the basis of the 360-day year, and was repaid in full at the Closing.

**PIPE Financing**

In connection with the execution of the Business Combination Agreement, Longview entered into the Subscription Agreements with the PIPE Investors, pursuant to which, among other things, Longview agreed to issue and sell in private placements an aggregate of 17,500,000 shares of Longview Class A common stock to the PIPE Investors for $10.00 per share immediately prior to the Closing. In the PIPE Financing, entities affiliated with Fidelity Management & Research Company, LLC purchased an aggregate of approximately $25.0 million of shares of Longview Class A common stock. In addition, Glenview, an affiliate of the Sponsor and certain of our directors and officers, agreed to purchase an aggregate of approximately $25.0 million shares of Longview Class A common stock in the PIPE Financing.

**Legacy Butterfly**

**Convertible Notes**

On May 19, 2020, Legacy Butterfly entered into a Convertible Note Purchase Agreement, pursuant to which, on May 21, 2020, May 26, 2020 and July 16, 2020, Legacy Butterfly issued $20,650,000 aggregate principal amount of Legacy Butterfly convertible notes. Interest on the Legacy Butterfly convertible notes accrued at the rate of 5.0% per year. On November 12, 2020, Legacy Butterfly entered into a Consent Agreement (the “Consent Agreement”) with certain purchasers of such convertible notes. Pursuant to the Business Combination and Consent Agreement, the principal amount plus accrued but unpaid interest, if any, of the Butterfly convertible notes outstanding were converted into the Company’s Class A common stock, with such shares of the Company’s Class A common stock calculated by dividing the principal amount plus accrued but unpaid interest, if any, on the Legacy Butterfly convertible notes by $10.00, rounded down to the nearest whole number of shares.
The participants in this convertible note financing included certain holders of more than 5% of Legacy Butterfly’s capital stock. The following table sets forth the aggregate principal amount of Legacy Butterfly convertible notes issued to these related parties in this convertible note financing:

<table>
<thead>
<tr>
<th>Name</th>
<th>Principal Note Amount</th>
<th>Date of Issuance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entities affiliated with Fidelity Management &amp; Research Company, LLC(1)</td>
<td>$17,000,000</td>
<td>May 21, 2020</td>
</tr>
</tbody>
</table>

(1) Consists of $10,308,300 principal amount of Legacy Butterfly convertible notes purchased by Fidelity Concord Street Trust: Fidelity Mid-Cap Stock Fund, $377,700 principal amount of Legacy Butterfly convertible notes purchased by Fidelity Mid-Cap Stock Commingled Pool, $4,031,800 principal amount of Legacy Butterfly convertible notes purchased by Fidelity Mt. Vernon Street Trust: Fidelity New Millennium Fund, $1,825,300 principal amount of Legacy Butterfly convertible notes purchased by Fidelity U.S. All Cap Fund and $456,900 principal amount of Legacy Butterfly convertible notes purchased by Fidelity U.S. Multi-Cap Investment Trust.

In connection with the Consent Agreement, entities affiliated with Fidelity Management & Research Company, LLC received a fee of $179,488.

**Legacy Butterfly Convertible Notes Issued to Affiliates of Glenview**

On October 30, 2020, Legacy Butterfly and investment funds managed by Glenview entered into a convertible note purchase agreement (the “October 2020 Convertible Note Purchase Agreement”) pursuant to which such affiliates purchased an aggregate principal amount of $25.1 million of Legacy Butterfly convertible notes. Interest on the Legacy Butterfly convertible notes accrued at the rate of 5.0% per year. Pursuant to the Business Combination, the principal amount plus accrued but unpaid interest, if any, of the Legacy Butterfly convertible notes outstanding were converted into the Company’s Class A common stock, with such shares of Company’s Class A common stock calculated by dividing the principal amount plus accrued but unpaid interest, if any, on the Legacy Butterfly convertible notes by $10.00, rounded down to the nearest whole number of shares.

On January 15, 2021, investment funds managed by Glenview entered into a securities purchase agreement with each of Dawn Carfora, John Hammergren, Gianluca Pettiti and S. Louise Phanstiel. Pursuant to the securities purchase agreements, Ms. Carfora agreed to purchase an aggregate principal amount of $118,443 of Legacy Butterfly convertible notes from Glenview for a purchase price of $200,000, Mr. Hammergren agreed to purchase an aggregate principal amount of $1,184,441 of Legacy Butterfly convertible notes from Glenview for a purchase price of $2,000,000, Mr. Pettiti agreed to purchase an aggregate principal amount of $177,666 of Legacy Butterfly convertible notes from Glenview for a purchase price of $300,000, and Ms. Phanstiel agreed to purchase an aggregate principal amount of $592,221 of Legacy Butterfly convertible notes from Glenview for a purchase price of $1,000,000. Upon conversion at the Effective Time, the Legacy Butterfly convertible notes purchased by Ms. Carfora, Mr. Hammergren, Mr. Pettiti and Ms. Phanstiel converted into 12,009, 120,099, 18,014 and 60,049 shares of the Company’s Class A common stock, respectively.

**Lease Arrangements**

We occupy office and laboratory space located at 506 Old Whitfield Street, Guilford, Connecticut, which is owned by Oceanco, LLC, whose manager is Michael Rothberg, who is a sibling of Jonathan M. Rothberg, Ph.D., the founder of Legacy Butterfly and Chairman of our board of directors, and which is owned by Dr. Rothberg’s children. Under this arrangement, we paid $184,800, $184,800 and $169,400 for the years ended December 31, 2019, 2020 and 2021, respectively. We entered into a month-to-month lease with Oceanco, LLC for this space pursuant to the Business Combination.

We also occupy office space at 351 New Whitfield Street, Guilford, Connecticut, 485 Old Whitfield Street, Guilford, Connecticut, and 3000 El Camino Real, Suite 130, Palo Alto, California. Effective upon the Closing, the office space at 485 Old Whitfield Street, Guilford, Connecticut was leased from Oceanco, LLC by 4Catalyzer Corporation, or 4Catalyzer, of which Michael Rothberg, who is a sibling of Jonathan M. Rothberg, Ph.D., the founder of Legacy Butterfly and
Chairman of the Company’s board of directors, is the sole stockholder, and we have the right to use rooms at 485 Old Whitfield Street from 4Catalyzer for $100 per employee per day. Effective upon the Closing of the Business Combination, 4Catalyzer subleases space to us at 351 New Whitfield Street, where we occupy such portions of the space as 4Catalyzer may designate from time to time on a month-to-month basis, and we pay a pro rata share of expenses paid by 4Catalyzer for such space under the master lease. In connection with the Business Combination Agreement, 4Catalyzer assigned its leasehold interest 3000 El Camino Real to us. We pay 4Catalyzer on a per diem and month-to-month basis, respectively, for use of the spaces in 485 Old Whitfield Street and 351 New Whitfield Street, but no rental or lease agreements are effective. Under these arrangements (and through the date of assignment of the 3000 El Camino Real Lease), we paid $248,650, $305,493 and $40,730 for the years ended December 31, 2019, 2020 and 2021, respectively.

Legacy Butterfly also previously occupied office space at 251 West 30th Street, New York, New York, which location was being leased from an unrelated landlord by 4Catalyzer. Legacy Butterfly paid 4Catalyzer on a month-to-month basis for use of the space, but no lease agreement had been entered into. Under this arrangement, Legacy Butterfly paid $189,384, $35,104 and $17,665 for the years ended December 31, 2019, 2020 and 2021.

Legacy Butterfly also paid 4Catalyzer for improvements and other capital expenditures in connection with Legacy Butterfly’s use of each of the spaces noted above, $63,460 during the year ended December 31, 2019, and has not paid any additional amounts since for the years ended December 31, 2020 and December 31, 2021.

**Amended and Restated Technology Services Agreement**

On November 11, 2020, Legacy Butterfly entered into an Amended and Restated Technology Services Agreement (the “ARTSA”) by and among 4Catalyzer, Butterfly and other participant companies controlled by the Rothbergs, including AI Therapeutics, Inc., Quantum-Si Incorporated, Hyperfine Operations, Inc. (f/k/a Hyperfine, Inc.), 4Bionics LLC, Tesseract Health, Inc., Liminal Operations, Inc. (f/k/a Liminal Sciences Inc.) and Detect, Inc. (f/k/a Homodeus Inc.). Under the ARTSA, Legacy Butterfly and the other participant companies agreed to share certain non-core technologies, which means any technologies, information or equipment owned or otherwise controlled by the participant company that are not specifically related to the core business area of the participant, such as software, hardware, electronics, fabrication and supplier information, vendor lists and contractor lists, subject to certain restrictions on use, with the other participant companies. The ARTSA provided that ownership of each non-core technology shared by 4Catalyzer, Legacy Butterfly or another participant company remained with the company that originally shared the non-core technology. The ARTSA also provided for 4Catalyzer to perform certain services to Legacy Butterfly and each other participant company, such as general administration, facilities, information technology, financing, legal, human resources and other services. The ARTSA also provided for the participant companies to provide other services to each other. The fees due to 4Catalyzer or the other participants for such services were allocated to Legacy Butterfly and the participant companies based on the total costs and expenses for the relative amount of services and resources used by the participant company, except for services with respect to intellectual property, which were based on a negotiated cost plus methodology. The ARTSA provided that all inventions of 4Catalyzer, Legacy Butterfly or the other participants made in the course of providing such services are owned by the receiving participant and that the receiving participant grant to the participant company providing the services a royalty-free, perpetual, limited, worldwide, non-exclusive license to use such inventions only in the core business field of the participating company.

The ARTSA had an initial term of five years from the date of the ARTSA and provided that the ARTSA be automatically extended for additional, consecutive one-year renewal terms. Each participating company, including Legacy Butterfly, had the right to terminate the ARTSA at any time upon 30 days’ prior notice and 4Catalyzer had the right to terminate the ARTSA at any time upon 90 days’ prior notice. Legacy Butterfly paid an aggregate of $8,074,173 during the year ended December 31, 2019, $4,937,775 during the year ended December 31, 2020 and $709,532 during the year ended December 31, 2021 for services under the ARTSA.

On November 19, 2020, Legacy Butterfly and 4Catalyzer entered into the First Addendum to the ARTSA, pursuant to which Legacy Butterfly agreed to terminate its participation under the ARTSA effective as of February 12, 2021.
Technology and Services Exchange Agreement

Legacy Butterfly has entered into a Technology and Services Exchange Agreement (the “TSEA”) by and among Legacy Butterfly and other participant companies controlled by the Rothbergs, consisting of AI Therapeutics, Inc., Quantum-Si Incorporated, Hyperfine Operations, Inc. (f/k/a Hyperfine, Inc.), 4Bionics LLC, Tesseract Health, Inc., Liminal Operations, Inc. (f/k/a Liminal Sciences, Inc.) and Detect, Inc. (f/k/a Homodeus Inc.). The TSEA, signed in November 2020, became effective upon the Closing of the Business Combination on February 12, 2021. Under the TSEA, we and the other participant companies may, in our discretion, permit the use of non-core technologies, which include any technologies, information or equipment owned or otherwise controlled by the participant company that are not specifically related to the core business area of the participant, such as software, hardware, electronics, fabrication and supplier information, vendor lists and contractor lists, by other participant companies. The TSEA provides that ownership of each non-core technology shared by us or another participant company will remain with the company that originally shared the non-core technology. In addition, any participant company (including us) may, in its discretion, permit its personnel to be engaged by another participant company to perform professional, technical or consulting services for such participant. Unless otherwise agreed to by us and the other participant company, all rights, title and interest in and to any inventions, works-of-authorship, idea, data or know-how invented, made, created or developed by the personnel (employees, contractors or consultants) in the course of conducting services for a participant company (“Created IP”) will be owned by the participant company for which the work was performed, and the recipient participant company grants to the party that had its personnel provide the services that resulted in the creation of the Created IP a royalty-free, perpetual, limited, worldwide, non-exclusive, sub-licensable (and with respect to software, sub-licensable in object code only) license to utilize the Created IP only in the core business field of the originating participant company, including a license to create and use derivative works based on the Created IP in the originating participant’s core business field, subject to any agreed upon restrictions.

Agreements with Butterfly Stockholders

Investors’ Rights, Voting and Right of First Refusal Agreements

In connection with Legacy Butterfly’s Series D preferred stock financing, Legacy Butterfly entered into investors’ rights, voting and right of first refusal and co-sale agreements containing registration rights, information rights, voting rights and rights of first refusal, among other things, with holders of Legacy Butterfly’s preferred stock and certain holders of its common stock.

Amended and Restated Registration Rights Agreement

At the Closing of the Business Combination, we, the Sponsor, certain affiliates of the Sponsor, and certain stockholders of Legacy Butterfly entered into the Amended and Restated Registration Rights Agreement, pursuant to which, among other things, the parties to the Amended and Restated Registration Rights Agreement agreed, subject to certain exceptions, not to effect any sale or distribution of any equity securities of the Company held by any of them during the lock-up period described therein and were granted certain registration rights with respect to their respective shares of our common stock, in each case, on the terms and subject to the conditions therein.

Advisory Agreement with Jonathan M. Rothberg, Ph.D.

In connection with the consummation of the Business Combination, we entered into an Advisory Agreement with Dr. Rothberg, the founder of Legacy Butterfly and the chairman of our board of directors, effective as of the Closing, pursuant to which Dr. Rothberg advises our Chief Executive Officer and the board of directors on strategic matters, and provides consulting, business development and similar services on matters relating to our current, future and potential scientific and strategic initiatives and such other consulting services reasonably requested from time to time. As compensation for Dr. Rothberg’s services under the Advisory Agreement, we pay Dr. Rothberg a consulting fee of $16,667 per month during the term of the Advisory Agreement. The term of the Advisory Agreement will continue until terminated by us or Dr. Rothberg. Either party may terminate the Advisory Agreement for any reason upon giving thirty (30) days’ advance notice of such termination. In the event of such termination, our only obligation will be to pay Dr. Rothberg any earned but unpaid consulting fee as of the termination date. In December 2020, the Legacy Butterfly board of directors granted 1,000,000 restricted stock units to Dr. Rothberg. The RSUs vest in equal quarterly installments over two years, beginning on March
31, 2021, without regard to Dr. Rothberg’s continued service to the Company, with full acceleration of vesting in the event of Dr. Rothberg’s death or disability or a change in control of the Company.

**Limited Liability Company to Purchase Real Estate**

On February 2, 2022, Dr. Fruchterman, our President and Chief Executive Officer, Dr. Fruchterman’s spouse, and an irrevocable trust previously established by Larry Robbins, a member of our board of directors, formed a limited liability company and entered into an operating agreement setting forth the terms and conditions of the ownership and management of the limited liability company that has purchased real estate in the approximate amount of $4,800,000 that will serve as Dr. Fruchterman’s principal residence. Mr. Robbins’ trust contributed approximately $1,500,000 to the limited liability company.

**Indemnification Agreements with Officers and Directors and Directors’ and Officers’ Liability Insurance**

We have entered into indemnification agreements with each of our executive officers and directors. The indemnification agreements, our restated certificate of incorporation and our restated bylaws require that we indemnify our directors to the fullest extent not prohibited by Delaware law. Subject to certain limitations, our restated bylaws also require us to advance expenses incurred by our directors and officers. We also maintain a general liability insurance policy, which covers certain liabilities of our directors and officers arising out of claims based on acts or omissions in their capacities as directors or officers.

**Policies and Procedures for Related Party Transactions**

We have adopted a written related person transaction policy that sets forth the following policies and procedures for the review and approval or ratification of related person transactions.

A “Related Person Transaction” is a transaction, arrangement or relationship in which we or any of our subsidiaries was, is or will be a participant, the amount of which involved exceeds $120,000, and in which any related person had, has or will have a direct or indirect material interest. Transactions involving compensation for services provided to us or any of our subsidiaries as an employee, consultant or director will not be considered related person transactions under this policy. A “Related Person” is:

- any person who is or was an executive officer, director, or director nominee of the Company at any time since the beginning of the Company’s last fiscal year;
- a person who is or was an Immediate Family Member (as defined below) of an executive officer, director, director nominee at any time since the beginning of the Company’s last fiscal year;
- any person who, at the time of the occurrence or existence of the transaction, is the beneficial owner of more than 5% of any class of the Company’s voting securities (a “Significant Stockholder”); or
- any person who, at the time of the occurrence or existence of the transaction, is an Immediate Family Member of a Significant Stockholder of the Company.

An “Immediate Family Member” of a person is any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of such person, or any other person sharing the household of such person, other than a tenant or employee.

We have implemented policies and procedures designed to minimize potential conflicts of interest arising from any dealings we may have with our affiliates and to provide appropriate procedures for the disclosure of any real or potential conflicts of interest that may exist from time to time. Specifically, pursuant to its charter, the audit committee has the responsibility to review related party transactions.

Under the related person transaction policy, the related person in question or, in the case of transactions with a beneficial holder of more than 5% of the Company’s voting stock, an officer with knowledge of a proposed transaction, will be required to present information regarding the proposed related person transaction to the audit committee (or to another independent body of the board of directors) for review. To identify related person transactions in advance, we expect to
rely on information supplied by our executive officers, directors and certain significant stockholders. In considering related person transactions, our audit committee is expected to take into account the relevant available facts and circumstances, which may include, but are not limited to:

- the related person’s interest in the transaction;
- the approximate dollar value of the amount involved in the transaction;
- the approximate dollar value of the amount of the related person’s interest in the transaction without regard to the amount of any profit or loss;
- whether the transaction was undertaken in the ordinary course of business of the Company;
- whether the transaction with the related person is proposed to be, or was, entered into on terms no less favorable to the Company than terms that could have been reached with an unrelated third party;
- the purpose of, and the potential benefits to the Company of, the transaction; and
- any other information regarding the transaction or the related person in the context of the proposed transaction that would be material to investors in light of the circumstances of the particular transaction.

The audit committee will approve only those transactions that it determines are fair to the Company and in the Company’s best interests.

Independence of the Board of Directors

NYSE rules generally require that independent directors must comprise a majority of a listed company’s board of directors. As a controlled company, we are largely exempt from such requirements. Based upon information requested from and provided by each proposed director concerning his or her background, employment and affiliations, including family relationships, we have determined that Larry Robbins, Dawn Carfora, Elazer Edelman, M.D., Ph.D., John Hammergren, Gianluca Pettiti, S. Louise Phanstiel and Erica Schwartz, M.D., J.D., M.P.H., representing seven of the Company’s directors, are “independent” as that term is defined under the applicable rules and regulations of the SEC and the listing requirements and rules of the NYSE.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our independent registered public accounting firm is Deloitte & Touche LLP, New York, New York, Auditor ID: 34. Our predecessor independent registered public accounting firm was WithumSmith+Brown, PC, New York, New York, Auditor ID: 100.

WithumSmith+Brown, PC (“Withum”) acted as Longview’s independent registered public accounting firm. On February 12, 2021, the Audit Committee approved the dismissal of Withum as our independent registered public accounting firm and our board of directors engaged Deloitte & Touche LLP (“Deloitte”) as the independent registered public accounting firm to audit our consolidated financial statements for the fiscal year ended December 31, 2021. Deloitte was previously engaged by Legacy Butterfly to audit its consolidated financial statements for the fiscal year ended December 31, 2020.

The following table sets forth the fees billed to our Company for professional services rendered by Deloitte, our independent registered public accounting firm, for the audit of our annual consolidated financial statements (including the consolidated financial statements of Legacy Butterfly) for the years ended December 31, 2021 and 2020, and fees billed for other services rendered by Deloitte during those periods:

<table>
<thead>
<tr>
<th>Fees</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Fees</td>
<td>$1,644,000</td>
<td>$1,736,000</td>
</tr>
<tr>
<td>Audit-Related Fees</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tax Fees</td>
<td>91,000</td>
<td>-</td>
</tr>
<tr>
<td>All Other Fees</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Fees</strong></td>
<td><strong>$1,735,000</strong></td>
<td><strong>$1,736,000</strong></td>
</tr>
</tbody>
</table>

The following table sets forth the fees billed to our Company for professional services rendered by Withum, our prior independent registered public accounting firm, for the audit of Longview’s annual consolidated financial statements for
the period from February 4, 2020 (inception) through December 31, 2020, and fees billed for other services rendered by Withum during the years ended December 31, 2021 and 2020:

<table>
<thead>
<tr>
<th>Fees</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Fees</td>
<td>-</td>
<td>$146,000</td>
</tr>
<tr>
<td>Audit-Related Fees</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tax Fees</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>All Other Fees</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Fees</td>
<td>-</td>
<td>$146,000</td>
</tr>
</tbody>
</table>

**Audit Fees.** Audit fees consisted of audit work performed in the preparation of consolidated financial statements, as well as work generally only the independent registered public accounting firm can reasonably be expected to provide, such as quarterly review procedures and the provision of consents in connection with the filing of registration statements and related amendments, as well as other filings.

**Audit-Related Fees.** This category consists of assurance and related services by the independent registered public accounting firm that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under “Audit Fees”.

**Tax Fees.** Tax fees consisted principally of tax consulting services.

**All Other Fees.** Our independent registered public accountants did not provide any products and services not disclosed in the table above during the fiscal years ended December 31, 2021 and 2020. As a result, there were no other fees billed or paid during those fiscal years.

Our audit committee was formed upon the consummation of Longview’s initial public offering. As a result, the audit committee did not pre-approve all of the foregoing services, although any services rendered prior to the formation of our audit committee were approved by our board of directors. Since the formation of our audit committee, the audit committee has pre-approved all auditing services and permitted non-audit services to be performed for us by our auditors, including the fees and terms thereof (subject to the de minimis exceptions for non-audit services described in the Exchange Act which are approved by the audit committee prior to the completion of the audit).

**Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Public Accountant**

Consistent with SEC policies regarding auditor independence, the Audit Committee has responsibility for appointing, setting compensation and overseeing the work of our independent registered public accounting firm. In recognition of this responsibility, the Audit Committee has established a policy to pre-approve all audit and permissible non-audit services provided by our independent registered public accounting firm.

Prior to engagement of an independent registered public accounting firm for the next year’s audit, management will submit an aggregate of services expected to be rendered during that year for each of four categories of services to the Audit Committee for approval.

1. **Audit** services include audit work performed in the preparation of financial statements, as well as work that generally only an independent registered public accounting firm can reasonably be expected to provide, including comfort letters, statutory audits, and attest services and consultation regarding financial accounting or reporting standards.

2. **Audit-Related** services are for assurance and related services that are traditionally performed by an independent registered public accounting firm, including due diligence related to mergers and acquisitions, employee benefit plan audits, and special procedures required to meet certain regulatory requirements.
3. **Tax** services include all services performed by an independent registered public accounting firm’s tax personnel except those services specifically related to the audit of the financial statements, and includes fees in the areas of tax compliance, tax planning, and tax advice.

4. **Other Fees** are those associated with services not captured in the other categories. The Company generally does not request such services from our independent registered public accounting firm.

Prior to engagement, the Audit Committee pre-approves these services by category of service. The fees are budgeted and the Audit Committee requires our independent registered public accounting firm and management to report actual fees versus the budget periodically throughout the year by category of service. During the year, circumstances may arise when it may become necessary to engage our independent registered public accounting firm for additional services not contemplated in the original pre-approval. In those instances, the Audit Committee requires specific pre-approval before engaging our independent registered public accounting firm.

The Audit Committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting.

**PART IV**

**Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

**Item 15(a).** The following documents are filed as part of this Annual Report on Form 10-K:

**Item 15(a)(1) and (2)** See “Index to Consolidated Financial Statements and Financial Statement Schedules” at Item 8 to this Annual Report on Form 10-K. Other financial statement schedules have not been included because they are not applicable or the information is included in the financial statements or notes thereto.

**Item 15(a)(3) Exhibits**

The following is a list of exhibits filed as part of this Annual Report on Form 10-K.

<table>
<thead>
<tr>
<th>Exhibit Number</th>
<th>Exhibit Description</th>
<th>Filed Herewith</th>
<th>Incorporated by Reference herein</th>
<th>Filing Date</th>
<th>SEC File/Reg. Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1†</td>
<td>Second Amended and Restated Certificate of Incorporation of Butterfly Network, Inc.</td>
<td>Form 8-K (Exhibit 3.1) 2/16/2021 001-39292</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.2†</td>
<td>Amended and Restated Bylaws of Butterfly Network, Inc.</td>
<td>Form 8-K (Exhibit 3.2) 2/16/2021 001-39292</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1†</td>
<td>Description of Securities.</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.2†</td>
<td>Specimen Class A Common Stock Certificate.</td>
<td>Form 8-K (Exhibit 4.1) 2/16/2021 001-39292</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Section</td>
<td>Description</td>
<td>Filing</td>
<td>Date</td>
<td>CIK</td>
<td></td>
</tr>
<tr>
<td>---------</td>
<td>-------------</td>
<td>--------</td>
<td>------</td>
<td>-----</td>
<td></td>
</tr>
<tr>
<td>4.3</td>
<td>Warrant Agreement, dated as of May 20, 2020, by and between Butterfly Network, Inc. (formerly Longview Acquisition Corp.) and Continental Stock Transfer &amp; Trust Company.</td>
<td>Form 8-K (Exhibit 4.1)</td>
<td>5/27/2020</td>
<td>001-39292</td>
<td></td>
</tr>
<tr>
<td>10.1</td>
<td>Form of Subscription Agreement, dated as of November 19, 2020 by and between Butterfly Network, Inc. (formerly Longview Acquisition Corp.), and the subscriber parties thereto.</td>
<td>Form 8-K (Exhibit 10.1)</td>
<td>11/23/2020</td>
<td>001-39292</td>
<td></td>
</tr>
<tr>
<td>10.4.1</td>
<td>Forward Purchase Agreement, among Butterfly Network, Inc. (formerly Longview Acquisition Corp.), Glenview Capital Management, LLC and the Purchasers party thereto.</td>
<td>Form 8-K (Exhibit 10.7)</td>
<td>5/27/2020</td>
<td>001-39292</td>
<td></td>
</tr>
<tr>
<td>10.4.2</td>
<td>Amendment No. 1 to Forward Purchase Agreement, dated as of November 19, 2020, by and among Butterfly Network, Inc. (formerly Longview Acquisition Corp.), Glenview Capital Management, LLC and certain entities affiliated with Glenview Capital Management, LLC.</td>
<td>Form 8-K (Exhibit 10.4)</td>
<td>11/23/2020</td>
<td>001-39292</td>
<td></td>
</tr>
<tr>
<td>10.5.1@</td>
<td>Exclusive (Equity) Agreement by and between BFLY Operations, Inc. (formerly Butterfly Network, Inc.) and the Board of Trustees of the Leland Stanford Junior University, dated as of June 28, 2013.</td>
<td>Form S-4 (Exhibit 10.13.1)</td>
<td>11/27/2020</td>
<td>333-250995</td>
<td></td>
</tr>
<tr>
<td>10.5.2@</td>
<td>Amendment No. 1, made effective as of April 23, 2019, to Exclusive (Equity) Agreement, dated as of June 28, 2013, by and between BFLY Operations, Inc. (formerly Butterfly Network, Inc.) and the Board of Trustees of the Leland Stanford Junior University.</td>
<td>Form S-4 (Exhibit 10.13.2)</td>
<td>11/27/2020</td>
<td>333-250995</td>
<td></td>
</tr>
</tbody>
</table>
Manufacture and Supply Agreement, dated as of October 7, 2015, by and between BFLY Operations, Inc. (formerly Butterfly Network, Inc.) and Benchmark Electronics, Inc.

Amendment No. 1, made effective as of August 2, 2019, to Manufacture and Supply Agreement, dated as of October 7, 2015, by and between BFLY Operations, Inc. (formerly Butterfly Network, Inc.) and Benchmark Electronics, Inc.

Amendment No. 2, made effective as of February 26, 2021, to Manufacture and Supply Agreement, dated as of October 7, 2015, by and between BFLY Operations, Inc. (formerly Butterfly Network, Inc.) and Benchmark Electronics, Inc.

Distribution Agreement, dated as of July 11, 2018, by and between BFLY Operations, Inc. (formerly Butterfly Network, Inc.) and Cardinal Health 105, Inc.

Foundry Service Agreement, dated as of March 31, 2019, by and between BFLY Operations, Inc. (formerly Butterfly Network, Inc.) and Taiwan Semiconductor Manufacturing Company Limited.

Amendment No. 1, made effective as of October 1, 2020, to Foundry Service Agreement, dated March 31, 2019, by and between BFLY Operations, Inc. (formerly Butterfly Network, Inc.) and Taiwan Semiconductor Manufacturing Company Limited.

Technology and Services Exchange Agreement, dated as of November 19, 2020, between BFLY Operations, Inc. (formerly Butterfly Network, Inc.) and the participants named therein.

Office Lease Agreement, dated as of May 27, 2021, by and between Butterfly Network, Inc. and NEEP Investors Holdings LLC.

Binding Employment Term Sheet, dated as of January 23, 2021, by and between BFLY Operations, Inc. (formerly Butterfly Network, Inc.) and Todd M. Fruchterman, M.D., Ph.D.

Employment Agreement between Butterfly Network, Inc. and Todd M. Fruchterman, M.D., Ph.D.
<table>
<thead>
<tr>
<th>Number</th>
<th>Description</th>
<th>Form Reference</th>
<th>Date</th>
<th>Filing Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.13+</td>
<td>Offer of Employment Letter, dated as of March 16, 2020, by and between BFLY Operations, Inc. (formerly Butterfly Network, Inc.) and Stephanie Fielding, as supplemented by the Employment Agreement Letter, dated as of November 18, 2020, by and between BFLY Operations, Inc. and Stephanie Fielding.</td>
<td>Form S-4/A (Exhibit 10.11)</td>
<td>1/6/2021</td>
<td>333-250995</td>
</tr>
<tr>
<td>10.15+</td>
<td>Offer of Employment Letter, dated as of November 24, 2020, by and between BFLY Operations, Inc. (formerly Butterfly Network, Inc.) and Mary Miller.</td>
<td>Form S-4/A (Exhibit 10.13)</td>
<td>1/6/2021</td>
<td>333-250995</td>
</tr>
<tr>
<td>10.16+</td>
<td>Offer of Employment Letter, dated as of June 3, 2021, by and between Butterfly Network, Inc. and Andrei G. Stoica.</td>
<td>Form 10-Q (Exhibit 10.3)</td>
<td>8/9/2021</td>
<td>001-39292</td>
</tr>
<tr>
<td>10.18+</td>
<td>Offer of Employment Letter, dated as of August 12, 2021, by and between Butterfly Network, Inc. and Troy Quander.</td>
<td>Form 10-Q (Exhibit 10.2)</td>
<td>11/15/2021</td>
<td>001-39292</td>
</tr>
<tr>
<td>10.19+</td>
<td>Offer of Employment Letter, dated as of April 6, 2021, by and between Butterfly Network, Inc. and Timothy Trodden.</td>
<td>Form 10-Q (Exhibit 10.2)</td>
<td>8/9/2021</td>
<td>001-39292</td>
</tr>
<tr>
<td>10.21+</td>
<td>Offer of Employment Letter, dated as of February 29, 2020, by and between BFLY Operations, Inc. (formerly Butterfly Network, Inc.) and Dave Perri, as supplemented by the Employment Agreement Letter, dated as of November 18, 2020, by and between BFLY Operations, Inc. and Dave Perri.</td>
<td>Form S-4/A (Exhibit 10.10)</td>
<td>1/6/2021</td>
<td>333-250995</td>
</tr>
<tr>
<td>Section Code</td>
<td>Description</td>
<td>Filing Type and Exhibit</td>
<td>Filed Date</td>
<td>CIK</td>
</tr>
<tr>
<td>-------------</td>
<td>----------------------------------------------------------------------------</td>
<td>-------------------------</td>
<td>-----------</td>
<td>-------</td>
</tr>
<tr>
<td>10.23+</td>
<td>Separation Agreement, dated as of January 24, 2021, by and between BFLY Operations, Inc. (formerly Butterfly Network, Inc.) and Laurent Faracci</td>
<td>Form S-4/A (Exhibit 10.8.2)</td>
<td>1/26/2021</td>
<td>333-250995</td>
</tr>
<tr>
<td>10.24+</td>
<td>Separation Agreement, dated as of July 28, 2021, by and between Butterfly Network, Inc. and David Perri</td>
<td>Form 10-Q (Exhibit 10.5)</td>
<td>8/9/2021</td>
<td>001-39292</td>
</tr>
<tr>
<td>10.25+</td>
<td>Separation Agreement, dated as of February 3, 2022, by and between Butterfly Network, Inc. and Stephanie Fielding</td>
<td>Form 8-K (Exhibit 10.1)</td>
<td>2/4/2022</td>
<td>001-39292</td>
</tr>
<tr>
<td>10.26+</td>
<td>Executive Severance Plan, as amended</td>
<td>Form 10-Q (Exhibit 10.3)</td>
<td>11/15/2021</td>
<td>001-39292</td>
</tr>
<tr>
<td>10.27.1+</td>
<td>Butterfly Network, Inc. Amended and Restated 2020 Equity Incentive Plan</td>
<td>Form 10-K (Exhibit 10.19.1)</td>
<td>3/29/2021</td>
<td>001-39292</td>
</tr>
<tr>
<td>10.27.2+</td>
<td>Form of Stock Option Agreement under 2020 Equity Incentive Plan</td>
<td>Form 8-K (Exhibit 10.15.2)</td>
<td>2/16/2021</td>
<td>001-39292</td>
</tr>
<tr>
<td>10.27.3+</td>
<td>Form of Restricted Stock Unit Agreement under 2020 Equity Incentive Plan</td>
<td>Form S-8 (Exhibit 99.3)</td>
<td>5/12/2021</td>
<td>333-256044</td>
</tr>
<tr>
<td>10.28.1+</td>
<td>BFLY Operations, Inc. 2012 Employee, Director and Consultant Equity Incentive Plan, as amended</td>
<td>Form 10-K (Exhibit 10.20.1)</td>
<td>3/29/2021</td>
<td>001-39292</td>
</tr>
<tr>
<td>10.28.2+</td>
<td>Form of Stock Option Agreement under 2012 Employee, Director and Consultant Equity Incentive Plan, as amended</td>
<td>Form 8-K (Exhibit 10.16.2)</td>
<td>2/16/2021</td>
<td>001-39292</td>
</tr>
<tr>
<td>10.28.3+</td>
<td>Form of Restricted Stock Unit Agreement under 2012 Employee, Director and Consultant Equity Incentive Plan, as amended</td>
<td>Form 8-K (Exhibit 10.16.3)</td>
<td>2/16/2021</td>
<td>001-39292</td>
</tr>
<tr>
<td>10.29+</td>
<td>Amended and Restated Nonemployee Director Compensation Policy</td>
<td>Form 8-K (Exhibit 10.1)</td>
<td>9/10/2021</td>
<td>001-39292</td>
</tr>
<tr>
<td>10.30+</td>
<td>Form of Indemnification Agreement</td>
<td>Form 8-K (Exhibit 10.18)</td>
<td>2/16/2021</td>
<td>001-39292</td>
</tr>
<tr>
<td>10.31</td>
<td>Amended and Restated Registration Rights Agreement, dated as of February 12, 2021, by and among Butterfly Network, Inc. (formerly Longview Acquisition Corp.), BFLY Operations, Inc. (formerly Butterfly Network, Inc.) and certain of their securityholders</td>
<td>Form 8-K (Exhibit 10.19)</td>
<td>2/16/2021</td>
<td>001-39292</td>
</tr>
<tr>
<td>10.32</td>
<td>Advisory Agreement, dated as of February 12, 2021, by and between Butterfly Network, Inc. and Jonathan Rothberg, Ph.D.</td>
<td>Form 10-K (Exhibit 10.25)</td>
<td>2/16/2021</td>
<td>001-39292</td>
</tr>
<tr>
<td>21.1</td>
<td>List of Subsidiaries</td>
<td>Form 8-K (Exhibit 21.1)</td>
<td>2/16/2021</td>
<td>001-39292</td>
</tr>
<tr>
<td>23.1</td>
<td>Consent of Deloitte &amp; Touche LLP</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31.1</td>
<td>Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31.2</td>
<td>Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>32</td>
<td>Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>101.INS</td>
<td>XBRL Instance Document</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>101.SCH</td>
<td>XBRL Taxonomy Extension Schema Document</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>101.CAL</td>
<td>XBRL Taxonomy Extension Calculation Linkbase Document</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>101.DEF</td>
<td>XBRL Taxonomy Extension Definition Linkbase Document</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>101.LAB</td>
<td>XBRL Taxonomy Extension Label Linkbase Document</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>101.PRE</td>
<td>XBRL Taxonomy Extension Presentation Linkbase Document</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>104</td>
<td>Cover Page Interactive Date File (formatted as Inline XBRL and contained in Exhibit 101).</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

† Certain of the exhibits and schedules to this Exhibit have been omitted in accordance with Regulation S-K Item 601(a)(5). The Registrant agrees to furnish a copy of all omitted exhibits and schedules to the SEC upon its request.

+ Management contract or compensatory plan or arrangement.

@ Certain confidential portions of this Exhibit were omitted by means of marking such portions with brackets ("[***]") because the identified confidential portions (i) are not material and (ii) would be competitively harmful if publicly disclosed.

**Item 16. FORM 10-K SUMMARY**

Not applicable.
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.

BUTTERFLY NETWORK, INC.

Date: March 25, 2022

By: /s/ Todd Fruchterman, M.D., Ph.D.
    Todd Fruchterman, M.D., Ph.D.
    President and Chief Executive Officer

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.

<table>
<thead>
<tr>
<th>Signatures</th>
<th>Title</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>/s/ Todd Fruchterman, M.D., Ph.D.</td>
<td>President, Chief Executive Officer and Director (principal executive officer)</td>
<td>March 25, 2022</td>
</tr>
<tr>
<td>/s/ Stephanie Fielding</td>
<td>Chief Financial Officer (principal financial officer and principal accounting officer)</td>
<td>March 25, 2022</td>
</tr>
<tr>
<td>/s/ Jonathan M. Rothberg, Ph.D.</td>
<td>Chairman of the Board</td>
<td>March 25, 2022</td>
</tr>
<tr>
<td>/s/ Dawn Carfora</td>
<td>Director</td>
<td>March 25, 2022</td>
</tr>
<tr>
<td>/s/ Elazer Edelman, M.D., Ph.D.</td>
<td>Director</td>
<td>March 25, 2022</td>
</tr>
<tr>
<td>/s/ John Hammergren</td>
<td>Director</td>
<td>March 25, 2022</td>
</tr>
<tr>
<td>/s/ Gianluca Pettiti</td>
<td>Director</td>
<td>March 25, 2022</td>
</tr>
<tr>
<td>/s/ S. Louise Phanstiel</td>
<td>Director</td>
<td>March 25, 2022</td>
</tr>
<tr>
<td>/s/ Larry Robbins</td>
<td>Director</td>
<td>March 25, 2022</td>
</tr>
<tr>
<td>/s/ Erica Schwartz, M.D., J.D., M.P.H.</td>
<td>Director</td>
<td>March 25, 2022</td>
</tr>
</tbody>
</table>
INDEX TO FINANCIAL STATEMENTS

Reports of Independent Registered Public Accounting Firm (PCAOB ID No: 34) F-2
Consolidated Balance Sheets F-5
Consolidated Statements of Operations and Comprehensive Loss F-6
Consolidated Statements of Changes in Convertible Preferred Stock and Stockholders’ Equity (Deficit) F-7
Consolidated Statements of Cash Flows F-8
Notes to the Consolidated Financial Statements F-9
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Butterfly Network, Inc and its subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Butterfly Network, Inc and its subsidiaries (the “Company”) as of December 31, 2021 and 2020, the related consolidated statements of operations and comprehensive loss, changes in convertible preferred stock and stockholders’ equity (deficit), and statement of cash flows, for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2022, expressed an unqualified opinion on the Company's internal control over financial reporting.

Change in Accounting Principle

As described in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for leases, effective January 1, 2021, due to the adoption of Accounting Standards Update No. 2016-02, Leases (Topic 842).

Basis for Opinion

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

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

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or is required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Purchase Commitments - Note 20 Commitments and Contingencies

Critical Audit Matter Description

The Company has entered into manufacturing and supply agreements with third parties with respect to key components of their products. These agreements may contain fixed minimum monthly or annual commitments. The aggregate amount of minimum inventory purchase commitments as of December 31, 2021 was $116.1 million. As that date, the Company has a total vendor
advance of $40.3 million, net of write-downs and a total accrued purchase commitments balance of $19.5 million related to the agreements.

Certain agreements require monthly purchases of inventory by the Company, which represent firm commitments to take or pay for the product. The Company compares the minimum commitments to their projected future sales of product and determines whether they would be able to sell the product for greater than cost, prior to any estimated obsolesce period or changes in technology, and establishes reserves for any losses on projected excess quantities that they are committed to purchase. Projections of future sales of inventory for which the Company is committed to take are based on a number of factors, including the Company’s approved plans and strategies, the Company’s limited sales history, agreement-specific provisions, macroeconomic factors and market and industry trends, including estimates of technological and product changes. Significant judgments and estimates are made by the Company in evaluating the projected sales and establishing the reserves for expected losses on excess quantities, at the end of each reporting period.

We identified the valuation of reserves for loss on product purchase commitments as a critical audit matter because of the judgments and estimates necessary for management to determine the reserves. Assessing the estimates utilized in projecting sales required a high degree of auditor judgment and an increased extent of audit effort when performing procedures to audit the recorded amount of reserves for expected loss on product purchase commitments.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the management’s estimation of reserves for expected loss on product purchase commitments included the following, among others:

- We tested the effectiveness of controls over the establishment of reserves for loss on product purchase commitments, including management’s controls over sales projections.
- For recorded reserves for loss on product purchase commitments with suppliers, we performed the following procedures:
  - Read relevant contracts and compared key provisions of the contracts to the Company’s analysis.
  - Recalculated the Company’s analysis of the losses including comparing the fixed minimum purchases to the contracts.
  - Obtained and evaluated the Company’s projected sales of inventory as it relates to the minimum purchase commitments by performing the following:
    - Compared management’s prior-year assumptions of expected future sales to actual sales during the current year to identify potential bias in the determination of the reserves.
    - Compared projections to recent sales history and related trends.
    - Inspected minutes of the board of directors, regulatory and other public filings, and investor communications to identify any evidence that may contradict management’s assertions.
    - Obtained evidence, including executed third party contracts used by management to support sales strategies reflected in the analysis.
    - Inquired of sales and operations personnel regarding projections and strategies to determine whether it supported or contradicted the conclusions reached by management in the analysis.
    - Inquired of operations personnel as to projected technology obsolescence to determine whether it supported or contradicted the conclusions reached by management in the analysis.

/s/ Deloitte & Touche LLP
New York, New York
February 28, 2022
We have served as the Company’s auditor since 2020.
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Butterfly Network, Inc and its subsidiaries

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Butterfly Network, Inc and its subsidiaries (the "Company") as of December 31, 2021, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2021 and 2020, of the Company and our report dated February 28, 2022 expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Company’s adoption of Accounting Standards Update No. 2016-02, Leases (Topic 842).

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

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.

/s/ Deloitte & Touche LLP
New York, New York
February 28, 2022
### BUTTERFLY NETWORK, INC.

**CONSOLIDATED BALANCE SHEETS**

(In thousands, except share and per share amounts)

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2021</th>
<th>December 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$422,841</td>
<td>$60,206</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>11,936</td>
<td>5,752</td>
</tr>
<tr>
<td>Inventories</td>
<td>36,243</td>
<td>25,805</td>
</tr>
<tr>
<td>Current portion of vendor advances</td>
<td>27,500</td>
<td>2,571</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>13,384</td>
<td>2,998</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>$511,904</strong></td>
<td><strong>$97,332</strong></td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>14,703</td>
<td>6,870</td>
</tr>
<tr>
<td>Non-current portion of vendor advances</td>
<td>12,782</td>
<td>37,390</td>
</tr>
<tr>
<td>Operating lease assets</td>
<td>24,083</td>
<td>—</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>8,493</td>
<td>5,599</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$571,965</strong></td>
<td><strong>$147,191</strong></td>
</tr>
<tr>
<td><strong>Liabilities, convertible preferred stock and stockholders’ equity (deficit)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$5,798</td>
<td>$16,400</td>
</tr>
<tr>
<td>Deferred revenue, current</td>
<td>13,071</td>
<td>8,443</td>
</tr>
<tr>
<td>Accrued purchase commitments, current</td>
<td>5,329</td>
<td>22,890</td>
</tr>
<tr>
<td>Accrued expenses and other current liabilities</td>
<td>25,631</td>
<td>21,962</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>$49,829</strong></td>
<td><strong>$69,695</strong></td>
</tr>
<tr>
<td>Deferred revenue, non-current</td>
<td>5,476</td>
<td>2,790</td>
</tr>
<tr>
<td>Convertible debt</td>
<td>—</td>
<td>49,528</td>
</tr>
<tr>
<td>Loan payable</td>
<td>—</td>
<td>4,366</td>
</tr>
<tr>
<td>Warrant liabilities</td>
<td>26,229</td>
<td>—</td>
</tr>
<tr>
<td>Accrued purchase commitments, non-current</td>
<td>14,200</td>
<td>19,660</td>
</tr>
<tr>
<td>Operating lease liabilities</td>
<td>27,690</td>
<td>—</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>850</td>
<td>2,146</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>$124,274</strong></td>
<td><strong>$148,185</strong></td>
</tr>
<tr>
<td><strong>Commitments and contingencies (Note 20)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Convertible preferred stock:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Convertible preferred stock (Series A, B, C and D) $.0001 par value with an aggregate liquidation preference of $0 and $383,829 at December 31, 2021 and 2020, respectively; 0 and 107,197,118 shares authorized, issued and outstanding at December 31, 2021 and 2020, respectively</td>
<td>—</td>
<td>360,937</td>
</tr>
<tr>
<td>Stockholders’ equity (deficit):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class A common stock $.0001 par value; 600,000,000 and 116,289,600 shares authorized at December 31, 2021 and 2020, respectively; 171,613,049 and 6,593,291 shares issued and outstanding at December 31, 2021 and 2020, respectively</td>
<td>17</td>
<td>1</td>
</tr>
<tr>
<td>Class B common stock $.0001 par value; 27,000,000 and 26,946,089 shares authorized at December 31, 2021 and 2020, respectively; 26,426,937 and 0 shares issued and outstanding at December 31, 2021 and 2020, respectively</td>
<td>3</td>
<td>—</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>874,886</td>
<td>32,874</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(427,215)</td>
<td>(394,806)</td>
</tr>
<tr>
<td><strong>Total stockholders’ equity (deficit)</strong></td>
<td><strong>$447,691</strong></td>
<td><strong>($361,931)</strong></td>
</tr>
<tr>
<td><strong>Total liabilities, convertible preferred stock and stockholders’ equity (deficit)</strong></td>
<td><strong>$571,965</strong></td>
<td><strong>$147,191</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product</td>
<td>$47,868</td>
<td>$38,347</td>
<td>$25,081</td>
</tr>
<tr>
<td>Subscription</td>
<td>14,697</td>
<td>7,905</td>
<td>2,502</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>$62,565</td>
<td>$46,252</td>
<td>$27,583</td>
</tr>
<tr>
<td><strong>Cost of revenue:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product</td>
<td>29,308</td>
<td>46,294</td>
<td>38,357</td>
</tr>
<tr>
<td>Subscription</td>
<td>2,238</td>
<td>1,068</td>
<td>621</td>
</tr>
<tr>
<td>Loss on product purchase</td>
<td>13,965</td>
<td>60,113</td>
<td>9,500</td>
</tr>
<tr>
<td>commitments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total cost of revenue</strong></td>
<td>$45,511</td>
<td>$107,475</td>
<td>$48,478</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>$17,054</td>
<td>$(61,223)</td>
<td>$(20,895)</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>$74,461</td>
<td>$49,738</td>
<td>$48,934</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>49,604</td>
<td>26,263</td>
<td>14,282</td>
</tr>
<tr>
<td>General and administrative</td>
<td>85,717</td>
<td>24,395</td>
<td>18,185</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>$209,782</td>
<td>$100,396</td>
<td>$81,401</td>
</tr>
<tr>
<td><strong>Loss from operations</strong></td>
<td>$(192,728)</td>
<td>$(161,619)</td>
<td>$(102,296)</td>
</tr>
<tr>
<td>Interest income</td>
<td>$2,573</td>
<td>$285</td>
<td>$2,695</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(651)</td>
<td>(1,141)</td>
<td>—</td>
</tr>
<tr>
<td>Change in fair value of warrants</td>
<td>161,095</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other income (expense), net</td>
<td>(2,577)</td>
<td>(231)</td>
<td>(96)</td>
</tr>
<tr>
<td><strong>Loss before provision for income taxes</strong></td>
<td>$(32,288)</td>
<td>$(162,706)</td>
<td>$(99,697)</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>121</td>
<td>39</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net loss and comprehensive loss</strong></td>
<td>$(32,409)</td>
<td>$(162,745)</td>
<td>$(99,697)</td>
</tr>
<tr>
<td>Net loss per common share</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>attributable to Class A and B common stockholders, basic and diluted</td>
<td>$(0.19)</td>
<td>$(26.87)</td>
<td>$(17.08)</td>
</tr>
<tr>
<td>Weighted-average shares used to compute net loss per share attributable to Class A and B common stockholders, basic and diluted</td>
<td>173,810,053</td>
<td>6,056,574</td>
<td>5,838,103</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
### BUTTERFLY NETWORK, INC.

**CONSOLIDATED STATEMENTS OF CHANGES IN CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS’ EQUITY (DEFICIT)**

(In thousands, except share amounts)

<table>
<thead>
<tr>
<th></th>
<th>Convertible Preferred Stock</th>
<th>Class A Common Stock</th>
<th>Class B Common Stock</th>
<th>Additional Paid-In Capital</th>
<th>Accumulated Deficit</th>
<th>Total Stockholders’ Equity (Deficit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>Shares</td>
<td>Amount</td>
<td>Shares</td>
<td>Amount</td>
<td>Shares</td>
<td>Amount</td>
</tr>
<tr>
<td>Shares</td>
<td>107,197,118</td>
<td>107,017,118</td>
<td>107,197,118</td>
<td>107,197,118</td>
<td>107,197,118</td>
<td>107,197,118</td>
</tr>
<tr>
<td>Amount</td>
<td>$ 360,937</td>
<td>$ 360,937</td>
<td>$ 360,937</td>
<td>$ 360,937</td>
<td>$ 360,937</td>
<td>$ 360,937</td>
</tr>
</tbody>
</table>

- **Net loss**: — — — — — — (99,697) (99,697)
- **Common stock issued upon exercise of stock options**: — 178,307 — — — 324 — 324
- **Stock-based compensation expense**: — — — — — — 6,038 — 6,038

<table>
<thead>
<tr>
<th></th>
<th>Shares</th>
<th>Amount</th>
<th>Shares</th>
<th>Amount</th>
<th>Shares</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>107,197,118</td>
<td>107,017,118</td>
<td>107,197,118</td>
<td>107,197,118</td>
<td>107,197,118</td>
<td>107,197,118</td>
</tr>
<tr>
<td>Amount</td>
<td>$ 360,937</td>
<td>$ 360,937</td>
<td>$ 360,937</td>
<td>$ 360,937</td>
<td>$ 360,937</td>
<td>$ 360,937</td>
</tr>
</tbody>
</table>

- **Net loss**: — — — — — — (162,745) (162,745)
- **Common stock issued upon exercise of stock options**: — 653,341 — — — 2,009 — 2,009
- **Stock-based compensation expense**: — — — — — — 11,083 — 11,083

<table>
<thead>
<tr>
<th></th>
<th>Shares</th>
<th>Amount</th>
<th>Shares</th>
<th>Amount</th>
<th>Shares</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December 31, 2020</td>
<td>December 31, 2021</td>
<td>December 31, 2022</td>
<td>December 31, 2023</td>
<td>December 31, 2024</td>
<td>December 31, 2025</td>
</tr>
<tr>
<td>Shares</td>
<td>107,197,118</td>
<td>107,017,118</td>
<td>107,197,118</td>
<td>107,197,118</td>
<td>107,197,118</td>
<td>107,197,118</td>
</tr>
<tr>
<td>Amount</td>
<td>$ 360,937</td>
<td>$ 360,937</td>
<td>$ 360,937</td>
<td>$ 360,937</td>
<td>$ 360,937</td>
<td>$ 360,937</td>
</tr>
</tbody>
</table>

- **Net loss**: — — — — — — (32,409) (32,409)
- **Common stock issued upon exercise of stock options and warrants**: — 8,886,801 — — — 21,708 — 21,709
- **Common stock issued upon vesting of restricted stock units**: — 1,018,828 — — — — —
- **Conversion of convertible preferred stock**: (107,197,118) (360,937) 80,770,178 8 26,426,937 3 360,926 — 360,937
- **Conversion of convertible debt**: — — 5,115,140 1 — — 49,916 — 49,917

<table>
<thead>
<tr>
<th></th>
<th>Shares</th>
<th>Amount</th>
<th>Shares</th>
<th>Amount</th>
<th>Shares</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December 31, 2021</td>
<td>December 31, 2022</td>
<td>December 31, 2023</td>
<td>December 31, 2024</td>
<td>December 31, 2025</td>
<td>December 31, 2026</td>
</tr>
<tr>
<td>Shares</td>
<td>107,197,118</td>
<td>107,017,118</td>
<td>107,197,118</td>
<td>107,197,118</td>
<td>107,197,118</td>
<td>107,197,118</td>
</tr>
<tr>
<td>Amount</td>
<td>$ 360,937</td>
<td>$ 360,937</td>
<td>$ 360,937</td>
<td>$ 360,937</td>
<td>$ 360,937</td>
<td>$ 360,937</td>
</tr>
</tbody>
</table>

- **Net equity infusion from the Business Combination**: — 69,228,811 6 — — — 361,281 — 361,287
- **Stock-based compensation expense**: — — — — — — 21,708 — 21,708

The accompanying notes are an integral part of these consolidated financial statements.
BUTTERFLY NETWORK, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

Year ended December 31,

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>$ (32,409)</td>
<td>$ (162,745)</td>
<td>$ (99,697)</td>
</tr>
<tr>
<td>Adjustments to reconcile net loss to net cash used in operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>2,090</td>
<td>1,316</td>
<td>758</td>
</tr>
<tr>
<td>Write-down of vendor advance</td>
<td>2,300</td>
<td>10,560</td>
<td>9,500</td>
</tr>
<tr>
<td>Non-cash interest expense on convertible debt</td>
<td>389</td>
<td>1,047</td>
<td>—</td>
</tr>
<tr>
<td>Write-down of inventories</td>
<td>889</td>
<td>7,123</td>
<td>2,711</td>
</tr>
<tr>
<td>Stock-based compensation expense</td>
<td>47,798</td>
<td>11,004</td>
<td>6,038</td>
</tr>
<tr>
<td>Change in fair value of warrant liabilities</td>
<td>(161,095)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>1,900</td>
<td>1,966</td>
<td>—</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(6,127)</td>
<td>(4,377)</td>
<td>(1,195)</td>
</tr>
<tr>
<td>Inventories</td>
<td>(11,285)</td>
<td>(23,487)</td>
<td>(1,390)</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>(10,669)</td>
<td>(20)</td>
<td>931</td>
</tr>
<tr>
<td>Vendor advances</td>
<td>(2,621)</td>
<td>1,658</td>
<td>(48,488)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(10,521)</td>
<td>11,175</td>
<td>2,549</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>7,314</td>
<td>7,446</td>
<td>3,497</td>
</tr>
<tr>
<td>Accrued purchase commitments</td>
<td>(23,063)</td>
<td>42,550</td>
<td>—</td>
</tr>
<tr>
<td>Change in operating lease assets and liabilities</td>
<td>1,901</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Accrued expenses and other liabilities</td>
<td>4,022</td>
<td>13,084</td>
<td>4,354</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td><strong>$ (189,187)</strong></td>
<td><strong>$ (81,700)</strong></td>
<td><strong>$ (120,432)</strong></td>
</tr>
</tbody>
</table>

Cash flows from investing activities:

| Purchases of marketable securities | (1,019,003) | —          | —          |
| Purchases of property and equipment | (7,877)     | (2,376)    | (4,468)    |
| **Net cash used in investing activities** | **$ (9,870)** | **$ (2,376)** | **$ (4,468)** |

Cash flows from financing activities:

| Proceeds from exercise of stock options and warrants | 21,707      | 2,038      | 324        |
| Net proceeds from equity infusion from the Business Combination | 548,403     | (657)      | —          |
| Proceeds from loan payable | —          | 4,366      | —          |
| Proceeds from issuance of convertible debt | —          | 50,000     | —          |
| Payment of loan payable | (4,366)     | —          | —          |
| Payments of debt issuance costs | (52)        | (1,467)    | —          |
| **Net cash provided by financing activities** | **$ 565,692** | **$ 54,280** | **$ 324** |

Net (decrease) increase in cash, cash equivalents and restricted cash

| **Net (decrease) increase in cash, cash equivalents and restricted cash** | **$ 366,635** | **(29,796)** | **$ (124,576)** |

Cash, cash equivalents and restricted cash, end of period

| **Cash, cash equivalents and restricted cash, end of period** | **$ 426,841** | **$ 60,206** | **$ 90,002** |

Reconciliation of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets

| Cash and cash equivalents | **$ 422,841** | **$ 60,206** | **$ 90,002** |
| Restricted cash | 4,000        | —          | —          |
| **Total cash, cash equivalents and restricted cash shown in the statement of cash flows** | **$ 426,841** | **$ 60,206** | **$ 90,002** |

Supplementary disclosure of non-cash investing and financing activities

| Purchase of property and equipment | 1,841      | 564        | 75         |
| Deferred offering costs and debt issuance costs | —          | 3,106      | —          |

The accompanying notes are an integral part of these consolidated financial statements.
Note 1. Organization and Description of Business

Butterfly Network, Inc., formerly known as Longview Acquisition Corp. (the “Company” or “Butterfly”), was incorporated in Delaware on February 4, 2020. The Company’s legal name became Butterfly Network, Inc. following the closing of the business combination discussed in Note 3 “Business Combination”. The prior period financial information represents the financial results and condition of BFLY Operations, Inc. (formerly Butterfly Network, Inc.).

The Company is an innovative digital health business transforming care with hand-held, whole body ultrasound. Powered by its proprietary Ultrasound-on-Chip™ technology, the solution enables the acquisition of imaging information from an affordable, powerful device that fits in a healthcare professional’s pocket with a combination of cloud-connected software and hardware technology.

The Company operates wholly-owned subsidiaries in Australia, Germany, Netherlands, the United Kingdom and Taiwan.

Although the Company has incurred recurring losses in each year since inception, the Company expects its cash and cash equivalents will be sufficient to fund operations for at least the next twelve months.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements include the accounts of BFLY Operations, Inc. (formerly Butterfly Network, Inc.) and its wholly-owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and pursuant to the accounting disclosure rules and regulations of the Securities and Exchange Commission (the “SEC”). All intercompany balances and transactions have been eliminated in consolidation. Certain items in the prior year’s consolidated financial statements have been reclassified to conform to the current year presentation reflected in the consolidated financial statements. The Company reclassified the loss on product purchase commitments that was recorded within cost of product revenue on the consolidated statement of operations and comprehensive loss to be presented separately.

COVID-19 Outbreak

The COVID-19 pandemic that began in 2020 has created significant global economic uncertainty and has impacted the Company’s operating results, financial condition and cash flows. The full extent to which the COVID-19 pandemic will directly or indirectly impact the Company’s business, results of operations and financial condition will depend on future developments that are highly uncertain, including those that result from new information that may emerge concerning COVID-19, the actions taken to contain or address COVID-19 and the economic impacts of COVID-19.

The Company has not incurred any significant impairment losses in the carrying values of its assets as a result of the COVID-19 pandemic and is not aware of any specific related event or circumstance that would require the Company to revise the estimates reflected in its financial statements.

Functional Currency

The Company’s worldwide operations utilize the U.S. dollar (“USD”) as the functional currency considering the significant dependency of each subsidiary on the Company. Subsidiary operations are financed through the funding received from the Company in USD. For foreign entities where the USD is the functional currency, all foreign currency-denominated monetary assets and liabilities are remeasured at end-of-period exchange rates. Exchange gains and losses arising from remeasurement of foreign currency-denominated monetary assets and liabilities are included in the Company’s operating results in the consolidated statements of operations and comprehensive loss.
Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and cash equivalents and accounts receivable. At December 31, 2021 and 2020, a majority of the Company’s cash and cash equivalents were invested in money market accounts at one financial institution. The Company also maintains balances in various operating accounts above federally insured limits. The Company has not experienced any losses on such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

As of December 31, 2021, one customer accounted for approximately 15% of the Company’s accounts receivable. As of December 31, 2020, no customer accounted for more than 10% of the Company’s accounts receivable. For the years end December 31, 2021, 2020 and 2019, no customer accounted for more than 10% of the total revenues.

Segment Information

The Company’s Chief Operating Decision Maker, its Chief Executive Officer (“CEO”), reviews the financial information presented on a consolidated basis for purposes of allocating resources and evaluating its financial performance. Accordingly, the Company has determined that it operates in a single reportable segment. Substantially, all of the Company’s long-lived assets are located in the United States. Since the Company operates in one operating segment, all required financial segment information can be found in the consolidated financial statements.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires the Company to make estimates and assumptions about future events that affect the amounts reported in its consolidated financial statements and accompanying notes. Future events and their effects cannot be determined with certainty. On an ongoing basis, management evaluates these estimates and assumptions. Significant estimates and assumptions include:

- revenue recognition, including determination of the timing and pattern of satisfaction of performance obligations, determination of the standalone selling price (“SSP”) of performance obligations;
- assumptions underlying the warranty liability calculation;
- assumptions underlying the measurement of the purchase commitment loss;
- measurement and allocation of capitalized costs, the net realizable value (the selling price as well as estimated costs of completion, disposal and transportation) of inventory, and demand and future use of inventory;
- assumptions underlying the incremental borrowing rate calculation;
- assumptions underlying the warrant liability calculation;
- valuation allowances with respect to deferred tax assets; and
- assumptions underlying the fair value used in calculation of the stock-based compensation.

The Company bases these estimates on historical and anticipated results and trends and on various other assumptions that the Company believes are reasonable under the circumstances, including assumptions as to future events. Changes in estimates are recorded in the period in which they become known. Actual results could differ from those estimates, and any such differences may be material to the Company’s consolidated financial statements.

Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Codification (“ASC”) Topic 606, Revenue from Contracts with Customers. Revenue is recognized when or as a customer obtains control of the promised goods and
services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to in exchange for these goods and services. To achieve this core principle, the Company applies the following 5 steps:

- **Step 1: Identify Contracts with Customers:** The Company’s contracts with customers typically occur either through direct sales or through eCommerce. The Company executes signed contracts with direct sales customers. Direct sales typically have 30-day payment terms, and multi-year software subscriptions typically require advance payment for each annual subscription period. The Company’s contracts with eCommerce customers are executed when the customer indicates that it has read and agrees to the terms and conditions of the purchase prior to purchasing the specific goods and services. The goods and services sold through the Company’s eCommerce platform require upfront payment for the goods and the services upon check-out.

- **Step 2: Identify Performance Obligations:** The Company’s contracts with customers often include multiple performance obligations. The Company has identified the following performance obligations in its contracts with customers:
  - Hardware devices
  - Hardware accessories
  - Maintenance and support for the software that is used in connection with the hardware devices, including the right to an unspecified number of software updates as and when available
  - Cloud-based software subscriptions, which represent an obligation to provide the customer with ongoing access to the Company’s hosted software applications on a continuous basis throughout the subscription period
  - Implementation and integration services
  - Extended warranties

- **Step 3: Determine Transaction Price:** The Company’s contracts with customers include variable consideration in the form of refunds and credits for product returns and price concessions. The Company estimates variable consideration using the expected value method based on a portfolio of data from similar contracts.

- **Step 4: Allocate Transaction Price to Performance Obligations:** The Company allocates transaction price to the performance obligations in a contract with a customer based on the relative standalone selling prices of the goods and services. For the cloud-based software subscriptions, which the Company sells to customers on a standalone basis (including renewals of subscriptions), the Company uses the observable standalone selling price, based on the price for which the Company sells these services to customers in standalone contracts, including contracts for renewals of subscriptions. The Company’s sales of hardware devices represent a bundled sale of a good and a service that includes two performance obligations, namely the unit of hardware device, and the support and maintenance of the software that is used in conjunction with the device, including a right for the customer to receive an unspecified number of software updates. The Company has an observable standalone selling price for the bundle and estimates the standalone selling price of the performance obligations within the bundle using estimation techniques that maximize the use of observable inputs.

- **Step 5: Recognize Revenue as Performance Obligations are Satisfied:** Each unit of hardware devices and accessories is a performance obligation satisfied at a point in time, when control of the good transfers from the Company to the customer. The Company’s services, including the cloud-based software subscriptions, extended warranties, and support and maintenance, are stand-ready obligations that are satisfied over time by providing the customer with ongoing access to the Company’s resources. The Company uses the time elapsed (straight-line) measure of progress to recognize revenue as these performance obligations are satisfied evenly over the respective service period. The implementation and integration services are performance obligations satisfied over time, and the Company uses the costs incurred as inputs in the measure of progress to recognize revenue as it satisfies these performance obligations.
Deferred Revenue

Deferred revenue primarily consists of billings or payments received in advance of revenue recognition from subscription services described above and is reduced as the revenue recognition criteria are met. Deferred revenue is classified as current or non-current based on expected revenue recognition timing. Specifically, deferred revenue that will be recognized as revenue within the succeeding 12 month period is recorded as current, and the portion of deferred revenue where revenue is expected to be recognized beyond 12 months from the reporting date is recorded as non-current deferred revenue in the Company’s consolidated balance sheets.

Warranties

The Company offers a standard product warranty that its products will operate free of material defects and function in accordance with the standard specifications for a period of one year from when control is transferred to the customer. The Company evaluated the warranty liability under ASC Topic 606 and determined that it is an assurance type warranty. At the time revenue is recognized, an estimate of future warranty costs is recorded as a component of cost of revenue and as a liability in accrued expenses. Factors that affect the warranty obligation include historical as well as current product failure rates, service delivery costs incurred in correcting product failures, and warranty policies and business practices.

Cash and Cash Equivalents

All highly liquid investments purchased with a maturity of three months or less are considered to be cash equivalents. At December 31, 2021 and 2020, cash and cash equivalents consist principally of cash and money market accounts.

Trade Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are carried at the original invoiced amount less an allowance for doubtful accounts based on the probability of future collection. The Company estimates its allowance for doubtful accounts based on historical loss patterns, the number of days that billings are past due, current market conditions, and reasonable and supportable forecasts of future economic conditions, in accordance with ASC 326 "Financial Instruments-Credit Losses." Accounts receivable are written off when deemed uncollectible and collection of the receivable is no longer being actively pursued. The following table summarizes the allowance for doubtful accounts activity:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allowance for doubtful accounts as of December 31, 2019</td>
<td>$ —</td>
</tr>
<tr>
<td>Additions (recoveries)</td>
<td>576</td>
</tr>
<tr>
<td>Deductions – write offs</td>
<td>—</td>
</tr>
<tr>
<td>Allowance for doubtful accounts as of December 31, 2020</td>
<td>$ 576</td>
</tr>
<tr>
<td>Additions (recoveries)</td>
<td>(54)</td>
</tr>
<tr>
<td>Deductions – write offs</td>
<td>(82)</td>
</tr>
<tr>
<td>Allowance for doubtful accounts as of December 31, 2021</td>
<td>$ 440</td>
</tr>
</tbody>
</table>

Inventories

Inventories primarily consist of raw materials, work in progress and finished goods which are purchased and held by the Company’s third-party contract manufacturers. Inventories are stated at the lower of actual cost, determined using the average cost method, or net realizable value. Cost includes all direct and indirect production costs to convert materials into a finished product. Net realizable value is based upon an estimated average selling price reduced by the estimated costs of completion, disposal and transportation. The determination of net realizable value involves certain judgments including estimating average selling prices. The Company reduces the value of inventory for estimated obsolescence or lack of marketability by the difference between the cost of the affected inventory and the net realizable value.

The valuation of inventory also requires the Company to estimate excess and obsolete inventory. The Company considers new product development schedules, the effect that new products might have on the sale of existing products, product
obsolescence and product merchantability, including whether older products can be re-manufactured into new products among other factors. Losses expected to arise from firm, non-cancelable and unhedged commitments for the future purchase of inventory items are recognized unless the losses are recoverable through firm sales contracts or other means.

**Restricted Cash**

Restricted cash includes deposits in financial institutions used to secure a lease agreement. The Company classified the amounts within other non-current assets as the deposits are used to secure a long-term lease. The amount shown as restricted cash is included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown in the consolidated statement of cash flows.

**Security Deposits**

Security deposits represent amounts paid to third parties in relation to non-cancelable leases.

**Vendor Advances**

Vendor advances represent amounts paid to third party vendors for future services to be received related to production of the Company’s inventory. The amounts are presented net of writeoffs. The classification current or non-current is based on the estimated timing of inventory delivery.

**Property and Equipment, net**

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized on a straight-line basis over the shorter of the remaining lease term or the estimated useful lives of related improvements.

Useful lives for property and equipment are as follows:

<table>
<thead>
<tr>
<th>Property and Equipment</th>
<th>Estimated Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Software</td>
<td>3 years</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>3 – 5 years</td>
</tr>
<tr>
<td>Furnitures and fixtures</td>
<td>5 – 7 years</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>Lesser of estimated useful life or remaining lease term</td>
</tr>
</tbody>
</table>

Expenditures for major renewals and improvements are capitalized. Expenditures for repairs and maintenance are expensed as incurred. When assets are retired or otherwise disposed of, the cost of these assets and related accumulated depreciation is eliminated from the balance sheet, and any resulting gains or losses are included in the statements of operations and comprehensive loss in the period of disposal.

**Capitalized Software Development Costs**

Costs to develop software internally for internal use are capitalized and recorded as capitalized software development costs on the consolidated balance sheets as a component of property and equipment, net. The Company capitalizes qualifying costs associated with internally-developed software incurred during the application development stage so long as management with the relevant authority authorizes the project, it is probable the project will be completed, and the software will be used to perform the function intended. Costs incurred during the preliminary project and post-implementation stages, including training and maintenance, are expensed as incurred. Capitalized costs are amortized on a project-by-project basis using the straight-line method over the estimated economic life of the application, which is three years, beginning when the asset is substantially ready for use. Amortization expense is classified in the consolidated statement of operations based upon the nature of the project.
Deferred Offering Costs

Offering costs, consisting of legal, accounting, printer and filing fees related to the Company’s business combination, were deferred and were offset against proceeds from the transaction upon the consummation of the business combination. In the event the transaction was terminated, all deferred offering costs would be expensed. Deferred offering costs capitalized as of December 31, 2021 and 2020 were $0.0 million and $3.7 million, respectively.

Leases

The Company primarily enters into leases for office space that are classified as operating leases. The Company determines if an arrangement is or contains a lease at inception. The Company accounts for leases in accordance with ASC 842 by recording right-of-use assets and lease liabilities. The Company records the right-of-use assets and lease liabilities on the consolidated balance sheet in the captions operating lease assets and operating lease liabilities, respectively. The lease term includes the non-cancelable period of the lease plus any additional periods covered by an option to extend that the Company is reasonably certain to exercise. Generally, the Company may terminate its leases with the notice required under the lease and upon the payment of a termination fee, if required. The Company’s leases do not include substantial variable payments based on index or rate. The Company’s lease agreements do not contain any significant residual value guarantees or material restrictive covenants.

The Company’s leases do not provide a readily determinable implicit discount rate. The Company’s incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in similar economic environments. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The lease payments related to the next 12 months are included in other current liabilities in the accompanying consolidated balance sheets. The Company recognizes a single lease cost on a straight-line basis over the term of the lease, and the Company classifies all cash payments within operating activities in the statement of cash flows.

The Company evaluates right-of-use assets for impairment consistent with its property, plant and equipment policy. There were no impairments of right-of-use assets in 2021. The Company does not have any finance or capital leases as of December 31, 2021 or 2020.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment at least annually or whenever events or changes in business circumstances indicate that the carrying amount of assets may not be fully recoverable. Each impairment test is based on a comparison of the undiscounted cash flow to the recorded value of the asset. If the recorded value of the asset is less than the undiscounted cash flow, the asset is written down to its estimated fair value. The Company recorded an impairment charge of $1.4 million during the year ended December 31, 2020 related to the historical prepayments to a related party for the acquisition of capital assets. No impairments were recorded for the year ended December 31, 2021 and 2019.

Convertible Debt

The Company evaluated its convertible debt for embedded derivatives. Embedded provisions (like conversion options) are assessed under ASC Topic 815, Derivatives and Hedging to determine if they qualify as embedded derivatives that require separate accounting.

To the extent that any embedded conversion option in the convertible debt is not bifurcated as an embedded derivative, that conversion option was also evaluated under ASC Topic 470, Debt, to determine if it qualified as a beneficial conversion feature and required separate accounting within equity.

Debt issuance costs were recorded as a reduction to the carrying amount of the convertible debt and are amortized to interest expense using the effective interest method. The convertible debt was classified as short-term or long-term based on the debt’s payment schedule.
Warrant Liability

The Company’s outstanding warrants include publicly-traded warrants (the “Public Warrants”) which were issued as one-third of a warrant per unit during the Company’s initial public offering on May 26, 2020 (the “IPO”) and warrants sold in a private placement to Longview’s sponsor (the “Private Warrants”). The Company evaluated its warrants under ASC 815-40, Derivatives and Hedging—Contracts in Entity’s Own Equity, and concluded that they do not meet the criteria to be classified in stockholders’ equity. Since the Public Warrants and Private Warrants meet the definition of a derivative under ASC 815, the Company recorded these warrants as long-term liabilities on the balance sheet at fair value upon the Closing of the Business Combination, with subsequent changes in their respective fair values recognized in the consolidated statements of operations and comprehensive loss at each reporting date.

Cost of Revenue

Product: Cost of revenue consists of product costs including manufacturing costs, personnel costs and benefits, duties and other applicable importing costs, packaging, warranty replacement costs, depreciation expense, fulfillment costs, payment processing fees and inventory obsolescence and write-offs.

Subscription: Cost of revenue consists of personnel costs, cloud hosting costs, amortization of internal use software and payment processing fees.

Research and Development

Research and development expenses primarily consist of personnel costs and benefits, facilities-related expenses, consulting and professional fees, fabrication services, software and other outsourcing expenses. Substantially all of the Company’s research and development expenses are related to developing new products and services and improving existing products and services. Research and development expenses are expensed as incurred.

Sales and Marketing

Sales and marketing costs primarily consist of personnel costs and benefits, third party logistics, fulfillment and outbound shipping costs, facilities-related expenses, advertising, promotional, as well as conferences, meetings and other events. Advertising expenses are expensed as incurred. For the years ended December 31, 2021, 2020 and 2019, advertising expenses were $8.3 million, $4.7 million and $0.9 million, respectively.

General and Administrative

General and administrative expenses primarily consist of personnel costs and benefits, patent and filing fees, facilities costs, office expenses and outside services. Outside services consist of professional services, legal and other professional fees.

Net Loss per Common Share

We compute net loss per share of Class A and Class B common stock using the two-class method. Basic net loss per share is computed by dividing the net loss by the weighted-average number of shares of each class of the Company's common stock outstanding during the period. Diluted net loss per share is computed by giving effect to all potential shares of the Company’s common stock, to the extent dilutive. Basic and diluted net loss per share was the same for each period presented as the inclusion of all potential shares of the Company’s common stock outstanding would have been anti-dilutive. Since the Company was in a net loss position for all periods presented, the basic earnings per share (“EPS”) calculation excludes preferred stock as it does not participate in net losses of the Company. Refer to Note 13 “Net Loss Per Share” for further discussion.
Convertible Preferred Stock

The Company applied the guidance in ASC Topic 480-10-S99-3A, SEC Staff Announcement: Classification and Measurement of Redeemable Securities and therefore classified the Series A, Series B, Series C and Series D Convertible Preferred Stock (“Convertible Preferred Stock”) (Note 11) as mezzanine equity. The Convertible Preferred Stock was recorded outside of stockholders’ deficit because the Convertible Preferred Stock includes a redemption provision upon a change of control, which is a deemed liquidation event that is considered outside the Company’s control. The Convertible Preferred Stock was recorded at its original issue price, net of issuance costs. The Company did not adjust the carrying values of the Convertible Preferred Stock to the liquidation price associated with a change of control because a change of control of the Company was not considered probable at prior reporting dates. Subsequent adjustments to increase or decrease the carrying values to their respective liquidation prices were to be made only if and when it became probable that such a change of control will occur.

Stock-Based Compensation

The measurement of share-based compensation expense for all stock-based payment awards, including stock options and restricted stock units granted to employees, directors, and nonemployees, is based on the estimated fair value of the awards on the date of grant.

The Company recognizes stock-based compensation expense for its awards on a straight-line basis over the requisite service period of the individual grants, which is generally the vesting period, based on the estimated grant date fair values. Generally, awards fully vest three to four years from the grant date and stock options have a term of 10 years. The Company recognizes the effect of forfeiture in compensation costs based on actual forfeitures when they occur.

Prior to the adoption of Accounting Standards Update (“ASU”) 2018-07, stock options granted to non-employees were accounted for based on their fair value on the measurement date. Stock options granted to non-employees were subject to periodic revaluation over their vesting terms. As a result, the charge to statements of operations and comprehensive loss for non-employee options with vesting requirements was affected in each reporting period by a change in the fair value of the option calculated under the Black-Scholes option-pricing model.

The Company during the year ended December 31, 2021 and 2020 granted performance based restricted stock units. The Company accounted for these awards according to the relevant provisions of ASC 718 - Stock Compensation. For performance awards, the Company recognizes expense using the accelerated attribution method. Refer to Note 12 “Equity Incentive Plan” for further discussion about the nature of the transactions.

Common Stock Valuations

Prior to the Closing of the Business Combination, the fair value of the shares of common stock underlying stock options had been determined by the Board of Directors (the “Board”), with input from management and contemporaneous third-party valuations, as there was no public market for the common stock. Given the absence of a public trading market for the Company’s common stock, and in accordance with the American Institute of Certified Public Accountants Practice Aid, Valuation of Privately Held Company Equity Securities Issued as Compensation, the Board exercised reasonable judgment and considered numerous objective and subjective factors to determine the best estimate of the fair value of the Company’s common stock at each option grant date. Subsequent to the Closing of the Business Combination the fair value of the common stock was determined using the Company’s closing stock price as reported on the New York Stock Exchange.

Income Taxes

The Company accounts for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the consolidated financial statements or in the Company’s tax returns. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Changes in deferred tax assets and liabilities are recorded in the provision
for income taxes. The Company assesses the likelihood that its deferred tax assets will be recovered from future taxable income and, to the extent it believes, based upon the weight of available evidence, that it is more likely than not that all or a portion of the deferred tax assets will not be realized, a valuation allowance is established through a charge to income tax expense. Potential for recovery of deferred tax assets is evaluated by estimating the future taxable profits expected and considering prudent and feasible tax planning strategies.

The Company accounts for uncertainty in income taxes recognized in the consolidated financial statements by applying a two-step process to determine the amount of tax benefit to be recognized. First, the tax position must be evaluated to determine the likelihood that it will be sustained upon external examination by the taxing authorities. If the tax position is deemed more-likely-than-not to be sustained, the tax position is then assessed to determine the amount of benefit to recognize in the consolidated financial statements. The amount of the benefit that may be recognized is the largest amount that has a greater than 50% likelihood of being realized upon ultimate settlement. The provision for income taxes includes the effects of any resulting tax reserves, or unrecognized tax benefits, that are considered appropriate as well as the related net interest and penalties.

Recent Accounting Pronouncements Adopted

In August 2018, the Financial Accounting Standards Board (“FASB”) issued ASU 2018-15, Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that Is a Service Contract (Topic 350-40), which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). As a result, eligible implementation costs incurred in a cloud computing arrangement that is a service contract are capitalized as prepaid expenses and other current assets on the balance sheet, recognized on a straight-line basis over its life in the statement of operations and comprehensive loss in the same line item as the fees for the associated arrangement, and the related activity is generally classified as an operating activity in the statement of cash flows. The Company prospectively adopted such guidance on January 1, 2021 and there was no material effect of adoption on the consolidated financial statements as of and for the year ended December 31, 2021.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 requires an entity to utilize a new impairment model known as the current expected credit loss (“CECL”) model to estimate its lifetime “expected credit loss” and record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. The CECL model is expected to result in more timely recognition of credit losses. ASU 2016-13 also requires new disclosures for financial assets measured at amortized cost, loans, and available-for-sale debt securities. The Company adopted this ASU in its fourth quarter of the fiscal year ended December 31, 2021, the effects of which were recognized effective January 1, 2021, using a modified retrospective approach. The adoption did not have a significant impact on the Company’s consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which introduced and codified new lease accounting guidance under ASC 842. This standard requires lessees to record a lease liability, initially measured at the present value of future lease payments, and a right-of-use asset, associated with operating leases, on its balance sheet. The standard also requires a single lease expense to be recognized within the statement of operations on a straight-line basis over the lease term. The Company adopted this ASU in its fourth quarter of the fiscal year ended December 31, 2021, the effects of which were recognized effective January 1, 2021. The adoption of the ASU resulted in the Company recording lease liabilities and right-of-use assets associated with its operating leases on its consolidated balance sheet, and did not have a significant effect on the consolidated statement of operations and comprehensive loss or consolidated statement of cash flows. The Company utilized the modified retrospective adoption approach, whereby all prior periods continue to be reported under previous lease accounting guidance, ASC Topic 840, Leases.

The Company elected to use the package of practical expedients permitted under the transition guidance. The Company did not reassess (i) whether any expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases, or (iii) initial direct costs for any existing leases. For each asset class and the related lease agreements in which the Company is the lessee that include lease and non-lease components, the Company made an
election about the use of the practical expedient on all leases entered into or modified after January 1, 2021 to combine lease and non-lease components. Additionally, the Company elected to not record on the balance sheet leases with a term of twelve months or less.

Note 3. Business Combination

On February 12, 2021 (the “Closing Date”), the Company consummated the previously announced business combination (the “Business Combination”) pursuant to the terms of the Business Combination Agreement, dated as of November 19, 2020 (the “Business Combination Agreement”), by and among Longview, Clay Merger Sub, Inc., a Delaware corporation incorporated on November 12, 2020 (“Merger Sub”), and Butterfly Network, Inc., a Delaware corporation (“Legacy Butterfly”).

Immediately upon the consummation of the Business Combination and the other transactions contemplated by the Business Combination Agreement (collectively, the “Transactions”, and such completion, the “Closing”), Merger Sub merged with and into Legacy Butterfly, with Legacy Butterfly surviving the Business Combination as a wholly-owned subsidiary of Longview (the “Merger”). In connection with the Transactions, Longview changed its name to “Butterfly Network, Inc.” and Legacy Butterfly changed its name to “BFLY Operations, Inc.”

The Merger is accounted for as a reverse recapitalization in accordance with U.S. GAAP primarily due to the fact that Legacy Butterfly stockholders continue to control the Company following the closing of the Business Combination. Under this method of accounting, Longview is treated as the “acquired” company for accounting purposes and the Business Combination is treated as the equivalent of Legacy Butterfly issuing stock for the net assets of Longview, accompanied by a recapitalization. The net assets of Longview will be stated at historical cost, with no goodwill or other intangible assets recorded. Reported shares and earnings per share available to holders of the Company’s capital stock and equity awards prior to the Business Combination have been retroactively restated reflecting the exchange ratio established pursuant to the Business Combination Agreement (1:1.0383).

Pursuant to the Merger, at the Effective Time of the Merger (the “Effective Time”):

- each share of Legacy Butterfly capital stock (other than the Legacy Butterfly Series A preferred stock) that was issued and outstanding immediately prior to the Effective Time was automatically canceled and converted into the right to receive 1.0383 shares of the Company’s Class A common stock, rounded down to the nearest whole number of shares;

- each share of Legacy Butterfly Series A preferred stock that was issued and outstanding immediately prior to the Effective Time was automatically canceled and converted into the right to receive 1.0383 shares of the Company’s Class B common stock, rounded down to the nearest whole number of shares;

- each option to purchase shares of Legacy Butterfly common stock, whether vested or unvested, that was outstanding and unexercised as of immediately prior to the Effective Time was assumed by the Company and became an option (vested or unvested, as applicable) to purchase a number of shares of the Company’s Class A common stock equal to the number of shares of Legacy Butterfly common stock subject to such option immediately prior to the Effective Time multiplied by 1.0383, rounded down to the nearest whole number of shares, at an exercise price per share equal to the exercise price per share of such option immediately prior to the Effective Time divided by 1.0383 and rounded up to the nearest whole cent;

- each Legacy Butterfly restricted stock unit outstanding immediately prior to the Effective Time was assumed by the Company and became a restricted stock unit with respect to a number of shares of the Company’s Class A common stock, rounded to the nearest whole share, equal to the number of shares of Legacy Butterfly common stock subject to such Legacy Butterfly restricted stock unit immediately prior to the Effective Time multiplied by 1.0383; and
• the principal amount plus accrued but unpaid interest, if any, on the Legacy Butterfly convertible notes outstanding as of immediately prior to the Effective Time was automatically canceled and converted into the right to receive shares of the Company’s Class A common stock, with such shares of the Company’s Class A common stock calculated by dividing the outstanding principal plus accrued interest, if any, of each Legacy Butterfly convertible note by $10.00, rounded down to the nearest whole number of shares.

In addition, on February 12, 2021, Longview filed the Second Amended and Restated Certificate of Incorporation (the “Restated Certificate”) with the Secretary of State of the State of Delaware, which became effective simultaneously with the Effective Time. As a consequence of filing the Restated Certificate, the Company adopted a dual class structure, comprised of the Company’s Class A common stock, which is entitled to one vote per share, and the Company’s Class B common stock, which is entitled to 20 votes per share. The Company’s Class B common stock is subject to a “sunset” provision if Jonathan M. Rothberg, Ph.D., the founder of Legacy Butterfly and Chairman of the Company (“Dr. Rothberg”), and other permitted holders of the Company’s Class B common stock collectively cease to beneficially own at least twenty percent (20%) of the number of shares of the Company’s Class B common stock (as such number of shares is equitably adjusted in respect of any reclassification, stock dividend, subdivision, combination or recapitalization of the Company’s Class B common stock) collectively held by Dr. Rothberg and permitted transferees of the Company’s Class B common stock as of the Effective Time.

In addition, concurrently with the execution of the Business Combination Agreement, on November 19, 2020, Longview entered into subscription agreements (the “Subscription Agreements”) with certain institutional investors (the “PIPE Investors”), pursuant to which the PIPE Investors purchased, immediately prior to the Closing, an aggregate of 17,500,000 shares of Longview Class A common stock at a purchase price of $10.00 per share (the “PIPE Financing”).

The total number of shares of the Company’s Class A common stock outstanding immediately following the Closing was approximately 164,862,470, comprising:

- 95,633,659 shares of the Company’s Class A common stock issued to Legacy Butterfly stockholders (other than certain holders of Legacy Butterfly Series A preferred stock) and holders of Legacy Butterfly convertible notes in the Merger;
- 17,500,000 shares of the Company’s Class A common stock issued in connection with the Closing to the PIPE Investors pursuant to the PIPE Financing;
- 10,350,000 shares of the Company’s Class A common stock issued to holders of shares of Longview Class B common stock outstanding at the Effective Time; and
- 41,378,811 shares of the Company’s Class A common stock held by holders of Longview Class A common stock outstanding at the Effective Time.

The total number of shares of the Company’s Class B common stock issued at the Closing was approximately 26,426,937. Immediately following the Closing, Dr. Rothberg held approximately 76.2% of the combined voting power of the Company. Accordingly, Dr. Rothberg and his permitted transferees control the Company and the Company is a controlled company within the meaning of the corporate governance standards of the New York Stock Exchange (the “NYSE”).

The most significant change in the post-combination Company’s reported financial position and results was an increase in cash of $589.5 million. The Company as the accounting acquirer incurred $11.4 million in transaction costs relating to the Business Combination, which has been offset against the gross proceeds recorded in additional paid-in capital in the consolidated statements of changes in convertible preferred stock and stockholders’ equity (deficit). The Company on the date of Closing used proceeds of the Transactions to pay off $30.9 million, representing all significant liabilities of the acquiree excluding the warrant liability. As of the date of the Closing, the Company recorded net liabilities of $186.5 million with a corresponding offset to additional paid-in capital. The net liabilities include warrant liabilities of $187.3 million and other insignificant assets and liabilities. The Company received proceeds of $0.6 million related to other transactions that occurred at the same time as the Business Combination.
Note 4. Revenue Recognition

Disaggregation of Revenue

The Company disaggregates revenue from contracts with customers by product type and by geographical market. The Company believes that these categories aggregate the payor types by nature, amount, timing and uncertainty of its revenue streams. The following table summarizes the Company’s disaggregated revenues (in thousands) for the year ended December 31:

<table>
<thead>
<tr>
<th>By Product Type:</th>
<th>Pattern of Recognition</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Devices and accessories</td>
<td>Point-in-time</td>
<td>$47,868</td>
<td>$38,347</td>
<td>$25,081</td>
</tr>
<tr>
<td>Subscription services</td>
<td>Over time</td>
<td>14,697</td>
<td>7,905</td>
<td>2,502</td>
</tr>
<tr>
<td>Total revenue</td>
<td></td>
<td>$62,565</td>
<td>$46,252</td>
<td>$27,583</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>By Geographical Market:</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>$42,993</td>
<td>$33,237</td>
<td>$23,997</td>
</tr>
<tr>
<td>International</td>
<td>19,572</td>
<td>13,015</td>
<td>3,586</td>
</tr>
<tr>
<td>Total revenue</td>
<td>$62,565</td>
<td>$46,252</td>
<td>$27,583</td>
</tr>
</tbody>
</table>

Contract Balances

Contract balances represent amounts presented in the consolidated balance sheets when either the Company has transferred goods or services to the customer, or the customer has paid consideration to the Company under the contract. These contract balances include trade accounts receivable and deferred revenue. Deferred revenue represents cash consideration received from customers for services that are transferred to the customer over the respective subscription period. The accounts receivable balances represent amounts billed to customers for goods and services for which the Company has an unconditional right to payment of the amount billed.

The following table provides information about receivables and deferred revenue from contracts with customers (in thousands):

<table>
<thead>
<tr>
<th>Accounts receivable, net</th>
<th>December 31, 2021</th>
<th>December 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$11,936</td>
<td>$5,752</td>
</tr>
</tbody>
</table>

Deferred revenue, current

<table>
<thead>
<tr>
<th>December 31, 2021</th>
<th>December 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>$13,071</td>
<td>8,443</td>
</tr>
</tbody>
</table>

Deferred revenue, non-current

<table>
<thead>
<tr>
<th>December 31, 2021</th>
<th>December 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>5,476</td>
<td>2,790</td>
</tr>
</tbody>
</table>

The Company recognizes a receivable when it has an unconditional right to payment, and payment terms are typically 30 days for product and service sales on credit.

The amount of revenue recognized during the years ended December 31, 2021 and 2020 that was included in the deferred revenue balance at the beginning of the period was $8.4 million and $3.2 million, respectively.

Transaction Price Allocated to Remaining Performance Obligations

On December 31, 2021, the Company had $21.2 million of remaining performance obligations. The Company expects to recognize 64% of its remaining performance obligations as revenue in fiscal year 2022, and an additional 36% in fiscal year 2023 and thereafter.

Significant Judgments

The Company makes significant judgments applying the guidance related to the determination of the timing and pattern of satisfaction of performance obligations and determination of the SSP of performance obligations. See Note 2 “Summary of Significant Accounting Policies” for details.
Costs of Obtaining or Fulfilling Contracts

The Company incurs incremental costs of obtaining contracts and costs of fulfilling contracts with customers. Incremental costs of obtaining contracts, which include commissions and referral fees paid to third parties as a result of obtaining contracts with customers, are capitalized to the extent that the Company expects to recover such costs. Costs of fulfilling contracts that relate specifically to a contract with a customer, and result from activities that generate the Company’s resources and enable it to satisfy its performance obligations in the contract with the customer, are capitalized to the extent that the Company expects to recover such costs. Capitalized costs are amortized in a pattern that is consistent with the Company’s transfer to the customer of the related goods and services. Such costs were not material during the years ended December 31, 2021 and 2020.

Practical Expedients and Accounting Policy Elections

In determining the transaction price of its contracts with customers, the Company estimates variable consideration using a portfolio of data from similar contracts.

As a practical expedient, the Company does not adjust the transaction price for the effects of a significant financing component in contracts in which the period between when the Company transfers the promised good or service to the customer and when the customer pays for that good or service is a year or less.

The Company has made an accounting policy election to exclude all sales taxes from the transaction price of its contracts with customers. Accordingly, sales taxes collected from customers and remitted to government authorities are not included in revenue and are accounted for as a liability until they have been remitted to the respective government authority.

Note 5. Fair Value of Financial Instruments

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair value.

The Company measures fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The Company utilizes a three-tier hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

- **Level 1** — Valuations based on quoted prices in active markets for identical assets or liabilities that an entity has the ability to access.
- **Level 2** — Valuations based on quoted prices for similar assets or liabilities, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.
- **Level 3** — Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The Company has no assets or liabilities valued with Level 3 inputs.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximates their fair values due to the short-term or on demand nature of these instruments. The fair value of the loan payable and the convertible debt using Level 2 inputs was deemed to approximate carrying value as of December 31, 2020, due to the recency of the issuance dates.

There were no transfers between fair value measurement levels during the years ended December 31, 2021 and 2020.

The Company determined the fair value of its Public Warrants as Level 1 financial instruments, as they are traded in active markets. Because any transfer of Private Warrants from the initial holder of the Private Warrants would result in the Private
Warrants having substantially the same terms as the Public Warrants, management determined that the fair value of each Private Warrant is the same as that of a Public Warrant. Accordingly, the Private Warrants are classified as Level 2 financial instruments.

The following table summarizes the Company’s liabilities that are measured at fair value on a recurring basis, by level, within the fair value hierarchy (in thousands):

<table>
<thead>
<tr>
<th>December 31, 2021:</th>
<th>Total</th>
<th>Fair Value Measurement Level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Level 1</td>
</tr>
<tr>
<td>Warrants:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Warrants</td>
<td>$17,525</td>
<td>$17,525</td>
</tr>
<tr>
<td>Private Warrants</td>
<td>8,704</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total liabilities at fair value on a recurring basis</strong></td>
<td><strong>$26,229</strong></td>
<td><strong>$17,525</strong></td>
</tr>
</tbody>
</table>

The Company did not have any assets or liabilities similar to those above requiring fair value measurement at December 31, 2020.

**Note 6. Inventories**

A summary of inventories is as follows at December 31 (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials</td>
<td>$19,853</td>
<td>7,688</td>
</tr>
<tr>
<td>Work-in-progress</td>
<td>1,122</td>
<td>865</td>
</tr>
<tr>
<td>Finished goods</td>
<td>15,268</td>
<td>17,252</td>
</tr>
<tr>
<td><strong>Total inventories</strong></td>
<td><strong>$36,243</strong></td>
<td><strong>$25,805</strong></td>
</tr>
</tbody>
</table>

Work-in-progress represents inventory items in intermediate stages of production by third party manufacturers. For the years ended December 31, 2021, 2020 and 2019, net realizable value inventory adjustments and excess and obsolete inventory charges were $0.9 million, $7.1 million and $2.7 million, respectively, and were recognized in cost of revenues.

**Note 7. Other Non-Current Assets**

Other non-current assets consist of the following at December 31 (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security deposits</td>
<td>$1,883</td>
<td>$1,888</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>4,000</td>
<td>—</td>
</tr>
<tr>
<td>Deferred offering costs</td>
<td>—</td>
<td>3,711</td>
</tr>
<tr>
<td>Other long-term assets</td>
<td>2,610</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total other non-current assets</strong></td>
<td><strong>$8,493</strong></td>
<td><strong>$5,599</strong></td>
</tr>
</tbody>
</table>
Note 8. Property and Equipment, Net

Property and equipment, net, are recorded at historical cost and consist of the following at December 31 (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery and equipment</td>
<td>$6,861</td>
<td>$5,102</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>4,212</td>
<td>4,166</td>
</tr>
<tr>
<td>Software</td>
<td>3,831</td>
<td>888</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>5,086</td>
<td>70</td>
</tr>
<tr>
<td>Other</td>
<td>89</td>
<td>42</td>
</tr>
<tr>
<td><strong>Less: accumulated depreciation and amortization</strong></td>
<td><strong>(5,376)</strong></td>
<td><strong>(3,398)</strong></td>
</tr>
<tr>
<td><strong>Property and equipment, net</strong></td>
<td><strong>$14,703</strong></td>
<td><strong>$6,870</strong></td>
</tr>
</tbody>
</table>

Depreciation and amortization expense amounted to $2.1 million, $1.3 million and $0.8 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Note 9. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following at December 31 (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee compensation</td>
<td>$12,746</td>
<td>$5,968</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>1,850</td>
<td>1,177</td>
</tr>
<tr>
<td>Accrued warranty liability</td>
<td>266</td>
<td>646</td>
</tr>
<tr>
<td>Non-income tax</td>
<td>2,477</td>
<td>3,695</td>
</tr>
<tr>
<td>Professional fees</td>
<td>2,797</td>
<td>5,432</td>
</tr>
<tr>
<td>Vendor settlements</td>
<td>—</td>
<td>2,975</td>
</tr>
<tr>
<td>Current portion of operating lease liabilities</td>
<td>1,391</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>4,104</td>
<td>2,069</td>
</tr>
<tr>
<td><strong>Total accrued expenses and other current liabilities</strong></td>
<td><strong>$25,631</strong></td>
<td><strong>$21,962</strong></td>
</tr>
</tbody>
</table>

Warranty expense activity for the years ended December 31 is as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of period</td>
<td>$1,826</td>
<td>$876</td>
<td>$133</td>
</tr>
<tr>
<td>Warranty provision charged to operations</td>
<td>58</td>
<td>2,498</td>
<td>2,203</td>
</tr>
<tr>
<td>Warranty claims</td>
<td>(768)</td>
<td>(1,548)</td>
<td>(1,460)</td>
</tr>
<tr>
<td><strong>Balance, end of period</strong></td>
<td><strong>$1,116</strong></td>
<td><strong>$1,826</strong></td>
<td><strong>$876</strong></td>
</tr>
</tbody>
</table>

The Company classifies its accrued warranty liability based on the timing of expected warranty activity. The future costs of expected activity greater than one year is recorded within other non-current liabilities on the consolidated balance sheet.

Note 10. Stockholders’ Equity (Deficit)

Common stock

Dividends

Holders of the Company’s Class A and Class B common stock are not entitled to receive dividends unless declared by the Board. Any such dividends would be subject to the preferential dividend rights of the holders of the then outstanding preferred stock or any other series stock having preferential rights. Holders of the Class A and Class B common stock will share ratably, if and when any dividend is declared, out of funds legally available. There have been no dividends declared to date.
Voting rights

The holders of shares of the Class A common stock are entitled to 1 vote per share on all matters on which the shares shall be entitled to vote. The holders of shares of the Class B common stock are entitled to 20 votes per share on all matters on which the shares shall be entitled to vote. Generally, holders of all classes of common stock vote together as a single class.

Liquidation Rights

On the liquidation, dissolution, distribution of assets or winding up of the Company, each holder of Class B common stock, together with each holder of Class A common stock, will be entitled, pro rata on a per share basis, to all assets of the Company of whatever kind available for distribution to the holders of common stock, subject to the designations, preferences, limitations, restrictions and relative rights of any other class or series of preferred stock of the Company then outstanding and unless disparate or different treatment of the shares of Class A common stock and Class B common stock is approved by the affirmative vote of the holders of a majority of the outstanding shares of Class A common stock and Class B common stock, each voting separately as a class.

Other Matters

Holders of shares of Class A common stock do not have subscription, redemption or conversion rights.

Holders of Class B common stock have the right to convert shares of their Class B common stock into fully paid and non-assessable shares of Class A common stock, on a one-to-one basis, at the option of the holder at any time upon written notice to the Company. Holders of Class B common stock will have their Class B common stock automatically converted into Class A common stock, on a one-to-one basis, upon the occurrence of any of the events described below:

1. Any sale, assignment, transfer, conveyance, hypothecation, or other transfer or disposition, directly or indirectly, of any Class B common stock or any legal or beneficial interest in such share, whether or not for value and whether voluntary or involuntary or by operation of law (including by merger, consolidation, or otherwise), including, without limitation the transfer of a share of Class B common stock to a broker or other nominee or the transfer of, or entering into a binding agreement with respect to, voting control over such share by proxy or otherwise, other than a permitted transfer.

2. Upon the first date on which Dr. Rothberg, together with all other qualified stockholders, collectively cease to beneficially own at least 20% of the number of Class B common stock (as such number of shares is equitably adjusted in respect of any reclassification, stock dividend, subdivision, combination, or recapitalization of the Class B common stock) collectively beneficially owned by Dr. Rothberg and permitted transferees of Class B common stock as of the effective time of the Merger.

3. Upon the date specified by the affirmative vote of the holders of at least two-thirds (2/3) of the outstanding shares of Class B common stock, voting as a separate class.

Note 11. Convertible Preferred Stock

The Company has issued four series of Convertible Preferred Stock, Series A through Series D. Prior to the completion of the Business Combination there were no significant changes to the terms of the Convertible Preferred Stock. Upon the Closing of the Business Combination, the Convertible Preferred Stock converted into the right to receive Class A and Class B common stock based on the Business Combination’s conversion ratio of 1.0383 of the Company’s shares for each Legacy Butterfly share. The Company recorded the conversion at the carrying value of the Convertible Preferred Stock at the time of Closing. There are no shares of Convertible Preferred Stock outstanding as of December 31, 2021.
The following table summarizes the authorized, issued and outstanding Convertible Preferred Stock of the Company as of immediately prior to the Business Combination and December 31, 2020 (in thousands, except share and per share information):

<table>
<thead>
<tr>
<th>Class</th>
<th>Year of Issuance</th>
<th>Issuance Price Per Share</th>
<th>Shares Authorized, Issued and Outstanding</th>
<th>Total Proceeds or Exchange Value</th>
<th>Issuance Costs</th>
<th>Net Carrying Value</th>
<th>Initial Liquidation Price Per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series A</td>
<td>2012</td>
<td>$0.04</td>
<td>26,946,090</td>
<td>$1,038</td>
<td>$11</td>
<td>$1,027</td>
<td>$0.77</td>
</tr>
<tr>
<td>Series B</td>
<td>2014</td>
<td>0.77</td>
<td>25,957,500</td>
<td>20,000</td>
<td>99</td>
<td>19,901</td>
<td>0.77</td>
</tr>
<tr>
<td>Series C</td>
<td>2014 – 2015</td>
<td>3.21</td>
<td>29,018,455</td>
<td>93,067</td>
<td>246</td>
<td>92,821</td>
<td>3.21</td>
</tr>
<tr>
<td>Series D</td>
<td>2018</td>
<td>9.89</td>
<td>25,275,073</td>
<td>250,000</td>
<td>2,812</td>
<td>247,188</td>
<td>9.89</td>
</tr>
</tbody>
</table>

| Total    |                  |                          |                                            |                                 | 17,071,118     |                   |                                    |

Note 12. Equity Incentive Plan

The Company’s 2012 Employee, Director and Consultant Equity Incentive Plan (the “2012 Plan”) was adopted by its Board of Directors and stockholders in March 2012. The Butterfly Network, Inc. Amended and Restated 2020 Equity Incentive Plan (the “2020 Plan”, and together with the 2012 Plan, the “Plans”) was approved by the Board in the fourth quarter of 2020 and by the stockholders in the first quarter of 2021. Grants under the 2012 Plan and the 2020 Plan are included in the tables below.

As of December 31, 2021, the number of shares of common stock reserved for issuance under the 2020 Plan was 25.6 million. The 2020 Plan is administered by the Board. The Board may grant stock-based awards, restricted stock and options to purchase shares either as incentive stock options or non-qualified stock options. The restricted stock and option grants are subject to certain terms and conditions, option periods and conditions, exercise rights and privileges and are fully discussed in the 2020 Plan. The restricted stock and option grants are subject to certain terms and conditions, option periods and conditions, exercise rights and privileges and are fully discussed in the 2020 Plan. The restricted stock and option grants are subject to certain terms and conditions, option periods and conditions, exercise rights and privileges and are fully discussed in the 2020 Plan. The restricted stock and option grants are subject to certain terms and conditions, option periods and conditions, exercise rights and privileges and are fully discussed in the 2020 Plan. The restricted stock and option grants are subject to certain terms and conditions, option periods and conditions, exercise rights and privileges and are fully discussed in the 2020 Plan. As of December 31, 2021, 17.0 million common shares remain available for issuance under the 2020 Plan. In connection with the Closing of the Business Combination, the Company has not granted and will not grant any additional awards under the 2012 Plan. However, the 2012 Plan will continue to govern the terms and conditions of the outstanding awards previously granted thereunder. As of December 31, 2021, the number of shares of common stock reserved for issuance under the 2012 Plan was 13.1 million.

In connection with the Closing of the Business Combination, the Company adjusted the equity awards as described in Note 3 “Business Combination”. The adjustments to the awards did not result in incremental expense as the equitable adjustments were made pursuant to a preexisting, nondiscretionary anti-dilution provision in the 2012 Plan, and the fair-value, vesting conditions and classification of the awards are the same immediately before and after the modification.

Stock option activity

Each stock option grant carries varying vesting schedules whereby the options may be exercised at the participant’s sole discretion provided they are an employee, director or consultant of the Company on the applicable vesting date. Each option shall terminate not more than ten years from the date of the grant.
A summary of the stock option activity under the 2020 Plan is presented in the table below:

<table>
<thead>
<tr>
<th></th>
<th>Number of Options</th>
<th>Weighted Average Exercise Price</th>
<th>Weighted Average Remaining Contractual Term</th>
<th>Aggregate Intrinsic Value (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding at December 31, 2019</td>
<td>15,254,566</td>
<td>2.26</td>
<td>6.94</td>
<td>47,820</td>
</tr>
<tr>
<td>Granted</td>
<td>14,492,505</td>
<td>5.56</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exercised</td>
<td>(653,341)</td>
<td>3.07</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forfeited</td>
<td>(2,385,401)</td>
<td>2.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding at December 31, 2020</td>
<td>26,708,329</td>
<td>4.03</td>
<td>7.06</td>
<td>143,338</td>
</tr>
<tr>
<td>Granted</td>
<td>8,101,866</td>
<td>12.98</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exercised</td>
<td>(8,911,435)</td>
<td>2.46</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forfeited</td>
<td>(9,655,228)</td>
<td>6.12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outstanding at December 31, 2021</td>
<td>16,243,532</td>
<td>8.11</td>
<td>7.63</td>
<td>24,398</td>
</tr>
<tr>
<td>Options exercisable at December 31, 2020</td>
<td>11,553,081</td>
<td>2.29</td>
<td>6.01</td>
<td>82,033</td>
</tr>
<tr>
<td>Options exercisable at December 31, 2021</td>
<td>7,399,460</td>
<td>4.34</td>
<td>5.88</td>
<td>21,300</td>
</tr>
<tr>
<td>Vested and expected to vest at December 31, 2020</td>
<td>23,175,751</td>
<td>3.82</td>
<td>6.94</td>
<td>129,047</td>
</tr>
<tr>
<td>Vested and expected to vest at December 31, 2021</td>
<td>12,943,351</td>
<td>7.30</td>
<td>7.26</td>
<td>23,242</td>
</tr>
</tbody>
</table>

The total intrinsic value excludes those options whereby the stock price does not exceed the exercise price of the option.

Additional information about the Company’s stock option activity during the years ended December 31, 2021, 2020 and 2019 is presented in the table below:

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash proceeds from the exercise of stock options (in millions)</td>
<td>$21.7</td>
<td>$2.0</td>
<td>$0.3</td>
</tr>
<tr>
<td>Total intrinsic value of stock options exercised (in millions)</td>
<td>80.9</td>
<td>3.6</td>
<td>0.5</td>
</tr>
<tr>
<td>Weighted average grant date fair value of options granted</td>
<td>6.47</td>
<td>3.27</td>
<td>2.31</td>
</tr>
</tbody>
</table>

The intrinsic value of a stock option that’s been exercised is the amount by which the stock price exceeds the exercise price of the option on the date of exercise.

During 2020, in connection with employee terminations, the Company extended the post-employment exercise period with regards to 733,000 options. The incremental expense resulting from the modifications was not significant to the consolidated statement of operations and comprehensive loss.

On January 23, 2021, the former Chief Executive Officer and member of the Board of Directors of Legacy Butterfly resigned from his position as Chief Executive Officer. Pursuant to the separation agreement between the former Chief Executive Officer and Legacy Butterfly, the former officer received equity-based compensation. The equity compensation includes the acceleration of vesting of the officer’s service-based options. The acceleration of 1.6 million options was pursuant to the original option award agreement. The Company recognized $2.6 million of expense related to the acceleration of this option award during the year ended December 31, 2021.

In accordance with ASC Topic 718, the Company estimates and records the compensation cost associated with the grants described above with an offsetting entry to paid-in capital. As described in Note 2 “Summary of Significant Accounting Policies”, the Company selected the Black-Scholes option pricing model for determining the estimated fair value for
The Black-Scholes model requires the use of subjective assumptions which determine the fair value of stock-based awards. The assumptions used to value option grants to employees were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk free interest rate</td>
<td>0.6% – 1.4%</td>
<td>0.4% – 1.7%</td>
<td>2.3% – 2.5%</td>
</tr>
<tr>
<td>Expected dividend yield</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Expected term</td>
<td>5.5 years – 6.2 years</td>
<td>5.9 years – 6.3 years</td>
<td>6 years – 6.1 years</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>51% – 63%</td>
<td>50%</td>
<td>50%</td>
</tr>
</tbody>
</table>

The assumptions used to value option grants to non-employees were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk free interest rate</td>
<td>0.4% – 1.7%</td>
<td>1.5% – 2.7%</td>
</tr>
<tr>
<td>Expected dividend yield</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Expected term</td>
<td>1.1 years – 6.1 years</td>
<td>8.1 years – 10 years</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>50%</td>
<td>50%</td>
</tr>
</tbody>
</table>

The Company did not grant any options to non-employees during the year ended December 31, 2021.

**Risk free interest rate**

The risk-free interest rate for periods within the expected term of the awards is based on the U.S. Treasury yield curve in effect at the time of the grant.

**Expected dividend yield**

The Company has never declared or paid any cash dividends and does not expect to pay any cash dividends in the foreseeable future.

**Expected term**

For employee awards, the Company calculates the expected term using the “simplified” method, which is the simple average of the vesting period and the contractual term. The simplified method is applied as the Company does not have sufficient historical data to provide a reasonable basis for an estimate of the expected term. The Company calculates the expected term for employee awards that take into account the effects of employee’s expected exercise and post-vesting employment termination behavior.

For non-employee awards, the expected term is determined on an award by award basis. Prior to the adoption of ASU 2018-07, the contractual term was used.

**Expected volatility**

Prior to the Closing of the Business Combination, as the Company was privately held from inception until the Closing of the Business Combination in 2021, there was no specific historical or implied volatility information available. Accordingly, the Company estimates the expected volatility on the historical stock volatility of a group of similar companies that are publicly traded over a period equivalent to the expected term of the stock-based awards.

Subsequent to the Closing of the Business Combination, the Company considered the historical stock volatilities of its’ peer companies, the historical volatility of the Company's stock price, and the implied stock price volatility derived from the price of exchange traded options on the Company's stock. Due to the lack of historical and implied volatility data of the Company’s common stock for a significant portion of fiscal 2021, the Company primarily estimated the expected volatility using the historical stock volatility of a group of similar companies that are publicly traded over a period equivalent to the expected term of the stock-based awards.
Exercise price

The exercise price is taken directly from the grant notice issued to employees and non-employees.

Restricted stock unit activity

A summary of the restricted stock unit activity under the 2020 Plan is presented in the table below:

<table>
<thead>
<tr>
<th>Restricted Stock Units</th>
<th>Weighted Average Grant Date Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding at December 31, 2020</td>
<td>1,894,897</td>
</tr>
<tr>
<td>Granted</td>
<td>3,375,079</td>
</tr>
<tr>
<td>Vested and converted to shares</td>
<td>(1,018,828)</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(292,323)</td>
</tr>
<tr>
<td>Outstanding at December 31, 2021</td>
<td>3,958,825</td>
</tr>
</tbody>
</table>

The total fair value of the restricted stock units vested during the year ended December 31, 2021 was $10.4 million.

Included in the table above are performance-based restricted stock units that include certain service conditions in the award. In January 2021, the Company granted 1.0 million restricted stock units to certain executives. In 2020, the Company granted 1.9 million restricted stock units to certain employees and consultants, including a grant of 1.0 million restricted stock units to the Chairman of the Board and significant stockholder of Butterfly.

The service condition for these awards is satisfied by providing service to the Company based on the defined service period per the award agreement. The performance-based condition is satisfied upon the occurrence of a business combination event as defined in the award agreement. The achievement of the performance condition was deemed satisfied in the first quarter of 2021, when the completion of the Business Combination occurred. During the year ended December 31, 2021, the Company recognized the full grant date fair value of the awards granted to the Chairman of the Board and one other consultant as service to the Company was no longer required since the Business Combination closed in the first quarter of 2021. For the remaining awards, continued service is still required for the awards to continue to vest per the award agreements. The achievement of the performance condition was not deemed satisfied and the Company did not recognize any expense for these awards for the period ended December 31, 2020.

In the third quarter of 2021 and excluded from the table above, the Company approved 0.1 million performance-based restricted stock units for certain executives. The service condition for these awards is satisfied by providing service to the Company based on the defined service period per the award agreement. The performance-based conditions are objective and subjective performance metrics defined in the award agreement. Each award agreement provides that the Compensation Committee of the Board of Directors (the “Compensation Committee”) has discretion over the number of shares that will vest pursuant to the performance metrics. During the first quarter of the year ending December 31, 2023, the Compensation Committee will certify the number of shares vested under the performance-based restricted stock unit awards. The Company concluded a grant date has not occurred and that the service inception date precedes the grant date. For awards that management estimates will vest, the expense is recognized using the accelerated attribution method over the requisite service period as defined in the award agreement. The fair value of these awards is remeasured at the close of each reporting period until a grant date occurs. An insignificant amount of expense for these awards was recognized during the year ended December 31, 2021.

The Company’s stock-based compensation expense for the periods presented was as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of revenue – subscription</td>
<td>$21</td>
<td>$15</td>
<td>$15</td>
</tr>
<tr>
<td>Research and development</td>
<td>9,060</td>
<td>4,551</td>
<td>3,693</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>8,074</td>
<td>2,591</td>
<td>1,041</td>
</tr>
<tr>
<td>General and administrative</td>
<td>30,643</td>
<td>3,847</td>
<td>1,289</td>
</tr>
<tr>
<td><strong>Total stock-based compensation expense</strong></td>
<td>$47,798</td>
<td>$11,004</td>
<td>$6,038</td>
</tr>
</tbody>
</table>
No related tax benefits of the stock-based compensation expense have been recognized and no related tax benefits have been realized from the exercise of stock options due to the Company’s net operating loss carryforwards.

Total unrecognized stock-based compensation expense for service based awards as of December 31, 2021 and 2020 was $78.8 million and $33.1 million, respectively, which will be recognized over the remaining weighted average vesting period of 2.8 years and 3.5 years, respectively.

Note 13. Net Loss Per Share

We compute net loss per share of Class A and Class B common stock using the two-class method. Basic net loss per share is computed by dividing the net loss by the weighted-average number of shares of each class of the Company’s common stock outstanding during the period. Diluted net loss per share is computed by giving effect to all potential shares of the Company’s common stock, including those presented in the table below, to the extent dilutive. Basic and diluted net loss per share was the same for each period presented as the inclusion of all potential shares of the Company’s common stock outstanding would have been anti-dilutive. Since the Company was in a net loss position for all periods presented, the basic earnings per share (“EPS”) calculation excludes preferred stock as it does not participate in net losses of the Company.

As the Company uses the two-class method required for companies with multiple classes of common stock, the following table presents the calculation of basic and diluted net loss per share for each class of the Company’s common stock outstanding (in thousands, except share and per share amounts):

<table>
<thead>
<tr>
<th>Year ended December 31, 2021</th>
<th>Class A</th>
<th>Class B</th>
<th>Total Common Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Numerator:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allocation of undistributed earnings</td>
<td>(28,048)</td>
<td>(4,361)</td>
<td>(32,409)</td>
</tr>
<tr>
<td>Numerator for basic and diluted EPS – loss available to common stockholders</td>
<td>(28,048)</td>
<td>(4,361)</td>
<td>(32,409)</td>
</tr>
<tr>
<td><strong>Denominator:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted-average common shares outstanding</td>
<td>150,424,024</td>
<td>23,386,029</td>
<td>173,810,053</td>
</tr>
<tr>
<td>Denominator for basic and diluted EPS – weighted-average common stock</td>
<td>150,424,024</td>
<td>23,386,029</td>
<td>173,810,053</td>
</tr>
<tr>
<td>Basic and diluted loss per share</td>
<td>(0.19)</td>
<td>(0.19)</td>
<td>(0.19)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Numerator:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allocation of undistributed earnings</td>
<td>(162,745)</td>
<td>(99,697)</td>
</tr>
<tr>
<td>Numerator for basic and diluted EPS – loss available to common stockholders</td>
<td>(162,745)</td>
<td>(99,697)</td>
</tr>
<tr>
<td><strong>Denominator:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted-average common shares outstanding</td>
<td>6,056,574</td>
<td>5,838,103</td>
</tr>
<tr>
<td>Denominator for basic and diluted EPS – weighted-average common stock</td>
<td>6,056,574</td>
<td>5,838,103</td>
</tr>
<tr>
<td>Basic and diluted loss per share</td>
<td>(26.87)</td>
<td>(17.08)</td>
</tr>
</tbody>
</table>

For the periods presented above, the net loss per share amounts are the same for Class A and Class B common stock because the holders of each class are entitled to equal per share dividends or distributions in liquidation in accordance with the Company’s Restated Certificate. The undistributed earnings for each year are allocated based on the contractual participation rights of the Class A and Class B common stock as if the earnings for the year had been distributed. As the liquidation and dividend rights are identical, the undistributed earnings are allocated on a proportionate basis. For the years ended December 31, 2020 and 2019, the undistributed earnings are only allocated to Class A common stock as there were no shares of Class B common stock outstanding.
Anti-dilutive common equivalent shares were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding options to purchase common stock</td>
<td>16,243,532</td>
<td>26,708,329</td>
<td>15,254,566</td>
</tr>
<tr>
<td>Outstanding restricted stock units</td>
<td>3,577,894</td>
<td>1,894,897</td>
<td>—</td>
</tr>
<tr>
<td>Outstanding warrants</td>
<td>20,652,837</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Outstanding convertible preferred stock (Series A through D)</td>
<td>—</td>
<td>107,197,118</td>
<td>107,197,118</td>
</tr>
<tr>
<td><strong>Total anti-dilutive common equivalent shares</strong></td>
<td><strong>40,474,263</strong></td>
<td><strong>135,800,344</strong></td>
<td><strong>122,451,684</strong></td>
</tr>
</tbody>
</table>

Note 14. Income Taxes

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

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
</tr>
<tr>
<td>Federal</td>
<td>$ (32,706)</td>
</tr>
<tr>
<td>Foreign</td>
<td>418</td>
</tr>
<tr>
<td><strong>Loss before provision for income taxes</strong></td>
<td><strong>$ (32,288)</strong></td>
</tr>
</tbody>
</table>

The Company recorded a tax provision of $0.12 million and $0.04 million for the years ended December 31, 2021 and 2020, respectively, due to foreign income and return to provision adjustments. Due to the Company’s loss position domestically, the Company has not recorded a significant federal tax provision for the years ended December 31, 2021 and 2020. Due to the Company’s overall loss position, the Company has not recorded a tax provision for the year ended December 31, 2019.

A reconciliation of the Company’s statutory income tax rate to the Company’s effective income tax rate is as follows:

<table>
<thead>
<tr>
<th>(In Thousands)</th>
<th>Year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income at US statutory rate</strong></td>
<td>21.00 %</td>
</tr>
<tr>
<td>State taxes, net of federal benefit</td>
<td>15.42 %</td>
</tr>
<tr>
<td>Permanent differences</td>
<td>(0.94)%</td>
</tr>
<tr>
<td>Stock compensation</td>
<td>(10.10)%</td>
</tr>
<tr>
<td>Change in fair value of warrants</td>
<td>104.78%</td>
</tr>
<tr>
<td>Tax credits</td>
<td>12.51 %</td>
</tr>
<tr>
<td>Foreign rate differential</td>
<td>0.01 %</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(142.86)%</td>
</tr>
<tr>
<td>Other</td>
<td>(0.20)%</td>
</tr>
<tr>
<td><strong>(0.38)%</strong></td>
<td><strong>(0.02)%</strong></td>
</tr>
</tbody>
</table>
Net deferred tax assets as of December 31, 2021 and 2020 consisted of the following (in thousands):

<table>
<thead>
<tr>
<th>(In Thousands)</th>
<th>Year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td></td>
</tr>
<tr>
<td>Net operating loss carryforwards</td>
<td>$122,279</td>
</tr>
<tr>
<td>Tax credits</td>
<td>10,620</td>
</tr>
<tr>
<td>Stock compensation</td>
<td>4,752</td>
</tr>
<tr>
<td>Accruals and reserves</td>
<td>7,929</td>
</tr>
<tr>
<td>Lease liability</td>
<td>7,063</td>
</tr>
<tr>
<td>Depreciation</td>
<td>102</td>
</tr>
<tr>
<td>Other</td>
<td>1,889</td>
</tr>
<tr>
<td><strong>Total deferred tax assets</strong></td>
<td><strong>$154,634</strong></td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(148,785)</td>
</tr>
<tr>
<td><strong>Total deferred tax assets</strong></td>
<td><strong>$5,849</strong></td>
</tr>
</tbody>
</table>

Deferred tax liabilities

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Right-of-use asset</td>
<td>(5,849)</td>
<td>—</td>
</tr>
<tr>
<td>Depreciation</td>
<td>—</td>
<td>(101)</td>
</tr>
<tr>
<td><strong>Net deferred tax assets</strong></td>
<td><strong>$</strong></td>
<td><strong>$</strong></td>
</tr>
</tbody>
</table>

As of December 31, 2021 and 2020, the Company has federal net operating loss (“NOL”) carryforwards of approximately $494.8 million and $330.2 million, respectively. As of December 31, 2021 and 2020, the Company has state NOL carryforwards of approximately $323.8 million and $232.1 million, respectively. Of the $494.8 million of federal NOL carryforwards, $73.7 million will begin to expire at various dates in 2031 and $421.1 million may be carried forward indefinitely. The state NOL carryforwards begin to expire in 2031. As of December 31, 2021, the Company also had federal and state tax credits of $9.2 million and $1.8 million, which begin to expire in 2032 and 2022, respectively.

Future realization of the tax benefits of existing temporary differences and net operating loss carryforwards ultimately depends on the existence of sufficient taxable income within the carryforward period. As of December 31, 2021 and 2020, the Company performed an evaluation to determine whether a valuation allowance was needed. The Company considered all available evidence, both positive and negative, which included the results of operations for the current and preceding years. The Company determined that it was not possible to reasonably quantify future taxable income and determined that it is more likely than not that all of the deferred tax assets will not be realized. Accordingly, the Company maintained a full valuation allowance as of December 31, 2021 and 2020.

The utilization of NOLs and tax credit carryforwards to offset future taxable income may be subject to an annual limitation as a result of ownership changes that have occurred previously or may occur in the future. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, (“IRC”), a corporation that undergoes an ownership change may be subject to limitations on its ability to utilize its pre-change NOLs and other tax attributes otherwise available to offset future taxable income and/or tax liability. An ownership change is defined as a cumulative change of 50% or more in the ownership positions of certain stockholders during a rolling three-year period. The Company has completed a formal study through September 30, 2021 to determine if any ownership changes within the meaning of IRC Section 382 and 383 have occurred. As a result of the study, it was determined the Company experienced an ownership change on February 12, 2021; however, the limitation from the ownership change will not result in any of the NOLs or tax credits expiring unutilized.

The Company’s valuation allowance increased by $47.0 million and $39.6 million for the years ended December 31, 2021 and 2020, respectively, due primarily to the generation of net operating losses.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations for both federal taxes and the many states in which the Company operates or does business. ASC 740-10 states that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of the technical merits.
The Company records uncertain tax positions as liabilities in accordance with ASC 740-10 and adjusts these liabilities when the Company’s judgment changes as a result of the evaluation of new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the Company’s current estimate of the unrecognized tax benefit liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which new information is available. As of December 31, 2021 and 2020, the Company has not recorded any uncertain tax positions in its financial statements.

The Company recognizes interest and penalties related to unrecognized tax benefits on the income tax expense line in the accompanying consolidated statements of operations and comprehensive loss as required. As of December 31, 2021 and 2020, there were no significant accrued interest or penalties.

The Company files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by federal, state and foreign jurisdictions, where applicable. There are currently no pending tax examinations. The Company’s tax years are still open under statute from December 31, 2017 to the present. Federal and state net operating losses are subject to review by taxing authorities in the year utilized.

Note 15. Related Party Transactions

Prior to the Closing of the Business Combination, there were no significant changes in the nature of the Company’s related party transactions since December 31, 2020. Pursuant to a First Addendum dated November 19, 2020 to the Amended and Restated Technology Services Agreement dated November 11, 2020 by and among the Company, 4Catalyzer Corporation ("4Catalyzer"), and other participant companies controlled by Dr. Rothberg (the “ARTSA”), Butterfly terminated its participation under the ARTSA immediately prior to the Closing of the Business Combination.

Prior to the Closing of the Business Combination, the Company subleased office and laboratory spaces from 4Catalyzer. Additionally, under the ARTSA, the Company and the other participant companies agreed to share certain non-core technologies and also provided for 4Catalyzer to perform certain services for the Company and each other participant company. The ARTSA also provides for the participant companies to provide other services to each other. These expenditures are recorded within the accompanying consolidated statements of operations and comprehensive loss and allocated to the proper operating expense caption based on the nature of the service.

A summary of related-party transactions and balances with 4Catalyzer are as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total incurred for operating expenses</td>
<td>$583</td>
<td>$5,571</td>
<td>$7,721</td>
</tr>
<tr>
<td>Due from related parties</td>
<td></td>
<td></td>
<td>$38</td>
</tr>
<tr>
<td>Due to related parties</td>
<td>$</td>
<td>88</td>
<td>154</td>
</tr>
</tbody>
</table>

Note 16. Loan Payable

In May 2020, the Company received loan proceeds of $4.4 million under the Paycheck Protection Program ("PPP"). The PPP loan was evidenced by a promissory note dated May 1, 2020. The Company used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. The term of the Company’s PPP loan was two years. The interest rate on the PPP loan was 1% per annum and no payments of principal or interest were due during fiscal 2020. The loan provider did not provide for a payment schedule. The PPP loan was unsecured and guaranteed by the Small Business Administration and was subject to any new guidance and new requirements released by the Department of the Treasury. Following the Closing of the Business Combination, the Company repaid the loan in full in February 2021. For the years ended December 31, 2021 and 2020, the Company recognized an insignificant amount of interest expense in the consolidated statement of operations and comprehensive loss related to the loan. The Company accounted for the loan as debt.
**Note 17. Convertible Debt**

In 2020, the Company issued convertible debt for total gross proceeds of $50.0 million. Prior to the Closing of the Business Combination, there were no significant changes to the terms of the debt agreement.

Pursuant to the terms of the debt, at the Closing of the Business Combination, the convertible debt was automatically canceled and converted into the right to receive shares of the Company’s Class A common stock. The debt was converted with $49.9 million, the net carrying value of the debt as of the Closing of the Business Combination, in stockholders’ equity with a corresponding decrease to the convertible debt for the principal, accrued interest and unamortized debt issuance costs in the consolidated balance sheet.

The Company recorded interest expense and amortization expense for the issuance costs of $0.6 million and $1.0 million for the years ended December 31, 2021 and 2020, respectively.

**Note 18. Warrants**

**Public Warrants**

The Company issued Public Warrants and Private Warrants in connection with its IPO during the year ended December 31, 2020. As of December 31, 2021, there were an aggregate of 13,799,504 outstanding Public Warrants, which entitle the holder to acquire Class A common stock. During the year ended December 31, 2021, the amount of exercises of Public Warrants was not significant. Each whole warrant entitles the registered holder to purchase one share of Class A common stock at an exercise price of $11.50 per share, subject to adjustment as discussed below, beginning on May 26, 2021. The warrants will expire on February 12, 2026 or earlier upon redemption or liquidation.

**Redemptions**

At any time while the warrants are exercisable, the Company may redeem not less than all of the outstanding Public Warrants:

- at a price of $0.01 per warrant;
- upon a minimum of 30 days’ prior written notice of redemption (the “30-day redemption period”) to each warrant holder;
- provided that the last reported sale price of the Class A common stock equals or exceeds $18.00 per share (as adjusted for stock splits, stock dividends, recapitalizations and the like and for certain issuances of Class A common stock and equity-linked securities) for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date the Company sends the notice of redemption to the warrant holders; and
- provided that there is an effective registration statement covering the issuance of the shares of Class A common stock issuable upon exercise of the warrants, and a current prospectus relating thereto, available through the 30-day redemption period or the Company has elected to require the exercise of the warrants on a “cashless basis” (as described below).

If the foregoing conditions are satisfied and the Company issues a notice of redemption of the Public Warrants at $0.01 per warrant, each holder of Public Warrants will be entitled to exercise his, her or its Public Warrants prior to the scheduled redemption date.

If the Company calls the Public Warrants for redemption for $0.01 as described above, the Board may elect to require any holder that wishes to exercise his, her or its Public Warrant to do so on a “cashless basis.” If the Board makes such election, all holders of Public Warrants would pay the exercise price by surrendering their warrants for that number of shares of Class A common stock equal to the quotient obtained by dividing (x) the product of the number of shares of Class A common stock underlying the warrants, multiplied by the excess of the “fair market value” over the exercise price of the warrants by (y) the “fair market value.” For purposes of the redemption provisions of the warrants, the “fair market value”
means the average last reported sale price of the Class A common stock for the 10 trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of warrants.

Commencing 90 days after the warrants become exercisable, the Company may redeem not less than all of the outstanding Public Warrants and Private Warrants:

- at $0.10 per warrant;
- upon a minimum of 30 days’ prior written notice of redemption;
- provided that the last reported sale price of the Class A common stock equals or exceeds $10.00 per share (as adjusted per stock splits, stock dividends, reorganizations, reclassifications, recapitalizations and the like) on the trading day prior to the date on which the Company sends the notice of redemption to the warrant holders;
- provided that the Private Warrants are also concurrently exchanged at the same price (equal to a number of shares of Class A common stock) as the outstanding Public Warrants; and
- provided that there is an effective registration statement covering the issuance of the shares of Class A common stock issuable upon exercise of the warrants and a current prospectus relating thereto available throughout the 30-day redemption period.

If the foregoing conditions are satisfied and the Company issues a notice of redemption of the warrants at $0.10 per warrant, each warrant holder will be entitled to exercise his, her or its warrant prior to the scheduled redemption date on a cashless basis and receive that number of shares based on the redemption date and the “fair market value” of the Class A common stock, in accordance with a table set forth in the warrant agreement.

The Company evaluated the Public Warrants under ASC 815-40, Derivatives and Hedging—Contracts in Entity’s Own Equity, in conjunction with the SEC Division of Corporation Finance’s April 12, 2021 Public Statement, Staff Statement on Accounting and Reporting Considerations for Warrants Issued by Special Purpose Acquisition Companies (“SPACs”), and concluded that they do not meet the criteria to be classified in stockholders’ equity. Specifically, the exercise of the warrants may be settled in cash upon the occurrence of a tender offer or exchange offer in which the maker of the tender offer or exchange offer, upon completion of the tender offer or exchange offer, beneficially owns more than 50% of the outstanding shares of the Company’s Class A common stock, even if it would not result in a change of control of the Company. This provision would preclude the warrants from being classified in equity and thus the warrants should be classified as a liability.

Private Warrants

As of December 31, 2021, there were 6,853,333 Private Warrants outstanding. There have been no exercises of the Private Warrants. The Private Warrants are identical to the Public Warrants, except that so long as they are held by Longview Investors LLC (the “Sponsor”) or any of its permitted transferees, (i) the Private Warrants and the shares of Class A common stock issuable upon the exercise of the Private Warrants are not transferable, assignable or saleable until 30 days after the completion of the Business Combination, (ii) the Private Warrants will be exercisable for cash or on a cashless basis, at the holder’s option, and (iii) the Private Warrants are not subject to the Company’s redemption option at the price of $0.01 per warrant. The Private Warrants are subject to the Company’s redemption option at the price of $0.10 per warrant, provided that the other conditions of such redemption are met, as described above. If the Private Warrants are held by a holder other than the Sponsor or any of its permitted transferees, the Private Warrants will be redeemable by the Company in all redemption scenarios applicable to the Public Warrants and exercisable by such holders on the same basis as the Public Warrants.

The Company evaluated the Private Warrants under ASC 815-40, Derivatives and Hedging—Contracts in Entity’s Own Equity, in conjunction with the SEC Division of Corporation Finance’s April 12, 2021 Public Statement, Staff Statement on Accounting and Reporting Considerations for Warrants Issued by Special Purpose Acquisition Companies (“SPACs”), and concluded that they do not meet the criteria to be classified in stockholders’ equity. Specifically, the terms of the warrants provide for potential changes to the settlement amounts dependent upon the characteristics of stockholders’ equity, and, because the holder of a warrant is not an input into the pricing of a fixed-for-fixed option on equity shares, such
provision would preclude the warrant from being classified in equity and thus the warrants should be classified as a liability.

The Company recognized a gain of $161.1 million as a change in fair value of warrant liabilities in the consolidated statement of operations and comprehensive loss for the year ended December 31, 2021.

Note 19. Leases

Operating leases (ASC 842):

The Company has operating leases primarily for office space. Most leases are not cancelable prior to their expiration. The Company accounts for leases in accordance with ASC 842 by recording right-of-use assets and lease liabilities.

In May 2021, the Company entered into a lease arrangement for office space in Burlington, MA which expires in December 2032 and includes approximately $27.3 million of legally binding minimum lease payments. As stated in the agreement, the Company and the landlord agreed to a payment schedule that includes escalating rent payments beginning on the lease commencement date. The lease contains a tenant improvement allowance of $5.2 million, which is recognized as a reduction of minimum lease payments and recognized on a straight-line basis over the term of the lease. The Company utilized $2.1 million of the allowance during fiscal 2021 for purchases of property and equipment. The lease also includes termination and renewal options to be exercised at the discretion of the Company. These options are not reflected in the lease term as it is not reasonably certain that they will be exercised. The Company gained access to the office space and began recognizing expense for the lease in the third quarter of 2021. The rent expense is included below in the operating lease cost table.

In the second quarter of 2021, the Company delivered a $4.0 million letter of credit for the Burlington, MA lease, secured by a deposit of the same amount with a financial institution that issued the letter of credit. The deposit is classified as restricted cash and included in other non-current assets on the consolidated balance sheets.

The following table presents the components of operating lease cost:

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating lease cost</td>
<td>$2,927</td>
</tr>
<tr>
<td>Short-term lease cost</td>
<td>287</td>
</tr>
<tr>
<td>Variable lease cost</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total operating lease cost</strong></td>
<td><strong>$3,314</strong></td>
</tr>
</tbody>
</table>

The expected maturities related to the Company’s leases with initial non-cancellable lease terms in excess of one year at December 31, 2021 are as follows:

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>Operating Lease Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>$2,042</td>
</tr>
<tr>
<td>2023</td>
<td>3,633</td>
</tr>
<tr>
<td>2024</td>
<td>4,513</td>
</tr>
<tr>
<td>2025</td>
<td>4,657</td>
</tr>
<tr>
<td>2026</td>
<td>4,768</td>
</tr>
<tr>
<td>2027 and thereafter</td>
<td>22,986</td>
</tr>
<tr>
<td><strong>Total gross operating lease payments</strong></td>
<td><strong>42,599</strong></td>
</tr>
<tr>
<td>Less: tenant allowances</td>
<td>(3,233)</td>
</tr>
<tr>
<td><strong>Total net operating lease payments</strong></td>
<td><strong>39,366</strong></td>
</tr>
<tr>
<td>Less: imputed interest</td>
<td>(10,285)</td>
</tr>
<tr>
<td><strong>Total operating lease liabilities, reflecting the present value of net lease payments</strong></td>
<td><strong>$29,081</strong></td>
</tr>
</tbody>
</table>
Additional information related to operating leases is presented as follows:

<table>
<thead>
<tr>
<th>Weighted average remaining lease term (in years)</th>
<th>December 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average discount rate</td>
<td>5.5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash paid for amounts included in the measurement of lease liabilities:</th>
<th>December 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating lease payments, included in cash flows from operating activities</td>
<td>$1,012</td>
</tr>
<tr>
<td>Non-cash additions to operating lease assets</td>
<td>$13,929</td>
</tr>
</tbody>
</table>

Operating leases (ASC 840):

The Company leases office space under operating leases. Minimum rental payments under operating leases are recognized on a straight-line basis over the term of the lease. Rent expense under the operating lease was $2.1 million and $1.9 million in 2020 and 2019, respectively.

The following is a schedule of future minimum rental payments under non-cancelable operating leases with initial terms in excess of one year as of December 31, 2020 (in thousands):

<table>
<thead>
<tr>
<th>Years ending December 31:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$1,044</td>
</tr>
<tr>
<td>2022</td>
<td>2,043</td>
</tr>
<tr>
<td>2023</td>
<td>1,934</td>
</tr>
<tr>
<td>2024</td>
<td>1,904</td>
</tr>
<tr>
<td>2025</td>
<td>1,987</td>
</tr>
<tr>
<td>Thereafter</td>
<td>7,354</td>
</tr>
<tr>
<td><strong>Total future minimum rental payments</strong></td>
<td><strong>$16,266</strong></td>
</tr>
</tbody>
</table>

Note 20. Commitments and Contingencies

Commitments

Purchase commitments:

The Company enters into inventory purchase commitments with third-party manufacturers in the ordinary course of business. These commitments are generally non-cancellable and are based on sales forecasts. These agreements range from one to five-year periods and may contain fixed or minimum annual commitments, subject to certain provisions that allow the Company to renegotiate the commitment. The aggregate amount of minimum inventory purchase commitments as of December 31, 2021 was $116.1 million.

During 2019, the Company entered into an inventory supply agreement with a certain third-party manufacturing vendor which was subsequently amended in November 2020. The amended agreement included provisions to increase the aggregate purchase commitments to $169.3 million and extend its time frame to December 2022. The provisions of the agreement also allow the Company, once the defined cumulative purchase threshold per the agreement is reached, to pay for a portion of the subsequent inventory purchases using an advance previously paid to the vendor. In the fourth quarter of fiscal year 2021, the Company reached the defined threshold and utilized a portion of the vendor advance to pay for inventory purchases.

During the year ended December 31, 2021 the Company recognized an additional loss on product purchase commitments of $14.0 million. The loss consisted of $2.3 million, recorded as a write-down of vendor advances and $11.7 million,
recorded as an accrued purchase commitment liability. During the year ended December 31, 2021, the Company utilized $35.0 million of the accrued purchase commitment liability to reduce the value of inventory purchased under its minimum commitment in the supply arrangement.

During the year ended December 31, 2020 the Company recognized a loss on product purchase commitments of $53.2 million. The net loss was comprised of $10.6 million, recorded as a write-down of the vendor advance and $42.6 million, recorded as an accrued purchase commitment liability. During the year ended December 31, 2019 the Company recognized a loss on product purchase commitments of $9.5 million, recorded as a write-down of vendor advances.

The Company applied the guidance in Topic 330, Inventory, to assess the purchase commitment and related loss. The Company considered a variety of factors and data points when determining the existence and scope of a loss for the minimum purchase commitment. The factors and data points included Company-specific forecasts which are reliant on the Company’s limited sales history, agreement-specific provisions, macroeconomic factors and market and industry trends. Determining the loss is subjective and requires significant management judgment and estimates. Future events may differ from those assumed in the Company’s assessment, and therefore the loss may change in the future.

As of December 31, 2021, the Company has a prepaid advance of $31.9 million, net of write-downs and an accrual of $19.5 million related to the agreement with this vendor. The portion of the balances that is expected to be utilized in the next 12 months is included in current assets and current liabilities in the accompanying consolidated balance sheets.

Other Purchase Commitments:

In September 2020, the Company has renegotiated certain inventory purchase commitments with other third party manufacturing vendors and as a result certain inventory purchase commitments have been canceled. As a result of the renegotiations, the Company recorded the expected losses on those commitments of $6.9 million as a loss on product purchase commitments in the consolidated statement of operations for the year ended December 31, 2020.

Other commitments:

The Company sponsors a 401(k) defined contribution plan covering all eligible US employees. Contributions to the 401(k) plan are discretionary. The Company did not make any matching contributions to the 401(k) plan for the years ended December 31, 2021, 2020 and 2019.

Contingencies

The Company is involved in litigation and legal matters which have arisen in the normal course of business, including but not limited to medical malpractice matters. Although the ultimate results of these matters are not currently determinable, management does not expect that they will have a material effect on the Company’s consolidated balance sheet, statements of operations and comprehensive loss, or cash flows.

On December 14, 2020, a stockholder of Longview filed a lawsuit in the Supreme Court of the State of New York, County of New York against Longview and the members of the Longview Board, styled Nair v. Longview Acquisition Corp. et al. (the “Nair Complaint”). On December 16, 2020, a second stockholder of Longview filed a lawsuit in the Supreme Court of the State of New York, County of New York against Longview, the members of its board of directors, and Butterfly, styled Lau v. Longview Acquisition Corp., et al. (the “Lau Complaint”). Both the Nair Complaint and the Lau Complaint alleged, among other things, that (i) defendants engaged in an unfair sales process and agreed to inadequate consideration in connection with the proposed transaction, and (ii) that the Registration Statement filed with the SEC on November 27, 2020 in connection with the proposed transaction is materially misleading, and sought, among other things, to enjoin the proposed transaction, rescind the transaction or award rescissory damages to the extent it is consummated, and an award of attorneys’ fees and expenses. The Nair Complaint was voluntarily dismissed on February 21, 2021, and the Lau Complaint was voluntarily dismissed on March 2, 2021. During fiscal 2021, the Company paid an insignificant amount to resolve plaintiffs’ requests for an attorney fee award.
The Company enters into indemnification provisions under some agreements with other parties in the ordinary course of business, including business partners, investors, contractors, customers, and the Company’s officers, directors and certain employees. The Company has agreed to indemnify and defend the indemnified party claims and related losses suffered or incurred by the indemnified party from actual or threatened third-party claim because of the Company’s activities or non-compliance with certain representations and warranties made by the Company. It is not possible to determine the maximum potential loss under these indemnification provisions due to the Company’s limited history of prior indemnification claims and the unique facts and circumstances involved in each particular provision. To date, losses recorded in the Company’s consolidated statements of operations and comprehensive loss in connection with the indemnification provisions have not been material.

Note 21. Subsequent Events

On February 16, 2022, a putative class action lawsuit, styled Rose v. Butterfly Network, Inc., was filed in the United States District Court for the District of New Jersey against the Company, its President and Chief Executive Officer, its Chief Financial Officer, the Chairman of its board of directors, as well as Longview’s Chairman (who is a director of the Company), Chief Executive Officer, Chief Financial Officer and members of Longview’s board of directors prior to the Business Combination, alleging violations of the Securities Exchange Act of 1934, as amended. The alleged class consists of all persons or entities who purchased or otherwise acquired the Company’s stock between February 16, 2021 and November 15, 2021 and/or holders as of the record date for the special meeting of shareholders held on February 12, 2021 in connection with the approval of the Business Combination. The lawsuit is premised upon allegations that the defendants made false and misleading statements and/or omissions about its post-Business Combination business and financial prospects, including the impact of the COVID-19 pandemic. The Company intends to vigorously defend against this action. The lawsuit seeks unspecified damages, together with interest thereon, as well as the costs and expenses of litigation. There is no assurance that the Company will be successful in the defense of the litigation or that insurance will be available or adequate to fund any potential settlement or judgment or the litigation costs of the action. The Company is unable to predict the outcome or reasonably estimate a range of possible loss at this time.
DESCRIPTION OF THE REGISTRANT’S SECURITIES

The following summary of the material terms of the capital stock of Butterfly Network, Inc. (formerly Longview Acquisition Corp.) is not intended to be a complete summary of the rights and preferences of such securities, and is qualified by reference to our Second Amended and Restated Certificate of Incorporation (the “Charter”), our Amended and Restated Bylaws (the “Bylaws”) and the warrant-related documents described herein, each of which are incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit is a part, and certain provisions of Delaware law. We urge you to read each of our Charter, our Bylaws and the warrant-related documents described herein in their entirety for a complete description of the rights and preferences of our securities. Unless the context requires otherwise, all references to “we”, “us”, “our,” the “Company” and “Butterfly” in this section refer solely to Butterfly Network, Inc. (formerly Longview Acquisition Corp.) and not to our subsidiaries.

Authorized Capital Stock

We are authorized to issue 628,000,000 shares, consisting of 600,000,000 shares of Class A common stock, par value $0.0001 per share (the “Class A common stock”), 27,000,000 shares of Class B common stock, par value $0.0001 per share (the “Class B common stock”), and 1,000,000 shares of preferred stock, par value $0.0001 per share.

Common Stock

Class A Common Stock

Voting Rights

Holders of Class A common stock are entitled to cast one vote per share. Generally, holders of all classes of common stock vote together as a single class, and an action is approved by stockholders if a majority of votes cast affirmatively or negatively on the action are cast in favor of the action, while directors are elected by a plurality of the votes cast. Holders of Class A common stock are not entitled to cumulate their votes in the election of directors.

Dividend Rights

With limited exceptions in the case of certain stock dividends or disparate dividends approved by the affirmative vote of the holders of a majority of the Class A common stock and Class B common stock, each voting separately as a class, holders of Class A common stock will share ratably (based on the number of shares of Class A common stock held), together with each holder of Class B common stock, if and when any dividend is declared by the Board of Directors of Butterfly (“the Board”) out of funds legally available therefor, subject to restrictions, whether statutory or contractual (including with respect to any outstanding indebtedness), on the declaration and payment of dividends and to any restrictions on the payment of dividends imposed by the terms of any outstanding preferred stock or any class or series of stock having a preference over, or the right to participate with, the Class A common stock with respect to the payment of dividends.

Liquidation, Dissolution and Winding Up

On the liquidation, dissolution, distribution of assets or winding up of Butterfly, each holder of Class A common stock, together with each holder of Class B common stock, will be entitled, pro rata on a per share basis, to all assets of Butterfly of whatever kind available for distribution to the holders of common stock, subject to the designations, preferences, limitations, restrictions and relative rights of any other class or series of preferred stock of Butterfly then outstanding and unless disparate or different treatment of the shares of Class A common stock and Class B common stock is approved by the affirmative vote of the holders of a majority of the outstanding shares of Class A common stock and Class B common stock, each voting separately as a class.

Other Matters

Holders of shares of Class A common stock do not have subscription, redemption or conversion rights. All the outstanding shares of Class A common stock are validly issued, fully paid and non-assessable.

Class B Common Stock
**Voting Rights**

Holders of Class B common stock are entitled to cast 20 votes per share of Class B common stock. Generally, holders of all classes of our common stock vote together as a single class, and an action is approved by Butterfly stockholders if a majority of votes cast affirmatively or negatively on the action are cast in favor of the action, while directors are elected by a plurality of the votes cast. Holders of Class B common stock are not entitled to cumulate their votes in the election of directors.

**Dividend Rights**

With limited exceptions in the case of certain stock dividends or disparate dividends approved by the affirmative vote of the holders of a majority of the Class A common stock and Class B common stock, each voting separately as a class, holders of Class B common stock will share ratably (based on the number of shares of Class B common stock held), together with each holder of Class A common stock, if and when any dividend is declared by the Board out of funds legally available therefor, subject to restrictions, whether statutory or contractual (including with respect to any outstanding indebtedness), on the declaration and payment of dividends and to any restrictions on the payment of dividends imposed by the terms of any outstanding preferred stock or any class or series of stock having a preference over, or the right to participate with, the Class B common stock with respect to the payment of dividends.

**Optional Conversion**

Holders of Class B common stock have the right to convert shares of their Class B common stock into fully paid and non-assessable shares of Class A common stock, on a one-to-one basis, at the option of the holder at any time upon written notice to Butterfly.

**Mandatory Conversion**

Holders of Class B common stock will have their Class B common stock automatically converted into Class A common stock, on a one-to-one basis, upon the occurrence of any of the events described below:

1. Any sale, assignment, transfer, conveyance, hypothecation, or other transfer or disposition, directly or indirectly, of any Class B common stock or any legal or beneficial interest in such share, whether or not for value and whether voluntary or involuntary or by operation of law (including by merger, consolidation, or otherwise), including, without limitation the transfer of a share of Class B common stock to a broker or other nominee or the transfer of, or entering into a binding agreement with respect to, voting control over such share by proxy or otherwise, other than a permitted transfer.
2. Upon the first date on which Dr. Rothberg, together with all other qualified stockholders, collectively cease to beneficially own at least 20% of the number of Class B common stock (as such number of shares is equitably adjusted in respect of any reclassification, stock dividend, subdivision, combination, or recapitalization of the Class B common stock) collectively beneficially owned by Dr. Rothberg and permitted transferees of Class B common stock as of the effective time of the Merger (defined below).
3. Upon the date specified by the affirmative vote of the holders of at least two-thirds (2/3) of the outstanding shares of Class B common stock, voting as a separate class.

**Liquidation Rights**

On the liquidation, dissolution, distribution of assets or winding up of Butterfly, each holder of Class B common stock, together with each holder of Class A common stock, will be entitled, pro rata on a per share basis, to all assets of Butterfly of whatever kind available for distribution to the holders of common stock, subject to the designations, preferences, limitations, restrictions and relative rights of any other class or series of preferred stock of Butterfly then outstanding and unless disparate or different treatment of the shares of Class A common stock and Class B common stock is approved by the affirmative vote of the holders of a majority of the outstanding shares of Class A common stock and Class B common stock, each voting separately as a class.

**Preferred Stock**

Our Charter provides that the Board has the authority, without action by the stockholders, to designate and issue shares of preferred stock in one or more classes or series, and the number of shares constituting any such
class or series, and to fix the voting powers, designations, preferences, limitations, restrictions and relative rights of each class or series of preferred stock, including, without limitation, dividend rights, dividend rates, conversion rights, exchange rights, voting rights, rights and terms of redemption, dissolution preferences, and treatment in the case of a merger, business combination transaction, or sale of Butterfly’s assets, which rights may be greater than the rights of the holders of the common stock. There are no shares of preferred stock outstanding as of February 2, 2022.

The purpose of authorizing the Board to issue preferred stock and determine the rights and preferences of any classes or series of preferred stock is to eliminate delays associated with a stockholder vote on specific issuances. The simplified issuance of preferred stock, while providing flexibility in connection with possible acquisitions, future financings and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or could discourage a third party from seeking to acquire, a majority of our outstanding voting stock. Additionally, the issuance of preferred stock may adversely affect the holders of our common stock by restricting dividends on our common stock, diluting the voting power of our common stock or subordinating the dividend or liquidation rights of our common stock. As a result of these or other factors, the issuance of preferred stock could have an adverse impact on the market price of our common stock.

In February 2021, we completed the transactions (the “Business Combination”) contemplated by that certain Business Combination Agreement, dated as of November 19, 2020 (the “Business Combination Agreement”), by and among Longview Acquisition Corp., a Delaware corporation (which we refer to as “Longview” prior to the Business Combination and “Butterfly” or the “Company” following the Business Combination), Clay Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of Longview (“Merger Sub”), and BFLY Operations, Inc. (formerly Butterfly Network, Inc.) (“Legacy Butterfly”), including the merger of Merger Sub with and into Legacy Butterfly, pursuant to which Legacy Butterfly survived the merger as a wholly owned subsidiary of Butterfly (the “Merger”). In connection with the Merger, Longview changed its name to Butterfly Network, Inc. and Legacy Butterfly changed its name to BFLY Operations, Inc.

As a consequence of the Merger, at the effective time of the Merger (the “Effective Time”), (i) each share of Legacy Butterfly capital stock (other than the Legacy Butterfly Series A preferred stock) that was issued and outstanding immediately prior to the Effective Time was automatically canceled and converted into the right to receive 1.0383 shares of the Company’s Class A common stock, rounded down to the nearest whole number of shares; (ii) each share of Legacy Butterfly Series A preferred stock that was issued and outstanding immediately prior to the Effective Time was automatically canceled and converted into the right to receive 1.0383 shares of the Company’s Class B common stock, rounded down to the nearest whole number of shares; (iii) each option to purchase shares of Legacy Butterfly common stock, whether vested or unvested, that was outstanding and unexercised as of immediately prior to the Effective Time was assumed by the Company and became an option (vested or unvested, as applicable) to purchase a number of shares of the Company’s Class A common stock equal to the number of shares of Legacy Butterfly common stock subject to such option immediately prior to the Effective Time multiplied by 1.0383, rounded down to the nearest whole number of shares, at an exercise price per share equal to the exercise price per share of such option immediately prior to the Effective Time divided by 1.0383 and rounded up to the nearest whole cent; (iv) each Legacy Butterfly restricted stock unit unit outstanding immediately prior to the Effective Time was assumed by the Company and became a restricted stock unit with respect to a number of shares of the Company’s Class A common stock, rounded to the nearest whole share, equal to the number of shares of Legacy Butterfly common stock subject to such Legacy Butterfly restricted stock unit immediately prior to the Effective Time multiplied by 1.0383; and (v) the principal amount plus accrued but unpaid interest, if any, on the Legacy Butterfly convertible notes outstanding as of immediately prior to the Effective Time was automatically canceled and converted into the right to receive shares of the Company’s Class A common stock, with such shares of the Company’s Class A common stock calculated by dividing the outstanding principal plus accrued interest, if any, of each Legacy Butterfly convertible note by $10.00, rounded down to the nearest whole number of shares.

Warrants

**Public Stockholders’ Warrants**

As of February 2, 2022, there were an aggregate of 13,799,457 outstanding public warrants, which entitle the holder to acquire Class A common stock. Each whole warrant entitles the registered holder to purchase one share of Class A common stock at an exercise price of $11.50 per share, subject to adjustment as discussed below, beginning on May 26, 2021. A holder may exercise its warrants only for a whole number of shares of
Class A common stock. This means only a whole warrant may be exercised at a given time by a warrant holder. No fractional warrants will be issued upon separation of the units and only whole warrants will trade. The warrants will expire on February 12, 2026 at 5:00 p.m., New York City time, or earlier upon redemption or liquidation.

Butterfly will not be obligated to deliver any shares of Class A common stock pursuant to the exercise of a warrant and will have no obligation to settle such warrant exercise unless a registration statement under the Securities Act of 1933, as amended (the “Securities Act”), covering the issuance of the shares of Class A common issuable upon exercise of the warrants is then effective and a current prospectus relating to those shares of Class A common stock is available, subject to Butterfly satisfying its obligations described below with respect to registration. No warrant will be exercisable for cash or on a cashless basis, and Butterfly will not be obligated to issue any shares to holders seeking to exercise their warrants, unless the issuance of the shares upon such exercise is registered or qualified under the securities laws of the state of the exercising holder, or an exemption is available. In the event that the conditions in the two immediately preceding sentences are not satisfied with respect to a warrant, the holder of such warrant will not be entitled to exercise such warrant and such warrant may have no value and expire worthless.

Butterfly agreed to, as soon as practicable, but in no event later than 15 business days after the closing of the Business Combination, use its best efforts to file with the Securities and Exchange Commission (the “SEC”) a registration statement registering the issuance, under the Securities Act, of the shares of Class A common stock issuable upon exercise of the warrants. Butterfly also agreed to use its best efforts to cause the same to become effective within 60 business days following the Business Combination and to maintain the effectiveness of such registration statement, and a current prospectus relating thereto, until the expiration of the warrants in accordance with the provisions of the warrant agreement. Notwithstanding the above, if the Class A common stock is at the time of any exercise of a warrant not listed on a national securities exchange such that it satisfies the definition of a “covered security” under Section 18(b)(1) of the Securities Act, Butterfly may, at its option, require holders of public warrants who exercise their warrants to do so on a “cashless basis” in accordance with Section 3(a)(9) of the Securities Act and, in the event Butterfly so elects, Butterfly will not be required to file or maintain in effect a registration statement, but will use its best efforts to qualify the shares under applicable blue sky laws to the extent an exemption is not available.

Redemptions

Butterfly may redeem the outstanding warrants (except as described herein with respect to the private placement warrants):
- in whole and not in part;
- at a price of $0.01 per warrant;
- upon not less than 30 days’ prior written notice of redemption (the “30-day redemption period”) to each warrant holder; and
- if, and only if, the last reported sale price of the Class A common stock equals or exceeds $18.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like and for certain issuances of Class A common stock and equity-linked securities as described below) for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date Butterfly sends the notice of redemption to the warrant holders.

If and when the warrants become redeemable by Butterfly, Butterfly may exercise its redemption right even if Butterfly is unable to register or qualify the underlying securities for sale under all applicable state securities laws. As a result, Butterfly may redeem the warrants as set forth above even if the holders are otherwise unable to exercise the warrants.

Butterfly has established the $18.00 per share (subject to adjustment) redemption criteria discussed above to prevent a redemption call unless there is at the time of the call a significant premium to the warrant exercise price. If the foregoing conditions are satisfied and Butterfly issues a notice of redemption of the warrants, each warrant holder will be entitled to exercise his, her or its warrant prior to the scheduled redemption date. However, the price of the Class A common stock may fall below the $18.00 redemption trigger price (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like and for certain
issuances of Class A common stock and equity-linked securities as described below) as well as the $11.50 warrant exercise price after the redemption notice is issued.

Butterfly may redeem the outstanding warrants:

- in whole and not in part;
- at $0.10 per warrant upon a minimum of 30 days’ prior written notice of redemption provided that holders will be able to exercise their warrants on a cashless basis prior to redemption and receive that number of shares determined by reference to the table below, based on the redemption date and the “fair market value” of the Class A common stock except as otherwise described below;
- if, and only if, the last reported sale price of the Class A common stock equals or exceeds $10.00 per share (as adjusted per stock splits, stock dividends, reorganizations, reclassifications, recapitalizations and the like) on the trading day prior to the date on which Butterfly sends the notice of redemption to the warrant holders;
- if, and only if, the private placement warrants are also concurrently exchanged at the same price (equal to a number of shares of Class A common stock) as the outstanding public warrants, as described above; and
- if, and only if, there is an effective registration statement covering the issuance of the shares of Class A common stock issuable upon exercise of the warrants and a current prospectus relating thereto available throughout the 30-day period after written notice of redemption is given.

The numbers in the table below represent the number of shares of Class A common stock that a warrant holder will receive upon cashless exercise in connection with a redemption by Butterfly pursuant to this redemption feature, based on the “fair market value” of the Class A 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 based on the average of the last reported sales price for the 10 trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of warrants, and the number of months that the corresponding redemption date precedes the expiration date of the warrants, each as set forth in the table below. In connection with a redemption by Butterfly pursuant to this redemption feature, a warrant holder may still exercise its warrants for cash.

The stock prices set forth in the column headings of the table below will be adjusted as of any date on which the number of shares of our common stock issuable upon exercise of a warrant is adjusted as set forth below in the first three paragraphs under the heading “Anti-dilution Adjustments” below. The adjusted stock prices in the column headings will equal the stock prices immediately prior to such adjustment, multiplied by a fraction, the numerator of which is the number of shares deliverable upon exercise of a warrant immediately prior to such adjustment and the denominator of which is the number of shares deliverable upon exercise of a warrant as so adjusted. The number of shares in the table below shall be adjusted in the same manner and at the same time as the number of shares issuable upon exercise of a warrant.

<table>
<thead>
<tr>
<th>Redemption Date (period to expiration of warrants)</th>
<th>≤ 10.00</th>
<th>11.00</th>
<th>12.00</th>
<th>13.00</th>
<th>14.00</th>
<th>15.00</th>
<th>16.00</th>
<th>17.00</th>
<th>≥ 18.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>57 months</td>
<td>0.257</td>
<td>0.277</td>
<td>0.294</td>
<td>0.310</td>
<td>0.324</td>
<td>0.337</td>
<td>0.348</td>
<td>0.358</td>
<td>0.365</td>
</tr>
<tr>
<td>54 months</td>
<td>0.252</td>
<td>0.272</td>
<td>0.291</td>
<td>0.307</td>
<td>0.322</td>
<td>0.335</td>
<td>0.347</td>
<td>0.357</td>
<td>0.365</td>
</tr>
<tr>
<td>51 months</td>
<td>0.246</td>
<td>0.268</td>
<td>0.287</td>
<td>0.304</td>
<td>0.320</td>
<td>0.333</td>
<td>0.346</td>
<td>0.357</td>
<td>0.365</td>
</tr>
<tr>
<td>48 months</td>
<td>0.241</td>
<td>0.263</td>
<td>0.283</td>
<td>0.301</td>
<td>0.317</td>
<td>0.332</td>
<td>0.344</td>
<td>0.356</td>
<td>0.365</td>
</tr>
<tr>
<td>45 months</td>
<td>0.235</td>
<td>0.258</td>
<td>0.279</td>
<td>0.298</td>
<td>0.315</td>
<td>0.330</td>
<td>0.343</td>
<td>0.356</td>
<td>0.365</td>
</tr>
<tr>
<td>42 months</td>
<td>0.228</td>
<td>0.252</td>
<td>0.274</td>
<td>0.294</td>
<td>0.312</td>
<td>0.328</td>
<td>0.342</td>
<td>0.355</td>
<td>0.364</td>
</tr>
<tr>
<td>39 months</td>
<td>0.221</td>
<td>0.246</td>
<td>0.269</td>
<td>0.290</td>
<td>0.309</td>
<td>0.325</td>
<td>0.340</td>
<td>0.354</td>
<td>0.364</td>
</tr>
<tr>
<td>36 months</td>
<td>0.213</td>
<td>0.239</td>
<td>0.263</td>
<td>0.285</td>
<td>0.305</td>
<td>0.323</td>
<td>0.339</td>
<td>0.353</td>
<td>0.364</td>
</tr>
<tr>
<td>33 months</td>
<td>0.205</td>
<td>0.232</td>
<td>0.257</td>
<td>0.280</td>
<td>0.301</td>
<td>0.320</td>
<td>0.337</td>
<td>0.352</td>
<td>0.364</td>
</tr>
</tbody>
</table>
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 Class A common stock to be issued for each warrant exercised will be determined by a straight-line interpolation between the number of shares set forth for the higher and lower fair market values and the earlier and later redemption dates, as applicable, based on a 365 or 366-day year, as applicable. For example, if the average last reported sale price of the Class A common stock for the 10 trading days ending on the third trading date prior to the date on which the notice of redemption is sent to the holders of the warrants is $11 per share, and at such time there are 57 months until the expiration of the warrants, holders may choose to, in connection with this redemption feature, exercise their warrants for 0.277 shares of Class A common stock for each whole warrant. For an example where the exact fair market value and redemption date are not as set forth in the table above, if the average last reported sale price of the Class A common stock for the 10 trading days ending on the third trading date prior to the date on which the notice of redemption is sent to the holders of the warrants is $13.50 per share, and at such time there are 38 months until the expiration of the warrants, holders may choose to, in connection with this redemption feature, exercise their warrants for 0.298 shares of Class A common stock for each whole warrant. In no event will the warrants be exercisable in connection with this redemption feature for more than 0.365 shares of Class A common stock per warrant. Finally, as reflected in the table above, if the warrants are out of the money and about to expire, they cannot be exercised on a cashless basis in connection with a redemption by Butterfly pursuant to this redemption feature, since they will not be exercisable for any shares of Class A common stock.

Holders choosing to exercise their warrants in connection with a redemption pursuant to this feature will, in effect, receive a number of shares for their warrants based on an option pricing model with a fixed volatility input. This redemption right provides Butterfly with an additional mechanism by which to redeem all of the outstanding warrants, and therefore have certainty as to the Butterfly capital structure as the warrants would no longer be outstanding and would have been exercised or redeemed and Butterfly will be required to pay the redemption price to warrant holders if Butterfly chooses to exercise this redemption right and it will allow Butterfly to quickly proceed with a redemption of the warrants if Butterfly determines it is in Butterfly’s best interest to do so. As such, Butterfly would redeem the warrants in this manner when it believes it is in Butterfly’s best interest to update its capital structure to remove the warrants and pay the redemption price to the warrant holders.

As stated above, Butterfly can redeem the warrants when the Class A common stock is trading at a price starting at $10.00, which is below the exercise price of $11.50, because it will provide certainty with respect to Butterfly’s capital structure and cash position while providing warrant holders with the opportunity to exercise their warrants on a cashless basis for the applicable number of shares. If Butterfly chooses to redeem the warrants when the Class A common stock is trading at a price below the exercise price of the warrants, this could result in the warrant holders receiving fewer shares of Class A common stock than they would have received if they had chosen to wait to exercise their warrants for Class A common stock if and when such Class A common stock trades at a price higher than the exercise price of $11.50.
No fractional shares of Class A common stock will be issued upon exercise. If, upon exercise, a holder would be entitled to receive a fractional interest in a share, Butterfly will round down to the nearest whole number of the number of shares of Butterfly Class A common stock to be issued to the holder. If, at the time of redemption, the warrants are exercisable for a security other than the shares of Class A common stock pursuant to the warrant agreement, the warrants may be exercised for such security.

If Butterfly calls the warrants for redemption for $0.01 as described above, Butterfly management will have the option to require any holder that wishes to exercise his, her or its warrant to do so on a “cashless basis.” If Butterfly management takes advantage of this option, all holders of warrants would pay the exercise price by surrendering their warrants for that number of shares of Class A common stock equal to the quotient obtained by dividing (x) the product of the number of shares of Class A common stock underlying the warrants, multiplied by the excess of the “fair market value” (defined below) over the exercise price of the warrants by (y) the fair market value. The “fair market value” shall mean the average last reported sale price of the Class A common stock for the 10 trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of warrants. Requiring a cashless exercise in this manner will reduce the number of shares to be issued and thereby lessen the dilutive effect of a warrant redemption. If Butterfly calls the warrants for redemption and Butterfly management does not take advantage of this option, the Longview’s sponsor, Longview Investors LLC (the “Sponsor”), and its permitted transferees would still be entitled to exercise their private placement warrants for cash or on a cashless basis using the same formula described above that other warrant holders would have been required to use had all warrant holders been required to exercise their warrants on a cashless basis, as described in more detail below.

A holder of a warrant may notify Butterfly in writing in the event it elects to be subject to a requirement that such holder will not have the right to exercise such warrant, to the extent that after giving effect to such exercise, such person (together with such person’s affiliates), to the warrant agent’s actual knowledge, would beneficially own in excess of 9.8% (or such other amount as a holder may specify) of the shares of Class A common stock outstanding immediately after giving effect to such exercise.

Anti-dilution adjustments. If the number of outstanding shares of Class A common stock is increased by a stock dividend payable in shares of Class A common stock, or by a split-up of shares of Class A common stock or other similar event, then, on the effective date of such stock dividend, split-up or similar event, the number of shares of Class A common stock issuable on exercise of each warrant will be increased in proportion to such increase in the outstanding shares of Class A common stock. A rights offering to holders of Class A common stock entitling holders to purchase shares of Class A common stock at a price less than the fair market value will be deemed a stock dividend of a number of shares of Class A common stock equal to the product of (1) the number of shares of Class A 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 Class A common stock) multiplied by (2) one minus the quotient of (x) the price per share of Class A common stock paid in such rights offering divided by (y) the fair market value. For these purposes, (1) if the rights offering is for securities convertible into or exercisable for Class A common stock, in determining the price payable for Class A 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 (2) fair market value means the volume weighted average price of Class A common stock as reported during the ten trading day period ending on the trading day prior to the first date on which the shares of Class A common stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive such rights.

In addition, if Butterfly, at any time while the warrants are outstanding and unexpired, pays a dividend or makes a distribution in cash, securities or other assets to the holders of Class A common stock on account of such shares of Class A common stock (or other shares of Butterfly capital stock into which the warrants are convertible), other than (a) as described above, (b) certain ordinary cash dividends, (c) to satisfy the redemption rights of the holders of shares of Class A common stock in connection with the Business Combination, then the warrant exercise price will be decreased, effective immediately after the effective date of such event, by the amount of cash and/or the fair market value of any securities or other assets paid on each share of Class A common stock in respect of such event.

If the number of outstanding shares of Class A common stock is decreased by a consolidation, combination, reverse stock split or reclassification of shares of Class A common stock or other similar event, then, on the effective date of such consolidation, combination, reverse stock split, reclassification or similar
event, the number of shares of Class A common stock issuable on exercise of each warrant will be decreased in proportion to such decrease in outstanding shares of Class A common stock.

Whenever the number of shares of Class A common stock purchasable upon the exercise of the warrants is adjusted, as described above, the warrant exercise price will be adjusted by multiplying the warrant exercise price immediately prior to such adjustment by a fraction (x) the numerator of which will be the number of shares of Class A common stock purchasable upon the exercise of the warrants immediately prior to such adjustment, and (y) the denominator of which will be the number of shares of Class A common stock so purchasable immediately thereafter.

In case of any reclassification or reorganization of the outstanding shares of Class A common stock (other than those described above or that solely affect the par value of such shares of Class A common stock), or in the case of any merger or consolidation of Butterfly with or into another corporation (other than a consolidation or merger in which Butterfly is the continuing corporation and that does not result in any reclassification or reorganization of outstanding shares of Class A common stock), or in the case of any sale or conveyance to another corporation or entity of the assets or other property of Butterfly as an entirety or substantially as an entirety in connection with which Butterfly is dissolved, the holders of the warrants will thereafter have the right to purchase and receive, upon the basis and upon the terms and conditions specified in the warrants and in lieu of the shares of the Class A common stock immediately theretofore purchasable and receivable upon the exercise of the rights represented thereby, the kind and amount of shares of stock or other securities or property (including cash) receivable upon such reclassification, reorganization, merger or consolidation, or upon a dissolution following any such sale or transfer, that the holder of the warrants would have received if such holder had exercised their warrants immediately prior to such event. However, if such holders were entitled to exercise a right of election as to the kind or amount of securities, cash or other assets receivable upon such consolidation or merger, then the kind and amount of securities, cash or other assets for which each warrant will become exercisable will be deemed to be the weighted average of the kind and amount received per share by such holders in such consolidation or merger that affirmatively make such election, and if a tender, exchange or redemption offer has been made to and accepted by such holders (other than a tender, exchange or redemption offer made by the Company in connection with redemption rights held by stockholders of the Company as provided for in the Company’s Charter) under circumstances in which, upon completion of such tender or exchange offer, the maker thereof, together with members of any group (within the meaning of Rule 13d-5(b)(1) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) of which such maker is a part, and together with any affiliate or associate of such maker (within the meaning of Rule 12b-2 under the Exchange Act) and any members of any such group of which any such affiliate or associate is a part, own beneficially (within the meaning of Rule 13d-3 under the Exchange Act) more than 50% of the outstanding shares of Class A common stock, the holder of a warrant will be entitled to receive the highest amount of cash, securities or other property to which such holder would actually have been entitled as a stockholder if such warrant holder had exercised the warrant prior to the expiration of such tender or exchange offer, accepted such offer and all of the Class A common stock held by such holder had been purchased pursuant to such tender or exchange offer, subject to adjustments (from and after the consummation of such tender or exchange offer) as nearly equivalent as possible to the adjustments provided for in the warrant agreement. Additionally, if less than 70% of the consideration receivable by the holders of Class A common stock in such a transaction is payable in the form of common equity in the successor entity that is listed for trading on a national securities exchange or is quoted in an established over-the-counter market, or is to be so listed for trading or quoted immediately following such event, and if the registered holder of the warrant properly exercises the warrant within 30 days following public disclosure of such transaction, the warrant exercise price will be reduced as specified in the warrant agreement based on the per share consideration minus Black-Scholes Warrant Value (as defined in the warrant agreement) of the warrant.

The warrants are issued in registered form under a warrant agreement between Continental Stock Transfer & Trust Company, as warrant agent, and the Company. The warrant agreement provides that the terms of the warrants may be amended without the consent of any holder to cure any ambiguity or correct any defective provision, but requires the approval by the holders of at least 50% of the then outstanding public warrants to make any change that adversely affects the interests of the registered holders of public warrants.

The warrant holders do not have the rights or privileges of holders of Class A common stock and any voting rights until they exercise their warrants and receive shares of Class A common stock. After the issuance
of shares of Class A common stock upon exercise of the warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by holders of Class A common stock.

Private Placement Warrants

As of February 2, 2022, there were 6,853,333 private placement warrants outstanding. The private placement warrants are not redeemable by Butterfly for cash so long as they are held by the initial stockholders or their permitted transferees. The Sponsor, or its permitted transferees, has the option to exercise the private placement warrants on a cashless basis. Except as described in this section, the private placement warrants have terms and provisions that are identical to those of the public warrants sold in Longview’s initial public offering, including that they may be redeemed for shares of Class A common stock. 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 Butterfly and exercisable by the holders on the same basis as the warrants included in the units sold in the initial public offering.

Registration Rights

Pursuant to subscription agreements entered into on November 19, 2020, certain institutional investors (the “PIPE Investors”) purchased shares of Longview Class A common stock immediately prior to the closing of the Business Combination (the “PIPE Financing”) and the PIPE Investors are entitled to certain registration rights. In particular, Butterfly agreed to, within forty-five (45) calendar days after the closing of the Business Combination, file with the SEC (at Butterfly’s sole cost and expense) a registration statement registering the resale of the shares of Class A common stock issued to the PIPE Investors, and to use its commercially reasonable efforts to have such registration statement declared effective as soon as practicable after the filing thereof, but no later than the earlier of (i) the 90th calendar day (or the 120th calendar day if the SEC notifies Butterfly that it will “review” such registration statement) following the closing of the Business Combination and (ii) the 10th business day after the date Butterfly is notified (orally or in writing) by the SEC that such registration statement will not be “reviewed” or will not be subject to further review.

At the closing of the Business Combination, Butterfly, the initial stockholders, including the Sponsor, certain affiliates of Glenview Capital Management, LLC (the “Sponsor Group Holders”) and certain of our directors, officers and affiliates and directors, officers and affiliates of Legacy Butterfly (the “Butterfly Holders”) entered into an amended and restated registration rights agreement (the “Amended and Restated Registration Rights Agreement”), pursuant to which, among other things, the Sponsor Group Holders and the Butterfly Holders agreed not to effect any sale or distribution of any equity securities of Butterfly held by any of them (except with respect to shares of Class A common stock acquired in open market transactions or by Sponsor Group Holders pursuant to the PIPE Financing or the conversion of Butterfly convertible notes) during the respective lock-up periods described therein and below and were granted certain registration rights with respect to their respective shares of our common stock, in each case, on the terms and subject to the conditions therein. In particular, the Amended and Restated Registration Rights Agreement provides for the following registration rights:

- **Registration rights.** Promptly, but in any event within 60 days following the closing of the Business Combination, Butterfly was required to use its commercially reasonable efforts to file a registration statement under the Securities Act to permit the public resale of all registrable securities as permitted by Rule 415 of the Securities Act and to cause such registration statement to be declared effective as soon as practicable after the filing thereof, but in no event later than 60 days following the filing deadline (or 90 days following the filing deadline if the registration statement is reviewed by and receives comments from the SEC). As soon as practicable following the date of effectiveness of the registration statement, but in any event within two business days of such date, Butterfly agreed to notify the holders of registrable securities of the effectiveness of such registration statement. At any time at which Butterfly has an effective shelf registration statement with respect to a holder’s registrable securities, any such holder may request to sell all or a portion of their registrable securities pursuant to an underwritten offering pursuant to such shelf registration statement, provided that such holder(s) reasonably expect any such sales to generate aggregate gross proceeds in excess of $50 million or reasonably expect to sell all of the registrable securities held by such holder, but in no event for aggregate gross proceeds of less than $10 million in gross proceeds. Butterfly will enter into an underwriting agreement with a managing underwriter or underwriters selected by the initiating holder(s), after consultation with Butterfly, and will take all such other reasonable actions as are
requested by the managing underwriter to expedite or facilitate the disposition of such registrable securities.

● **Demand registration rights.** At any time after the closing of the Business Combination, if Butterfly does not have an effective registration statement outstanding, Butterfly will be required, upon the written request of the holders of at least a majority-in-interest of the then-outstanding registrable securities or the Sponsor Group Holders, to file a registration statement and to effect the registration of all or part of their registrable securities. Butterfly is not obligated to effect more than an aggregate of three registrations pursuant to a demand registration request.

● **Piggyback registration rights.** At any time after the closing of the Business Combination, if Butterfly proposes to file a registration statement under the Securities Act to register any of its equity securities, or securities or other obligations exchangeable or convertible into equity securities, or to conduct a public offering, then Butterfly will give written notice of such proposed filing to the holders of registrable securities as soon as practicable but not less than 10 days before the anticipated filing of such registration statement. Upon the written request of any holder of registrable securities in response to such written notice, Butterfly will, in good faith, cause such registrable securities to be included in the registration statement and use its commercially reasonable efforts to cause the underwriters of any proposed underwritten offering to include such holders’ registrable securities on the same terms and conditions as any similar securities of Butterfly included in such registration.

In addition, Butterfly agreed to, as soon as practicable, but in no event later than 15 business days after the closing of the Business Combination, use its best efforts to file with the SEC a registration statement registering the issuance, under the Securities Act, of the shares of Class A common stock issuable upon the exercise of the public warrants, as described above under “- Warrants - Public Stockholders’ Warrants.”

**Lock-Up Restrictions**

Under the Amended and Restated Registration Rights Agreement, the holders of founder shares and the shares of our Class A common stock issued or issuable upon the exercise of any private placement warrants, agreed not to offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of or distribute any such securities or any securities convertible into, exercisable for, exchangeable for or that represent the right to receive such securities, whether then owned or thereafter acquired, that are owned directly by such holder (including securities held as a custodian) or with respect to which the undersigned has beneficial ownership within the rules and regulations of the SEC, other than certain permitted transfers, including not to engage in any hedging or other transaction with respect to such securities which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of such securities, for the period ending on the earlier of (a) one year after the closing of the Business Combination, and (b) subsequent to the closing of the Business Combination, (x) if the last reported sale price of our Class A common stock equals or exceeds $12.00 per share (as adjusted for stock splits, stock dividends, recapitalizations and the like) for any 20 trading days within any 30 consecutive trading days commencing at least 150 days after the closing of the Business Combination; provided that all shares of common stock of Butterfly held by Butterfly Holders have been registered on an effective registration statement, or (y) the date on which we complete a liquidation, merger, stock exchange, reorganization or other similar transaction that results in all of Butterfly’s public stockholders having the right to exchange their shares of our Class A common stock for cash, securities or other property. These lock-up restrictions have expired.

**Exclusive Forum**

Our Charter provides that, to the fullest extent permitted by law, unless Butterfly otherwise consents in writing, 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 (1) any derivative action or proceeding brought on behalf of Butterfly, (2) any action asserting a claim of breach of a fiduciary duty owed by, or any other wrongdoing by, any current or former director, officer, other employee or stockholder of Butterfly, (3) any action asserting a claim against Butterfly arising pursuant to any
provision of the Delaware General Corporation Law ("DGCL"), the Charter or Bylaws, or as to which the DGCL confers jurisdiction on the Court of Chancery, (4) any action to interpret, apply, enforce or determine the validity of any provisions of the Charter or Bylaws, or (5) any other action asserting a claim governed by the internal affairs doctrine. Notwithstanding the foregoing, the federal district courts of the United States shall be the exclusive forum for the resolution of any action, suit or proceeding asserting a cause of action arising under the Securities Act and the provisions of our Charter described above will not apply to claims arising under the Exchange Act or other federal securities laws for which there is exclusive federal jurisdiction.

Anti-Takeover Effects of Provisions of the Charter, Bylaws and Applicable Law

Certain provisions of the Charter, Bylaws, and laws of the State of Delaware, where Butterfly is incorporated, may discourage or make more difficult a takeover attempt that a stockholder might consider in his or her best interest. These provisions may also adversely affect prevailing market prices for the Class A common stock and the Class B common stock. Butterfly believes that the benefits of increased protection give Butterfly the potential ability to negotiate with the proponent of an unsolicited proposal to acquire or restructure Butterfly and outweigh the disadvantage of discouraging those proposals because negotiation of the proposals could result in an improvement of their terms.

Authorized but Unissued Shares

Delaware law does not require stockholder approval for any issuance of authorized shares. However, the listing requirements of the NYSE, which would apply if and so long as the Class A common stock 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 common stock. Additional shares that may be used in the future may be issued for a variety of corporate purposes, including future public offerings, to raise additional capital, or to facilitate acquisitions. The existence of authorized but unissued common stock and preferred stock could make more difficult or discourage an attempt to obtain control of Butterfly by means of a proxy contest, tender offer, merger, or otherwise.

Dual Class Stock

As described above, the Charter provides for a dual class common stock structure which provides Dr. Rothberg with the ability to control the outcome of matters requiring stockholder approval, even though he owns significantly less than a majority of the shares of our outstanding common stock, including the election of directors and significant corporate transactions, such as a merger or other sale of Butterfly or its assets.

Blank Check Preferred Stock

The Charter provides for 1,000,000 authorized shares of preferred stock. The existence of authorized but unissued shares of preferred stock may enable the Board to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise. For example, if in the due exercise of its fiduciary obligations, the Board were to determine that a takeover proposal is not in the best interests of Butterfly or its stockholders, the Board could cause shares of preferred stock to be issued without stockholder approval in one or more private offerings or other transactions that might dilute the voting or other rights of the proposed acquirer or insurgent stockholder or stockholder group. In this regard, the Charter grants the Board broad power to establish the rights and preferences of authorized and unissued shares of preferred stock. The issuance of shares of preferred stock could decrease the amount of earnings and assets available for distribution to holders of shares of common stock. The issuance may also adversely affect the rights and powers, including voting rights, of the holders of shares of common stock and may have the effect of delaying, deterring or preventing a change in control of Butterfly.

Number of Directors

The Charter and Bylaws provide that, subject to any rights of holders of preferred stock to elect additional directors under specified circumstances, the number of directors may be fixed from time to time solely pursuant to a resolution adopted by the Board; provided, however, that prior to the first date on which the issued and outstanding shares of Class B common stock represent less than 50% of the voting power of the then outstanding shares of capital stock of Butterfly that would be entitled to vote for the election of directors at an annual meeting of stockholders, unless approved by the holders of a majority in voting power of the shares of capital stock of Butterfly that would then be entitled to vote in the election of directors at an annual meeting or by written consent, the number of directors may not exceed nine (9).
Requirements for Advance Notification of Stockholder Meetings, Nominations and Proposals

The Bylaws establish advance notice procedures with respect to stockholder proposals and nomination of candidates for election as directors, other than nominations made by or at the direction of the Board or a committee of the Board. In order to be “properly brought” before a meeting, a stockholder will have to comply with advance notice requirements and provide Butterfly with certain information. Generally, to be timely, a stockholder’s notice must be delivered to, or mailed and received at Butterfly’s principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary of the immediately preceding annual meeting of stockholders. The Bylaws also specify requirements as to the form and content of a stockholder’s notice. The Bylaws allow the chairman of the meeting at a meeting of the stockholders to determine whether a proposal to the meeting was properly brought and to adopt rules and regulations for the conduct of meetings, except to the extent inconsistent with such rules, regulations and procedures as adopted by the Board, which may have the effect of precluding the conduct of certain business at a meeting if the rules and regulations are not followed. These provisions may also defer, delay, or discourage a potential acquirer from conducting a solicitation of proxies to elect the acquirer’s own slate of directors or otherwise attempting to influence or obtain control of Butterfly.

Limitations on Stockholder Action by Written Consent

The Charter provides that, subject to the terms of any series of Butterfly preferred stock, any action required or permitted to be taken by the stockholders of Butterfly must be effected at an annual or special meeting of the stockholders and may not be effected by written consent in lieu of a meeting; provided, however, that prior to the first date on which the issued and outstanding shares of Class B common stock represent less than 50% of the voting power of the then outstanding shares of capital stock of Butterfly that would then be entitled to vote for the election of directors, any action required or permitted to be taken at any annual or special meeting of stockholders, may be taken by written consent if such written consent is signed by the holders of the outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote on such matter were present and voted.

Amendment of the Charter and Bylaws

The DGCL provides generally that the affirmative vote of a majority of the outstanding shares entitled to vote thereon, voting together a single class, is required to amend a corporation’s certificate of incorporation, unless the certificate of incorporation requires a greater percentage.

The Charter provides that it may be amended by Butterfly in the manners provided therein or prescribed by statute. The Charter provides that the affirmative vote of the holders of a majority of the voting power of the then-outstanding shares of capital stock entitled to vote generally in the election of directors, voting together as a single class, will be required to amend or repeal any provision of the Charter, or adopt any provision of the Charter inconsistent therewith.

If any of the Class B common stock shares are outstanding, in addition to any vote required by Delaware law, the affirmative vote of the holders of two-thirds (2/3) of the outstanding shares of Class B common stock, voting as a separate class, is required to amend the Charter (1) in a manner that changes any of the voting, conversion, dividend or liquidation provisions of the shares of Class B common stock, (2) to provide for each share of Class A common stock or any preferred stock to have more than one vote per share or any rights to a separate class vote of the holders of shares of Class A common stock other than as provided by the Charter or required by the DGCL, or (3) to otherwise adversely impact the rights, powers, preferences or privileges of the shares of Class B common stock in a manner that is disparate from the manner in which it affects the rights, powers, preferences or privileges of the shares of Class A common stock.

If any shares of Class A common stock are outstanding, Butterfly will not, without the prior affirmative vote of the holders of a majority of the outstanding shares of Class A common stock, voting as a separate class, in addition to any other vote required by applicable law or the Charter, directly or indirectly, whether by amendment, or through merger, recapitalization, consolidation or otherwise amend, alter, change, repeal or adopt any provision of the Charter (1) in a manner that is inconsistent with, or that otherwise alters or changes the powers, preferences, or special rights of the shares of Class A common stock so as to affect them adversely; or (2) to provide for each share of Class B common stock to have more than twenty (20) votes per
share or any rights to a separate class vote of the holders of shares of Class B common stock other than as provided by the Charter or required by the DGCL.

The Charter also provides that the Board will have the power to adopt, amend, alter, or repeal the Bylaws by the affirmative vote of a majority of the directors present at any regular or special meeting of the Board at which a quorum is present in any manner not inconsistent with the laws of the State of Delaware or the Charter. The stockholders of Butterfly are prohibited from adopting, amending, altering, or repealing the Bylaws, or to adopt any provision inconsistent with the Bylaws, unless such action is approved, in addition to any other vote required by the Charter, by the Requisite Stockholder Consent (as defined in the Charter).

Business Combinations

Under Section 203 of the DGCL, a corporation will not be permitted to engage in a business combination with any interested stockholder for a period of three years following the time that such interested stockholder became an interested stockholder, 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.

Generally, a “business combination” includes a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an “interested stockholder” is a person who, together with that person’s affiliates and associates, owns, or within the previous three years owned, 15% or more of Butterfly’s outstanding voting stock. For purposes of this section only, “voting stock” has the meaning given to it in Section 203 of the DGCL.

Since Butterfly has not opted out of Section 203 of the DGCL, it will apply to Butterfly. As a result, this provision will make it more difficult for a person who would be an “interested stockholder” to effect various business combinations with Butterfly for a three-year period. This provision may encourage companies interested in acquiring Butterfly to negotiate in advance with the Board because the stockholder approval requirement would be avoided if the Board approves either the business combination or the transaction which results in the stockholder becoming an interested stockholder. These provisions also may have the effect of preventing changes in the Board and may make it more difficult to accomplish transactions which stockholders may otherwise deem to be in their best interests.

Cumulative Voting

Under Delaware law, the right to vote cumulatively does not exist unless the charter specifically authorizes cumulative voting. The Charter does not authorize cumulative voting.

Limitations on Liability and Indemnification of Officers and Directors

The DGCL authorizes corporations to limit or eliminate the personal liability of directors of corporations and their stockholders for monetary damages for breaches of directors’ fiduciary duties, subject to certain exceptions. The Charter includes a provision that eliminates the personal liability of directors for damages for any breach of fiduciary duty as a director where, in civil proceedings, the person acted in good faith and in a manner that person reasonably believed to be in or not opposed to the best interests of Butterfly or, in criminal proceedings, where the person had no reasonable cause to believe that his or her conduct was unlawful.
The Bylaws provide that Butterfly shall indemnify and advance expenses to Butterfly’s directors and officers to the fullest extent authorized by the DGCL. Butterfly also is expressly authorized to carry directors’ and officers’ liability insurance providing indemnification for Butterfly directors, officers, and certain employees for some liabilities. Butterfly believes that these indemnification and advancement provisions and insurance are useful to attract and retain qualified directors and executive officers.

The limitation of liability, advancement and indemnification provisions in the Charter and Bylaws may discourage stockholders from bringing lawsuits against directors for any alleged breach of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit Butterfly and its stockholders. In addition, your investment may be adversely affected to the extent Butterfly pays the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

There is currently no pending material litigation or proceeding involving any of Butterfly’s directors, officers, or employees for which indemnification is sought.

**Corporate Opportunities**

The Charter provides for the renouncement by Butterfly of any interest or expectancy of Butterfly in, or being offered an opportunity to participate in any matter, transaction, or interest that is presented to, or acquired, created, or developed by, or which otherwise comes into possession of, any director of Butterfly who is not an employee of Butterfly or any of its subsidiaries, unless such matter, transaction, or interest is presenting to, or acquired, created, or developed by, or otherwise comes into the possession of a director of Butterfly expressly and solely in that director’s capacity as a director of Butterfly.

**Dissenters’ Rights of Appraisal and Payment**

Under the DGCL, with certain exceptions, Butterfly’s stockholders will have appraisal rights in connection with a merger or consolidation of Butterfly. Pursuant to the DGCL, stockholders who properly request and perfect appraisal rights in connection with such merger or consolidation will have the right to receive payment of the fair value of their shares as determined by the Delaware Court of Chancery.

**Stockholders’ Derivative Actions**

Under the DGCL, any of Butterfly’s stockholders may bring an action in Butterfly’s name to procure a judgment in Butterfly’s favor, also known as a derivative action, provided that the stockholder bringing the action is a holder of Butterfly’s shares at the time of the transaction to which the action relates or such stockholder’s stock thereafter devolved by operation of law.

**Transfer Agent and Registrar**

The transfer agent for Butterfly capital stock is Continental Stock Transfer & Trust Company.

**Stock Exchange Listing**

Butterfly’s Class A common stock and warrants to purchase Class A common stock are listed for trading on the New York Stock Exchange under the symbol “BFLY” and “BFLY WS”, respectively.
CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in (1) Registration Statement No. 333-256044 and 333-263151 on Form S-8 and (2) Registration Statement No. 333-254836 on Post-Effective Amendment No. 1 to Form S-1 on Form S-3 of our reports dated February 28, 2022 relating to the financial statements of Butterfly Network, Inc. and the effectiveness of Butterfly Network, Inc.’s internal control over financial reporting appearing in this Annual Report on Form 10-K/A for the year ended December 31, 2021.

/s/ Deloitte & Touche

New York, New York
March 25, 2022
CERTIFICATIONS UNDER SECTION 302

I, Todd M. Fruchterman, M.D., Ph.D., certify that:

1. I have reviewed this Annual Report on Form 10-K of Butterfly Network, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 25, 2022

/s/ Todd M. Fruchterman, M.D., Ph.D.
Todd M. Fruchterman, M.D., Ph.D.
President and Chief Executive Officer
(Principal Executive Officer)
CERTIFICATIONS UNDER SECTION 302

I, Stephanie Fielding, certify that:

1. I have reviewed this Annual Report on Form 10-K of Butterfly Network, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 25, 2022

/s/ Stephanie Fielding
Stephanie Fielding
Chief Financial Officer
(Principal Financial Officer)
CERTIFICATIONS UNDER SECTION 906

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Butterfly Network, Inc., a Delaware corporation (the “Company”), does hereby certify, to such officer’s knowledge, that:

The Annual Report for the year ended December 31, 2021 (the “Form 10-K”), of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 25, 2022

/s/ Todd M. Fruchterman, M.D., Ph.D.
Todd M. Fruchterman, M.D., Ph.D.
President and Chief Executive Officer
(Principal Executive Officer)

Dated: March 25, 2022

/s/ Stephanie Fielding
Stephanie Fielding
Chief Financial Officer
(Principal Financial Officer)
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
(Amendment No. 2)

(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, 2021

OR

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

For the transition period from _____ to _____

Commission file number: 001-39292

Butterfly Network, Inc.
(Exact name of registrant as specified in its charter)

Delaware 84-4618156
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

530 Old Whitfield Street
Guilford, Connecticut 06437
(Address of principal executive offices) (Zip Code)

Registrant’s telephone number, including area code: (203) 689-5650

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

Class A common stock, $0.0001 par value per share
Trading Symbol(s) BFLY
Name of each exchange on which registered The New York Stock Exchange

Warrants to purchase one share of Class A common stock, each at an exercise price of $11.50 per share
Trading Symbol(s) BFLY WS
Name of each exchange on which registered The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Exchange 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 Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or Section 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☒
Accelerated filer ☐

Non-accelerated filer ☐
Smaller reporting company ☐

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

Indicate by check mark whether the registrant 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. ☒

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 registrant's voting and non-voting equity held by non-affiliates of the registrant (without admitting that any person whose securities are not included in such calculation is an affiliate) computed by reference to the price at which the Class A common stock were last sold as of the last business day of the registrant's most recently completed second fiscal quarter was approximately $2.1 billion.

As of February 1, 2022, the registrant had 171,733,179 shares of Class A common stock outstanding and 26,426,937 shares of Class B common stock outstanding.
EXPLANATORY NOTE

Butterfly Network, Inc. (the “Company”) is filing this Amendment No. 2 on Form 10-K/A (this “Amendment No. 2”) to its Annual Report on Form 10-K for the year ended December 31, 2021, which was filed with the Securities and Exchange Commission (the “SEC”) on February 28, 2022 (the “Original Report”), and amended by Amendment No. 1 filed with the SEC on March 28, 2022 (“Amendment No. 1” and together with the Original Report, the “Annual Report”), to correct, update or clarify certain information in the Annual Report, as described in this Explanatory Note.

The Company believes that none of such corrections, updates or clarifications, either individually or in the aggregate, are material. In addition, none of these changes requires a restatement of the Company’s financial statements included in the Annual Report, as the changes only appeared in the “Executive Compensation,” “Risk Factors,” “Business” and “Principal Accountant Fees and Services” sections of the Annual Report, and all relevant information is accurately reflected in the Company’s financial statements.

The Company is correcting the following tables included in the “Executive Compensation” section of the Annual Report (located in Part III, Item 11) as described below:

1. “2021 Equity Awards at Grant Date” table (which appears in the “Equity Incentive Program” section of the “Compensation Discussion & Analysis”)
   i. The Company overstated by an aggregate of $14,775,935 the grant date fair value of the options granted in 2021, inadvertently using the exercise price to calculate the value of the options instead of the grant date fair value.
   ii. The Company overstated by $61 the intrinsic value of awards held by Andrei Stoica, the Company’s Chief Technology Officer.

2. “Summary Compensation Table”
   i. The Company overstated by an aggregate of $14,775,935 the grant date fair value of the options granted in 2021 and overstated by $545,973 the grant date fair value of an option granted in 2020 to Darius Shahida, the Company’s Chief Strategy Officer and Chief Business Development Officer.
   ii. The Company overstated by $60,000 “Other Compensation” in 2021 related to private aviation for Company-related travel for Todd Fruchterman, the Company’s President and Chief Executive Officer.
   iii. The Company overstated by $236,327 “Other Compensation” in 2021 for Stephanie Fielding, the Company’s Chief Financial Officer, by inadvertently including as compensation the value of restricted stock units that vested in 2021.
   iv. The Company overstated by $150,000 “Other Compensation” in 2021 for Laurent Faracci, the Company’s former Chief Executive Officer, by inadvertently including a cash bonus that was paid with respect to 2020 performance as compensation in 2021.

3. “2021 Fiscal Year Grants of Plan-Based Awards” table
   i. The Company overstated by an aggregate of $14,775,935 the grant date fair value of the options granted in 2021.

4. “Outstanding Equity Awards at 2021 Fiscal Year-End” table
   i. The Company overstated the number of unexercisable options held by Mr. Shahida by inadvertently referring to 259,574 vested restricted stock units granted on December 17, 2020 as options, and did not include a reference to the $10.68 exercise price of options granted in 2021 to Mr. Stoica.

5. Untitled tables showing total compensation paid or accrued to non-employee directors and the grant date fair value for equity awards granted to each non-employee director during the fiscal year ended December 31, 2021 (which appear in the “Director Compensation” section)
   i. The Company overstated by $158,103 the grant date fair value of the options granted in 2021 to each non-employee director who received an option grant, inadvertently using the exercise price to calculate the value of the options instead of the grant date fair value.

6. Untitled table showing total outstanding options, vested options and unvested RSUs for non-employee directors (which also appears in the “Director Compensation” section)
   i. The Company overstated by 1,029,812 the number of options held at December 31, 2021 by Dr. Rothberg, the Company’s Founder and Chairman of the Board, by inadvertently referring to restricted stock units granted to Dr. Rothberg on December 17, 2020.
In addition, the Company is also correcting, clarifying or updating certain information in the “Risk Factors” section of the Annual Report (located in Part I, Item 1A), including:

i. The Company understated by $100,000, or .02%, the amount of its federal net operating loss carry forwards, reporting $494.7 million in its Risk Factors instead of $494.8 million, which correctly appears in note 13 to the Company’s audited consolidated financial statements and which has been corrected on page 42 of this Amendment No. 2; and
ii. The Company understated its number of owned patents by 66 and pending patent applications by 8 as of December 31, 2021 which has been corrected on page 56 of this Amendment No. 2 (this information has been corrected on pages 13 and 17 of this Amendment No. 2 in the Business section as well).

The Company is also correcting, clarifying or updating certain additional information in the “Business” section of the Annual Report (located in Part I, Item 1), including:

i. The Company overstated by $500,000, or 1.5%, the amount of its net loss for the year ended December 31, 2021 in the overview to its Business section, reporting a net loss of $32.9 million instead of $32.4 million, which correctly appears in the Company’s consolidated statement of operations and comprehensive loss in the Company’s audited consolidated financial statements and which has been corrected on page 7 of this Amendment No. 2;
ii. The Company understated by 3 million the number of healthcare practitioners in its discussion of the market opportunity for its device, which has been updated on page 8 of this Amendment No. 2;
iii. The Company has clarified on page 13 of this Amendment No. 2 that it has placed its device with over 100 NGOs, entities and healthcare professionals; and
iv. The Company has revised the summary of the healthcare regulations to which the Company is subject (on pages 24 and 26 of this Amendment No. 2) to clarify that the financial penalties contained in such regulations are statutory amounts adjusted for inflation annually (this information has been clarified on page 51 in the Risk Factor section as well). For the avoidance of doubt, the Company has not violated these regulations; it is merely summarizing the provisions as required by SEC rules.

The Company is also filing this Amendment No. 2 to revise the “Controls and Procedures” section of the Annual Report (located in Part II, Item 9A). As a result of the corrections, clarifications and updates in these sections of the Annual Report described above, our Chief Executive Officer and Chief Financial Officer have evaluated our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and concluded that as of the end of the period covered by the Annual Report, the Company did not maintain effective disclosure controls and procedures.

The Company is also taking this opportunity to update the information in the “Principal Accountant Fees and Services” section of the Annual Report (located in Part III, Item 14) to update the amount of fees billed to or incurred by the Company for professional services rendered by Deloitte & Touche LLP, the Company’s independent registered public accounting firm, for the audit of the Company’s annual consolidated financial statements for the fiscal year ended December 31, 2021 to include fees billed subsequent to the filing of the Annual Report.

In addition, as required by Rule 12b-15 under the Exchange Act, new certifications by our Chief Executive Officer and Chief Financial Officer are filed as exhibits (Exhibits 31.1 and 31.2) to this Amendment No. 2 under Item 15 of Part IV hereof. Because no financial statements have been included in this Amendment No. 2, paragraph 3 of the certifications has been omitted. This Amendment No. 2 does not include a new certification under Section 906 of the Sarbanes-Oxley Act of 2002 because no financial statements are included in this Amendment No. 2.

Except as described above, this Amendment No. 2 does not modify or update disclosure in, or exhibits to, the Annual Report. Furthermore, this Amendment No. 2 does not change any previously reported financial results, nor does it reflect events occurring after the date of the Original Report. Information not affected by this Amendment No. 2 remains unchanged and reflects the disclosures made at the time the Original Report was made.
<table>
<thead>
<tr>
<th>PART</th>
<th>Item</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>PART I</td>
<td>Item 1.</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Business</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Item 1A.</td>
<td>29</td>
</tr>
<tr>
<td></td>
<td>Risk Factors</td>
<td>29</td>
</tr>
<tr>
<td>PART II</td>
<td>Item 9A.</td>
<td>69</td>
</tr>
<tr>
<td></td>
<td>Controls and Procedures</td>
<td>69</td>
</tr>
<tr>
<td>PART III</td>
<td>Item 11.</td>
<td>70</td>
</tr>
<tr>
<td></td>
<td>Executive Compensation</td>
<td>70</td>
</tr>
<tr>
<td></td>
<td>Item 14.</td>
<td>96</td>
</tr>
<tr>
<td></td>
<td>Principal Accountant Fees and Services</td>
<td>96</td>
</tr>
<tr>
<td>PART IV</td>
<td>Item 15</td>
<td>97</td>
</tr>
<tr>
<td></td>
<td>Exhibits and Financial Statement Schedules</td>
<td>97</td>
</tr>
<tr>
<td></td>
<td>Signatures</td>
<td>103</td>
</tr>
</tbody>
</table>
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that relate to future events or our future financial performance regarding, among other things, our plans, strategies and prospects, both business and financial. These statements are based on the beliefs and assumptions of our management team. Generally, statements that are not historical facts, including statements concerning possible or assumed future actions, business strategies, events or results of operations, are forward-looking statements. Forward-looking statements contained in this Annual Report on Form 10-K include, but are not limited to, statements about:

- the success, cost and timing of our product development activities;
- the potential attributes and benefits of our products and services;
- our ability to obtain and maintain regulatory approval for our products, and any related restrictions and limitations of any authorized product;
- our ability to identify, in-license or acquire additional technology;
- our ability to maintain our existing license, manufacturing and supply agreements;
- our ability to compete with other companies currently marketing or engaged in the development of ultrasound imaging devices, many of which have greater financial and marketing resources than us;
- the size and growth potential of the markets for our products and services, and the ability of each to serve those markets, either alone or in partnership with others;
- our estimates regarding expenses, revenue, capital requirements and needs for additional financing;
- our ability to raise financing in the future;
- our financial performance; and
- the impacts of the COVID-19 pandemic on our business, financial condition and results of operations.

These statements may be preceded by, followed by or include the words “believes,” “estimates,” “expects,” “projects,” “forecasts,” “may,” “will,” “should,” “seeks,” “plans,” “scheduled,” “anticipates” or “intends” or similar expressions or phrases, or the negative of those expressions or phrases. The forward-looking statements are based on projections prepared by, and are the responsibility of, our management. Although we believe that our plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, we cannot assure you that we will achieve or realize these plans, intentions or expectations. Forward-looking statements are inherently subject to risks, uncertainties and assumptions relating to, among other things:

- our rapid growth may not be sustainable and depends on our ability to attract and retain customers;
- our business could be harmed if we fail to manage our growth effectively;
- our projections are subject to risks, assumptions, estimates and uncertainties;
- our business is subject to a variety of U.S. and foreign laws, which are subject to change and could adversely affect our business;
- the pricing of our products and services and reimbursement for medical procedures conducted using our products and services;
- changes in applicable laws or regulations;
- failure to protect or enforce our intellectual property rights could harm our business, results of operations and financial condition;
- the ability to maintain the listing of our Class A common stock on the New York Stock Exchange;
- economic downturns and political and market conditions beyond our control could adversely affect our business, financial condition and results of operations; and
- the impact of the COVID-19 pandemic on our business, financial condition and results of operations.

These and other factors that could cause actual results to differ from those implied by the forward-looking statements in this Annual Report on Form 10-K are more fully described in Item 1A under the heading “Risk Factors.” The risks described under the heading “Risk Factors” are not exhaustive. Other sections of this Annual Report on Form 10-K, such as the description of our Business set forth in Item 1 and our Management’s Discussion and Analysis of Financial Condition and Results of Operations set forth in Item 7 describe additional factors that could adversely affect our business, financial condition or results of operations. New risk factors emerge from time to time, and it is not possible to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements. Forward-looking statements are not guarantees of performance. You should not put undue reliance on these statements, which speak only as of the date hereof. All forward-looking statements attributable to the Company or persons acting on the Company’s behalf are expressly qualified in their entirety by the foregoing cautionary statements. We undertake no obligations to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.
SUMMARY OF RISK FACTORS

Our business is subject to numerous risks and uncertainties that you should consider before investing in our securities. Some of the principal risk factors are summarized below:

- We have a limited operating history on which to assess the prospects for our business, we have generated limited revenue from sales of our products, and we have incurred losses since inception. We anticipate that we will continue to incur significant losses for at least the next several years as we continue to commercialize our existing products and services and seek to develop and commercialize new products and services.

- We may need to raise additional funding to expand the commercialization of our products and services and to expand our research and development efforts. This additional financing may not be available on acceptable terms, or at all. Failure to obtain this necessary capital when needed may force us to delay, limit or terminate our product commercialization or development efforts or other operations.

- Our success depends upon market acceptance of our products and services, our ability to develop and commercialize existing and new products and services and generate revenues, and our ability to identify new markets for our technology.

- Medical device development is costly and involves continual technological change, which may render our current or future products obsolete.

- We will be dependent upon the success of our sales and customer acquisition and retention strategies.

- If we do not successfully manage the development and launch of new products, we will not meet our long-term forecasts, and operating and financial results and condition could be adversely affected.

- We will need to expand our organization, and we may experience difficulties in recruiting needed additional employees and consultants and retaining existing employees and consultants, which could disrupt our operations.

- We have limited experience in marketing and selling our products and related services, and if we are unable to successfully commercialize our products and related services, our business and operating results will be adversely affected.

- We have and may continue to experience pricing pressures from contract suppliers or manufacturers on which we rely.

- We may experience manufacturing problems or delays that could limit the growth of our revenue or increase our losses.

- We rely on limited or sole suppliers for some of the materials and components used in our products, and we may not be able to find replacements or immediately transition to alternative suppliers, which could have a material adverse effect on our business, financial condition, results of operations and reputation.

- If we do not successfully optimize and operate our sales and distribution channels or we do not effectively expand and update infrastructure, our operating results and customer experience may be negatively impacted and we may have difficulty achieving market awareness and selling our products.

- The market for our products and services is new, rapidly evolving, and increasingly competitive, as the healthcare industry in the United States is undergoing significant structural change, which makes it difficult to forecast demand for our products and services.

- The COVID-19 pandemic has and could continue to negatively affect various aspects of our business, make it more difficult for us to meet our obligations to our customers, and result in reduced demand for our products and services, which could have a material adverse effect on our business, financial condition, results of operations, or cash flows.

- Unfavorable global economic conditions could adversely affect our business, financial condition or results of operations.
We have incurred and will incur increased costs and demands upon management as a result of complying with the laws and regulations affecting public companies, which could adversely affect our business, results of operations, and financial condition.

We are subject to extensive government regulation, which could restrict the development, marketing, sale and distribution of our products and could cause us to incur significant costs.

There is no guarantee that the U.S. Food and Drug Administration, or FDA, will grant 510(k) clearance or pre-market approval, or PMA, of our future products, and failure to obtain necessary clearances or approvals for our future products would adversely affect our ability to grow our business.

If we fail to obtain marketing authorizations in other countries for existing products or products under development, we will not be able to commercialize these products in those countries.

We may be subject to enforcement action if we engage in improper or off-label marketing or promotion of our products, including fines, penalties and injunctions.

Because we do not require training for users of our current products, although they are limited under FDA's marketing clearances to use by trained healthcare practitioners, there exists a potential for misuse of these products, which could ultimately harm our reputation and business.

We are subject to complex and evolving U.S. and foreign laws and regulations regarding privacy, data protection, and other matters. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in customer growth or engagement, or otherwise harm our business.

Cybersecurity risks and cyber incidents could result in the compromise of confidential data or critical data systems and give rise to potential harm to customers, remediation and other expenses, expose us to liability under HIPAA, consumer protection laws, or other common law theories, subject us to litigation and federal and state governmental inquiries, damage our reputation, and otherwise be disruptive to our business and operations.

If we are unable to protect our intellectual property, our ability to maintain any technological or competitive advantage over our competitors and potential competitors would be adversely impacted, and our business may be harmed.

We may need or may choose to obtain licenses from third parties to advance our research or allow commercialization of our current or future products, and we cannot provide any assurances that we would be able to obtain such licenses.

The exercise of our outstanding warrants for our Class A common stock will increase the number of shares eligible for future resale in the public market and result in dilution to our stockholders.

If we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results, our ability to operate our business and investors’ views of us.

The valuation of our warrants could increase the volatility in our net income (loss) in our consolidated statements of operations.

We face the risk of product liability claims and may be subject to damages, fines, penalties and injunctions, among other things.

We are currently subject to a securities class action lawsuit, the unfavorable outcome of which may have a material adverse effect on our financial condition, results of operations and cash flows.

These and other material risks we face are described more fully in Item 1A, Risk Factors, which investors should carefully review prior to making an investment decision with respect to the Company or its securities.
PART I

All brand names or trademarks appearing in this report are the property of their respective holders. Use or display by us of other parties’ trademarks, trade dress, or products in this report is not intended to, and does not, imply a relationship with, or endorsements or sponsorship of, us by the trademark or trade dress owners. Unless the context requires otherwise, references in this report to the “Company,” “we,” “us,” and “our” refer to Butterfly Network, Inc. and its wholly-owned subsidiaries.

Item 1. BUSINESS

Overview

We are an innovative digital health business transforming care with hand-held, whole body ultrasound. Powered by our proprietary Ultrasound-on-Chip™ technology, our solution enables the acquisition of imaging information from an affordable, powerful device that fits in a healthcare professional’s pocket with a unique combination of cloud-connected software and hardware technology that is easily accessed through a mobile app. Butterfly enables the practical application of ultrasound information into the clinical workflow.

Butterfly iQ+ is the only ultrasound transducer that can perform whole-body imaging in a single handheld probe using semiconductor technology. Our Ultrasound-on-Chip™ reduces the cost of manufacturing, while our software is intended to make the product easy to use, fully integrated with the clinical workflow and accessible on a user’s smartphone, tablet and almost any hospital computer system connected to the Internet.

Through our portable proprietary, handheld solution, protected by a robust intellectual property portfolio and empowered in part by our proprietary software and Artificial Intelligence (“AI”), we aim to enable the delivery of imaging information with the least amount of effort, unlocking information and enabling more informed and earlier medical decisions no matter where clinical care takes place. In addition, Butterfly Blueprint™ provides a system-wide ultrasound platform with Compass™ software that integrates into a healthcare system’s clinical and administrative infrastructure to be able to deploy Butterfly iQ+, which we believe can help optimize care at scale across the full spectrum of departments and specialties in a healthcare system, including nursing.

We market and sell the Butterfly system, which includes probes and related accessories and software subscriptions, to healthcare systems, physicians and healthcare providers through a direct sales force, distributors, strategic partners and our eCommerce channel. We generated total revenue of $62.6 million and $46.3 million in the years ended December 31, 2021 and 2020, respectively. We also incurred net losses of $32.4 million and $162.7 million for the years ended December 31, 2021 and 2020.

We employ approximately 463 employees as of December 31, 2021 and sell our products in approximately 30 countries through our sales force and independent distributors and directly to physicians through our eCommerce channel.

Corporate History and Information

The Company, formerly known as Longview Acquisition Corp. (“Longview”), was incorporated in Delaware on February 4, 2020. Prior to February 12, 2021, we were a blank check company formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses.

On February 12, 2021 we completed the business combination (the “Business Combination”) pursuant to the terms of the Business Combination Agreement, dated as of November 19, 2020 (the “Business Combination Agreement”), by and among Longview, Clay Merger Sub, Inc., a Delaware corporation (“Merger Sub”), and Butterfly Network, Inc., a Delaware corporation (“Legacy Butterfly”). The transaction resulted in the Company being renamed to “Butterfly Network, Inc.” Legacy Butterfly being renamed “BFLY Operations, Inc.” and the Company’s Class A common stock and warrants to purchase Class A common stock commencing trading on the New York Stock Exchange (“NYSE”) on February 16, 2021 under the symbol “BFLY” and “BFLY WS”, respectively. As a result of the Business Combination, we received gross proceeds of approximately $589 million and the business of Legacy Butterfly became our business.
Legacy Butterfly was founded in 2011 by Dr. Jonathan Rothberg, a serial entrepreneur who received the Presidential Medal of Technology & Innovation in 2016 for inventing a novel next generation DNA sequencing method and has founded more than 10 healthcare/technology companies, including 454 Life Sciences, Ion Torrent and CuraGen. Legacy Butterfly has raised over $400 million in equity investments and partnership milestones from leading institutional investors, including Baillie Gifford, and strategic partners, including the Bill & Melinda Gates Foundation.

We have wholly-owned subsidiaries organized in Australia, Germany, the Netherlands, the United Kingdom and Taiwan. Our principal executive offices are located at 530 Old Whitfield Street, Guilford, Connecticut 06437 and our telephone number is (203) 689-5650.

The Evolution of Ultrasound

Digital health is systematically changing the way healthcare practitioners deliver care by providing information that informs better decision-making, while increasing access and significantly reducing patient-care costs. Butterfly iQ+ is designed for this new wave of medical care with an easy-to-use interface that displays ultrasound information on your smartphone or tablet in real-time.

Historically, the global ultrasound market has been dominated by traditional cart-based devices. These devices are accessible only to highly specialized, highly trained technicians and are located predominantly in hospitals, imaging centers, and physicians’ offices. Many healthcare institutions throughout the world lack the facilities and capital necessary to acquire and maintain expensive cart-based devices and cannot afford the highly trained individuals required to operate them.

Traditional cart-based equipment typically ranges from $45,000 to $60,000 per new device in the mid-range and is required to be operated by trained healthcare professionals. More recently, we have seen the introduction of point-of-care ultrasound (POCUS) and handheld devices with an average price point of $15,000, based on $5,000 to $7,000 per probe, some requiring two to three probes to cover a comparable range of cleared indications to the single probe Butterfly iQ+ and an upfront software investment for access to advanced imaging modes (e.g. pulsed-wave Doppler) and workflow (e.g. cloud storage) which can reach upwards of $2,000. However, these POCUS devices operate off the same platform as traditional cart-based ultrasound, limited by their application of the same 60-year-old piezoelectric crystal technology, leaving limited opportunity for future progress.

Although still required to be operated by trained healthcare practitioners, we are developing a technology roadmap to make it easier for users of all skill levels to use the device. By taking the burden off the user, we believe that Butterfly iQ+ will change the paradigm of how clinical decisions are made with a handheld, whole body ultrasound that can provide critical information earlier in care. We believe that this information delivered through imaging with an intuitive user interface will further drive costs down and expand the use of imaging at clinical point-of-care.

Market Opportunity

Long term, we are on a journey to address a potential new market that we estimate exceeds $100 billion. We believe our solution addresses an unmet need across an addressable market of approximately 45 million healthcare practitioners, including approximately 2 million veterinarians and vet technicians, approximately 13 million medical doctors and approximately 30 million nurses and midwives worldwide.

In the near term, we are first driving adoption with healthcare practitioners, including doctors and nurses in healthcare systems and a focused group of initial customers in the veterinary market, comprised of companion animal, mixed animal, equine veterinarians and veterinary academic institutions.
We believe our solution can address this market, and moves beyond the restrictions of the existing ultrasound market, because our solution empowers practitioners with imaging information at point-of-care that is practical, mobile, interoperable, and easy-to-use. Our aspiration is to be as ubiquitous as the stethoscope and a tool used by physicians everywhere and anywhere care is delivered.

We believe our differentiated Butterfly iQ+ handheld device and our growing user base of healthcare systems, medical schools and individual practitioners, position us well to drive an evolution in healthcare. Similar to the human patient market, our solution for the veterinarian market is also driving an impact in veterinary care and education.

We believe the valuable information generated from a small handheld with low cost, quality imaging and an interface designed for ease-of-use are attractive to healthcare systems that seek to improve care at lower cost. These attributes also allow the use of our Butterfly iQ+ by practitioners beyond traditional health system environments to where health systems look to evolve, such as the home. This evolution would enable the application of ultrasound information in broad clinical utility and practice with patient-performed scanning to home monitoring, subject to our obtaining appropriate marketing authorizations for such intended uses.

The advantages of our technology align with recent industry trends, including the shift to in-home medical care, affordability, harnessing of AI and deep learning, collaboration through the cloud, disruptive medical innovation, and increasing access to care. In addition, by expanding the settings in which medical imaging can be done, the Butterfly iQ+ device may provide opportunities for earlier detection and prevention of disease, while reducing cost. This aligns with the focus on consumer health empowerment, wellness, and acceleration of value-based care, all of which are important themes in the healthcare industry today and we believe have become increasingly more important during the COVID-19 pandemic.

**Business Strategy**

As the first semiconductor-based, handheld, whole body ultrasound devices, the Butterfly iQ and iQ+ cloud-based solution is a leading part of the medical imaging revolution. Leveraging this novel technology, our solution can scan, process and store high quality images at the bedside that can then be transferred between systems, as well as address hospital and health system workflows, an interoperability valued by customers in today’s market.

We believe that with our current products and solutions, we have created a new standard for medical imaging, and we are focused on staying at the leading edge of technical innovation. We believe our solution is only the first step in our development and we plan to continually improve it and expand our product and service offerings. We recently launched Butterfly Blueprint and Compass software, an expanded solution, which we are implementing within healthcare systems to enable these customers to deploy our solution at scale.

We believe that through the penetration of the existing addressable market, and the potential subsequent expansion into new markets, as well as places that do not currently use medical imaging or where access to imaging is limited, we can bring the adoption of medical imaging to greater scale in countries where there is limited access to healthcare.

In the near-term, we are focused on key markets and opportunities to innovate and grow as we develop a new market. We are driving adoption of Butterfly across four areas:

1) Hospitals and healthcare systems, initially focused in the United States;
2) Expanding into international markets and driving global health equity to improve care across all settings;
3) Moving Butterfly into home-based care, subject to appropriate authorizations; and
4) Capturing opportunities in adjacent markets to drive growth.

Across these four areas, we have three core principles that will help drive adoption that we call our “3 E’s” – our commitment to ensure that Butterfly is: Easy, Everywhere, and Economical.
- **Easy** to use, enabling access to the most information with the least amount of effort through education, an intuitive interface and AI.
- **Everywhere**, the scope of our journey to change the standard of care. We are focused on making Butterfly useful in more settings with cutting edge features and capabilities and building new business models to put Butterfly into every clinician’s pocket.
- **Economical**, creating, capturing and delivering value and affordability for all. We are focused on completing health economics studies to demonstrate that our system delivers better, more informed, lower cost care.

Because the Butterfly iQ+ is mobile and easy-to-use, healthcare practitioners can have access to ultrasound information outside of traditional settings, increasing convenience for both practitioners and patients. This could improve health outcomes, while avoiding expensive treatments, generating economic value for both the patient and payor, which is aligned with the healthcare mega-trend of value-based care. As our device reaches new markets and new users and, with appropriate marketing authorizations, enables more direct interaction with patients, including remote patient monitoring, we believe this trend will accelerate, further improving outcomes and reducing costs. This reduction of costs has the potential to create economic value for the whole healthcare system across clinical applications and markets where ultrasound scanning is used.

Longer term, as patient-focused, value-based care delivery models continue to scale, we believe handheld ultrasound devices will find a potential market in at-home care settings with at-home medical personnel and patient-performed scanning, subject to appropriate authorizations.

**Products**

Our products include a combination of hardware and software, including Butterfly iQ and iQ+ probes, software subscriptions, and accessories. In addition, we also offer cloud-based software solutions to healthcare systems, teleguidance, in-app educational tutorials, formal education programs through our Butterfly Academy software, as well as clinical support and services for large scale deployments.

**Butterfly iQ and iQ+**

In 2018, Legacy Butterfly commercially launched Butterfly iQ, the world’s first handheld, single-probe, whole-body ultrasound system using semiconductor technology that is commercially available, and in 2020, Legacy Butterfly launched the Butterfly iQ+ with additional features and improved performance.

Since then, we have sold and shipped more than 57,000 Butterfly iQ and Butterfly iQ+ devices (“iQ devices”). Butterfly iQ+’s list price is approximately $2,400 per device, making it a high-quality and affordable alternative to the costly traditional cart-based equipment and a number of other handheld devices currently on the market. Powered by our Ultrasound-on-Chip™, Butterfly’s high-performance imaging capabilities support fast and confident clinical decision-making.

Our Butterfly iQ+ device connects directly to a compatible iPhone or Android smartphone or tablet to provide its imaging and software features for more than two consecutive hours according to average use as determined from field data analytics and charges to full battery in approximately five hours. In select countries, our proprietary software harnesses AI designed to drive ease-of-use for image acquisition and improved analysis, further used to guide and educate practitioners, as well as provide quality control.

The Butterfly iQ+ has 22 pre-set settings generated in part with AI that optimize images obtained from scanning different areas of the body.

Within the Butterfly application, users can utilize six imaging modes, including B-Mode, Color Doppler, M-Mode Power Doppler and Pulsed Wave Doppler, Biplane, as well as additional measuring tools used for a variety of specialties, nursing and obstetrician calculations.

These features allow healthcare practitioners to perform surface area and volume measurements on the anatomical objects that are imaged and can use color Doppler to identify movement of fluid, similar to features provided by legacy products in the market.
• For the obstetric clinicians, the device tools can perform gestational age and amniotic fluid index calculations.

• The device tools can provide automated bladder volume calculations, with 3D visualizations and enables easier line placements using NeedleViz™ technology and Biplane Imaging™. These tools can be utilized across broad clinical applications and specialties.

• Using TeleGuidance™, healthcare practitioners can perform ultrasound remotely, providing real-time guidance by connecting with a novice user or peer directly from the Butterfly iQ+ app. Through our Teleguidance feature, healthcare practitioners can control the settings of the application while the device is in use and help the user identify the image.

We believe these pre-set settings and intuitive operation features through smartphones will enable healthcare practitioners who are not medical imaging experts to adopt our device, expanding our user base beyond the traditional ultrasound user base. This traditional base of ultrasound users has been limited because existing ultrasound devices often require unique environments and extensive training to operate, while the Butterfly iQ+ device can be used by general and other healthcare practitioners across the healthcare industry.

Butterfly iQ+ is comprised of both durable hardware and dynamic software solutions designed to make ultrasound imaging accessible to all healthcare practitioners, including nurses. We also sell accessories for the Butterfly iQ and iQ+ including cases, adaptors and carts.

Software Subscriptions

We believe that the software and analytics capabilities of our solution coupled with the Butterfly iQ+ device empowers smarter and expanded scanning, quality assurance, credentialing, documentation and billing that can generate both incremental revenue for healthcare systems and independent practitioners, but also reduce costs for payers from earlier detection and prevention of adverse downstream events due to suboptimal care decisions or treatment complications.

We currently offer different software membership plans, including Pro Individual, our complete ultrasound solution for individual users that is priced at $420 per year, and Pro Custom, an offering that allows individuals to choose their add-on features, to suit their needs. In addition, we offer other membership plans that are specific to customer needs, including iQ+ Care, for bladder scanner and vascular access application solutions, integrated software enterprise solutions to enable ultrasound deployments at scale and medical education subscriptions for universities.

Through our software subscription options, users can upload scanned images to our HIPAA-compliant cloud, which has unlimited storage and links to electronic medical records (“EMRs”), hospital and office systems, allowing for seamless transfer of images that can also be accessed from a desktop computer.

Through our ongoing collaborations with the healthcare community, we are continuing to optimize our software ecosystem, including by harnessing AI to develop additional clinical and product advancements for our users. We believe that these efforts could drive ease-of-use for image acquisition, improve analysis, and expand its most utilized features with extensive quality control. Our AI has and is expected to continue to allow us to develop programs that guide and educate healthcare practitioners on how to utilize the Butterfly iQ+ device, with the goal of improving their clinical impact and productivity globally.

Educational Tools

Our platform features education tools to enable users to quickly gain proficiency in conducting exams, including hundreds of educational videos taught by experts. In 2021 we launched Butterfly Academy™ that provides embedded education and training to enable clinicians across care settings, to support long-term scaling of Butterfly throughout a healthcare system and for use in medical education applications. In addition, our software application also features TeleGuidance, which is the first integrated ultrasound telemedicine platform. This tool allows a remote, trained healthcare practitioner to view and guide the ultrasound imaging through the smartphone application and live video.
Butterfly iQ+ Vet

In 2021, we launched Butterfly iQ+ Vet, a handheld ultrasound system designed to bring value to veterinarians in a variety of care settings, helping to usher in a new standard for veterinary medicine.

As of December 31, 2021, iQ+ Vet is available in 21 international markets, bringing first of its kind innovation to veterinarians. The product includes a specially designed animal-specific probe for ease of use and maneuvering, Color-Doppler and NeedleViz. We are changing the way that veterinarians deliver care, providing more information through imaging at the point-of-care, particularly since their patients do not speak.

Marketing and Sales

We market our products through our targeted U.S. sales organization, which is engaged in sales efforts and promotional activities primarily to health institutions as well as to healthcare institutions through direct sales and distributor partnerships outside of the United States. In the United States, Butterfly has been purchased by a clinician in all of the largest 100 healthcare systems. We use a variety of marketing tools to drive adoption, foster continued usage and establish brand loyalty for our devices and software. We recognize the importance of the role of education in accelerating adoption of our products by those medical professionals without existing ultrasound skills.

We sell through three main channels:

- A targeted, regional, direct salesforce focused on large healthcare system-wide implementations.
- An eCommerce website through which we sell our Butterfly iQ+ and iQ+ Vet to healthcare practitioners in these geographies, where allowed by local law.
- Distributor, veterinary and affiliate relationships to unlock additional channels to supplement our direct and eCommerce sales.

In 2021, we have invested heavily in building out and educating our salesforce and sales support teams, and plan to continue to do so, with the ultimate goal of growing adoption at large scale healthcare systems. As we continue to grow, we plan to expand on our client experience resources to work with our customers to deploy Butterfly iQ+ and Butterfly Blueprint. We believe that we can build a community of healthcare system customers around our solution to share insights, techniques, and new regulatory-compliant ways of applying our solution, all of which we believe should continue to drive clinical behavior change, adoption and retention, as well as clinical and economic studies.

As we expanded our healthcare system software offerings and developed relationships with larger health systems in 2021, we have increased the proportion of our sales to health systems compared to eCommerce. Because institutions often make decisions to purchase on a system-wide level, we believe enterprise sales can generate economies of scale with larger volumes and larger numbers of users, while also increasing user retention. The health system channel also yields more comprehensive software subscriptions, which further increases our revenue from devices and subscriptions sold. We are working towards increasingly integrated solutions to maximize our value to large healthcare customers, as well as continuing to improve our sales and support infrastructure. Our ability to connect and integrate with traditional third-party ultrasound systems gives enterprise customers a solution to the governance and workflow challenges that may have previously limited the utilization and billing of point of care imaging devices. Health system customers deploying our solution can benefit from a streamlined clinical workflow that reduces the exam documentation burden typically associated with traditional ultrasound systems. By adopting Butterfly Blueprint and Compass software, customers can responsibly manage and optimize value from their fleets of point of care imaging devices.

We continue to develop our sales and marketing organization, which consists of a dedicated sales team, sales operations and sales support personnel that are complemented by a marketing team. As of December 31, 2021, we had 124 people employed globally in sales, sales support, and marketing.
Geographies

Butterfly iQ+ is being used in approximately 30 markets. Outside of our core commercial geographies, Butterfly iQ+ is also being utilized in over 70 low resource settings around the world, where we have partnerships with non-governmental organizations ("NGOs") like the Bill & Melinda Gates Foundation to deliver our technology to underserved communities. Currently, we have placed our device with over 100 NGOs, entities and healthcare professionals that align with our mission to deliver care around the world and bring potentially lifesaving medical imaging to patients, often for the first time.

In terms of geographic markets, for the fiscal year ended December 31, 2021, a substantial majority of our revenues were derived from sales to customers based in the United States. We aim to further expand our international customer base in the future. We believe our differentiated Butterfly iQ+ handheld device and our growing user base of Butterfly iQ+ practitioners, with sales to or agreements with most of the largest 100 U.S. healthcare systems and across approximately 30 countries, position us well to compete in the existing ultrasound market and to potentially expand into emerging markets.

Technology

Butterfly is a pioneer in putting ultrasound on a semiconductor chip. This novel and proprietary Ultrasound-on-Chip™ technology enables whole-body complete ultrasound imaging with a single probe. We are continuing to improve our software by harnessing AI with a goal to drive ease-of-use for image acquisition, improve analysis, guide and educate practitioners, and provide quality control. As a result of utilizing these technologies, our first and second generation, Butterfly iQ and iQ+ products have a small, hand-held size, low cost, and simple user interface, making ultrasound technology more accessible outside of large healthcare institutions. This contrasts sharply to existing systems that are built using often expensive piezoelectric crystal technology, which can lead to high upfront costs and thereby constrain access and usage.

Additionally, the technology driving the Butterfly iQ and Butterfly iQ+ devices may be able to continually scale and improve. In 2021, we have continued to improve our chip technology, AI capabilities and image quality. We expect to continue development of the device with product offerings that may include enhanced performance, additional procedural applications, changes to the device that enable and encourage usage and alternative form factors.

With cloud-based technology, we have also continued to create content and applications to enrich the overall software ecosystems and deliver additional clinical and product advancements for our users. To date, we have launched a variety of software offerings for individual physicians, as well as launched Butterfly Blueprint to develop an operating system that addresses the workflow needs of our large healthcare system customers. We plan to continue to build solutions and features, including AI in our software to improve ease-of-use for our customers.

As of December 31, 2021, we owned approximately 418 issued patents and had approximately 463 pending patent applications.

Research and Development

We plan to develop future applications, subject to appropriate marketing authorization, to leverage our unique hardware foundation and commitment to improving our software using AI. Simultaneously, we plan to enhance our software capabilities, pursuing regulatory authorizations as necessary, with new features to support clinical procedures, and further workflow automations for Butterfly Blueprint and our Compass software, in order to more deeply integrate our platform with healthcare systems, as we work with these customers to deploy Butterfly in their organizations.

In this way, we expect our solution will continue to innovate naturally, as well as through our enhancements to our proprietary technology. In order to pave the way for the potential future at-home use of Butterfly iQ+ and other future form factors, we anticipate we will need to validate the at-home applications through focused clinical trials and also seek additional regulatory authorizations.

We believe these hardware developments, along with our software enhancements and user education initiatives, will bring ultrasound to healthcare systems and healthcare practitioners. We believe that with our differentiated and continually expanding solution, we have the potential to drive user adoption and change clinical behavior. We plan to partner with healthcare systems to continue to inform the development of new innovative products, services and software applications, leveraging our core technology and platform capabilities.
We believe our product roadmap is designed to continue to position us as one of the leading disruptors in the medical imaging market and eventually, potentially the remote patient monitoring market. We expect to continue development of our hardware with product offerings that may include enhanced performance, features to enable more usage and alternative form factors.

Beyond these hardware and software product roadmaps, we plan to develop new innovative products, services and software applications, leveraging our core technology and platform capabilities. Through this product development, we believe we will be positioned to remain on the forefront of medical imaging with a continued focus on enabling access to more information at low cost and reduced effort and with education, an intuitive interface and AI to unlock the power of point-of-care information quickly and confidently, allowing us to enable healthcare practitioners to transform care with Butterfly.

**Reimbursement**

The Butterfly iQ+ leverages pre-existing, routine CPT codes that enable healthcare providers and practitioners to obtain per-scan reimbursement in the specialties of anesthesiology, cardiology, critical care, emergency medicine, endocrinology and ultrasound-guided procedures. We intend to pursue incremental, new or expansionary CPT codes for reimbursement in future scan categories and categories concurrent to support the successful go-to-market strategy of the product pipeline.

**Competition**

Several large companies, such as GE, Philips and Sonosite currently constitute the bulk of ultrasound sales. High regulatory, distribution, manufacturing and service-related long-term contractual costs represent significant barriers to entry for any new player. We expect that the existing market participants will remain strong active players in the future.

As a general matter, we view competition on two levels:

- Conventional ultrasound systems; and
- The development of other hand-held ultrasound systems with the same or better attributes.

The primary competition comes from established market participants offering conventional ultrasound systems. While Butterfly's target is often non-traditional ultrasound users we do compete with both traditional ultrasound manufacturers as well as other handheld ultrasound systems.

**Our People**

Our employees embody our mission to democratize healthcare and to make medical imaging accessible to everyone around the world by using our proprietary technology. We believe that our people are the reason for our success, and we have organized ourselves to maximize productivity and performance. We maintain a high bar for talent and actively work to build diversity within our workforce.

*Demographics.* As of December 31, 2021, we had 463 employees. As of December 31, 2021, 436 of our employees were located in the United States and 27 were located in the United Kingdom, the Netherlands, Germany, Spain, the United Arab Emirates, Hong Kong and Taiwan. None of our employees are represented by a labor union or are subject to a collective bargaining agreement. We supplement our employee population with independent contractors, contingent workers and temporary workforce support as needed.

*Total Rewards.* To attract qualified applicants to our company and retain our employees, we offer a competitive total rewards package for all employees, consisting of market, competitive-base salaries, annual target cash bonus that recognize and reward company performance as well as individual results, long-term equity incentives that encourage our employees to focus on long-term value creation, and comprehensive benefits. For 2022, we added a company match to our 401(k) savings program.
Career Growth and Development. We offer a variety of resources and programs that attract, engage, develop, advance and retain employees. Our training and development provides employees the support they need to perform well in their current role while planning and preparing for future roles. Our employees have access to a number of online courses, including through our electronic learning management system and our newly-launched LinkedIn Learning program. Our employee development program also promotes the importance of compliance across our business.

Employee Engagement. We believe engaged employees produce stronger business results and are more likely to build a career with the Company. In our first year as a public company, we launched an employee engagement survey to provide baseline data for executive management and leaders to drive continuous improvement in our organization and employee work experience based on data. With 89% of our employees participating in our engagement survey, we believe we have an engaged workforce.

Diversity, Equity and Inclusion. We are committed to growing and cultivating an environment that fosters diversity, equity and inclusion (“DEI”) and values the diverse perspectives, backgrounds, experiences and geographies of our employees and other stakeholders. We seek to promote greater diversity among our employees, enhance knowledge and understanding of key DEI issues, reward progress on our DEI goals and foster an environment where our employees and stakeholders feel included and valued for their diverse experiences and perspectives. We endeavor to hire employees from a broad pool of talent with diverse backgrounds, perspectives and abilities and we believe diverse leaders serve as role models for our inclusive workforce. We seek to continuously build on our inclusive hiring strategies, track our progress and hold ourselves accountable for greater diversity.

Employee Health. We are committed to protecting our workforce, customers, and communities. Our focus is directed towards ensuring all of our employees, as well as temporary contractors and visitors to our sites, can work safely. We have prioritized the health and safety of our employees during the COVID-19 pandemic, while continuing the supply of innovative products to healthcare systems, physicians and healthcare providers. Vaccinations are generally required for our employees in the U.S., and we are committed to implementing similar requirements in other jurisdictions wherever possible.

Manufacturing

Our Butterfly iQ products are built using both custom-made and off-the-shelf components supplied by outside manufacturers and vendors located in China, Taiwan and Thailand. The key custom-made component in the Butterfly iQ probe is the ultrasound transducer module consisting of a custom chip and lens.

We purchase some of our components and materials used in manufacturing, including the transducer module, from single sources. Although we believe that alternatives would be available, it would take time to identify and validate replacement components, which could negatively affect our ability to supply our products on a timely basis. We cannot give assurances that any alternative supplier would be able to recreate the manufacturing processes currently in use. To mitigate this risk, we typically carry a significant inventory of critical components.

All of our Butterfly iQ probes are manufactured, tested, shipped and supported by Benchmark Electronics, Inc., or Benchmark, from its facility in Thailand. We believe that this manufacturing strategy and supply chain is efficient and conserves capital. However, in the event it becomes necessary to utilize a different contract manufacturer for our Butterfly iQ products, we would experience additional costs, delays and difficulties in doing so, and our business could be harmed.

Key Agreements

Foundry Service Agreement with Taiwan Semiconductor Manufacturing Company Limited

We entered into a Foundry Service Agreement, or FSA, with Taiwan Semiconductor Manufacturing Company Limited, or TSMC, as amended, under which TSMC agreed to manufacture integrated circuits used for the semiconductor chips in our probes. The FSA provides for us to place purchase orders with TSMC, which are not binding until accepted by TSMC. The FSA also provides for TSMC to use commercially reasonable efforts to support us for our products to be manufactured at TSMC and for us to meet minimum purchase obligations. Under the agreement, we prepaid an amount to TSMC to be used against a portion of the purchase price for future purchases once the prepayment amount is reached. To the extent that we fail to fulfill our monthly wafer consumption requirement, TSMC has the right to deduct the shortfall from payments made by us to TSMC. In addition, we are required to buy back from TSMC unused raw wafers that TSMC purchases from its supplier.
The FSA also provides that TSMC will indemnify us for intellectual property infringement or misappropriation claims against us related to the wafer manufacturing process and that we will indemnify TSMC for any intellectual property infringement or misappropriation claims arising from TSMC’s compliance with our instructions, specifications, designs or requirements to manufacture, sell, or ship the wafers or arising from any harm caused by our medical device products.

The FSA's initial term expires on December 31, 2022, subject to automatic renewal for successive two-year terms unless terminated by either party upon three months’ notice prior to the end of the then-current term. The FSA may also be terminated by written notice at any time upon the bankruptcy or insolvency of or upon or after a material breach by the other party. After the initial two-year term, either party may terminate the FSA immediately, with or without cause, by giving the other party 12 months prior written notice of termination. TSMC may terminate the FSA if we do not place a purchase order for a period of 12 consecutive months or upon certain change of control transactions, including a merger, consolidation or other change of control or similar transactions to which we are party involving a semiconductor provider.

In connection with the FSA, we and TSMC developed a proprietary manufacturing process and continue to collaborate on manufacturing process improvements.

Manufacture and Supply Agreement with Benchmark Electronics, Inc.

In October 2015, we entered into a Manufacture and Supply Agreement with Benchmark, which was amended effective in August 2019 and February 2021, or the MSA. Under the MSA, as amended, Benchmark agreed to manufacture our products pursuant to binding purchase orders, as well as non-binding forecasts. The parties have agreed to meet periodically regarding any minimum order quantities under the MSA.

Under the terms of the MSA, we granted Benchmark a non-exclusive, non-transferable, revocable, fully-paid, royalty-free license, without the right to sublicense, to use our technology solely to manufacture our products. The MSA provides that we will own any right, title and interest in any improvements or modifications to our technology made in the course of performance of Benchmark’s obligations under the MSA. We and Benchmark also agreed to indemnify each other against certain third-party claims.

Pursuant to the February 2021 amendment, we agreed to provide global production exclusivity to Benchmark for our current products and other hand-held probes which may be manufactured for us, for a specified exclusivity period, in exchange for delayed payment of certain invoices that we paid in March 2021. The exclusivity period is terminable and we have the right to purchase products from another supplier in the event Benchmark fails to deliver more than 10% of the products based on the revenue of orders during the calendar quarter.

The MSA has an initial three-year term and will renew automatically for additional two-year terms unless either party gives 180 days’ prior written notice before the end of the then-current term to the other party electing not to renew the agreement. The MSA or any purchase order under the MSA may be terminated by either party for convenience upon 90 days’ prior written notice to the other party. The MSA may also be terminated by either party by written notice upon the occurrence of (i) a breach by the other party under the agreement which is not cured within 30 days after written notice by the terminating party, (ii) the other party becomes insolvent, dissolves, liquidates or ceases to conduct business or (iii) the occurrence of payment-related breaches. Benchmark may also terminate the agreement upon the filing of any petition against us under bankruptcy or similar laws, where such petition is not vacated within 10 days via court order.

Distribution Agreement with Cardinal Health 105, Inc.

In July 2018, we entered into a Distribution Agreement with Cardinal Health 105, Inc., or Cardinal Health. Under the Distribution Agreement, we are responsible for delivery of our products to Cardinal Health’s facilities, and Cardinal Health acts as the distribution agent and authorized distributor of record of our products to our customers, including, but not limited to, wholesalers, specialty distributors, physicians, clinics, hospitals, pharmacies and other healthcare providers in the United States. Under the Distribution Agreement, we provide Cardinal Health with forecasts of the volume of our products to be handled and distributed by Cardinal Health. We make payments to Cardinal Health for its distribution services pursuant to a fee schedule.
The initial term of the Distribution Agreement expired in August 2020. The Distribution Agreement is subject to automatic renewal for additional successive two-year terms unless we terminate the agreement upon 90 prior written days’ notice or Cardinal Health terminates the agreement upon written notice of non-renewal to us at least 180 days prior to the end of a term. Either party may terminate the Distribution Agreement upon (i) the other party’s entry into bankruptcy proceedings, receipt of a bankruptcy order that is not discharged within 30 days, or similar events, or (ii) a material breach by the other party that is not cured within 30 days after the non-breaching party gives written notice. Additionally, if we breach our payment obligations under the Distribution Agreement and such breach is not cured within 15 days after Cardinal Health provides written notice of non-payment, Cardinal Health may terminate the agreement upon 90 days’ prior written notice.

**Intellectual Property**

Protection of our intellectual property is a strategic priority for our business. We rely on a combination of patents, trademark, copyright, trade secret and other intellectual property rights protection and contractual restrictions to protect our proprietary technologies.

The patents owned and in-licensed by us are generally directed to the architecture of our ultrasonic imaging devices, our microfabricated ultrasonic transducers and machine learning for ultrasound applications. We have developed a portfolio of issued patents and pending patent applications directed to commercial products and technologies for potential development. We believe that our intellectual property is a core strength of our business, and our strategy includes the continued development of our patent portfolio.

**Butterfly iQ, iQ+ and Related Technology**

As of December 31, 2021, we owned approximately 418 issued patents and approximately 463 pending patent applications. Of our approximately 418 issued patents, approximately 106 were issued U.S. utility patents and approximately 33 were issued U.S. design patents. Of our approximately 463 pending patent applications, approximately 153 were pending U.S. utility patent applications and approximately 11 were pending U.S. design applications. In addition, as of December 31, 2021, we owned approximately 279 issued patents in foreign jurisdictions, including Australia, Canada, Europe, Japan, China, Taiwan, Korea, and India, and approximately 299 pending patent applications in foreign jurisdictions, including Australia, Canada, Europe, Japan, China, Taiwan, Korea, and India, corresponding to the foregoing. In total, as of December 31, 2021, we owned approximately 187 patent families generally directed to our ultrasound products, including manufacturing, circuit components, and add-on features. These issued patents and pending patent applications (if they were to be issued as patents) have expected expiration dates ranging between 2030 and 2042.

In addition to patents, we also rely on trade secrets, technical know-how and continuing innovation to develop and maintain our competitive position. We seek to protect our proprietary information and other intellectual property by generally requiring our employees, consultants, contractors, suppliers, outside scientific collaborators and other advisors to execute non-disclosure and assignment of invention agreements on commencement of their employment or engagement. Agreements with our employees also forbid them from using or incorporating the proprietary rights of third parties during their engagement with us. We also generally require confidentiality or material transfer agreements from third parties that receive our confidential data or materials.

**License Agreements**

We have entered into exclusive and non-exclusive licenses in the ordinary course of business relating to our technologies or other intellectual property rights or assets.
Exclusive (Equity) Agreement with Leland Stanford Junior University

In June 2013, we entered into an Exclusive (Equity) Agreement, or the Stanford Agreement, with the Board of Trustees of the Leland Stanford Junior University, or Stanford. Pursuant to the Stanford Agreement, Stanford granted us a co-exclusive, worldwide license to make, have made, use, import, offer to sell and sell products covered by patent rights to Stanford’s wafer bonding technology. The rights licensed to us are for ultrasound applications using the wafer bonding technology excluding certain applications, and the license remains exclusive, except for certain non-exclusive applications, until the earlier of December 23, 2023 or the seventh anniversary of the first sale of any product using the licensed technology, and thereafter will be nonexclusive until the last licensed patent expires. The last licensed patent is currently expected to expire in 2030. The rights licensed to us, except for the non-exclusive applications, are sublicenseable during such exclusive term, subject to our continued development or sale of the products using the technology licensed under the agreement and, following the exclusive term, subject to Stanford’s prior approval. The Stanford Agreement outlines certain milestones to be met by us in connection with the development and sales of these products.

Under the terms of the Stanford Agreement, we paid a one-time, non-refundable upfront royalty fee. We are required to pay Stanford low single-digit royalties on all net sales of products that use the licensed technology, as well as a portion of any sublicensing revenues, during the term of the Stanford Agreement and if certain products using the licensed technology are made, used, imported, or offered for sale before the date the Stanford Agreement terminates, and those products are sold after the termination date, we will pay Stanford an earned royalty for our exercise of rights based on the net sales of those products. We are also obligated to pay Stanford annual license maintenance fees, which are fully creditable against any royalty payments made by us for such year. We are also required to provide Stanford with periodic reports documenting our progress toward the development and commercialization of products using the licensed technology. Stanford is responsible under the agreement for preparing, filing and prosecuting patent claims and for maintaining the patents pertaining to the licensed technology.

Stanford may terminate the agreement in the event that we are materially delinquent on any payment, fail to diligently develop and commercialize a product incorporating the licensed technology, materially miss a milestone under the agreement, are in material breach of any substantive provision under the agreement, or knowingly provide any false report or are materially delinquent on any report, in each case which is not remedied within cure period. In addition, if we are not diligently developing and commercializing such a product incorporating the licensed technology, materially miss a milestone or knowingly provide a false report or are delinquent on any report, and we do not cure, the agreement shall not terminate, but it remains subject to termination by Stanford and the license shall convert to a non-exclusive license. We may terminate the agreement at any time upon at least 30 days’ prior written notice. Upon termination of the agreement, all rights to the licensed technology revert to Stanford. Our obligation to pay royalties accrued or accruable survives any termination or expiration of the agreement.

Government Regulation

The diagnostic medical devices that we manufacture and distribute are subject to regulation by numerous regulatory bodies, including the FDA and comparable international regulatory agencies. These agencies require manufacturers of medical devices to comply with applicable laws and regulations governing the development, testing, manufacturing, packaging, labeling, marketing and distribution of medical devices. Devices are generally subject to varying levels of regulatory control, the most comprehensive of which requires that a clinical evaluation program be conducted before a device can be approved for marketing and commercial distribution. In addition, healthcare regulatory bodies in the United States and around the world impose a range of requirements related to paying for medical devices and the procedures in which they are used, including laws intended to prevent fraud, waste, and abuse of healthcare dollars.

U.S. Laws and Regulations

At the federal level, our diagnostic ultrasound products and certain accessories are medical devices subject to extensive and ongoing regulation by the FDA. Under the Federal Food, Drug and Cosmetic Act, referred to as the FDCA, and its implementing regulations, the FDA regulates product design and development, nonclinical and clinical testing, pre-market clearance, authorization or approval, establishment registration and product listing, product manufacturing, product packaging and labeling, product storage, advertising and promotion, product distribution, recalls and field actions, servicing and post-market clinical surveillance. Some of our products are also subject to the Radiation Control for Health and Safety Act, administered by the FDA, which imposes performance standards and record keeping, reporting, product testing and product labeling requirements for electronic products that emit radiation, such as x-rays, although diagnostic ultrasound products like ours are subject only to a limited portion of those requirements. A number of U.S. states also impose licensing and compliance regimes on companies that manufacture or distribute prescription devices into or within the state.
In addition, the commercialization and use of our devices in the United States is subject to regulation by the U.S. Department of Health and Human Services, or HHS, and state agencies responsible for reimbursement and regulation of payment for health care items and services. Federal laws and regulations apply primarily in connection with government payer programs such as the Medicare and Medicaid programs, but state laws apply more broadly, encompassing health care items and services covered by private payers. At the state and federal level, the government’s interest is in regulating the quality and cost of health care and protecting the independent clinical judgment of licensed healthcare providers. The FDA and the Federal Trade Commission, or FTC, also regulate the advertising and promotion of our products to ensure that any claims made in commerce are consistent with the products’ regulatory clearances, that there is scientific data to substantiate the claims being made, that the advertising is neither false nor misleading, and that patient or physician testimonials or endorsements we or our agents disseminate comply with disclosure and other regulatory requirements. In general, medical device manufacturers and distributors may not promote or advertise their products for uses not within the scope of a given product’s intended use(s), make unsupported safety and effectiveness claims, or use third parties to make claims about the product that the manufacturer/distributor could not lawfully make itself.

**FDA Regulation of Medical Devices**

The FDA classifies medical devices into three classes based on risk. Regulatory control increases from Class I (lowest risk) to Class III (highest risk). The FDA generally must clear or approve the commercial sale of most new medical devices that fall within product categories designated as Class II and III. Commercial sales of Class II (except for Class II devices exempt from pre-market notification requirements) and Class III medical devices within the United States must be preceded either by a pre-market notification and clearance pursuant to Section 510(k) of the FDCA (Class II) or by the granting of a pre-market approval, or PMA, (Class III), after a pre-market application is submitted. Both 510(k) notifications and PMA applications must be submitted to FDA with user fees (approximately $13,000 for a 510(k) and approximately $375,000 for a PMA in FY 2022), although reduced fees for small businesses are available. Class I devices are generally exempt from pre-market review and notification, as are some moderate-risk Class II devices. All classes of devices must comply with FDA’s Quality System Regulation, or QSR, establishment registration, medical device listing, labeling requirements, and medical device reporting, or MDR, regulations, which are collectively referred to as device general controls. Class II devices may also be subject to special controls such as performance standards, post-market surveillance, FDA guidelines or particularized labeling. Some Class I and Class II devices may be exempted by regulation from the requirement of compliance with substantially all of the QSR.

A 510(k) pre-market notification must contain information sufficient to demonstrate that the new device is substantially equivalent to a device commercially distributed prior to May 28, 1976 or to a device that has been determined by the FDA to be substantially equivalent to such a so-called “pre-amendments” device. To obtain 510(k) clearance for a non-exempt Class II device, we must submit a pre-market notification to the FDA demonstrating that our product is substantially equivalent to such a predicate device. The FDA’s 510(k) clearance process generally takes from three to 12 months from the date the application is submitted, but it may take longer if the FDA has significant questions or needs more information about the new device or its manufacturing or quality controls.

As part of the 510(k) notification process for Class II devices like our iQ system, which has an existing classification regulation available for purposes of the regulatory filing, the FDA may require the following:

- Comprehensive product description and indications for use.
- Extensive nonclinical tests and/or animal studies, performed in accordance with the FDA's Good Laboratory Practice, or GLP, regulations, as well as any performance standards or other testing requirements established by FDA through regulations or device-specific guidance.
- Comprehensive review of one or more predicate devices and development of data supporting the new product’s substantial equivalence to such predicate devices.
Assuming successful completion of all required testing, a detailed 510(k) notification is submitted to the FDA requesting clearance to market the product. This pre-market notification includes all relevant data from pertinent pre-clinical and clinical trials (if applicable), together with detailed information relating to the product’s manufacturing controls and proposed labeling, and other relevant documentation. The FDA evaluates all 510(k) submissions prior to filing for full review based on specific acceptance criteria and may issue a refuse-to-accept notification if the submission is deficient with respect to any of the established criteria. If the FDA determines that the applicant’s device is substantially equivalent to the identified predicate device(s), the agency will issue a 510(k) clearance letter that authorizes commercial marketing of the device for one or more specific indications for use. If the FDA determines that the applicant’s device is not substantially equivalent to the predicate device(s), the agency will issue a not-substantially-equivalent letter stating that the new device may not be commercially distributed.

After a new medical device receives FDA 510(k) clearance, any modification that could significantly affect the device’s safety or effectiveness, or that would constitute a major change in its intended use, requires a new 510(k) clearance or could require the submission of a PMA. The FDA requires each manufacturer to make the determination of whether a device modification requires a new 510(k) notification or PMA in the first instance, but the FDA may review any such decision. If the FDA disagrees with a manufacturer’s decision not to seek a new 510(k) clearance or PMA for a particular change, the FDA may retroactively require the manufacturer to submit a 510(k) pre-market notification or a PMA. The FDA may also require the manufacturer to cease U.S. marketing and/or recall any distributed units of the modified device until 510(k) clearance or PMA approval for the modification is obtained.

If a previously unclassified new medical device does not qualify for the 510(k) pre-market notification process because no predicate device to which it is substantially equivalent can be identified, the device is automatically classified into Class III. However, if such a device would be considered low or moderate risk (in other words, it does not rise to the level of requiring the approval of a PMA), it may be eligible for the De Novo classification process. The De Novo classification process allows a device developer to request that the novel medical device be able to obtain marketing authorization as either a Class I or Class II device, rather than having it regulated as a high-risk Class III device subject to the PMA requirements. As with the 510(k) pre-market notification process described above, any modification to a device authorized through the De Novo process that could significantly affect the safety or effectiveness of such device, or that would constitute a major change in its intended use, requires a new 510(k) clearance or could require the submission of a PMA. De Novo classification requests are also subject to user fees, unless a specific exemption applies (over $112,000 in FY 2022).

In October 2021, the FDA issued a final rule that would formally codify requirements for the medical device De Novo process and the procedures and criteria for product developers to file a De Novo classification request (86 Fed. Reg. 54,826). Over the twenty years preceding the final rule, the De Novo process has been implemented by the FDA pursuant to statutory authorities and somewhat organically through informal guidance and iterative changes by Congress. Although the final rule does not affect marketed products such as our marketed products, the FDA’s goals in promulgating the final rule are to create a predictable, consistent and transparent De Novo classification process for innovative medical device developers.

As an alternative to the De Novo classification process, a company that develops or manufactures a novel device could also file a reclassification petition seeking to change the automatic Class III designation of the novel post-amendment device under Section 513(q)(3) of the FDCA. The FDA can also initiate reclassification of an existing device type on its own initiative. In December 2018, the FDA issued a final rule to clarify the administrative process through which the FDA reclassifies a medical device. To reclassify a device under section 513(e) of the FDCA, the FDA must first publish a proposed reclassification order that includes a summary of the valid scientific evidence that supports the reclassification; convene a device classification panel meeting; and consider comments to the public docket before it then publishes a final reclassification order in the Federal Register.

Our iQ and iQ+ probes have been classified and are regulated as Class II devices, although future products we develop may be classified as Class III devices and may require a PMA. A PMA application must be supported by valid scientific evidence, which typically requires extensive data, including technical, pre-clinical, clinical, manufacturing and labeling data, to demonstrate to the FDA’s satisfaction the safety and efficacy of the device for its intended use(s). A PMA application also must include a complete description of the device and its components, a detailed description of the methods, facilities and controls used to manufacture the device, and proposed labeling. After a PMA application is submitted and found to be sufficiently complete, it is considered “filed” and the FDA begins an in-depth review of the submitted information. During this substantive review period, the FDA may request additional information or clarification of information already provided. Also during the review period, an advisory panel of experts from outside the FDA may be convened to review and evaluate the application and provide recommendations to the FDA. In addition, the FDA generally will conduct a pre-approval inspection of the manufacturing facility to evaluate compliance with the QSR, which requires manufacturers to implement and follow design, testing, control, documentation and other quality assurance procedures.
FDA review of a PMA application is required to be completed within 180 days of the application’s filing date although in some cases approval may take significantly longer. The current user fee agreement between the FDA and the medical device industry sets as a target that PMA reviews be completed in under one year. The FDA can delay, limit or deny approval of a PMA application for many reasons, including:

- the product may not be safe or effective for its intended use(s) to the FDA's satisfaction;
- the data from the applicant's nonclinical studies and clinical trials may be insufficient to support approval;
- the manufacturing process or facilities that the applicant uses may not meet applicable requirements; and
- changes in the FDA approval policies or adoption of new regulations may require additional data to demonstrate the safety or effectiveness of the device.

If an FDA evaluation of a PMA application or manufacturing facility is favorable, the FDA will generally issue an “approval letter,” which usually contains a number of conditions that must be met in order to secure final approval of the PMA. When and if those conditions have been met to the satisfaction of the FDA, the agency will issue a PMA approval letter authorizing commercial marketing of a device, subject to the conditions of approval and the limitations established in the approval letter. If the FDA's evaluation of a PMA application or manufacturing facility is not favorable, the FDA will deny approval of the PMA or issue a “not approvable letter.” The FDA may also determine that additional trials are necessary, in which case the PMA approval may be delayed for several months or years while such additional trials are conducted and data is submitted in an amendment to the PMA. The PMA process can be expensive, uncertain and lengthy. PMA approval may also be granted with post-approval requirements such as the need for additional patient follow-up for an indefinite period of time.

New PMA applications or PMA supplements may be required for any modifications to the manufacturing process, labeling, device specifications, materials or design of a device that is approved through the PMA process. PMA supplements often require submission of the same type of information as an initial PMA application, except that the supplements are limited to information needed to support any changes from the device covered by the approved PMA application and may or may not require as extensive clinical data or the convening of an advisory panel.

Clinical trials are almost always required to support a PMA application and are sometimes required for a 510(k) pre-market notification. In order to conduct a clinical investigation involving human subjects for the purpose of demonstrating the safety and effectiveness of a medical device, a company must, among other things, apply for and obtain institutional review board, or IRB, approval of the proposed investigation. In addition, if the clinical study involves a “significant risk” (as defined by the FDA) to human health, the sponsor of the investigation must also submit and obtain FDA approval of an investigational device exemption, or IDE, application. An IDE application must be supported by appropriate data, such as animal and laboratory testing results, showing that it is safe to test the device in humans and that the testing protocol is scientifically sound. The IDE application must be approved in advance by the FDA for a specified number of study participants, unless the product is deemed a non-significant risk device and eligible for abbreviated IDE requirements. Generally, clinical trials for a significant risk device may begin once the IDE application is approved by the FDA and the study protocol and informed consent are approved by a duly-appointed IRB for each clinical trial site. The FDA’s approval of an IDE allows clinical testing to go forward, but does not bind the FDA to accept the results of the trial as sufficient to prove the product’s safety and efficacy, even if the trial meets its intended success criteria. All clinical trials must be conducted in accordance with the FDA’s IDE regulations, which govern investigational device labeling, prohibit promotion, and specify an array of Good Clinical Practice, or GCP, requirements, which include, among other things, recordkeeping, reporting and monitoring responsibilities of study sponsors and study investigators. Clinical trials must further comply with the FDA’s regulations for IRB approval and for informed consent and other human subject protections. Required records and reports are subject to inspection by the FDA. The results of clinical testing may be unfavorable or, even if the intended safety and efficacy success criteria are achieved, may not be considered sufficient for the FDA to grant approval or clearance of a product.
The commencement or completion of any of our clinical trials may be delayed or halted, or may be inadequate to support approval of a PMA application (or clearance of a 510(k) notification or grant of a De Novo classification request, as applicable), for numerous reasons, including, but not limited to, the following:

- the FDA, the IRB(s), or other regulatory authorities may not approve a clinical trial protocol or a clinical trial, or may place a clinical trial on hold;
- participants may not enroll in clinical trials at the rate we anticipate;
- participants may not comply with trial protocols;
- participant follow-up may not occur at the rate we anticipate;
- patients may experience adverse side effects;
- participants may die during a clinical trial, even though their death may not be related to the use of our products;
- IRBs and third-party clinical investigators may delay or reject our trial protocol;
- third-party clinical investigators may decline to participate in a trial or may not perform a trial on our anticipated schedule or consistent with the clinical trial protocol, GCPs or other FDA requirements;
- we or third-party organizations may not perform data collection, monitoring and analysis in a timely or accurate manner or consistent with the clinical trial protocol or investigational or statistical plans;
- third-party clinical investigators may have significant financial interests related to us or the study that the FDA deems sufficient to make the study results unreliable, or we or investigators fail to disclose such interests;
- any unfavorable regulatory inspections of our clinical trial sites or manufacturing facilities, which may, among other things, require us to undertake corrective action or suspend or terminate our clinical trials;
- the interim or final results of the clinical trial may be inconclusive or unfavorable as to safety or effectiveness; and
- the FDA may conclude that the results from our trial and/or trial design are inadequate to demonstrate safety and effectiveness of the product.

In 2017, we received 510(k) clearance from the FDA for our iQ probe, and the FDA determined, following a 2020 pre-submission meeting with us, that the Butterfly iQ+ was eligible to be marketed under the original 510(k).

In addition, our proprietary software and data transfer service allows researchers to control the transfer of data from certain devices to research tools and databases according to their own research workflows. The infrastructure of the data management service is considered a “medical device data system”, or MDDS, and does not require 510(k) clearance. An MDDS is a hardware or software product that transfers, stores, converts, formats, and displays medical device data. An MDDS does not modify the data or modify the display of the data, and it does not by itself control the functions or parameters of any other medical device. An MDDS is not intended to be used for active patient monitoring. Software that meets the definition of an MDDS (such as that comprising our service offering) is excluded from the definition of “device” under the FDCA, and from the regulations applicable to devices, while hardware that meets the definition of an MDDS is generally classified as a low-risk, Class I device product that is exempt from pre-market review and notification.

After a device is authorized for marketing and placed in commercial distribution (or, for 510(k)-exempt products, placed into commerce without first obtaining FDA clearance or approval), numerous regulatory requirements continue to apply to the device. All device classes must meet general regulatory controls, including:

- establishment registration and device listing;
- the QSR, which requires manufacturers to follow design, testing, control, storage, supplier/contractor selection, complaint handling, documentation and other quality assurance procedures;
- labeling regulations, which govern the mandatory elements of the device labels and packaging (including Unique Device Identifier markings for certain categories of products);
• the MDR regulations, which require that manufacturers report to the FDA if a device may have caused or contributed to a death or serious injury or malfunctioned in a way that would likely cause or contribute to a death or serious injury if it were to recur;
• voluntary and mandatory device recalls to address problems when a device is defective and/or could be a risk to health; and
• correction and removal reporting regulations, which require that manufacturers report to the FDA field corrections and product recalls or removals if undertaken to reduce a risk to health posed by the device or to remedy a violation of the FDCA that may present a risk to health.

The FDA’s MDR requirements also extend to healthcare facilities that use medical devices in providing care to patients, or “device user facilities,” which include hospitals, ambulatory surgical facilities, nursing homes, outpatient diagnostic facilities, or outpatient treatment facilities, but not physician offices. A device user facility must report any device-related death to both the FDA and the device manufacturer, or any device-related serious injury to the manufacturer (or, if the manufacturer is unknown, to the FDA) within 10 days of the event. Device user facilities are not required to report device malfunctions that would likely cause or contribute to death or serious injury if the malfunction were to recur but may voluntarily report such malfunctions through MedWatch, the FDA’s Safety Information and Adverse Event Reporting Program.

In addition, the FDA may require us to conduct post-market surveillance studies or order us to establish and maintain a system for tracking our products through the chain of distribution to the patient level. Failure to comply with applicable regulatory requirements, including those applicable to the conduct of our clinical trials, can result in enforcement action by the FDA, which may lead to any of the following sanctions:

• Warning Letters or Untitled Letters that require corrective action;
• fines and civil penalties;
• unanticipated expenditures;
• delays in approving/clearing or refusal to approve/clear our future products;
• FDA refusal to issue certificates to foreign governments needed to export our products for sale in other countries;
• suspension or withdrawal of FDA approval or clearance;
• product recall or seizure;
• interruption of production;
• operating restrictions;
• injunctions; and
• criminal prosecution.

We and our contract manufacturers, specification developers, and some suppliers of components or device accessories are also required to manufacture medical device products in compliance with current Good Manufacturing Practice requirements set forth in the QSR, unless explicitly exempted by regulation. The QSR requires a quality system for the design, manufacture, packaging, labeling, storage, installation and servicing of marketed devices, and includes extensive requirements with respect to quality management and organization, device design, buildings, equipment, purchase and handling of components or services, production and process controls, packaging and labeling controls, device evaluation, distribution, installation, complaint handling, servicing, and record keeping. The FDA evaluates compliance with the QSR through periodic pre-scheduled or unannounced inspections that may include the manufacturing facilities of our subcontractors. Following such inspections, the FDA may issue reports known as Forms FDA 483 or Notices of Inspectional Observations, which list instances where the FDA inspector believes the manufacturer has failed to comply with applicable regulations and/or procedures. If the observations are sufficiently serious or the manufacturer fails to respond appropriately, the FDA may issue Warning Letters, which are notices of intended enforcement actions against the manufacturer. For less serious violations that may not rise to the level of regulatory significance, the FDA may issue Untitled Letters. The FDA may take more significant administrative or legal action if a manufacturer continues to be in substantial noncompliance with applicable regulations.

For example, if the FDA believes we or any of our contract manufacturers or regulated suppliers are not in compliance with these requirements and patients are being subjected to serious risks, it can shut down our manufacturing operations, require recalls of our products, refuse to approve new marketing applications, initiate legal proceedings to detain or seize products, enjoin future violations, or assess civil and criminal penalties against us or our officers or other employees. Any such action by the FDA would have a material adverse effect on our business. We may be unable to comply with all applicable FDA regulations.
Successfully commercializing a medical device or technology depends not only on FDA approval, but also on broad health insurance or third-party payor coverage. Government and private payors institute coverage criteria to ensure the appropriate utilization of products and services and to control costs. Limited third party payor coverage for a technology or procedure may limit adoption and commercial viability, while broader coverage supports optimal market uptake. Favorable coverage decisions by government payors like Medicare or Medicaid are critical because private payors typically follow the government’s lead regarding reimbursement. However, manufacturers whose technology is reimbursed by government payors are subject to various U.S. federal and state laws pertaining to healthcare fraud and abuse. These laws can be implicated by inappropriate sales and marketing arrangements with healthcare providers. Many commonly accepted commercial practices are illegal in the healthcare industry and violations of these laws are punishable by criminal and civil sanctions, including, in some instances, exclusion from participation in U.S. federal and state healthcare programs, including Medicare and Medicaid.

**Anti-kickback Laws.** The federal Anti-Kickback Statute prohibits persons from knowingly and willfully soliciting, receiving, offering or providing remuneration directly or indirectly to induce either the referral of an individual, or the furnishing, recommending, or arranging of a good or service, for which payment may be made under a federal healthcare program such as Medicare and Medicaid. The definition of “remuneration” has been broadly interpreted to include anything of value, including such items as gifts, discounts, the furnishing of supplies or equipment, credit arrangements, waiver of payments, and providing anything at less than its fair market value. The Department of Health and Human Services — Office of the Inspector General, has issued regulations, commonly known as safe harbors, which set forth certain provisions that, if satisfied in their entirety, will assure healthcare providers and other parties that they will not be prosecuted under the federal Anti-Kickback Statute. The failure of a transaction or arrangement to fit precisely within one or more safe harbors does not necessarily mean that it is illegal or that prosecution will be pursued. However, conduct and business arrangements that do not fully satisfy each applicable safe harbor element may result in increased scrutiny by government enforcement authorities or invite litigation by private citizens under federal whistleblower laws. The Anti-Kickback Statute is broadly interpreted and aggressively enforced, with the result that beneficial commercial arrangements can be criminalized in the healthcare industry because of the Anti-Kickback Statute.

The penalties for violating the federal Anti-Kickback Statute include imprisonment for up to ten years, fines of up to $100,000 per violation and possible exclusion from federal healthcare programs such as Medicare and Medicaid. Many states have adopted prohibitions similar to the federal Anti-Kickback Statute, some of which apply to the referral of patients for healthcare services reimbursed by any source, not only by the government programs such as Medicare and Medicaid.

**Federal False Claims Act.** The federal False Claims Act prohibits knowingly presenting, or causing to be presented, a false claim, or the knowing use of false statements or records to obtain payment from the federal government. When an entity is determined to have violated the False Claims Act, it must pay three times the actual damages sustained by the government, plus mandatory civil penalties of between $5,000 and $10,000, with penalties adjusted for inflation annually, for each separate false claim. Suits filed under the False Claims Act, known as “qui tam” actions, can be brought by any individual on behalf of the government and such individuals (known as “relators” or, more commonly, “whistleblowers”) may share in any amounts paid by the entity to the government in fines or settlement. In addition, certain states have enacted laws modeled after the federal False Claims Act. Qui tam actions have increased significantly in recent years, causing greater numbers of healthcare companies to have to defend a false claim action, even before the validity of the claim is established and even if the government decides not to intervene in the lawsuit. Healthcare companies may decide to agree to large settlements with the government and/or whistleblowers to avoid the cost and negative publicity associated with litigation. In addition, the Affordable Care Act amended federal law to provide that a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal civil False Claims Act. Criminal prosecution is possible for knowingly making or presenting a false or fictitious or fraudulent claim to the federal government.
Federal Physician Self-Referral Law. The Federal Physician Self-Referral Law, also referred to as the Stark Law, prohibits a physician (or an immediate family member of a physician) who has a financial relationship with an entity from referring patients to that entity for certain designated health services, including durable medical equipment and supplies, payable by Medicare, unless an exception applies. The Stark Law also prohibits such an entity from presenting or causing to be presented a claim to the Medicare program for such designated health services provided pursuant to a prohibited referral, and provides that certain collections related to any such claims must be refunded in a timely manner. Exceptions to the Stark Law include, among other things, exceptions for certain financial relationships, including both ownership and compensation arrangements. The Stark Law is a strict liability statute: to the extent that the statute is implicated and an exception does not apply, the statute is violated. In addition to the Stark Law, many states have implemented similar physician self-referral prohibitions that may extend to Medicaid, third party payors, and self-pay patients. Violations of the Stark Law must be reported and unauthorized claims must be refunded to Medicare in order to avoid potential liability under the federal False Claims Act for avoiding a known obligation to return identified overpayments. Violations of the Stark Law, the Anti-Kickback Statute, the Civil Monetary Penalties Law and/or the federal False Claims Act can also form the basis for exclusion from participation in federal and state healthcare programs.

Civil Monetary Penalties Law. The Civil Monetary Penalties Law, or CMPL, authorizes the imposition of substantial civil money penalties against an entity that engages in certain prohibited activities including but not limited to violations of the Stark Law or Anti-Kickback Statute, knowingly submission of a false or fraudulent claim, employment of an excluded individual, and the provision or offer of anything of value to a Medicare or Medicaid beneficiary that the transferring party knows or should know is likely to influence beneficiary selection of a particular provider for which payment may be made in whole or part by a federal health care program, commonly known as the Beneficiary Inducement CMP. Remuneration is defined under the CMPL as any transfer of items or services for free or for less than fair market value. There are certain exceptions to the definition of remuneration for offerings that meet the Financial Need, Preventative Care, or Promoting Access to Care exceptions (as defined in the CMPL). Sanctions for violations of the CMPL include civil monetary penalties and administrative penalties up to and including exclusion from participation in federal health care programs.

State Analogs of Federal Fraud and Abuse Laws. Many U.S. states have their own laws intended to protect against fraud and abuse in the healthcare industry and more broadly. In some cases these laws prohibit or regulate additional conduct beyond what federal law affects. Penalties for violating these laws can range from fines to criminal sanctions.

HIPAA and Other Privacy Laws and Regulations. The Health Insurance Portability and Accountability Act of 1996, as amended by the American Recovery and Reinvestment Act of 2009, and implementing regulations, or HIPAA, created two new federal crimes: healthcare fraud and false statements relating to healthcare matters. The healthcare fraud statute prohibits knowingly and willfully executing a scheme to defraud any healthcare benefit program, including private payors. A violation of this statute is a felony and may result in fines, imprisonment or exclusion from government sponsored programs. The false statements statute prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services.

HIPAA, as well as a number of other federal and state privacy-related laws, extensively regulate the use and disclosure of individually identifiable health information, known as “protected health information”, or PHI, under HIPAA. HIPAA applies to health plans, healthcare providers who engage in certain standard healthcare transactions electronically, such as electronic billing, and healthcare clearinghouses, all of which are referred to as “covered entities” under HIPAA. HIPAA requires covered entities to comply with privacy regulations limiting the use and disclosure of PHI, or the Privacy Rule, and security regulations that require the implementation of administrative, physical and technical safeguards to protect the security of such information, or the Security Rule. HIPAA also requires covered entities to provide notification to affected individuals and to the federal government in the event of a breach of unsecured PHI, or the Breach Notification Rule. Certain provisions of the Privacy Rule and all provisions of the Security Rule apply to “business associates,” or organizations that provide services to covered entities involving the use or disclosure of PHI. Business associates, like us, are subject to direct liability for violation of these provisions. In addition, a covered entity may be subject to criminal and civil penalties as a result of a business associate violating HIPAA, if the business associate is found to be an agent of the covered entity. The HIPAA privacy and security rule impose and will continue to impose significant costs on us in order to comply with these standards.
In addition, certain states have proposed or enacted legislation that will create new data privacy and security obligations for certain entities, such as the California Consumer Privacy Act that went into effect January 1, 2020.

**FCPA and Other Anti-Bribery and Anti-Corruption Laws.** The U.S. Foreign Corrupt Practices Act, or FCPA, prohibits U.S. corporations and their representatives from offering, promising, authorizing or making payments to any foreign government official, government staff member, political party or political candidate in an attempt to obtain or retain business abroad. The scope of the FCPA includes interactions with certain healthcare professionals or organizations in many countries. Our present and future business has been and will continue to be subject to various other U.S. and foreign laws, rules and/or regulations.

**Physician Payment Sunshine Act.** Pursuant to the Patient Protection and Affordable Care Act that was signed into law in March 2010, the federal government enacted the Physician Payment Sunshine Act. As a manufacturer of U.S. FDA-regulated devices reimbursable by federal healthcare programs, we are subject to this law, which requires us to track and annually report certain payments and other transfers of value that we make to U.S.-licensed physicians (defined broadly to include doctors, dentists, optometrists, podiatrists, chiropractors and certain advanced non-physician health care practitioners) or U.S. teaching hospitals. We are also required to report certain ownership interests held by physicians and their immediate family members. The HHS Centers for Medicare and Medicaid Services has the potential to impose penalties of up to $1.15 million per year, with penalties adjusted for inflation annually, for violations of the Physician Payment Sunshine Act, depending on the circumstances, and payments reported also have the potential to draw scrutiny on payments to and relationships with physicians, which may have implications under the Anti-Kickback Statute, Stark Law and other healthcare laws.

In addition, there has been a recent trend of increased federal and state regulation of payments and other transfers of value provided to healthcare professionals and entities. Similar to the federal law, certain states also have adopted marketing and/or transparency laws relevant to device manufacturers, some of which are broader in scope. Certain states also mandate that device manufacturers implement compliance programs. Other states impose restrictions on device manufacturer marketing practices and require tracking and reporting of gifts, compensation, and other remuneration to healthcare professionals and entities. The need to build and maintain a robust compliance program with different compliance and/or reporting requirements increases the possibility that a healthcare company may violate one or more of the requirements, resulting in fines and penalties.

**International Laws and Regulations**

International marketing and distribution of medical devices are subject to regulation by foreign governments, and such regulations may vary substantially from country to country. The time required to obtain marketing authorization in a foreign country may be longer or shorter than that required for FDA clearance or approval, and the requirements may differ. There is a trend towards harmonization of quality system standards among the European Union, or EU, United States, Canada and various other industrialized countries.

The primary regulatory environment in Europe is that of the European Economic Area, or EEA, which is comprised of the 27 Member States of the EU, Iceland, Liechtenstein and Norway. In the EEA, medical devices currently are required to comply with the Essential Requirements defined in Annex I to the EU Medical Devices Directive, or MDD, (applicable in the non-EU EEA Member States via the Agreement on the EEA), a coordinated system for the authorization of medical devices. The directives and standards outlined in the MDD regulate the design, manufacture, clinical trials, labeling and adverse event reporting for medical devices. Devices that comply with the requirements of a relevant directive are entitled to bear the CE conformity marking, indicating that the device conforms to the essential requirements of the applicable directives and, accordingly, can be commercially distributed throughout the EEA. The method of assessing conformity varies depending on the class of the product, but normally involves a combination of self-assessment by the manufacturer and a third-party assessment by a “notified body.” A notified body is an organization designated by an EU country to assess the conformity of certain products before being placed on the market. These bodies carry out tasks related to conformity assessment procedures set out in the applicable legislation, when a third party is required. This third-party assessment may consist of an audit of the manufacturer’s quality system and specific testing of the manufacturer’s product. An assessment by a notified body of one country within the EU is required in order for a manufacturer to commercially distribute the product throughout the EU.
In 2017, EU regulatory bodies finalized a new Medical Device Regulation, which replaced the existing MDD framework and provided three years for transition and compliance, for a final effective date of May 26, 2020. As a result of the COVID-19 pandemic, however, the European Parliament voted in April 2020 to postpone implementation of the Medical Device Regulation by one year, giving the medical device industry and notified bodies until May 26, 2021 to come into compliance. The Medical Device Regulation changes several aspects of the existing regulatory framework for medical device marketing in Europe and is expected to result in increased regulatory oversight of all medical devices marketed in the EU, which may, in turn, increase the costs, time and requirements that need to be met in order to place an innovative or high-risk medical device on the European market. European medical device manufacturers and distributors are currently benefitting from a grace period for legacy MDD certificates that lasts until May 26, 2024. For a product to qualify for the grace period, there must be no significant changes to such a legacy medical device as described in its existing MDD certificate; the recertification process under the Medical Device Regulation requires a demonstration that the performance and the safety of the currently marketed medical device has been maintained and that the system meets the new regulatory requirements.

Outside of the EU, regulatory authorization needs to be sought on a country-by-country basis in order for us to market our products. Some countries have adopted medical device regulatory regimes, such as the Classification Rules for Medical Devices published by the Hong Kong Department of Health, the Health Sciences Authority of Singapore regulation of medical devices under the Health Products Act, and Health Canada’s risk classification system for invasive devices, among others. Each country may have its own processes and requirements for medical device licensing, approval/clearance, and regulation, therefore requiring us to seek marketing authorizations on a country-by-country basis.

Moreover, as discussed further below, the United Kingdom left the EU on January 31, 2020, with a transitional period that expired on December 31, 2020. The United Kingdom and the EU entered into a trade agreement known as the Trade and Cooperation Agreement (TCA), which came into effect on January 1, 2021. The TCA does not specifically refer to medical devices. However, as a result of Brexit, the Medical Device Regulation will not be implemented in the UK, and previous legislation that mirrored the Medical Device Regulation in the UK law has been revoked. The regulatory regime for medical devices in the UK will continue to be based on the requirements derived from EU legislation as of January 21, 2020, and the UK may choose to retain regulatory flexibility or align with the Medical Device Regulation going forward. CE markings will continue to be recognized in the UK, and certificates issued by EU recognized Notified Bodies will be valid in the UK, until June 30, 2023. For medical devices placed on the UK market after this period, the UK Conformity Assessment, or UKCA, marking will be mandatory. In contrast, UKCA marking and certificates issued by UK Notified Bodies will not be recognized on the EU market. The TCA does provide for cooperation and exchange of information in the area of product safety and compliance, including market surveillance, enforcement activities and measures, standardization related activities, exchanges of officials, and coordinated product recalls (or other similar actions). Depending on which countries products will ultimately be sold in, manufacturers may start seeking alternative sources for components if this would allow them to benefit from no tariffs. The rules for placing medical devices on the Northern Ireland market will differ from those in the UK.

Outside the United States, a range of anti-bribery and anti-corruption laws, as well as some industry-specific laws and codes of conduct, apply to the medical device industry and interactions with government officials and entities and healthcare professionals. Such laws include, but are not limited to the UK Bribery Act of 2010. Further, the EU member countries have emphasized a greater focus on healthcare fraud and abuse and have indicated greater attention to the industry by the European Anti-Fraud Office. Countries in Asia have also become more active in their enforcement of anti-bribery laws and with respect to procurement and supply chain fraud.

In the EU, increasingly stringent data protection and privacy rules that have and will continue to have substantial impact on the use of patient data across the healthcare industry became stronger in May 2018. We are subject to, and work to maintain compliance with, the EU General Data Protection Regulation, or GDPR. The GDPR applies across the EU and includes, among other things, a requirement for prompt notice of data breaches to data subjects and supervisory authorities in certain circumstances and significant fines for non-compliance. The GDPR fine framework can be up to 20 million euros, or up to 4% of the company’s total global turnover of the preceding fiscal year, whichever is higher. The GDPR sets out a number of requirements that must be complied with when handling the personal data of such EU-based data subjects, including: providing expanded disclosures about how their personal data will be used; higher standards for organizations to demonstrate that they have obtained valid consent or have another legal basis in place to justify their data processing activities; the obligation to appoint data protection officers in certain circumstances; new rights for individuals to be “forgotten” and rights to data portability, as well as enhanced current rights (e.g., access requests); the principle of accountability and demonstrating compliance through policies, procedures, training and audit; and the new mandatory data breach regime. In particular, medical or health data, genetic data and biometric data where the latter is used to uniquely identify an individual are all classified as “special category” data under the GDPR and are afforded greater protection and require additional compliance obligations. Noncompliance could result in the imposition of fines, penalties, or orders to stop noncompliant activities. Due to the strong consumer protection aspects of the GDPR, companies subject to its purview must allocate substantial legal costs to the development of necessary policies and procedures and overall compliance efforts. We expect to incur continued costs associated with maintaining compliance with GDPR into the future.
We will also be subject to evolving EU laws on data export, where we transfer data outside the EU to ourselves, group companies or third parties. The GDPR only permits exports of data outside the EU to jurisdictions that ensure an adequate level of data protection. The United States has not been deemed to offer an adequate level of protection, so in order for us to transfer personal data from the EU to the United States, we must identify a legal basis for data transfer (e.g., the EU Commission approved Standard Contractual Clauses). On July 16, 2020, the Court of Justice of the EU, or CJEU, issued a landmark opinion in the case Maximilian Schrems vs. Facebook (Case C-311/18), or Schrems II. This decision (a) calls into question commonly relied upon data transfer mechanisms as between the EU member states and the United States (such as the Standard Contractual Clauses) and (b) invalidates the EU-U.S. Privacy Shield on which many companies had relied as an acceptable mechanism for transferring such data from the EU to the United States. The CJEU is the highest court in Europe and the Schrems II decision heightens the burden on data importers to assess U.S. national security laws on their business and future actions of EU data protection authorities are difficult to predict. Consequently, it is an ongoing challenge for data importers like us to identify compliant methods of data transfers necessary for their businesses. There is some risk of data transfers from the EU being halted.

Further, as a result of the United Kingdom’s decision to leave the EU, there has been some uncertainty with regard to data protection regulation in the United Kingdom. While the Data Protection Act of 2018 that “implements” and complements the GDPR achieved Royal Assent on May 23, 2018 and is now effective in the United Kingdom, it was not clear whether a transfer of data from the EEA to the United Kingdom would remain lawful under GDPR as of the end of a Brexit transition period on December 31, 2020, when the United Kingdom was treated as a third country for purposes of the GDPR (and other EU laws). On December 24, 2020, the United Kingdom and the EU reached an agreement in principle on the EU-UK Trade Agreement, or the Trade Agreement. Under the Trade Agreement, for data protection purposes, there is a new transition period of up to six months to enable the European Commission to complete an adequacy assessment of the United Kingdom’s data protection laws. For the time being, personal data can continue to be exported from the EEA to the United Kingdom without a requirement that additional safeguards be adopted, and such transfers will not be prohibited by the GDPR. The new transition period began on January 1, 2021, and ends either (1) on the date which an adequacy decision in relation to the United Kingdom is adopted by the European Commission under the GDPR, or (2) four months after January 1, 2021, which the GDPR shall be extended by two months unless either the EU or the United Kingdom objects. If the European Commission does not reach an adequacy determination regarding United Kingdom data protection laws, transfers of personal data from the EU to the United Kingdom will be prohibited under the GDPR unless EU data exporters take further steps to ensure adequacy for such EU personal data.

Information Available on the Internet

Our internet address is https://www.butterflynetwork.com, to which we regularly post copies of our press releases as well as additional information about us. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports, will be available to you free of charge through the Investors section of our website as soon as reasonably practicable after such materials have been electronically filed with, or furnished to, the Securities and Exchange Commission. The Securities and Exchange Commission maintains an internet site (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Securities and Exchange Commission or the SEC. We include our web site address in this Annual Report on Form 10-K only as an inactive textual reference. Information contained in our website does not constitute a part of this report or our other filings with the SEC.
Except for the historical information contained herein, this report contains forward-looking statements that involve risks and uncertainties. These statements include projections about our finances, plans and objectives for the future, future operating and economic performance and other statements regarding future performance. These statements are not guarantees of future performance or events. Our actual results could differ materially from those discussed in this report. Factors that could cause or contribute to these differences include, but are not limited to, those discussed in the following section, as well as those discussed in Part II, Item 7 entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere throughout this report.

You should consider carefully the following risk factors, together with all of the other information included in this report. If any of the following risks, either alone or taken together, or other risks not presently known to us or that we currently believe to not be significant, develop into actual events, then our business, financial condition, results of operations or prospects could be materially adversely affected. If that happens, the market price of our common stock could decline, and stockholders may lose all or part of their investment.

Unless the context otherwise requires, references in this section to “we,” “us,” “our” and the “Company” refer to Butterfly Network, Inc. and its subsidiaries.

Risks Related to Our Financial Condition and Capital Requirements

We have a limited operating history on which to assess the prospects for our business, we have generated limited revenue from sales of our products, and we have incurred losses since inception. We anticipate that we will continue to incur significant losses for at least the next several years as we continue to commercialize our existing products and services and seek to develop and commercialize new products and services.

Since inception, we have devoted substantially all of our financial resources to develop our products and related services. We have financed our operations primarily through the issuance of equity and convertible debt securities. We have generated limited revenue from the sale of our products and services to date and have incurred significant losses. The amount of our future net losses will depend, in part, on sales and on-going development of our products and related services, the rate of our future expenditures and our ability to obtain funding through the issuance of our securities, strategic collaborations or grants. We expect to continue to incur significant losses for at least the next several years as we continue to commercialize our existing products and services and seek to develop and commercialize new products and services. We anticipate that our expenses will increase substantially if and as we:

- continue to build our sales, marketing and distribution infrastructure to commercialize our products and services;
- continue to develop our products and services;
- seek to identify, assess, acquire, license and/or develop other products and services and subsequent generations of our current products and services;
- seek to maintain, protect and expand our intellectual property portfolio;
- seek to attract and retain skilled personnel; and
- support our operations as a public company.

Our ability to generate future revenue from product and service sales depends heavily on our success in many areas, including, but not limited to:

- launching and commercializing current and future products and services, either directly or in conjunction with one or more collaborators or distributors;
- obtaining and maintaining marketing authorization with respect to each of our products and maintaining regulatory compliance throughout relevant jurisdictions;
- maintaining clinical and economical value for end-users and customers in changing environments;
- addressing any competing technological and market developments;
- negotiating favorable terms in any collaboration, licensing or other arrangements into which we may enter;
- establishing and maintaining distribution relationships with third-parties that can provide adequate (in amount and quality) infrastructure to support market demand for our products; and
- maintaining, protecting and expanding our portfolio of intellectual property rights, including patents, trade secrets and know-how.

*We have incurred significant losses since inception. As such, you cannot rely upon our historical operating performance to make an investment decision about us.*

Since our inception, we have engaged in research and development activities and launched our first product, Butterfly iQ, in the fourth quarter of 2018, and our second product, Butterfly iQ+, in 2020. Since commercialization of the Butterfly iQ, we also engaged in the continued development and sales of our enterprise software. We have financed our operations primarily through the issuance of equity securities and convertible debt. We have incurred net losses of $32.4 million, $162.7 million and $99.7 million in the years ended December 31, 2021, 2020 and 2019, respectively. Our accumulated deficit as of December 31, 2021 was $427.2 million. We do not know whether or when we will become profitable. Our ability to generate revenue and achieve profitability depends upon our ability to accelerate the commercialization of our products and service offerings in line with the demand from current and future customers and our aggressive business strategy. We may be unable to achieve any or all of these goals.

*We may need to raise additional funding to expand the commercialization of our products and services and to expand our research and development efforts. This additional financing may not be available on acceptable terms, or at all. Failure to obtain this necessary capital when needed may force us to delay, limit or terminate our product commercialization or development efforts or other operations.*

Our operations have consumed substantial amounts of cash since inception. We expect to expend substantial additional amounts to commercialize our products and services and to develop new products and services. We expect to use the funds received in connection with the Business Combination to scale our operations, develop new products and services, expand internationally, and for working capital and general corporate purposes. We may require additional capital to expand the commercialization of our existing products and services and to develop new products and services. In addition, our operating plans may change as a result of many factors that may currently be unknown to us, and we may need to seek additional funds sooner than planned.

We cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all. Moreover, the terms of any future financing may adversely affect the holdings or the rights of our stockholders and the issuance of additional securities, whether equity or debt, by the Company, or the possibility of such issuance, may cause the market price of our common stock to decline. The incurrence of indebtedness could result in increased fixed payment obligations, and we may be required to agree to certain restrictive covenants, such as limitations on our ability to incur additional debt, limitations on our ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. We could also be required to seek funds through arrangements with collaborative partners or otherwise at an earlier stage than otherwise would be desirable, and we may be required to relinquish rights to some of our technologies or products or otherwise agree to terms that are unfavorable to us, any of which may have a material adverse effect on our business, operating results and prospects. In addition, raising additional capital through the issuance of equity or convertible debt securities would cause dilution to holders of our equity securities, and may affect the rights of then-existing holders of our equity securities. Even if we believe that we have sufficient funds for our current or future operating plans, we may seek additional capital if market conditions are favorable or if we have specific strategic considerations.
Risks Related to Our Business and Operations

Our success depends upon market acceptance of our products and services, our ability to develop and commercialize existing and new products and services and generate revenues, and our ability to identify new markets for our technology.

We have developed, and we are engaged in the development of, ultrasound imaging solutions using our ultrasound-on-a-semiconductor-chip technology. We are commercializing Butterfly iQ+ point-of-care ultrasound imaging devices. Our success will depend on the acceptance of our products and services in the U.S. and international healthcare markets. We are faced with the risk that the marketplace will not be receptive to our products and services over competing products, including traditional cart-based ultrasound devices used in hospitals, imaging centers and physicians’ offices, and that we will be unable to compete effectively. Factors that could affect our ability to successfully commercialize our current products and services and to commercialize any potential future products and services include:

- challenges of developing (or acquiring externally-developed) technology solutions that are adequate and competitive in meeting the requirements of next-generation design challenges; and
- dependence upon physicians’ and other healthcare practitioners’ acceptance of our products.

We cannot assure investors that our current products and services or any future products and services will gain broad market acceptance. If the market for our current products and services or any future products and services fails to develop or develops more slowly than expected, or if any of the services and standards supported by us do not achieve or sustain market acceptance, our business and operating results would be materially and adversely affected.

Medical device development is costly and involves continual technological change, which may render our current or future products obsolete.

The market for point-of-care medical devices is characterized by rapid technological change, medical advances and evolving industry standards. Any one of these factors could reduce the demand for our devices or services or require substantial resources and expenditures for research, design and development to avoid technological or market obsolescence.

Our success will depend on our ability to enhance our current technology, services and systems and develop or acquire and market new technologies to keep pace with technological developments and evolving industry standards, while responding to changes in customer needs. A failure to adequately develop or acquire device enhancements or new devices that will address changing technologies and customer requirements adequately, or to introduce such devices on a timely basis, may have a material adverse effect on our business, financial condition and results of operations.

We might have insufficient financial resources to improve existing devices, advance technologies and develop new devices at competitive prices. Technological advances by one or more competitors or future entrants into the field may result in our current devices becoming non-competitive or obsolete, which may decrease revenues and profits and adversely affect our business and results of operations.

We may encounter significant competition across our existing and future planned products and services and in each market in which we sell or plan to sell our products and services from various companies, many of which have greater financial and marketing resources than we do. Our primary competitors include General Electric, Phillips Healthcare, Canon Medical Systems (f/k/a Toshiba), Hitachi and Siemens Healthineers, which, per IHI Markit data, are the top five manufacturers of legacy cart-based incumbent ultrasound devices.

In addition, our competitors, which are well-established manufacturers with significant resources, may engage in aggressive marketing tactics. Competitors may also possess the ability to commercialize additional lines of products, bundle products or offer higher discounts and incentives to customers in order to gain a competitive advantage. If the prices of competing products are lowered as a result, we may not be able to compete effectively.
We will be dependent upon the success of our sales and customer acquisition and retention strategies.

Our business is dependent upon the success of our sales and customer acquisition and retention strategies, and our marketing efforts are focused on developing a strong reputation with healthcare providers and increasing awareness of our products and services. If we fail to maintain a high quality of service or a high quality of device technology, we may fail to retain existing users or add new users. If we do not successfully continue our sales efforts and promotional activities, particularly to health systems and large institutions, or if existing users decrease their level of engagement, our revenue, financial results and business may be significantly harmed. Our future success depends upon continued expansion of our commercial operations in the United States and internationally, as well as entering additional markets to commercialize our products and services. We believe that our growth will depend on the further development and commercialization of our current products and services, and marketing authorization of our future products and services. If we fail to expand the use of our products and services in a timely manner, we may not be able to expand our market share or to grow our revenue. Our financial performance will be substantially dictated by our success in adding, retaining and engaging active users of our products. If customers do not perceive our products or services to be useful, reliable and trustworthy, we may not be able to attract or retain customers or otherwise maintain or increase the frequency and duration of their engagement. As our business model is predicated on both hardware and software sales, there is risk that any decline in software renewal rates will adversely impact our business. To date, utilization of our software has varied across different medical specialties, but usage does not directly correlate to renewal of subscriptions, as different medical specialties interact with the device in different ways depending on their clinical focus and routine. A decrease in customer retention, growth or engagement with our products and services may have a material and adverse impact on our revenue, business, financial condition and results of operations.

Any number of factors could negatively affect customer retention, growth and engagement, including:

- customers increasingly engaging with competing products;
- failure to introduce new and improved products and services;
- inability to continue to develop products for mobile devices that customers find engaging, that work with a variety of mobile operating systems and networks and that achieve a high level of market acceptance;
- changes in customer sentiment about the quality or usefulness of our products and services or concerns related to privacy and data sharing, safety, security or other factors;
- inability to manage and prioritize information to ensure customers are presented with content that is engaging, useful and relevant to them;
- adverse changes in our products that are mandated by legislation or regulatory agencies, both in the United States and internationally; or
- technical or other problems preventing us from delivering products or services in a rapid and reliable manner or otherwise affecting the user experience.

If we do not successfully manage the development and launch of new products, we will not meet our long term forecasts, and operating and financial results and condition could be adversely affected.

Our technology on a microchip has the potential to allow us to monitor patients in various care settings due to its portability and cost. We expect our development path will be directed at accessing and optimizing our technology for use in various care settings, potentially including home scanning and or wearable patient technology, subject to appropriate regulatory authorization. We face risks associated with launching such new products. If we encounter development or manufacturing challenges or discover errors during our product development cycle, the product launch dates of new products may be delayed, which will cause delays in our ability to achieve our forecasted results. The expenses or losses associated with unsuccessful product development or launch activities or lack of market acceptance of our new products could adversely affect our business or financial condition.

We expect to generate an increasing portion of our revenue internationally in the future and may become subject to various additional risks relating to our international activities, which could adversely affect our business, operating results and financial condition.

During the years ended December 31, 2021, 2020 and 2019, approximately 31%, 28% and 13%, respectively, of our product and service revenue was generated from customers located outside of the United States. We believe that a substantial percentage of our future revenue will come from international sources as we expand our sales and marketing opportunities internationally. We have limited experience operating internationally, and engaging in international business involves a number of difficulties and risks, including:

- the challenges associated with building local brand awareness, obtaining local key opinion leader support and clinical support, implementing reimbursement strategies and building local marketing and sales teams;
- required compliance with foreign regulatory requirements and laws, including regulations and laws relating to patient data and medical devices;
• trade relations among the United States and those foreign countries in which our current or future customers, distributors, manufacturers and suppliers have operations, including protectionist measures such as tariffs and import or export licensing requirements, whether imposed by the United States or such foreign countries, in particular the strained trade relations between United States and China since 2018;
• difficulties and costs of staffing and managing foreign operations;
• difficulties protecting, procuring or enforcing intellectual property rights internationally;
• required compliance with anti-bribery laws, such as the U.S. Foreign Corrupt Practices Act, data privacy requirements, labor laws and anti-competition regulations;
• laws and business practices that may favor local companies;
• longer payment cycles and difficulties in enforcing agreements and collecting receivables through certain foreign legal systems;
• political and economic instability and war or other military conflict, including the ongoing conflict occurring in Ukraine, which could have a material adverse impact on our sales in Europe and elsewhere; and
• potentially adverse tax consequences, tariffs, customs charges, bureaucratic requirements and other trade barriers.

If we dedicate significant resources to our international operations and are unable to manage these risks effectively, our business, operating results and financial condition may be adversely affected.

We are subject to export and import control laws and regulations that could impair our ability to compete in international markets or subject us to liability if we violate such laws and regulations.

We are required to comply with export and import control laws, which may affect our ability to enter into or complete transactions with certain customers, business partners, and other persons. In certain circumstances, export control regulations may prohibit the export of certain products, services, and technologies. We may be required to obtain an export license before exporting a controlled item, and granting of a required license cannot be assured. Compliance with the import laws that apply to our businesses may restrict our access to, and may increase the cost of obtaining, certain products and could interrupt our supply of imported inventory.

Exported technologies necessary to develop and manufacture certain products are subject to U.S. export control laws and similar laws of other jurisdictions. We may be subject to adverse regulatory consequences, including government oversight of facilities and export transactions, monetary penalties, and other sanctions for violations of these laws. In certain instances, these regulations may prohibit us from developing or manufacturing certain of our products for specific applications outside the United States. Failure to comply with any of these laws and regulations could result in civil and criminal, monetary, and nonmonetary penalties; disruptions to our business; limitations on our ability to import and export products and services; or damage to our reputation.

If we experience decreasing prices for our products and are unable to reduce our expenses, including the per unit cost of producing our products, there may be a material adverse effect on our business, results of operations, financial condition and cash flows.

We may experience decreasing prices for our products due to pricing pressure from managed care organizations and other third-party payors and suppliers, increased market power of our payors as the medical device industry consolidates, and increased competition among suppliers, including manufacturing services providers. If the prices for our products and services decrease and we are unable to reduce our expenses, including the cost of sourcing materials, logistics and the cost to manufacture our products, our business, results of operations, financial condition and cash flows may be adversely affected. To the extent that we engage in enterprise sales, we may be subject to procurement discounts, which could have a negative impact on the prices of our products.

If we are unable to attract, recruit, train, retain, motivate and integrate key personnel, we may not achieve our goals.

Our future success depends on our ability to attract, recruit, train, retain, motivate and integrate key personnel, including our Founder and Chairman, Dr. Jonathan Rothberg, and our President and Chief Executive Officer, Todd M. Fruchterman, M.D., Ph.D., as well as our management team and our research and development, manufacturing, software engineering and sales and marketing personnel. Competition for qualified personnel is intense. Several members of our senior management team ended their service with us during the past year. The loss or incapacity of existing members of our executive management team could adversely affect our operations if we experience difficulties in hiring qualified successors. Our executive officers have signed offer letters or employment agreements with us, but their service is at-will and may end at any point in time. In addition, all of our employees are at-will, which means that either we or the employee may terminate their employment at any time.
We believe that our management team must be able to act decisively to apply and adapt our business model in the rapidly changing markets in which we will compete. In addition, we rely upon technical and scientific employees or third-party contractors to effectively establish, manage and grow our business. Consequently, we believe that our future viability will depend largely on our ability to attract and retain highly skilled managerial, sales, scientific and technical personnel. In order to do so, we increased our employee compensation in 2021 and in the future we may need to pay higher compensation or fees to our employees or consultants than we currently expect, and such higher compensation payments may have a negative effect on our operating results. Competition for experienced, high-quality personnel is intense, and there is no assurance that we will be able to recruit and retain such personnel. Our growth depends, in particular, on attracting and retaining highly-trained sales personnel with the necessary technical background and ability to understand our products and services at a technical level to effectively identify and sell to potential new customers and develop new products. Because of the technical nature of our products and the dynamic market in which we compete, any failure to attract, recruit, train, retain, motivate and integrate qualified personnel could materially harm our operating results and growth prospects. Recruiting, training and retention difficulties can limit our ability to support our research and development and commercialization efforts.

*We will need to expand our organization, and we may experience difficulties in recruiting needed additional employees and consultants, which could disrupt our operations.*

As our development and commercialization plans and strategies develop, we will need additional managerial, operational, sales, marketing, financial, legal and other resources. The competition for qualified personnel in the medical device industry is intense. Due to this intense competition, we may be unable to attract and retain the qualified personnel necessary for the development of our business or to recruit suitable replacement personnel.

Our management may need to divert a disproportionate amount of its attention away from our day-to-day activities and devote a substantial amount of time to managing these growth activities. We may not be able to effectively manage the expansion of our operations, which may result in weaknesses in our infrastructure, operational mistakes, loss of business opportunities, loss of employees and reduced productivity among remaining employees. Our expected growth could require significant capital expenditures and may divert financial resources from other projects, such as the development of additional products. If our management is unable to effectively manage our growth, our expenses may increase more than expected, our ability to generate and/or grow revenue could be reduced and we may not be able to implement our business strategy. Our future financial performance and our ability to commercialize products and services and compete effectively will depend, in part, on our ability to effectively manage any future growth.

*We have limited experience in marketing and selling our products and related services, and if we are unable to successfully commercialize our products and related services, our business and operating results will be adversely affected.*

We have limited experience marketing and selling our products and related services. We currently sell our products to healthcare practitioners through eCommerce, distributors and enterprise sales. Future sales of our products will depend in large part on our ability to effectively market and sell our products and services, successfully manage and expand our sales force, and increase the scope of our marketing efforts. We may also enter into additional distribution arrangements in the future. Because we have limited experience in marketing and selling our products, our ability to forecast demand, the infrastructure required to support such demand and the sales cycle to customers is unproven. If we do not build an efficient and effective marketing and sales force, our business and operating results will be adversely affected.
We have chosen to engage a single supplier, Taiwan Semiconductor Manufacturing Company Limited, or TSMC, to supply and manufacture a key component of our products. If TSMC fails to fulfill its obligations under its existing contractual arrangements with us or does not perform satisfactorily, or if this relationship is terminated for other reasons, our ability to source our devices would be negatively and adversely affected. In addition, our obligation to purchase a minimum volume from TSMC may adversely affect our cash flows.

We have chosen to engage a single supplier, Taiwan Semiconductor Manufacturing Company Limited, or TSMC, a semiconductor manufacturer, to manufacture and supply all of the wafers used to create the semiconductor chips in our probes. See Item 1, Business — Manufacturing — Key Agreements — Foundry Service Agreement with Taiwan Semiconductor Manufacturing Company Limited. Since our contracts with TSMC are non-exclusive and do not commit TSMC to supply or manufacture quantities beyond the amounts included in our forecasts, TSMC may give other customers' needs higher priority than ours, and we may not be able to obtain adequate supplies in a timely manner or on commercially reasonable terms. If TSMC is unable to supply components or devices, our business would be harmed.

We entered into a Foundry Service Agreement, or FSA, with TSMC, under which TSMC agreed to manufacture, and we committed to purchase, a minimum volume of the wafers used for the semiconductor chips in our probes. Our minimum purchase obligation could adversely affect our cash flows, such as in times when we have sufficient inventory and would otherwise be able to use our cash for other purposes. Pursuant to the FSA, we are required to buy back from TSMC any unused raw wafers. If we are required to buy back from TSMC any unused raw wafers pursuant to the FSA, our cash flows may be adversely impacted.

In addition, if we were to lose component suppliers such as TSMC, there can be no assurance that we will be able to identify or enter into agreements with alternative suppliers on a timely basis on acceptable terms, if at all. An interruption in our ability to sell and deliver our products or instruments to customers could occur if we encounter delays or difficulties in securing these components, or if the quality of the components supplied do not meet our specifications, or if we cannot then obtain an acceptable substitute. If any of these events occur, our business and operating results could be harmed.

We rely on a single contract manufacturer, Benchmark Electronics, Inc., or Benchmark, to test, assemble and supply our finished products. If Benchmark fails to fulfill its obligations under its existing contractual arrangements with us or does not perform satisfactorily, our ability to source our devices could be negatively and adversely affected.

In October 2015, we entered into a Manufacture and Supply Agreement, or MSA, with Benchmark. Under the MSA, as amended effective in August 2019 and February 2021, Benchmark will manufacture our products pursuant to binding 90-day purchase orders, as well as non-binding 180-day “forecasts” estimating our product shipment requirements, submitted by us to Benchmark each month, which may become binding in certain cases. We also have certain inventory related obligations, including the obligation to purchase excess and obsolete components from Benchmark. In addition, pursuant to the February 2021 amendment, we agreed to provide global production exclusivity to Benchmark for our current products and other hand-held probes which may be manufactured for us, for a specified exclusivity period. See Item 1, Business — Manufacturing — Key Agreements — Manufacture and Supply Agreement with Benchmark Electronics, Inc.

In the event it becomes necessary to utilize a different contract manufacturer for our component products, we would experience additional costs, delays and difficulties in obtaining such components as a result of identifying and entering into an agreement with a new contract manufacturer as well as preparing such new manufacturer to meet the logistical requirements associated with manufacturing our devices, and our business would suffer.

We have and may continue to experience pricing pressures from contract suppliers or manufacturers on which we rely.

Due to supply constraints, we have seen our costs increase in 2021 but we were largely able to offset these costs through manufacturing efficiencies and pricing actions. However, we expect there will continue to be supply constraints; our suppliers are continuing to raise prices and may continue to raise prices in the future, which we may not be able to offset through manufacturing efficiencies or pricing actions. Because we currently rely on TSMC to supply our custom components and on Benchmark to manufacture our finished products, such pricing pressures from either party could increase our costs and force us to increase the prices of our products if we are unable to enter into alternative arrangements with other suppliers or manufacturers, potentially leading to decreased customer demand.
We may experience manufacturing problems or delays that could limit the growth of our revenue or increase our losses.

We may encounter unforeseen situations that would result in delays or shortfalls in our production as well as delays or shortfalls caused by our outsourced manufacturing suppliers and by other third-party suppliers who manufacture components for our products. The FDA (and comparable foreign regulatory authorities) has comprehensive and prescriptive guidelines for medical device component manufacturers, requiring these manufacturers to establish and maintain processes and procedures to adequately control environmental conditions that could adversely affect product quality and impact patient safety. Clean room standards are an example of these requirements. Failure of component manufacturers or other third-party suppliers to comply with applicable standards could delay the production of our products. If we are unable to keep up with demand for our products, our revenue could be impaired, market acceptance for our products could be adversely affected and our customers might instead purchase our competitors’ products. Our inability to successfully manufacture our products would have a material adverse effect on our operating results.

We rely on limited or sole suppliers for some of the materials and components used in our products, and we may not be able to find replacements or immediately transition to alternative suppliers, which could have a material adverse effect on our business, financial condition, results of operations and reputation.

We rely on limited or sole suppliers for certain materials and components that are used in our products. While we periodically forecast our needs for such materials and enter into standard purchase orders with them, we do not have long-term contracts with some of these suppliers. If we were to lose such suppliers, or if such suppliers were unable to fulfill our orders or to meet our manufacturing specifications, there can be no assurance that we will be able to identify or enter into agreements with alternative suppliers on a timely basis or on acceptable terms, if at all. An interruption in our operations could occur if we encounter delays or difficulties in securing these materials and components, or if the quality of the materials and components supplied do not meet our requirements, or if we cannot then obtain an acceptable substitute. The time and effort required to qualify a new supplier and ensure that the new materials and components provide the same or better quality results could result in significant additional costs. Any such interruption could significantly affect our business, financial condition, results of operations and reputation. To mitigate this risk, we typically carry significant inventory of critical components. While we believe that our level of inventory is currently sufficient for us to continue the manufacturing of our products without a disruption to our business in the event that we must replace one of our suppliers, there can be no assurance that we can maintain this level of inventory in the future.

Acquisitions or joint ventures could disrupt our business, cause dilution to our stockholders and otherwise harm our business.

We may acquire other businesses, products or technologies as well as pursue strategic alliances, joint ventures, technology licenses or investments in complementary businesses. Other than the Business Combination, we have not made any acquisitions to date, and our ability to do so successfully is unproven. Any of these transactions could be material to our financial condition and operating results and expose us to many risks, including:

- disruption in our relationships with customers, distributors, manufacturers or suppliers as a result of such a transaction;
- unanticipated liabilities related to acquired companies;
- difficulties integrating acquired personnel, technologies and operations into our existing business;
- diversion of management’s time and focus away from operating our business to acquisition integration challenges;
- increases in our expenses and reductions in our cash available for operations and other uses; and
- possible write-offs or impairment charges relating to acquired businesses.

Foreign acquisitions involve unique risks in addition to those mentioned above, including those related to the integration of operations across different cultures and languages, currency risks and the particular economic, political and regulatory risks associated with specific countries.
In addition, the anticipated benefit of any acquisition may not materialize. Future acquisitions or dispositions could result in potentially dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities or amortization expenses or write-offs of goodwill, any of which could harm our financial condition. We cannot predict the number, timing or size of future joint ventures or acquisitions, if any, or the effect that any such transactions might have on our operating results.

**If we do not successfully optimize and operate our sales and distribution channels or we do not effectively expand and update infrastructure, our operating results and customer experience may be negatively impacted.**

If we do not adequately predict market demand or otherwise optimize and operate our sales and distribution channels successfully, this could result in excess or insufficient inventory or fulfillment capacity, increased costs, or immediate shortages in product or component supply, or harm our business in other ways. In addition, if we do not maintain adequate infrastructure to enable us to, among other things, manage our purchasing and inventory, this could negatively impact our operating results and user experience.

**If we are unable to continue the development of an adequate sales and marketing organization and/or if our direct sales organization is not successful, we may have difficulty achieving market awareness and selling our products in the future.**

We must continue to develop and grow our sales and marketing organization and enter into partnerships or other arrangements to market and sell our products and/or collaborate with third parties, including distributors and others, to market and sell our products to maintain the commercial success of Butterfly iQ+ and to achieve commercial success for any of our future products. Developing and managing a direct sales organization is a difficult, expensive and time-consuming process.

To continue to develop our sales and marketing organization to successfully achieve market awareness and sell our products, we must:

- continue to recruit and retain adequate numbers of effective and experienced sales and marketing personnel;
- effectively train our sales and marketing personnel in the benefits and risks of our products;
- establish and maintain successful sales, marketing, training and education programs that educate health care professionals so they can appropriately inform their patients about our products;
- manage geographically dispersed sales and marketing operations; and
- effectively train our sales and marketing personnel on the applicable fraud and abuse laws that govern interactions with healthcare practitioners as well as current and prospective patients and maintain active oversight and auditing measures to ensure continued compliance.

We may not be able to successfully manage our sales force or increase our product sales at acceptable rates.

**Our use of programmatic digital advertising platforms for our eCommerce sales may lead to unwanted advertising and to reputational harm.**

Currently, we use programmatic digital advertising platforms that automatically place advertisements for our products on websites visited by those who have visited and/or made purchases from our website. This could lead to unwanted context for advertising about our products and services, resulting in ineffective advertising or even reputational harm.

**If we are unable to establish and maintain adequate sales and marketing capabilities or enter into and maintain arrangements with third parties to sell and market our products, our business may be harmed.**

We cannot guarantee that we will be able to maintain our current volume of sales in the future. A substantial reduction in sales could have a material adverse effect on our operating performance. To the extent that we enter into additional arrangements with third parties to perform sales or marketing services in the United States, Europe or other countries, our product margins could be lower than if we directly marketed and sold our products. To the extent that we enter into co-promotion or other marketing and sales arrangements with other companies, any revenue received will depend on the skills and efforts of others, and we cannot predict whether these efforts will be successful. In addition, the growth of market acceptance of our products by healthcare practitioners outside of the United States will largely depend on our ability to continue to demonstrate the relative safety, effectiveness, reliability, cost-effectiveness and ease of use of such products. If we are unable to do so, we may not be able to increase product revenue from our sales efforts in Europe or other countries. If we are unable to establish and maintain adequate sales, marketing and distribution capabilities, independently or with others, our future revenue may be reduced and our business may be harmed.
The market for our products and services is new, rapidly evolving, and increasingly competitive, as the healthcare industry in the United States is undergoing significant structural change, which makes it difficult to forecast demand for our products and services.

The market for our products and services is new and rapidly evolving, and it is uncertain whether we will achieve and sustain high levels of demand and market adoption. Our future financial performance will depend in part on growth in this market and on our ability to adapt to the changing demands of customers. It is difficult to predict the future growth rate and size of our target market. As a result, our market projections may not be achieved. Negative publicity concerning our products could limit market acceptance of our products and services. If our customers do not perceive the benefits of our products and services, or if our products and services do not attract new customers, then our market may not develop at all, or it may develop more slowly than we expect. Our success will depend to a substantial extent on the willingness of healthcare organizations to increase their use of our technology and our ability to demonstrate the value of our technology relative to competing products and services to existing and potential customers. If healthcare organizations do not recognize or acknowledge the benefits of our products and services or if we are unable to reduce healthcare costs or drive positive health outcomes, then the market for our solutions might not develop at all, or it might develop more slowly than we expect. Similarly, negative publicity regarding patient confidentiality and privacy in the context of technology-enabled healthcare or concerns experienced by competitors could limit market acceptance of our products and services.

The healthcare industry in the United States is undergoing significant structural change and is rapidly evolving. We believe that demand for our products and services has been driven in large part by rapidly growing costs in the traditional healthcare system, the movement toward patient-centricity and personalized healthcare, and advances in technology. Widespread acceptance of personalized healthcare is critical to our future growth and success. A reduction in the growth of personalized healthcare could reduce the demand for our products and services and result in a lower revenue growth rate or decreased revenue. Additionally, our products and services are offered on a subscription basis, and the adoption of subscription business models is still relatively new, especially in the healthcare industry. If companies do not shift to subscription business models and subscription health management tools do not achieve widespread adoption, or if there is a reduction in demand for subscription products and services or subscription health management tools, our business, financial condition, and results of operations could be adversely affected. Further, the ability of our customers to purchase our products is often contingent upon the customer’s ability to secure adequate funding. Such funding may be derived from internal and external resources, which are subject to a number of circumstances outside of our control. Therefore, it is possible customer funding intended to use towards the purchase of our products may be either delayed or cancelled, which could present a negative impact on a customer’s ability to complete purchases and/or continue payments for ongoing subscription services.

Quality problems could lead to recalls or safety alerts and/or reputational harm and could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Quality of our products is very important to us and our customers due to the serious and costly consequences of product failure. Our business exposes us to potential product liability risks that are inherent in the design, manufacture, and marketing of medical devices. Product or component failures, manufacturing nonconformities, design defects, off-label use, or inadequate disclosure of product-related risks or product-related information with respect to our products, if they were to occur, could result in inaccurate imaging and safety risks. These problems could lead to the recall of, or the issuance of a safety alert relating to, our products, and could result in product liability claims and lawsuits.

Additionally, the manufacture and production of our products must occur in a highly controlled and clean environment to minimize particles and other yield-and quality-limiting contaminants. Weaknesses in process control or minute impurities in materials may cause defective products. If we are not able to maintain stringent quality controls, or if contamination problems arise, our development and commercialization efforts could be delayed, which would harm our business and results of operations.
If we fail to meet any applicable product quality standards and our products are the subject of recalls or safety alerts, our reputation could be damaged, we could lose customers, and our revenue and results of operations could decline.

Our devices use lithium-ion battery cells, which have been observed to catch fire or vent smoke and flame, and these events may raise concerns about the batteries that we use.

The battery pack used in Butterfly’s iQ+ makes use of lithium-ion cells. On rare occasions, lithium-ion cells can rapidly release the energy they contain by venting smoke and flames in a manner that can ignite nearby materials. Publicized incidents of laptop computers and cell phones bursting into flames have focused consumer attention on the safety of these cells. There can be no assurance that the battery packs that we use would not fail, and this could lead to property damage, personal injury or death, and may subject us to lawsuits. We may also have to recall products due to battery-related safety concerns, which would be time-consuming and expensive. Also, negative perceptions in the healthcare and patient communities regarding the suitability of lithium-ion cells for medical applications or any future incident involving lithium-ion cells could seriously harm our business, even in the absence of an incident involving us.

If we are not able to develop and release new products and services, or successful enhancements, new features and modifications to our existing products and services, to successfully implement our Software-as-a-Services, or SAAS, solutions or to achieve adequate clinical utility, our business, financial condition and results of operations could be adversely affected.

The markets in which we operate are characterized by rapid technological change, frequent new product and service introductions and enhancements, changing customer demands, and evolving industry standards. The introduction of products and services embodying new technologies can quickly make existing products and services, including software memberships, obsolete and unmarketable. Additionally, changes in laws and regulations could impact the usefulness of our products and could necessitate changes or modifications to our products to accommodate such changes. We invest substantial resources in researching and developing new products and enhancing existing products by incorporating additional features, improving functionality, and adding other improvements to meet customers’ evolving needs. The success of any enhancements or improvements to our existing products or any new products depends on several factors, including timely completion, competitive pricing, adequate quality testing, integration with new and existing technologies and third-party partners’ technologies and overall market acceptance. We may not succeed in developing, marketing and delivering on a timely and cost-effective basis enhancements or improvements to our existing products or any new products that respond to continued changes in market demands or new customer requirements, and any enhancements or improvements to our products or any new solutions may not achieve market acceptance. Since developing our products is complex, the timetable for the release of new products and enhancements to existing products is difficult to predict, and we may not offer new products and updates as rapidly as our customers require or expect. Any new products that we develop may not be introduced in a timely or cost-effective manner, may contain errors or defects, or may not achieve the broad market acceptance necessary to generate sufficient revenue. Moreover, even if we introduce new products, we may experience a decline in revenue from our existing products that is not offset by revenue from the new products. For example, customers may delay making purchases of new products to permit them to make a more thorough evaluation of these products or until industry and marketplace reviews become widely available. Customers may also delay purchasing a new product because their existing Butterfly or other device continues to meet their needs. Some customers may hesitate to migrate to a new product due to concerns regarding the performance of the new product. In addition, we may lose existing customers who choose a competitor’s products and services. This could result in a temporary or permanent revenue shortfall and adversely affect our business, financial condition and results of operations.

The introduction of new products and solutions by competitors, the development of entirely new technologies to replace existing offerings or shifts in healthcare benefits trends could make our products obsolete or adversely affect our business, financial condition and results of operations. We may experience difficulties with software development, industry standards, design or marketing that could delay or prevent our development, introduction or implementation of new products, enhancements, additional features or capabilities. If customers do not widely purchase and adopt our products, we may not be able to realize a return on our investment. If we do not accurately anticipate customer demand or if we are unable to develop, license or acquire new features and capabilities on a timely and cost-effective basis, or if such enhancements do not achieve market acceptance, this could result in adverse publicity, loss of revenue or market acceptance or claims by customers brought against us, each of which could have a material and adverse effect on our reputation, business, results of operations and financial condition.
The COVID-19 pandemic has and could continue to negatively affect various aspects of our business, make it more difficult for us to meet our obligations to our customers, and result in reduced demand for our products and services, which could have a material adverse effect on our business, financial condition, results of operations, or cash flows.

In December 2019, a novel strain of coronavirus was reported to have surfaced in Wuhan, China, and it has since spread throughout other parts of the world, including the United States. Any outbreak of contagious diseases, or other adverse public health developments, could have a material adverse effect on our business operations. These impacts to our operations have included, and could again in the future include, disruptions or restrictions on the ability of our employees and customers to travel or of us to pursue collaborations and other business transactions, travel to customers and/or conduct live demonstrations of our products at promotional events, maintain our presence in medical schools and other educational institutions, oversee the activities of our third-party manufacturers and suppliers and make shipments of materials. We may also be impacted by the temporary closure of the facilities of suppliers, manufacturers or customers. The COVID-19 pandemic may also continue to cause financial strain on our customer base due to decreased funding and other revenue shortfalls. With the recent Omicron variant wave of infections, we have seen our customer base become further strained in solving immediate problems associated with the variant. As a result, some of our customers have had to shift their attention to these pressing issues, resulting in longer sales cycles and slower adoption in the near term.

Travel restrictions and business closures have and may in the future adversely impact our operations locally and worldwide, including our ability to manufacture, market, sell or distribute our products, and such restrictions and closure have caused or may cause temporary closures of facilities of suppliers, manufacturers or customers. Disruptions in the operations of our suppliers, customers, and manufacturers and access to customers have and may in the future adversely impact our sales and operating results. In addition, travel restrictions have made it more difficult for us to monitor the quality of our third-party manufacturing operations when we are unable to conduct in-person quality audits of those facilities.

In addition, the issues originally brought on by COVID-19 continue to have an ongoing adverse impact on global supply chains, including ours. We have experienced constraints in availability, increasing lead times and costs required to obtain some inventory components. As a result of the COVID-19 pandemic and the measures designed to contain its spread, our suppliers may not have the materials, capacity, or capability to supply our components according to our schedule and specifications. Further, there may be logistics issues, including our ability and our supply chain’s ability to maintain production, as well as transportation demands that may cause further delays. If our suppliers’ operations are curtailed, we may need to seek alternate sources of supply, which may be more expensive. Alternate sources may not be available or may result in delays in shipments to us from our suppliers and subsequently to our customers. In addition, the COVID-19 pandemic and the measures designed to stop the spread of the virus may have similar effects on our customers. The current pandemic may also give rise to force majeure contractual protections being asserted by customers and/or suppliers that we maintain contracts with, potentially relieving contractual obligations these parties have to us. In any case, any disruption of our suppliers’ or customers’ businesses would likely negatively impact our sales and operating results.

While the disruptions of the COVID-19 pandemic are expected to be temporary, the duration and financial impact of the pandemic cannot be estimated at this time, and the impact on our supply chain and customers has and could continue to have an adverse effect on our results of operations and cash flows. Further, while the potential impact and duration of the COVID-19 pandemic on the global economy and our business in particular may be difficult to assess or predict, the COVID-19 pandemic has resulted in, and may continue to result in, significant disruption of global financial markets and an economic downturn that may continue to affect demand for our products and services, reduce our ability to access capital or our customers’ ability to pay us for past or future purchases, impact our operating results, and have a negative impact on our liquidity and stock price. In addition, an extended recession or an additional financial market correction resulting from the spread of COVID-19 could, adversely affect demand for our products and services, our business and the value of our common stock. The global pandemic of COVID-19 continues to rapidly evolve, and we will continue to monitor the COVID-19 situation closely. Given the uncertainty and potential economic volatility of the impact of the COVID-19 pandemic, the recent developments we have experienced may change based on new information that may emerge concerning COVID-19, the actions to contain it or address its impact and the economic impact on local, regional, national and international markets. In addition, the continued spread of COVID-19 and actions taken to mitigate such spread as well as the prolonged nature of the pandemic or the occurrence of other outbreaks of contagious diseases could adversely impact our business, financial condition, operating results and cash flows.
Unfavorable global economic conditions could adversely affect our business, financial condition or results of operations.

Our results of operations could be adversely affected by general conditions in the global economy and in the global financial markets, including changes in inflation, interest rates and overall economic conditions and uncertainties. We have experienced pricing increases from our suppliers and have increased compensation to our employees to help ensure employee retention. To the extent inflation or other factors increase our business costs, it may not be feasible to pass price increases on to our customers or offset higher costs through manufacturing efficiencies. Inflation could also adversely affect the ability of our customers to purchase our products. An economic downturn could result in a variety of risks to our business, including weakened demand for our products and our inability to raise additional capital when needed on acceptable terms, if at all. A weak or declining economy could also result in further constraints on our suppliers or cause future customers to delay making payments for our products. Any of the foregoing could harm our business and we cannot anticipate all of the ways in which the current economic climate and financial market conditions could adversely impact our business.

We have incurred and will incur increased costs and demands upon management as a result of complying with the laws and regulations affecting public companies, which could adversely affect our business, results of operations, and financial condition.

We have incurred and will incur significant legal, accounting and other expenses that we did not incur as a private company, including costs associated with public company reporting requirements. We also have incurred and will continue to incur costs associated with corporate governance requirements, including requirements under the Sarbanes-Oxley Act, as well as rules implemented by the SEC and the NYSE. These rules and regulations are expected to increase our legal and financial compliance costs and to make some activities more time consuming and costly. For example, our executive officers and other personnel will need to devote substantial time regarding operations as a public company and compliance with applicable laws and regulations. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as executive officers, which may adversely affect investor confidence in the Company and could cause our business or stock price to suffer.

The enactment of legislation implementing changes in the U.S. taxation of international business activities, the adoption of other tax reform policies or changes in tax legislation or policies in jurisdictions outside of the United States could materially impact our results of operations and financial condition.

We are subject to income tax in the numerous jurisdictions in which we operate. Reforming the taxation of international businesses has been a priority for politicians, and a wide variety of potential changes have been proposed. Some proposals, several of which have been enacted, impose incremental taxes on gross revenue, regardless of profitability. Furthermore, it is reasonable to expect that global taxing authorities will be reviewing current legislation for potential modifications in reaction to the implementation of the 2017 Tax Cuts and Jobs Act, or the TCJA, in the United States. Due to the expanding scale of our international business activities, changes in the taxation of such activities may increase our worldwide effective tax rate and the amount of taxes we pay and harm our business.

In the United States, the TCJA enacted on December 22, 2017 significantly affected U.S. tax law by changing how the United States imposes income tax on multinational corporations. The U.S. Department of Treasury has broad authority to issue regulations and interpretative guidance that may significantly impact how we will apply the law and impact our results of operations in the period issued.

The TCJA requires complex computations not previously provided in U.S. tax law. As such, the application of accounting guidance for such items remain uncertain. Further, compliance with the TCJA and the accounting for such provisions requires an accumulation of information not previously required or regularly produced. As additional regulatory guidance is issued by the applicable taxing authorities, as accounting treatment is clarified, and as we perform additional analysis on the application of the law, our effective tax rate could be materially different.
Our ability to use net operating losses and certain other tax assets to offset future income may be subject to certain limitations.

As of December 31, 2021, we had federal net operating loss carry forwards, or NOLs, of approximately $494.8 million, of which approximately $73.7 million will begin to expire in 2031, if not utilized. Unused NOLs may be carried forward to offset future taxable income if we achieve profitability in the future, unless such NOLs expire under applicable tax laws. However, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its pre-change NOLs and other pre-change tax attributes (such as research tax credits) to offset post-change taxable income. For Section 382 purposes, an ownership change generally occurs where the aggregate equity ownership of one or more stockholders or groups of stockholders who owns at least 5% of a corporation’s stock increases its ownership by more than 50 percentage points over its lowest ownership percentage within a three-year period (calculated on a rolling basis). The Company has completed an ownership shift analysis through September 30, 2021 and determined that an ownership change has occurred on February 12, 2021 within the meaning of Section 382 and 383 of the Code. Based on our ownership change limitation study, we are limited to utilize only a portion of our pre-change federal NOLs and tax credits until 2026. However, the limitation due to the ownership change will not result in any of the NOLs or tax credits expiring unutilized. In addition, future changes in our stock ownership, including future offerings, as well as other changes that may be outside of our control, could result in additional ownership changes under Section 382 of the Code. Our NOLs and tax credits may also be limited under similar provisions of state laws. We have recorded a full valuation allowance related to our NOLs and other deferred tax assets due to the uncertainty of the ultimate realization of the future benefits of those assets.

In addition to the limitations discussed above under Sections 382 of the Code, the utilization of NOLs incurred in taxable years beginning after December 31, 2017, are subject to limitations adopted by the Tax Cuts and Jobs Act, as modified by the Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act. Under the TCJA, in general, NOLs generated in taxable years beginning after December 31, 2017 may offset no more than 80 percent of such year’s taxable income and there is no ability for such NOLs to be carried back to a prior taxable year. The CARES Act modifies the TCJA with respect to the TCJA’s limitation on the deduction of NOLs and provides that NOLs arising in taxable years beginning after December 31, 2017 and before January 1, 2021, may be carried back to each of the five taxable years preceding the tax year of such loss, but NOLs arising in taxable years beginning after December 31, 2020 may not be carried back. In addition, the CARES Act eliminates the limitation on the deduction of NOLs to 80 percent of current year taxable income for taxable years beginning before January 1, 2021. As a result of such limitation, we may be required to pay federal income tax in some future year notwithstanding that we had a net loss for all years in the aggregate.

U.S. taxation of international business activities or the adoption of tax reform policies could materially impact our future financial position and results of operations.

Limitations on the ability of taxpayers to claim and utilize foreign tax credits and the deferral of certain tax deductions until earnings outside of the United States are repatriated to the United States, as well as changes to U.S. tax laws that may be enacted in the future, could impact the tax treatment of future foreign earnings. Should the scale of our international business activities expand, any changes in the U.S. taxation of such activities could increase our worldwide effective tax rate and harm our future financial position and results of operations.

TAXING AUTHORITIES MAY SUCCESSFULLY ASSERT THAT WE SHOULD HAVE COLLECTED OR WE IN THE FUTURE SHOULD COLLECT SALES AND USE, VALUE-ADDED, OR SIMILAR TAXES, AND WE COULD BE SUBJECT TO LIABILITY WITH RESPECT TO PAST OR FUTURE SALES, WHICH COULD ADVERSELY AFFECT OUR RESULTS OF OPERATIONS.

Jurisdictions in which we do not collect sales, use, value-added, or similar taxes on our products may assert that such taxes are applicable, which could result in tax assessments, penalties, and interest, and we may be required to collect such taxes in the future. Such tax assessments, penalties, interest, or future requirements would adversely affect our financial condition and results of operations. Further, in June 2018, the Supreme Court held in South Dakota v. Wayfair, Inc. that states could impose sales tax collection obligations on out-of-state sellers even if those sellers lack any physical presence within the states imposing the sales taxes. Under Wayfair, a person requires only a “substantial nexus” with the taxing state before the state may subject the person to sales tax collection obligations therein. An increasing number of states (both before and after the publication of Wayfair) have considered or adopted laws that attempt to impose sales tax collection obligations on out-of-state sellers. The Supreme Court’s Wayfair decision has removed a significant impediment to the enactment and enforcement of these laws, and it is possible that states may seek to tax out-of-state sellers on sales that occurred in prior tax years, which could create additional administrative burdens for us, put us at a competitive disadvantage if such states do not impose similar obligations on our competitors, and decrease our future sales, which would adversely impact our business, financial condition, and results of operations.
We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and other worldwide anti-bribery laws by us or our agents.

We are subject to the U.S. Foreign Corrupt Practices Act, or FCPA, which prohibits companies and their intermediaries from making payments in violation of law to non-U.S. government officials for the purpose of obtaining or retaining business or securing any other improper advantage. Our planned future reliance on independent distributors to sell our products internationally demands a high degree of vigilance in enforcing our policy against participation in corrupt activity, because these distributors could be deemed to be our agents, and we could be held responsible for their actions. Other U.S. companies in the medical device and pharmaceutical fields have faced criminal penalties under the FCPA for allowing their agents to deviate from appropriate practices in doing business with such non-U.S. government officials. We are also subject to similar anti-bribery laws in the jurisdictions in which we operate, including the United Kingdom’s Bribery Act of 2010, which also prohibits commercial bribery and makes it a crime for companies to fail to prevent bribery. We have limited experience in complying with these laws and in developing procedures to monitor compliance with these laws by our agents. These laws are complex and far-reaching in nature, and, as a result, we cannot assure investors that we would not be required in the future to alter one or more of our practices to be in compliance with these laws or any changes in these laws or the interpretation thereof.

Any violations of these laws, or allegations of such violations, could disrupt our operations, involve significant management distraction, involve significant costs and expenses, including legal fees, and could result in a material adverse effect on our business, prospects, financial condition, or results of operations. We could also incur severe penalties, including criminal and civil penalties, disgorgement, and other remedial measures.

Risks Related to Government Regulation and Other Legal Compliance Matters

We are subject to extensive government regulation, which could restrict the development, marketing, sale and distribution of our products and could cause us to incur significant costs.

Our ultrasound imaging products and associated services are subject to extensive pre-market and post-market regulation by the FDA and various other federal, state, local and foreign government authorities. Government regulation of medical devices is meant to assure their safety and effectiveness, and includes requirements for, among other things:

- design, development and manufacturing processes;
- labeling, content and language of instructions for use and storage;
- product testing, non-clinical studies and clinical trials;
- regulatory authorizations, such as pre-market clearance or pre-market approval;
- establishment registration, device listing and ongoing compliance with the QSR requirements;
- advertising and promotion;
- marketing, sales and distribution;
- conformity assessment procedures;
- product traceability and record-keeping procedures;
- review of product complaints, complaint reporting, recalls and field safety corrective actions;
- post-market surveillance, including reporting of deaths or serious injuries and malfunctions that, if they were to recur, could lead to death or serious injury;
- post-market studies (if applicable); and
- product import and export.
The laws and regulations to which we and our products are subject are complex and subject to periodic changes. Regulatory changes could result in restrictions on our ability to carry on or expand our operations, higher than anticipated costs or lower than anticipated sales.

Before a new medical device, or a significant modification of a medical device, including a new use of or claim for an existing product, can be marketed in the United States, it must first receive either 510(k) clearance or pre-market approval, or PMA, from the FDA, unless an exemption applies. In the 510(k) clearance process, the FDA must determine that a proposed device is “substantially equivalent” to a device legally on the market, known as a “predicate” device, with respect to intended use, technology and safety and effectiveness, in order to clear the proposed device for marketing. Clinical data is sometimes required to support substantial equivalence. Further, if a previously unclassified new medical device does not qualify for the 510(k) pre-market notification process because no predicate device to which it is substantially equivalent can be identified, the device is automatically classified into Class III. If such a device would be considered low or moderate risk (in other words, it does not rise to the level of requiring the approval of a PMA), it may be eligible for the De Novo classification process.

Obtaining 510(k) clearance, De Novo classification, or PMA approval for medical devices can be expensive and time-consuming, and entails significant user fees, unless an exemption is available. The FDA’s process for obtaining 510(k) clearance usually takes three to 12 months, but it can last longer. In the PMA approval process, the FDA must determine that a proposed device is safe and effective for its intended use based, in part, on extensive data, including but not limited to, technical, non-clinical, clinical trial, manufacturing and labeling data. The process for obtaining a PMA is more costly and uncertain than for a 510(k), and approval can take anywhere from at least one year to, in some cases, multiple years from the time the application is initially filed with the FDA. Modifications to products that are approved through a PMA application generally require further FDA approval. Some of our future products may require PMA approval. In addition, the FDA may require that we obtain a PMA prior to marketing future changes of our existing products. Further, we may not be able to obtain additional 510(k) clearances or PMAs for new products or for modifications to, or additional indications for, our products in a timely fashion or at all. Delays in obtaining future clearances or approvals could adversely affect our ability to introduce new or enhanced products in a timely manner, which in turn could harm our revenue and future profitability.

We received 510(k) clearance for the Butterfly iQ in 2017, and the FDA determined, following a 2020 pre-submission meeting with us, that the Butterfly iQ+ was eligible to be marketed under the original 510(k) clearance. We may be required to obtain a new 510(k) clearance or PMA for significant post-market modifications to our products, including any modifications made to the Butterfly iQ+. In order to pave the way for at-home use of the Butterfly iQ+ and future products or services, we anticipate that we will need to validate at-home applications through focused clinical trials.

In order to conduct a clinical investigation involving human subjects for the purpose of demonstrating the safety and effectiveness of a medical device, if necessary, for a PMA application, De Novo classification request, or 510(k) notification, a company must, among other things, apply for and obtain institutional review board, or IRB, approval of the proposed investigation. In addition, if the clinical study involves a “significant risk” (as defined by the FDA) to human health, the sponsor of the investigation must also submit and obtain FDA approval of an investigational device exemption, or IDE, application and follow applicable IDE regulations. Unless IDE-exempt, nonsignificant risk devices are still subject to certain abbreviated IDE requirements, however, an IDE application is not required if such abbreviated requirements are met. We may not be able to obtain any necessary FDA and/or IRB approval to undertake clinical trials in the United States for future devices we develop and intend to market in the United States. If we do obtain such approvals, the FDA may find that our studies do not comply with the IDE or other regulations governing clinical investigations or the data from any such trials may not support clearance or approval of the investigational device. Moreover, certainty that clinical trials will meet desired endpoints, produce meaningful or useful data and be free of unexpected adverse effects, or that the FDA will accept the validity of foreign clinical study data (if applicable) cannot be assured, and such uncertainty could preclude or delay market clearance or authorizations resulting in significant financial costs and reduced revenue.
We are also subject to numerous post-marketing regulatory requirements, which include quality system regulations related to the manufacture of our devices, labeling regulations and medical device reporting, or MDR, regulations. The last of these regulations requires us to report to the FDA if our devices cause or contribute to a death or serious injury, or malfunction in a way that would likely cause or contribute to a death or serious injury if the malfunction recurred. If we fail to comply with present or future regulatory requirements that are applicable to Butterfly, we may be subject to enforcement action by the FDA, which may include any of the following sanctions:

- untitled letters, warning letters, fines, injunctions, consent decrees and civil penalties;
- customer notification, or orders for repair, replacement or refunds;
- voluntary or mandatory recall or seizure of Butterfly’s current or future products;
- administrative detention by the FDA of medical devices believed to be adulterated or misbranded;
- operating restrictions, suspension or shutdown of production;
- refusal of our requests for 510(k) clearance or PMA of new products, new intended uses or modifications to existing products;
- rescission of 510(k) clearance or suspension or withdrawal of PMAs that have already been granted; and
- criminal prosecution.

The occurrence of any of these events may have a material adverse effect on our business, financial condition and results of operations.

There is no guarantee that the FDA will grant 510(k) clearance or PMA approval of our future products, and failure to obtain necessary clearances or approvals for our future products would adversely affect our ability to grow our business.

Some of our new or modified products will require FDA clearance of a 510(k) notification or FDA approval of a PMA application, or potentially a grant of a De Novo classification. The FDA may refuse our requests for 510(k) clearance or PMA of new products or may not clear or approve these products for the indications that are necessary or desirable for successful commercialization. Early stage review may also result in delays or other issues. For example, the FDA has issued guidance intended to explain the procedures and criteria used in assessing whether 510(k) and PMA submissions should be accepted for substantive review. Under the “Refuse to Accept” guidance, the FDA conducts an early review against specific acceptance criteria to inform 510(k) and PMA submitters if the submission is administratively complete, or if not, to identify the missing element(s). Submitters are given the opportunity to provide the FDA with any information identified as missing. If the information is not provided within a specified time, the submission will not be accepted for FDA review. The FDA may also change its clearance and approval policies, adopt additional regulations or revise existing regulations, or take other actions that may prevent or delay approval or clearance of our products under development or impact our ability to gain clearance or approval for modifications to our currently approved or cleared products in a timely manner. Significant delays in receiving clearance or approval, or the failure to receive clearance or approval for our new products, would have an adverse effect on our ability to expand our business.

Recent initiatives by the FDA to enhance and modernize various regulatory pathways for device products and its overall approach to safety and innovation in the medical technology industry creates the possibility of changing product development costs, requirements, and other factors and additional uncertainty for our future products and business.

Regulatory requirements may change in the future in a way that adversely affects us. Any change in the laws or regulations that govern the clearance and approval processes or the post-market compliance requirements relating to our current and future products could make it more difficult and costly to obtain clearance or approval for new products, or to produce, market and distribute existing products.

For example, the FDA and other government agencies have been focusing on the cybersecurity risks associated with certain medical devices and encouraging device manufacturers to take a more proactive approach to assessing the cybersecurity risks of their devices both during development and on a periodic basis after the devices are in commercial distribution. These regulatory efforts could lead to new FDA requirements in the future or additional product liability or other litigation risks if any of our products is considered to be susceptible to third-party tampering. In December 2016, Congress passed the 21st Century Cures Act, which made multiple changes to the FDA’s rules for medical devices as well as for clinical trials, and in August 2017, Congress passed the Medical Device User Fee reauthorization package, which affects medical device regulation both pre- and post-approval and could have certain impacts on our business. Since that time, the FDA has announced a series of efforts to modernize and streamline the 510(k) notification and regulatory review process and monitoring post-market safety, and issued a final rule to formalize the De Novo classification process to provide clarity to innovative device developers. In addition, the next FDA reauthorization package is currently being negotiated and is required to be finalized by Congress in mid-2022. Changes in the FDA 510(k) process could make clearance more difficult to obtain, increase delay, add uncertainty and have other significant adverse effects on our ability to obtain and maintain clearance for our products.
It is unclear at this time whether and how various activities initiated or announced by the FDA to modernize the U.S. medical device regulatory system could affect our business, as some of the FDA’s new medical device safety and innovation initiatives have not been formalized and remain subject to change. For example, a 2018 Medical Device Safety Action Plan announced by former FDA Commissioner Gottlieb included a particular focus on post-market surveillance and how to respond when new safety concerns emerge once a product is on the market. The increased attention that the medical technology industry is receiving from FDA leadership that understands the challenging and rapidly changing nature of the U.S. health care system creates the possibility of unanticipated regulations and other potential changes to our products and our overall business. In response to the COVID-19 public health emergency, the FDA’s device and diagnostic center leadership has exercised a significant amount of enforcement discretion to meet the needs of the medical community’s and patients’ needs for remote monitoring and other innovative solutions that involve digital health products. In December 2021, the FDA issued draft guidance documents describing a phased transition process for medical devices that were developed or modified during the course of the pandemic to treat COVID-19 patients or allow greater access to patients, including medical imaging devices that were developed or modified in accordance with FDA’s Enforcement Policy for Imaging Systems During the COVID-19 Public Health Emergency. It is unclear how those policies could impact the medical device industry in the future.

If we fail to obtain marketing authorization in other countries for existing products or products under development, we will not be able to commercialize these products in those countries.

In order for us to market our products in countries outside of the United States, we must comply with extensive safety and quality regulations in other countries regarding the quality, safety and efficacy of our products. These regulations, including the requirements for approvals, clearance or CE mark grant, and the time required for regulatory review, vary from country to country. Failure to obtain regulatory approval, clearance or CE mark (or equivalent) in any foreign country in which we plan to market our products may harm our ability to generate revenue and harm our business. Approval and CE marking procedures vary between countries and can involve additional product testing and additional administrative review periods. The time required to obtain approval or CE mark in other countries might differ from that required to obtain FDA clearance. The regulatory approval or CE marking process in other countries may include all of the risks detailed above regarding FDA clearance in the United States. Regulatory approval or the CE marking of a product in one country does not ensure regulatory approval in another, but a failure or delay in obtaining regulatory approval or a CE mark in one country may negatively impact the regulatory process in others. Failure to obtain regulatory approval or a CE mark in other countries or any delay or setback in obtaining such approval could have the same adverse effects described above regarding FDA clearance in the United States.

The primary regulatory environment in Europe is that of the EEA, which is comprised of the Member States of the EU, Iceland, Liechtenstein and Norway. We cannot be certain that we will be successful in meeting and continuing to meet the requirements to market a medical device in the EEA in light of the current transition period between the prior system, called the Medical Device Directive, or MDD, to the current system, called the Medical Device Regulation. The Medical Device Regulation went into force in May 2017 but allowed a three-year transition period until May 2020 for Member States, regulatory authorities, and medical device stakeholders to come into compliance with the new requirements. A one-year delay of the compliance date of the Medical Device Regulation was implemented in response to the COVID-19 pandemic, such that May 2021 was the deadline for industry compliance. Compared to the MDD, the Medical Device Regulation promotes a shift from the pre-approval stage (i.e., the path to CE Marking) to a life-cycle approach and places greater emphasis on clinical data and clinical evaluations to assure the safety and performance of new medical devices. Moreover, the Medical Device Regulation includes elements intended to strengthen the conformity assessment procedures, assert greater control over notified bodies and their standards, increase overall system transparency, and impose more robust device vigilance requirements on manufacturers and distributors. Among other changes, many device manufacturers will need to switch notified bodies to one that has received its designation under the Medical Device Regulation, which will require those manufacturers to undergo an audit and have all their documentation reviewed by the new notified body before it can assess their medical device products under the new standards. European medical device manufacturers and distributors are currently benefiting from a grace period for legacy MDD certificates that lasts until May 26, 2024. For a product to qualify for the grace period, there must be no significant changes to such a legacy medical device as described in its existing MDD certificate; the recertification process under the Medical Device Regulation requires a demonstration that the performance and the safety of the currently marketed medical device has been maintained and that the system meets the new regulatory requirements. The new rules and procedures that have been created under the overhauled European regulations will likely result in increased regulatory oversight of all medical devices marketed in the EU, and this may, in turn, increase the costs, time and requirements that need to be met in order to place an innovative or high-risk medical device on the EEA market.
If we, our contract manufacturers or our component suppliers are unable to manufacture our products in sufficient quantities, on a timely basis, at acceptable costs and in compliance with regulatory and quality requirements, the manufacturing and distribution of our devices could be interrupted, and our product sales and operating results could suffer.

We, our contract manufacturers and our component suppliers are required to comply with the FDA’s Quality System Regulation or QSR, which is a complex regulatory framework that covers the procedures and documentation of the design, testing, production, control, quality assurance, labeling, packaging, sterilization, storage, shipping and servicing of our devices. Compliance with applicable regulatory requirements is subject to continual review and is monitored rigorously through periodic, sometimes unannounced, inspections by the FDA. We cannot assure investors that our facilities or our third-party manufacturers’ or suppliers’ facilities would pass any future quality system inspection. Failure of our or our third-party manufacturers and component suppliers to adhere to QSR requirements or take adequate and timely corrective action in response to an adverse quality system inspection finding could delay production of our products and lead to fines, difficulties in obtaining regulatory clearances, recalls, enforcement actions, including injunctive relief or consent decrees, or other consequences, which could have a material adverse effect on our financial condition or results of operations. Any such failure, including the failure of our contract manufacturers, to achieve and maintain the required high manufacturing standards could result in further delays or failures in product testing or delivery, cost overruns, increased warranty costs or other problems that could harm our business and prospects.

In addition, any of our products shipped internationally are also required to comply with the International Organization for Standardization, or ISO, quality system standards as well as European Directives and norms in order to produce products for sale in the EU. In addition, any of our products shipped internationally are also required to comply with the International Organization for Standardization, or ISO, quality system standards as well as European Directives and norms in order to produce products for sale in the EU. The FDA is also expected to publish proposed regulations in 2022 intended to modernize and harmonize the QSR with the applicable ISO standards, which may have wide-reaching effects on medical device production and the industry as a whole.

In addition, many countries such as Canada and Japan have very specific additional regulatory requirements for quality assurance and manufacturing. If we fail to continue to comply with current good manufacturing requirements, as well as ISO or other regulatory standards, we may be required to cease all or part of our operations until we comply with these regulations. Maintaining compliance with multiple regulators adds complexity and cost to our manufacturing and compliance processes.

Our current or future products may be subject to product recalls even after receiving FDA clearance or approval. A recall of our products, either voluntarily or at the direction of the FDA, or the discovery of serious safety issues with our products, could have a significant adverse impact on us.

The FDA and similar governmental bodies in other countries have the authority to require the recall of our products if we or our third-party manufacturers fail to comply with relevant regulations pertaining to, among other things, manufacturing practices, labeling, advertising or promotional activities, or if new information is obtained concerning the safety or efficacy of these products. For example, under the FDA’s MDR regulations, we are required to report to the FDA any incident in which our products may have caused or contributed to a death or serious injury or in which our products malfunctioned in a manner likely to cause or contribute to death or serious injury if that malfunction were to recur. Repeated adverse events or product malfunctions may result in a voluntary or involuntary product recall, or administrative or judicial seizure or injunction, when warranted. A government-mandated recall may be ordered if the FDA finds that there is a reasonable probability that the device would cause serious, adverse health consequences or death. A voluntary recall by us could occur as a result of any material deficiency in a device, such as manufacturing defects, labeling deficiencies, packaging defects or other failures to comply with applicable regulations, such as a failure to obtain marketing approval or clearance before launching a new product. In February 2020, we initiated a voluntary recall of two software tools after being notified by the FDA that each of them required clearance via a 510(k) pre-market notification. The FDA evaluated the recall and subsequently terminated it in June 2020. In general, if we decide to make a change to our product, we are responsible for determining whether to classify the change as a recall. It is possible that the FDA could disagree with our initial classification. The FDA requires that certain classifications of recalls be reported to the FDA within 10 working days after the recall is initiated. If a change to a device addresses a violation of the federal Food, Drug, and Cosmetic Act, or FDCA, that change would generally constitute a medical device recall and require submission of a recall report to the FDA.
Recalls of any of our products would divert managerial and financial resources and have an adverse effect on our reputation, results of operations and financial condition, which could impair our ability to produce our products in a cost-effective and timely manner in order to meet our customers’ demands. We may also be subject to product liability claims, be required to bear other costs, or be required to take other actions that may have a negative impact on our future sales and our ability to generate profits. Companies are required to maintain certain records of recalls, even if they are not reportable to the FDA. We may initiate voluntary recalls involving our products in the future that we determine do not require notification to the FDA. If the FDA disagrees with our determinations, the FDA could require us to report those actions as recalls. A future recall, withdrawal, or seizure of any product could materially and adversely affect consumer confidence in the Butterfly brand, lead to decreased demand for our products and negatively affect our sales. In addition, the FDA could take enforcement action for failing to report recalls when they were conducted by us or one of our agents.

We may be subject to enforcement action if we engage in improper or off-label marketing or promotion of our products, including fines, penalties and injunctions.

Our promotional materials and training methods must comply with FDA and other applicable laws and regulations, including the prohibition of the promotion of unapproved, or off-label, uses. Physicians may, however, use our products off-label, as the FDA does not restrict or regulate a physician’s practice of medicine. Medical device manufacturers and distributors are permitted to promote their products in a way that is consistent with the FDA-authorized labeling and indications for use. However, if the FDA determines that our promotional materials or training materials promote a 510(k)-cleared or approved medical device in a manner inconsistent with its labeling, it could request that we modify our training or promotional materials or subject us to regulatory or enforcement actions, including the issuance of an Untitled Letter, a Warning Letter, injunction, seizure, civil fine or criminal penalties. In addition to ensuring that the claims we make are consistent with our regulatory clearances or approvals, the FDA also ensures that promotional labeling for all regulated medical devices is neither false nor misleading.

It is also possible that other federal, state or foreign enforcement authorities might take action if they consider our promotional or training materials to constitute promotion of an off-label use, which could result in significant fines or penalties under other statutory authorities, such as laws prohibiting false claims for reimbursement. In that event, our reputation could be damaged, and adoption of our products could be impaired. Although our policy is to refrain from making statements or from disseminating promotional material that could be considered off-label promotion of our products, the FDA or another regulatory agency could disagree and conclude that we have engaged in off-label promotion. In addition, the off-label use of our products may increase the risk of product liability claims. Product liability claims are expensive to defend and could divert our management’s attention, result in substantial damage awards against us, and harm our reputation. Recent court decisions have impacted the FDA’s enforcement activity regarding off-label promotion in light of First Amendment considerations, although there are still significant risks in this area in part due to the potential False Claims Act exposure. Further, this area is subject to ongoing policy changes at the federal level, resulting in some degree of uncertainty for regulated businesses. For example, in August 2021, the FDA issued a final rule revising the agency’s regulation governing the types of evidence relevant to determining the “intended use” of a medical device under the FDCA, which has significant implications for when a manufacturer or distributor has engaged in off-label marketing.
Direct-to-consumer marketing and social media efforts may expose us to additional regulatory scrutiny, including from the Federal Trade Commission, or FTC, and other consumer protection agencies and regulators.

In addition to the laws and regulations enforced by the FDA, advertising for various services and for non-restricted medical devices is subject to federal truth-in-advertising laws enforced by the FTC, as well as comparable state consumer protection laws. Our efforts to promote our prescription products via direct-to-consumer marketing and social media initiatives may subject us to additional scrutiny of our practices. For example, the FTC and other consumer protection agencies scrutinize all forms of advertising (whether in digital or traditional formats) for business services, consumer-directed products, and non-restricted medical devices to ensure that advertisers are not making false, misleading or unsubstantiated claims or failing to disclose material relationships between the advertiser and its products’ endorsers, among other potential issues. The FDA oversees the advertising and promotional labeling for restricted medical devices and ensures, among other things, that there is effective communication of, and a fair and balanced presentation of, the risks and benefits of such high-risk medical devices.

Under the Federal Trade Commission Act, or FTC Act, the FTC is empowered, among other things, to (a) prevent unfair methods of competition and unfair or deceptive acts or practices in or affecting commerce; (b) seek monetary redress and other relief for conduct injurious to consumers; and (c) gather and compile information and conduct investigations relating to the organization, business, practices, and management of entities engaged in commerce. The FTC has very broad enforcement authority, and failure to abide by the substantive requirements of the FTC Act and other consumer protection laws can result in administrative or judicial penalties, including civil penalties, injunctions affecting the manner in which we would be able to market services or products in the future, or criminal prosecution. We plan to increase our advertising activities that may be subject to these federal and state truth-in-advertising laws. Any actual or perceived non-compliance with those laws could lead to an investigation by the FTC or a comparable state agency, or could lead to allegations of misleading advertising by private plaintiffs. Any such action against us would disrupt our business operations, cause damage to our reputation, and have a material adverse effect on our business.

In some instances in our advertising and promotion, we may make claims regarding our product as compared to competing products, which may subject us to heightened regulatory scrutiny, enforcement risk, and litigation risks.

The FDA requires that promotional labeling be truthful and not misleading, including with respect to any comparative claims made about competing products or technologies. In addition to FDA implications, the use of comparative claims also presents risk of a lawsuit by the competitor under federal and state false advertising and unfair competition statutes (e.g., the Lanham Act) or unfair and deceptive trade practices law, and possibly also state libel law. Such a suit may seek injunctive relief against further advertising, a court order directing corrective advertising, and compensatory and punitive damages where permitted by law. Further, notwithstanding the ultimate outcome of any Lanham Act or similar complaint, our reputation and relationship with certain customers or distribution partners may be harmed as a result of the allegations related to our products or our business practices more generally.

Because we do not require training for users of our current products, although they are limited under FDA’s marketing clearances to use by trained healthcare practitioners, there exists a potential for misuse of these products, which could ultimately harm our reputation and business.

Federal regulations allow us to sell our medical device products to or on the order of practitioners licensed by law to use or order the use of a prescription device. The definition of “licensed practitioners” varies from state to state. As a result, our products may be purchased or operated by physicians with varying levels of training and, in many states, by non-physicians, including nurse practitioners, chiropractors and technicians. Outside the United States, many jurisdictions do not require specific qualifications or training for purchasers or operators of medical device products. We do not supervise the procedures performed with our products, nor can we require that direct medical supervision occur. Although product training is offered, neither we nor our distributors require purchasers or operators of our non-invasive products to attend training sessions. The lack of required training and the purchase and use of our non-invasive products by non-physicians may result in product misuse and adverse treatment outcomes, which could harm our reputation and expose us to costly product liability litigation.
We are subject to federal, state and foreign laws prohibiting “kickbacks” and false or fraudulent claims, and other fraud and abuse laws, transparency laws, and other health care laws and regulations, which, if violated, could subject us to substantial penalties. Additionally, any challenge to or investigation into our practices under these laws could cause adverse publicity and be costly to respond to, and thus could harm our business.

Our relationships with customers and third-party payors are subject to broadly applicable fraud and abuse and other health care laws and regulations that may constrain Butterfly’s sales, marketing and other promotional activities by limiting the kinds of financial arrangements, including sales programs and certain customer and product support programs, we may have with hospitals, physicians or other purchasers of medical devices. Other federal and state laws generally prohibit individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payors that are false or fraudulent, or are for items or services that were not provided as claimed. These laws include, among others, the federal Anti-Kickback Statute, the federal civil False Claims Act, other federal health care false statement and fraud statutes, the Open Payments program, the Civil Monetary Penalties Law, and analogous fraud and abuse and transparency laws in most states, as described in Item 1, Business — Government Regulation. While the federal laws generally apply only to products or services for which payment may be made by a federal healthcare program, state laws often apply regardless of whether federal funds may be involved.

While we believe and make every effort to ensure that our business arrangements with third parties and other activities and programs comply with all applicable laws, these laws are complex, and our activities may be found not to be compliant with one or more of these laws, which may result in significant civil, criminal and/or administrative penalties, fines, damages and exclusion from participation in federal health care programs. Even an unsuccessful challenge or investigation into our practices could cause adverse publicity, and be costly to respond to, and thus could have a material adverse effect on our business, financial condition and results of operations. Our compliance with Medicare and Medicaid regulations may be reviewed by federal or state agencies, including the Office of Inspector General for the U.S. Department of Health and Human Services, or OIG, Centers for Medicare & Medicaid Services, or CMS, and the U.S. Department of Justice, or may be subject to whistleblower lawsuits under federal and state false claims laws. To ensure compliance with Medicare, Medicaid and other regulations, government agencies conduct periodic audits of the Company to ensure compliance with various supplier standards and billing requirements.

Similarly, our international operations are subject to the provisions of the FCPA, which prohibits U.S. companies and their intermediaries from making payments in violation of law to non-U.S. government officials for the purpose of obtaining or retaining business or securing any other improper advantage. In many countries, the healthcare professionals that medical device distributors regularly interact with may meet the definition of a foreign official for purposes of the FCPA. International business operations are also subject to various other international anti-bribery laws such as the U.K. Anti-Bribery Act. Despite meaningful measures that we undertake to facilitate lawful conduct, which include training and compliance programs and internal policies and procedures, we may not always prevent unauthorized, reckless or criminal acts by our employees or agents, or employees or agents of businesses or operations we may acquire. Violations of these laws, or allegations of such violations, could disrupt operations, involve significant management distraction and have a material adverse effect on our business, financial condition and results of operations, among other adverse consequences.

If we are found to have violated laws protecting the confidentiality and security of health information, we could be subject to civil or criminal penalties, which could increase our liabilities and harm our reputation or our business.

There are a number of federal and state laws protecting the confidentiality and security of individually identifiable health information, or protected health information, or PHI, and restricting the use and disclosure of that protected information. In particular, the U.S. Department of Health and Human Services promulgated privacy rules under the Health Insurance Portability and Accountability Act, or HIPAA. The HIPAA privacy rules protect medical records and other personal health information by limiting their use and disclosure, giving individuals the right to access, amend and seek accounting of their own health information and limiting most use and disclosures of health information to the minimum amount reasonably necessary to accomplish the intended purpose. The HIPAA security rules require the implementation of administrative, physical and technical safeguards to protect the security of PHI. HIPAA applies to health plans, health care providers who engage in certain standard healthcare transactions electronically, such as electronic billing, and healthcare clearinghouses, all of which are referred to as “covered entities.” HIPAA also applies to “business associates,” or organizations that provide services to covered entities involving the use or disclosure of PHI. Business associates, like us, are subject to direct liability for violations of HIPAA.
Penalties for HIPAA violations can be issued by the U.S. Department of Health and Human Services’ Office for Civil Rights, the U.S. Department of Justice, and state attorneys general. Financial penalties can range from $100 to $50,000 per violation, with a maximum penalty of $1.5 million per year for violation, with penalties adjusted for inflation annually. HIPAA authorizes states attorneys’ general to file suit on behalf of state residents; in such cases, courts can award damages, costs and attorneys’ fees related to HIPAA violations in addition to the aforementioned financial penalties. While HIPAA does not create a private right of action allowing individuals to sue in civil court for HIPAA violations, the HIPAA rules have been used as the basis for a duty of care claim in state civil suits for negligence or recklessness in the misuse or breach of PHI. Further, to provide “covered entity” clients with services that involve access to PHI, HIPAA requires us to enter into business associate agreements that require us to safeguard PHI in accordance with HIPAA. If we fail to comply with the terms of our business associate agreements, we may also be liable contractually.

Additionally, we are subject to any state laws that are more restrictive than the rules issued under HIPAA. These laws vary by state and could impose stricter standards and additional penalties. If we are found to be in violation of these applicable state laws, we could be subject to additional civil or criminal penalties, which could increase our liabilities, harm our reputation and have a material adverse effect on our business, financial condition and results of operations.

We are subject to complex and evolving U.S. and foreign laws and regulations regarding privacy, data protection, and other matters. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in customer growth or engagement, or otherwise harm our business.

We are subject to a variety of laws and regulations in the United States and abroad that involve matters central to our business, including laws and regulations relating to privacy, data sharing and data protection, artificial intelligence and use of machine learning, rights of publicity, content, intellectual property, advertising, marketing, distribution, data security, data retention and deletion, personal information, electronic contracts and other communications, competition, protection of minors, consumer protection, telecommunications, product liability, taxation, economic or other trade prohibitions or sanctions, corrupt practices, fraud, waste and abuse restrictions, and securities law compliance. The introduction of new products or expansion of our activities in certain jurisdictions may subject us to additional laws and regulations. For example, both the federal and various state governments of the United States have adopted or are considering laws, guidelines or rules for the collection, distribution, use and storage of information collected from or about customers or their devices. The California Consumer Privacy Act, or CCPA, for example, which became effective January 1, 2020, substantially expands privacy obligations of many businesses providing services to California residents, including us. The CCPA requires new disclosures to California consumers, imposes new rules for collecting or using information about minors, and affords consumers new rights, such as the right to know whether the data is sold or disclosed and to whom, the right to request that a company delete personal information collected, the right to opt out of the sale of personal information and the right to non-discrimination in terms of price or service when a consumer exercises a privacy right. If we fail to comply with these regulations, the CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. Moreover, a newly passed ballot initiative, the California Privacy Rights Act, or CPRA, which will become operational in 2023, expands on the CCPA, creating new consumer rights and protections, including: the right to correct personal information, the right to opt out of the use of personal information in automated decision making, the right to opt out of “sharing” consumer’s personal information for cross-context behavioral advertising, and the right to restrict use of and disclosure of sensitive personal information, including geolocation data to third parties. We will need to evaluate and potentially update our privacy program to ensure compliance with the CPRA and may incur additional costs and expenses in our effort to comply.
In addition, foreign data protection, privacy, and other laws and regulations can be more restrictive than those in the United States. For example, the EU General Data Protection Regulation 2016/679, or GDPR, which came into force on May 25, 2018, implemented stringent operational requirements for the collection, use, storage of, protection of and disclosure of personal data. The GDPR introduced more stringent requirements (which will continue to be interpreted through guidance and decisions over the coming years), including but not limited to requiring organizations to erase an individual’s information upon request, limiting the purposes for which personal data may be used, and implementing mandatory data breach notification requirements, requiring organizations in taking certain measures when engaging third party processors and imposing certain obligations on service providers. The GDPR also confers a private right of action on data subjects and consumer associations to lodge complaints with the supervisory authorities, seek judicial remedies and obtain compensation for damages resulting from violations of the GDPR. The European regime also includes directives which, among other things, require EU member states to regulate marketing by electronic means, the use of web cookies and other tracking technology. Each EU Member State has transposed the requirements of such directives into its own national data privacy regime, and therefore, the laws may differ between jurisdictions. We may also be subject to EU rules with respect to cross-border transfers of personal data out of the European Economic Area, or EEA. Recent legal developments in Europe have created complexity and uncertainty regarding transfers of personal data from the EEA to the United States, as the CJEU invalidated the EU-US Privacy Shield Framework, or Privacy Shield, on July 16, 2020, which may impact our ability to transfer personal data outside of the EEA to the United States or other jurisdictions. The United Kingdom’s withdrawal from the EU may also require us to find alternative solutions for the compliant transfer of personal data into and possibly from the United Kingdom as we will have to comply with the GDPR and also the UK equivalent. If found non-compliant with any of the many requirements under the GDPR, we may be subject to fines of up to the greater of €20 million or up to 4% of our total global annual turnover.

While the CJEU invalidated the EU-U.S. Privacy Shield Framework, the Court upheld the Standard Contractual Clauses as a valid mechanism for data transfers from the EEA to the United States. We anticipated this issue, which is why in our Data Processing Addendum, the Standard Contractual Clauses automatically come into effect as a back-up transfer mechanism for personal data to be transferred from the EEA to the United States in the event of Privacy Shield invalidation. We are closely following the European Commission’s draft guidance on the Standard Contractual Clauses and the European Data Protection Board’s draft guidance on supplemental tools to ensure that data transfers are handled in accordance with GDPR and to determine if any changes to our privacy program are necessary.

Data localization laws in some countries may mandate that certain types of data collected in a particular country be stored and/or processed within that country. We could be subject to audits in Europe and around the world, particularly in the areas of consumer and data protection, as we continue to grow and expand our operations. Legislators and regulators may make legal and regulatory changes, or interpret and apply existing laws, in ways that make our products less useful to customers, require us to incur substantial costs, expose us to unanticipated civil or criminal liability, or cause us to change our business practices. These changes or increased costs could negatively impact our business and results of operations in material ways. If we fail to comply with these standards, we could be subject to criminal penalties and civil sanctions, including fines and penalties and amounts could be significant.

Cybersecurity risks and cyber incidents could result in the compromise of confidential data or critical data systems and give rise to potential harm to customers, remediation and other expenses, expose us to liability under HIPAA, consumer protection laws, or other common law theories, subject us to litigation and federal and state governmental inquiries, damage our reputation, and otherwise be disruptive to our business and operations.

Cyber incidents can result from deliberate attacks or unintentional events. We collect and store on our networks sensitive information, including intellectual property, proprietary business information and personally identifiable information of individuals, such as our customers and employees. The secure maintenance of this information and technology is critical to our business operations. We have implemented multiple layers of security measures to protect the confidentiality, integrity and availability of this data and the systems and devices that store and transmit such data. We utilize current security technologies, including encryption and data depersonalization, and our defenses are monitored and routinely tested. Despite these efforts, threats from malicious persons and groups, new vulnerabilities and advanced new attacks against information systems create risk of cybersecurity incidents. These incidents can include, but are not limited to, gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may not immediately produce signs of intrusion, we may be unable to anticipate these incidents or techniques, timely discover them, or implement adequate preventative measures.

Cybersecurity threats can come from a variety of sources, and may range in sophistication from an individual hacker to malfeasance by employees, consultants or other service providers to state-sponsored attacks. Cyber threats may be generic, or they may be custom-crafted against our information systems. Over the past several years, cyber-attacks have become more prevalent and much harder to detect and defend against. Our network and storage applications, as well as those of our contractors, may be vulnerable to cyber-attack, malicious intrusion, malfeasance, loss of data privacy or other significant disruption and may be subject to unauthorized access by hackers, employees, consultants or other service providers. In addition, hardware, software or applications that we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Unauthorized parties may also attempt to gain access to our systems or facilities through fraud, trickery or other forms of deceiving our employees, contractors and temporary staff.
There can be no assurance that we will not be subject to cybersecurity incidents that bypass our security measures, impact the integrity, availability or privacy of personal health information or other data subject to privacy laws or disrupt our information systems, devices or business, including our ability to deliver services to our users. As a result, cybersecurity, physical security and the continued development and enhancement of our controls, processes and practices designed to protect our enterprise, information systems and data from attack, damage or unauthorized access remain a priority for us. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any cybersecurity vulnerabilities. The occurrence of any of these events could result in:

- harm to customers and end-users;
- business interruptions and delays;
- the loss, misappropriation, corruption or unauthorized access of data;
- litigation, including potential class action litigation, and potential liability under privacy, security and consumer protection laws or other applicable laws;
- reputational damage;
- increase to insurance premiums; and
- foreign, federal and state governmental inquiries, any of which could have a material, adverse effect on our financial position and results of operations and harm our business reputation.

Security breaches, loss of data and other disruptions could compromise sensitive information related to our business or prevent us from accessing critical information and expose us to liability, which could adversely affect our business and our reputation.

In the ordinary course of our business, we collect and store sensitive data, intellectual property and proprietary business information owned or controlled by us or our users. This data encompasses a wide variety of business-critical information, including research and development information, commercial information, and business and financial information. We face four primary risks relative to protecting this critical information: loss of access; inappropriate disclosure; inappropriate modification; and inadequate monitoring of our controls over the first three risks.

The secure processing, storage, maintenance, and transmission of this critical information is vital to our operations and business strategy, and we devote significant resources to protecting such information. Although we take measures to protect sensitive information from unauthorized access or disclosure, our information technology and infrastructure may be vulnerable to attacks by hackers or viruses, breaches, interruptions due to employee error, malfeasance, lapses in compliance with privacy and security mandates, or other disruptions. Any such breach or interruption could compromise our networks and the information stored there could be accessed by unauthorized parties, publicly disclosed, lost, or stolen.

Any such security breach or interruption, as well as any action by us or our employees or contractors that might be inconsistent with the rapidly evolving data privacy and security laws and regulations applicable within the United States and elsewhere where we conduct business, could result in enforcement actions by U.S. states, the U.S. federal government or foreign governments, liability or sanctions under data privacy laws that protect personally identifiable information, regulatory penalties, other legal proceedings such as, but not limited to, private litigation, the incurrence of significant remediation costs, disruptions to our development programs, business operations and collaborations, diversion of management efforts and damage to our reputation, which could harm our business and operations. For example, the CCPA provides for both civil penalties and a private right of action for data breaches as a result of an entity’s non-compliance with the CCPA. Because of the rapidly moving nature of technology and the increasing sophistication of cybersecurity threats, our measures to prevent, respond to and minimize such risks may be unsuccessful.
With respect to medical information, we follow HIPAA rules and applicable state laws, separate personal information from medical information, and further employ additional encryption tools to protect the privacy and security of Butterfly’s users and medical data. However, hackers may attempt to penetrate our computer systems, and, if successful, misappropriate personal or confidential business information. In addition, an associate, contractor or other third party with whom we do business may attempt to circumvent our security measures in order to obtain such information, and may purposefully or inadvertently cause a breach involving such information. While we continue to implement additional protective measures to reduce the risk of and detect cyber incidents, cyber-attacks are becoming more sophisticated and frequent, and the techniques used in such attacks change rapidly.

In addition, non-compliance with any foreign data privacy and data security regulations, such as the GDPR, which requires stringent data breach notification obligations, among many other requirements, resulting in a data breach may result in fines of up to €20 million or 4% of the annual global revenues of the infringer, whichever is greater. There can be no assurance that our efforts to comply with these and other applicable data privacy regulatory regimes will be successful.

Further, unauthorized access, loss or dissemination of sensitive information could also disrupt our operations, including our ability to conduct research and development activities, process and prepare company financial information, manage various general and administrative aspects of our business and damage our reputation, any of which could adversely affect our business and reputation. In addition, there can be no assurance that we will promptly detect any such disruption or security breach, if at all. To the extent that any disruption or security breach were to result in a loss of or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the further development of our products could be delayed.

**Broad-based domestic and international government initiatives to reduce spending, particularly those related to healthcare costs, may reduce reimbursement rates for medical procedures, which will reduce the cost-effectiveness of our products and services.**

Healthcare reforms, changes in healthcare policies and changes to third-party coverage and reimbursements, including legislation enacted reforming the U.S. healthcare system and both domestic and foreign healthcare cost containment legislation, and any future changes to such legislation, may affect demand for our products and services and may have a material adverse effect on our financial condition and results of operations. The ongoing implementation of the Affordable Care Act, in the United States, as well as state-level healthcare reform proposals could reduce medical procedure volumes and impact the demand for medical device products or the prices at which we can sell products. These reforms include a national pilot program on payment bundling to encourage hospitals, physicians and other providers to improve the coordination, quality and efficiency of certain healthcare services through bundled payment models. The impact of this healthcare reform legislation, and practices including price regulation, competitive pricing, comparative effectiveness of therapies, technology assessments, and managed care arrangements are uncertain. There can be no assurance that current levels of reimbursement will not be decreased in the future, or that future legislation, regulation, or reimbursement policies of third parties will not adversely affect the demand for our products and services or our ability to sell products and provide services on a profitable basis. The adoption of significant changes to the healthcare system in the United States, the EEA or other jurisdictions in which we may market our products and services, could limit the prices we are able to charge for our products and services or the amounts of reimbursement available for our products and services, could limit the acceptance and availability of our products and services, reduce medical procedure volumes and increase operational and other costs.

There have been judicial and Congressional challenges to certain aspects of the Affordable Care Act, and as a result, certain sections of the Act have not been fully implemented or were effectively repealed. However, following several years of litigation in the federal courts, in June 2021, the United States Supreme Court upheld the Affordable Care Act when it dismissed a legal challenge to the Act’s constitutionality. Further legislative and regulatory changes under the Affordable Care Act remain possible, although the new Democrat-led presidential administration has been taking steps to strengthen the Affordable Care Act and the 117th Congress is not expected to have the same interest in repealing the law, in part due to the healthcare economic impacts of the ongoing COVID-19 pandemic on many subsets of the U.S. population. In addition to the Affordable Care Act, there have been and will likely continue to be other federal and state changes that affect the provision of healthcare goods and services in the United States. While we are unable to predict what changes may ultimately be enacted, to the extent that future changes affect how our products and services are paid for and reimbursed by government and private payers, our business could be adversely impacted. Moreover, complying with any new legislation or reversing changes implemented under the Affordable Care Act could be time-intensive and expensive, resulting in a material adverse effect on the business.
Inadequate funding for the FDA, the SEC and other government agencies could hinder their ability to hire and retain key leadership and other personnel, prevent new products and services from being developed or commercialized in a timely manner or otherwise prevent those agencies from performing normal business functions on which the operation of our business may rely, which could negatively impact our business.

The ability of the FDA to review and approve or clear new medical device products can be affected by a variety of factors, including government budget and funding levels, ability to hire and retain key personnel and accept the payment of user fees, and statutory, regulatory, and policy changes. Average review times at the agency have fluctuated in recent years as a result. In addition, government funding of the SEC and other government agencies on which our operations may rely, including those that fund research and development activities, is subject to the political process, which is inherently fluid and unpredictable.

Disruptions at the FDA and other agencies may also increase the time necessary for new products to be reviewed and/or approved by necessary government agencies, which would adversely affect our business. For example, over the last several years, the U.S. government has shut down several times, and certain regulatory agencies, such as the FDA and the SEC, have had to furlough critical employees and stop critical activities. Separately, in response to the COVID-19 pandemic, in March 2020, the FDA temporarily postponed routine surveillance inspections of domestic manufacturing facilities and provided guidance regarding the conduct of clinical trials, which has since been further updated and is being refreshed on a periodic basis. The FDA has also noted that it is continuing to ensure timely reviews of applications for medical products during the COVID-19 pandemic in line with its user fee performance goals and conducting “mission-critical” domestic and foreign inspections to ensure compliance of manufacturing facilities with FDA quality standards.

Subsequently, in July 2020, the FDA announced its intention to resume certain on-site inspections of domestic manufacturing facilities subject to a risk-based prioritization system. The FDA intends to use this risk-based assessment system to identify the categories of regulatory activity that can occur within a given geographic area, ranging from mission-critical inspections to resumption of all regulatory activities. The agency’s rating system is used to assist in determining when and where it is safest to conduct such inspections based on data about the virus’s trajectory in a given state and locality and the rules and guidelines that are put in place by state and local governments. The FDA’s assessment of whether an inspection is mission-critical considers many factors related to the public health benefit of U.S. patients having access to the product subject to inspection, including whether the products are used to diagnose, treat, or prevent a serious disease or medical condition for which there is no other appropriate substitute. Both for-cause and pre-approval inspections can be deemed mission-critical.

Additionally, regulatory authorities outside the United States may adopt similar restrictions or other policy measures in response to the COVID-19 pandemic. If a prolonged government shutdown or slowdown occurs, or if global health concerns continue to prevent the FDA or other regulatory authorities from conducting their regular inspections, reviews, or other regulatory activities, it could significantly impact the ability of the FDA to timely review and process regulatory submissions, which could have a material adverse effect on our future business. Further, future government shutdowns could impact our ability to access the public markets and obtain necessary capital in order to properly capitalize and continue our operations.
Risks Related to Butterfly’s Intellectual Property

If we are unable to protect our intellectual property, our ability to maintain any technological or competitive advantage over our competitors and potential competitors would be adversely impacted, and our business may be harmed.

We rely on patent protection as well as trademark, copyright, trade secret and other intellectual property rights protection and contractual restrictions to protect our proprietary technologies, all of which provide limited protection and may not adequately protect our rights or permit us to gain or keep any competitive advantage. As of December 31, 2021, we owned approximately 418 issued patents and approximately 463 pending patent applications. Of our approximately 418 issued patents, approximately 106 were issued U.S. utility patents and approximately 33 were issued U.S. design patents. Of our approximately 463 pending patent applications, approximately 153 were pending U.S. utility patent applications and approximately 11 were pending U.S. design applications. In addition, as of December 31, 2021, we owned approximately 279 issued patents in foreign jurisdictions, including Australia, Canada, Europe, Japan, China, Taiwan, Korea and India, and 299 pending patent applications in foreign jurisdictions, including Australia, Canada, Europe, Japan, China, Taiwan, Korea and India, corresponding to the foregoing. In total, as of December 31, 2021, we owned approximately 187 patent families generally directed to our ultrasound products, including manufacturing, circuit components and add-on features. These issued patents and pending patent applications (if they were to issue as patents) have expected expiration dates ranging between 2030 and 2042. If we fail to protect our intellectual property, third parties may be able to compete more effectively against us, we may lose our technological or competitive advantage, or we may incur substantial litigation costs in our attempts to recover or restrict use of our intellectual property.

We cannot assure investors that any of our currently pending or future patent applications will result in granted patents, and we cannot predict how long it will take for such patents to be granted or whether the scope of such patents, if granted, will adequately protect our products from competitors. It is possible that, for any of our patents that have granted or that may be granted in the future, others will design alternatives that do not infringe upon our patented technologies. Further, we cannot assure investors that other parties will not challenge any patents granted to us or that courts or regulatory agencies will hold our patents to be valid or enforceable. We cannot guarantee investors that we will be successful in defending challenges made against our patents and patent applications. Any successful third-party challenge to our patents could result in the unenforceability or invalidity of such patents, or to such patents being interpreted narrowly or otherwise in a manner adverse to our interests. Our ability to establish or maintain a technological or competitive advantage over our competitors may be diminished because of these uncertainties. For these and other reasons, our intellectual property may not provide us with any competitive advantage. For example:

- We or our licensors might not have been the first to make the inventions covered by each of our pending patent applications or granted patents;
- We or our licensors might not have been the first to file patent applications for our inventions. To determine the priority of these inventions, we may have to participate in interference proceedings or derivation proceedings declared by the U.S. Patent and Trademark Office, or USPTO, that could result in substantial cost to us. No assurance can be given that our patent applications or granted patents (or those of our licensors) will have priority over any other patent or patent application involved in such a proceeding;
- Others may independently develop similar or alternative products and technologies or duplicate any of our products and technologies;
- It is possible that our owned or licensed pending patent applications will not result in granted patents, and even if such pending patent applications grant as patents, they may not provide a basis for intellectual property protection of commercially viable products, may not provide us with any competitive advantages, or may be challenged and invalidated by third parties;
- We may not develop additional proprietary products and technologies that are patentable;
- The patents of others may have an adverse effect on our business; and
- While we apply for patents covering our products and technologies and uses thereof, as we deem appropriate, we may fail to apply for patents on important products and technologies in a timely fashion or at all, or we may fail to apply for patents in potentially relevant jurisdictions.
To the extent our intellectual property offers inadequate protection, or is found to be invalid or unenforceable, we would be exposed to a greater risk of direct competition. If our intellectual property does not provide adequate coverage over our products and protection against our competitors’ products, our competitive position could be adversely affected, as could our business.

Software is a critical component of our devices. To the extent such software is not protected by our patents, we depend on copyright and trade secret protection and non-disclosure agreements with our employees, strategic partners and consultants, which may not provide adequate protection.

The measures that we use to protect the security of our intellectual property and other proprietary rights may not be adequate, which could result in the loss of legal protection for, and thereby diminish the value of, such intellectual property and other rights.

In addition to pursuing patents on our technology, we also rely upon trademarks, trade secrets, copyrights and unfair competition laws, as well as license agreements and other contractual provisions, to protect our intellectual property and other proprietary rights. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated. In addition, we take steps to protect our intellectual property and proprietary technology by entering into confidentiality agreements and intellectual property assignment agreements with our employees, consultants, corporate partners and, when needed, our advisors. Our suppliers also have access to the patented technology owned or used by us as well as other proprietary information, and these suppliers are subject to confidentiality provisions under their agreements with us.

Such agreements or provisions may not be enforceable or may not provide meaningful protection for our trade secrets or other proprietary information in the event of unauthorized use or disclosure or other breaches of the agreements, and we may not be able to prevent such unauthorized disclosure. Notwithstanding any such agreements, there is no assurance that our current or former manufacturers or suppliers will not use and/or supply our competitors with our trade secrets, know-how or other proprietary information to which these parties gained access or generated from their relationship with us. This could lead to our competitors gaining access to patented or other proprietary information. Moreover, if a party to an agreement with us has an overlapping or conflicting obligation to a third party, our rights in and to certain intellectual property could be undermined. Monitoring unauthorized disclosure is difficult, and we do not know whether the steps we have taken to prevent such disclosure are, or will be, adequate. If we were to enforce a claim that a third party had illegally obtained and was using our trade secrets, it would be expensive and time-consuming, the outcome would be unpredictable, and any remedy may be inadequate. In addition, courts outside the United States may be less willing to protect trade secrets.

In addition, competitors could purchase our products and attempt to replicate some or all of the competitive advantages we derive from our development efforts, willfully infringe our intellectual property rights, design around our protected technology or develop their own competitive technologies that fall outside of our intellectual property rights. If our intellectual property does not adequately protect our market share against competitors’ products and methods, our competitive position could be adversely affected, as could our business.

We are party to the Technology and Services Exchange Agreement by and among us and certain affiliated companies, pursuant to which the parties have agreed to share personnel and certain non-core technologies. The sharing arrangements under the agreement may prevent us from fully utilizing our personnel and/or the technologies shared under the agreement. Furthermore, if this agreement were to terminate, or if we were to lose access to these technologies and services, our business could be adversely affected.

We entered into a Technology and Services Exchange Agreement, or the TSEA, by and among us and other participant companies controlled by the Rothbergs, consisting of AI Therapeutics, Inc., Quantum-Si Incorporated, Hyperfine Operations, Inc. (f/k/a Hyperfine, Inc.), 4Bionics LLC, Tesseract Health, Inc., Liminal Operations, Inc. (f/k/a Liminal Sciences, Inc.) and Detect, Inc. (f/k/a Homodeus Inc.). The TSEA, signed in November 2020, became effective upon the Closing. Under the TSEA, we and the other participant companies may, in their discretion, permit the use of certain non-core technologies, which include any technologies, information or equipment owned or otherwise controlled by the participant owned or controlled by the participant company that are not specifically related to the core business area of the participant, such as software, hardware, electronics, fabrication and supplier information, vendor lists and contractor lists, with the other participant companies. The TSEA provides that ownership of each non-core technology shared by us or another participant company will remain with the company that originally shared the non-core technology. In addition, any participant company (including the Company) may, in its discretion, permit its personnel to be engaged by another participant company to perform professional, technical or consulting services for such participant. Unless otherwise agreed to by us and the other participant company, all rights, title and interest in and to any inventions, works-of-authorship, idea, data or know-how invented, made, created or developed by the personnel (employees, contractors or consultants) in the course of conducting services for a participant company, or Created IP, will be owned by the participant company for which the work was performed, and the recipient participant company grants to the party that had its personnel provide the services that resulted in the creation of the Created IP a royalty-free, perpetual, limited, worldwide, non-exclusive, sub-licensable (and with respect to software, sub-licensable in object code only) license to utilize the Created IP only in the core business field of the originating participant company, including a license to create and use derivative works based on the Created IP in the originating participant’s core business field, subject to any agreed upon restrictions.
The technology- and personnel-sharing arrangements under the TSEA may prevent us from fully utilizing our personnel if such personnel are also being used by the other participant companies and may also cause our personnel to enter into agreements with or provide services to other companies that interfere with their obligations to us. Created IP under the TSEA may be relevant to our business and created by our personnel but owned by the other participant companies. Furthermore, if the TSEA were to terminate, or if we were to lose access to the technologies and services available pursuant to the TSEA, our business could be adversely affected.

**Our wafer bonding technology for ultrasound applications is licensed to us by Stanford University. Any loss of our rights to this technology could prevent us from selling our products.**

Our wafer bonding technology for use in ultrasound applications is licensed co-exclusively to us from Stanford until the end of December 2023, at which time the license becomes non-exclusive. We also license on a non-exclusive basis 7 active patents from Stanford. We do not own the patents that underlie these licenses. Our rights to use the licensed technology and employ the inventions claimed in the licensed patents are subject to the continuation of and compliance with the terms of the license. Our principal obligations under the license agreements with Stanford include the following:

- royalty payments;
- meeting certain milestones pertaining to development, commercialization and sales of products using the licensed technology;
- annual maintenance fees;
- using commercially reasonable efforts to develop and sell a product using the licensed technology and developing a market for such product; and
- providing certain reports.

If we breach any of these obligations, Stanford may have the right to terminate the licenses, which could result in us being unable to develop, manufacture and sell products using the licensed technology. Termination of our license agreements with Stanford would have a material adverse effect on our business.

In addition, we are a party to a number of other agreements that include licenses to intellectual property, including non-exclusive licenses. We may need to enter into additional license agreements in the future. Our business could suffer, for example, if any current or future licenses terminate, if the licensors fail to abide by the terms of the license, if the licensed patents or other rights are found to be invalid or unenforceable, or if we are unable to enter into necessary licenses on acceptable terms.
We may need or may choose to obtain licenses from third parties to advance our research or allow commercialization of our current or future products, and we cannot provide any assurances that we would be able to obtain such licenses.

We may need or may choose to obtain licenses from third parties to advance our research or allow commercialization of our current or future products, and we cannot provide any assurances that third-party patents do not exist that might be enforced against our current or future products in the absence of such a license. We may fail to obtain any of these licenses on commercially reasonable terms, if at all. Even if we are able to obtain a license, it may be non-exclusive, thereby giving our competitors access to the same technologies licensed to us. If we could not obtain a license, we may be required to expend significant time and resources to develop or license replacement technology. If we are unable to do so, we may be unable to develop or commercialize the affected products, which could materially harm our business and the third parties owning such intellectual property rights could seek either an injunction prohibiting our sales, or, with respect to our sales, an obligation on our part to pay royalties and/or other forms of compensation.

Licensing intellectual property involves complex legal, business and scientific issues. Disputes may arise between us and our licensors regarding intellectual property subject to a license agreement, including:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- whether and the extent to which our technology and processes infringe on intellectual property of the licensor that is not subject to the licensing agreement;
- our right to sublicense patent and other rights to third parties under collaborative development relationships;
- our diligence obligations with respect to the use of the licensed technology in relation to our development and commercialization of our products, and what activities satisfy those diligence obligations; and
- the ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our licensors and us and our partners.

If disputes over licensed intellectual property prevent or impair our ability to maintain the licensing arrangements on acceptable terms, we may be unable to successfully develop and commercialize the affected product, or the dispute may have an adverse effect on our results of operations.

In addition to agreements pursuant to which we in-license intellectual property, we have in the past, and we may in the future, grant licenses under our intellectual property. Like in-licenses, out-licenses are complex, and disputes may arise between us and our licensees, such as the types of disputes described above. Moreover, our licensees may breach their obligations, or we may be exposed to liability due to our failure or alleged failure to satisfy our obligations. Any such occurrence could have an adverse effect on our business.

If we or any of our partners are sued for infringing the intellectual property rights of third parties, such litigation would be costly and time consuming, and an unfavorable outcome in any such litigation could have a material adverse effect on our business.

Our success also depends on our ability to develop, manufacture, market and sell our products and perform our services without infringing upon the proprietary rights of third parties. Numerous U.S. and foreign-issued patents and pending patent applications owned by third parties exist in the fields in which we are developing products and services. As part of a business strategy to impede our successful commercialization and entry into new markets, competitors may claim that our products and/or services infringe their intellectual property rights and may suggest that we enter into license agreements.

Even if such claims are without merit, we could incur substantial costs and the attention of our management, and technical personnel could be diverted in defending us against claims of infringement made by third parties or settling such claims. Any adverse ruling by a court or administrative body, or perception of an adverse ruling, may have a material adverse impact on our ability to conduct our business and our finances. Moreover, third parties making claims against us may be able to obtain injunctive relief against us, which could block our ability to offer one or more products or services and could result in a substantial award of damages against us. In addition, since we sometimes indemnify customers, collaborators or licensees, we may have additional liability in connection with any infringement or alleged infringement of third-party intellectual property.
Because patent applications can take many years to issue, there may be pending applications, some of which are unknown to us, that may result in issued patents upon which our products or proprietary technologies may infringe. Moreover, we may fail to identify issued patents of relevance or incorrectly conclude that an issued patent is invalid or not infringed by our technology or any of our products. There is a substantial amount of litigation involving patent and other intellectual property rights in the medical device space. As we face increasing competition and as our business grows, we will likely face more claims of infringement. If a third party claims that we or any of our licensors, customers or collaboration partners infringe upon a third party’s intellectual property rights, we may have to:

- seek licenses that may not be available on commercially reasonable terms, if at all;
- abandon any infringing product or redesign our products or processes to avoid infringement;
- pay substantial damages including, in an exceptional case, treble damages and attorneys’ fees, which we may have to pay if a court decides that the product or proprietary technology at issue infringes upon or violates the third-party’s rights;
- pay substantial royalties or fees or grant cross-licenses to our technology; or
- defend litigation or administrative proceedings that may be costly whether we win or lose, and which could result in a substantial diversion of our financial and management resources.

We may be involved in lawsuits to protect or enforce our patents or the patents of our licensors, which could be expensive, time-consuming and unsuccessful.

Competitors may infringe our patents or the patents that we license. In the event of infringement or unauthorized use, we may file one or more infringement lawsuits, which can be expensive and time-consuming. An adverse result in any such litigation proceedings could put one or more of our patents at risk of being invalidated, being found to be unenforceable or being interpreted narrowly and could put our patent applications at risk of not issuing. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation.

Many of our competitors are larger than we are and have substantially greater resources. They are, therefore, likely to be able to sustain the costs of complex patent litigation longer than we could. In addition, the uncertainties associated with litigation could have a material adverse effect on our ability to raise any funds necessary to continue our operations, continue our internal research programs, in-license needed technology, or enter into development partnerships that would help us bring our products to market.

In addition, patent litigation can be very costly and time-consuming. An adverse outcome in any such litigation or proceedings may expose us or any of our future development partners to loss of our proprietary position, expose us to significant liabilities, or require us to seek licenses that may not be available on commercially acceptable terms, if at all.

Our issued patents could be found invalid or unenforceable if challenged in court, which could have a material adverse impact on our business.

If we or any of our partners were to initiate legal proceedings against a third party to enforce a patent covering one of our products or services, the defendant in such litigation could counterclaim that our patent is invalid and/or unenforceable. In patent litigation in the United States, defendant counterclaims alleging invalidity and/or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including lack of novelty, obviousness or non-enablement, or failure to claim patent eligible subject matter. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the USPTO, or made a misleading statement during prosecution. Third parties may also raise similar claims before the USPTO even outside the context of litigation. The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to the validity question, for example, we cannot be certain that there is no invalidating prior art of which we and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the challenged patent. Such a loss of patent protection would have a material adverse impact on our business.

We may be subject to claims that our employees, consultants or independent contractors have wrongfully used or disclosed alleged trade secrets of their other clients or former employers to us, which could subject us to costly litigation.

As is common in the medical device industry, we engage the services of consultants and independent contractors to assist us in the development of our products. Many of these consultants and independent contractors were previously employed at, or may have previously provided or may be currently providing consulting or other services to, universities or other technology, biotechnology or pharmaceutical companies, including our competitors or potential competitors. We may become subject to claims that we, a consultant or an independent contractor inadvertently or otherwise used or disclosed trade secrets or other information proprietary to their former employers or their former or current clients. We may similarly be subject to claims stemming from similar actions of an employee, such as one who was previously employed by another company, including a competitor or potential competitor. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to our management team. If we were to be unsuccessful, we could lose access or exclusive access to valuable intellectual property.
We may be subject to claims challenging the inventorship or ownership of our patents and other intellectual property.

We generally enter into confidentiality and intellectual property assignment agreements with our employees, consultants, and contractors. These agreements generally provide that inventions conceived by the party in the course of rendering services to us will be our exclusive property. However, those agreements may not be honored and may not effectively assign intellectual property rights to us. For example, even if we have a consulting agreement in place with an academic advisor pursuant to which such academic advisor is required to assign any inventions developed in connection with providing services to us, such academic advisor may not have the right to assign such inventions to us, as it may conflict with his or her obligations to assign all such intellectual property to his or her employing institution.

We may not be able to protect our intellectual property rights throughout the world, which could materially, negatively affect our business.

Filing, prosecuting and defending patents on current and future products in all countries throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the United States can be less extensive than those in the United States. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the United States. Consequently, regardless of whether we are able to prevent third parties from practicing our inventions in the United States, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States, or from selling or importing products made using our inventions in and into the United States or other jurisdictions. Competitors may use our technologies in jurisdictions where we have not pursued and obtained patent protection to develop their own products, and further, may export otherwise infringing products to territories where we have patent protection, but enforcement is not as strong as it is in the United States. These products may compete with our products and our patent rights or other intellectual property rights may not be effective or sufficient to prevent them from competing. Even if we pursue and obtain issued patents in particular jurisdictions, our patent claims or other intellectual property rights may not be effective or sufficient to prevent third parties from competing. Patent protection must ultimately be sought on a country-by-country basis, which is an expensive and time-consuming process with uncertain outcomes. Accordingly, we may choose not to seek patent protection in certain countries, and we will not have the benefit of patent protection in such countries.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license and may adversely impact our business.

In addition, we also face the risk that our products are imported or reimported into markets with relatively higher prices from markets with relatively lower prices, which would result in a decrease of sales and any payments we receive from the affected market. Recent developments in U.S. patent law have made it more difficult to stop these and related practices based on theories of patent infringement.
Changes in patent laws or patent jurisprudence could diminish the value of patents in general, thereby impairing our ability to protect our products.

The America Invents Act, or AIA, was signed into law on September 16, 2011, and many of the substantive changes under the AIA became effective on March 16, 2013. An important change introduced by the AIA is that, as of March 16, 2013, the United States transitioned to a “first-to-file” system for deciding which party should be granted a patent when two or more patent applications are filed by different parties claiming the same invention. A third party that files a patent application in the USPTO after that date but before we file could therefore be awarded a patent covering an invention of ours even if we had made the invention before it was made by the third party. This requires us to be cognizant of the time from invention to filing of a patent application, but circumstances could prevent us from promptly filing patent applications on our inventions.

Among some of the other changes introduced by the AIA are changes that limit where a patent holder may file a patent infringement suit and providing additional opportunities for third parties to challenge any issued patent in the USPTO. This applies to all of our owned and in-licensed U.S. patents, even those issued before March 16, 2013. Because of a lower evidentiary standard in USPTO proceedings compared to the evidentiary standard in U.S. federal courts necessary to invalidate a patent claim, a third party could potentially provide evidence in a USPTO proceeding sufficient for the USPTO to hold a claim invalid even though the same evidence would be insufficient to invalidate the claim if first presented in a district court action. Accordingly, a third party may attempt to use the USPTO procedures to invalidate our patent claims that would not have been invalidated if first challenged by the third party as a defendant in a district court action. The AIA and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents.

Additionally, the U.S. Supreme Court has ruled on several patent cases in recent years, such as Impression Products, Inc. v. Lexmark International, Inc., Association for Molecular Pathology v. Myriad Genetics, Inc., Mayo Collaborative Services v. Prometheus Laboratories, Inc. and Alice Corporation Pty. Ltd. v. CLS Bank International, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on actions by the U.S. Congress and decisions by the federal courts and the USPTO, the laws and regulations governing patents could change in unpredictable ways that could weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other provisions during the patent process. There are situations in which noncompliance can result in abandonment or lapse of a patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, competitors might be able to enter the market earlier than would otherwise have been the case. In some cases, our licensors may be responsible for, for example, these payments, thereby decreasing our control over compliance with these requirements.

If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected.

Our registered or unregistered trademarks or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names, which we need to build name recognition by potential partners or customers in our markets of interest. At times, competitors may adopt trade names or trademarks similar to ours, thereby impeding our ability to build brand identity and possibly leading to market confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, then we may not be able to compete effectively and our business may be adversely affected.
We may use third-party open source software components in future products, and failure to comply with the terms of the underlying open source software licenses could restrict our ability to sell such products.

We have chosen, and we may choose in the future, to use open source software in our products, including our Software Development Kit, or SDK, which is meant to provide a governed ecosystem for third parties to create content and applications that will serve to enrich the overall software ecosystem and deliver additional clinical and product advancements for our users. Use and distribution of open source software may entail greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. Some open source licenses may contain requirements that we make available source code for modifications or derivative works we create based upon the type of open source software we use. If we combine our proprietary software with open source software in a certain manner, we could, under certain open source licenses, be required to release the source code of our proprietary software to the public. This would allow our competitors to create similar products with less development effort and time and ultimately could result in a loss of product sales.

Although we intend to monitor any use of open source software to avoid subjecting our products to conditions we do not intend, the terms of many open source licenses have not been interpreted by U.S. courts, and there is a risk that any such licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to commercialize our products. Moreover, there is no assurance that our processes for controlling our use of open source software in our products will be effective. If we are held to have breached the terms of an open source software license, we could be required to seek licenses from third parties to continue offering our products on terms that are not economically feasible, to re-engineer our products, to discontinue the sale of our products if re-engineering could not be accomplished on a timely basis, or to make generally available, in source code form, our proprietary code, any of which could adversely affect our business, operating results and financial condition.

We use third-party software that may cause errors or failures of our products that could lead to lost customers or harm to our reputation.

We use software licensed from third parties in our products. Any errors or defects in third-party software or other third-party software failures could result in errors, defects or cause our products to fail, which could harm our business and be costly to correct. Many of these providers attempt to impose limitations on their liability for such errors, defects or failures, and if enforceable, we may have additional liability to our customers or third-party providers that could harm our reputation and increase our operating costs.

We will need to maintain our relationships with third-party software providers and to obtain software from such providers that does not contain any errors or defects. Any failure to do so could adversely impact our ability to deliver reliable products to our customers and could harm our reputation and results of operations.

Numerous factors may limit any potential competitive advantage provided by our intellectual property rights.

The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately protect our business, provide a barrier to entry against our competitors or potential competitors, or permit us to maintain our competitive advantage. Moreover, if a third party has intellectual property rights that cover the practice of our technology, we may not be able to fully exercise or extract value from our intellectual property rights. The following examples are illustrative:

- others may be able to develop and/or practice technology that is similar to our technology or aspects of our technology but that is not covered by the claims of any patents that have issued, or may issue, from our owned or in-licensed patent applications;
- we might not have been the first to make the inventions covered by a pending patent application that we own or license;
- we might not have been the first to file patent applications covering an invention;
- others may independently develop similar or alternative technologies without infringing our intellectual property rights;
pending patent applications that we own or license may not lead to issued patents;
patents, if issued, that we own or license may not provide us with any competitive advantages, or may be held invalid or unenforceable, as a result of legal challenges by our competitors;
third parties may compete with us in jurisdictions where we do not pursue and obtain patent protection;
we may not be able to obtain and/or maintain necessary or useful licenses on reasonable terms or at all;
third parties may be able to also license the intellectual property that we have licensed nonexclusively;
third parties may assert an ownership interest in our intellectual property and, if successful, such disputes may preclude us from exercising exclusive rights over that intellectual property;
we may not be able to maintain the confidentiality of our trade secrets or other proprietary information;
we may not develop or in-license additional proprietary technologies that are patentable; and
the patents of others may have an adverse effect on our business.

Should any of these events occur, they could significantly harm our business and results of operations.

Risks Related to Our Securities and to Being a Public Company

The Company's outstanding warrants became exercisable for the Company's Class A common stock upon the first anniversary of Longview's initial public offering. The exercise of these outstanding warrants will increase the number of shares eligible for future resale in the public market and result in dilution to our stockholders.

As of February 1, 2022, there were 13,799,457 outstanding public warrants to purchase 13,799,457 shares of our Class A common stock at an exercise price of $11.50 per share, which warrants became exercisable 12 months from the closing of our initial public offering, which occurred on May 26, 2020. In addition, as of February 1, 2022, there were 6,853,333 private placement warrants outstanding exercisable for 6,853,333 shares of our Class A common stock at an exercise price of $11.50 per share. In certain circumstances, the public warrants and private placement warrants may be exercised on a cashless basis. To the extent such warrants are exercised, additional shares of our Class A common stock will be issued, which will result in dilution to the holders of our Class A common stock and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market could adversely affect the market price of our Class A common stock, the impact of which is increased as the value of our stock price increases.

If we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results, our ability to operate our business and investors’ views of us.

We are required to comply with Section 404 of the Sarbanes-Oxley Act. Section 404 of the Sarbanes-Oxley Act requires public companies to maintain effective internal control over financial reporting. In particular, we must perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting. In addition, we are required to have our independent registered public accounting firm attest to the effectiveness of our internal control over financial reporting. Ensuring that we have adequate internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis is a costly and time-consuming effort that will need to be evaluated frequently. We may need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge.

As previously disclosed in our Amendment No. 1 to our Annual Report on Form 10-K/A for the year ended December 31, 2020, we identified a material weakness in our internal controls over financial reporting related to inaccurate accounting for public warrants and private placement warrants issued in connection with our initial public offering. 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 and corrected on a timely basis. In response to this material weakness we implemented our remediation plan, which included acquiring enhanced access to accounting literature, research materials and documents and improving the communication among our personnel and third-party professionals with whom we may consult regarding the application of complex accounting transactions. Our enhanced review processes and procedures were in place as of December 31, 2021. We have tested the related internal controls and have concluded, through testing, that the newly implemented controls are operating effectively, and that the material weakness previously identified has been remediated as December 31, 2021.
If we fail to maintain the effectiveness of our internal controls or fail to comply in a timely manner with the requirements of the Sarbanes-Oxley Act, or if we or our independent registered public accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, this could have a material adverse effect on our business. We could lose investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on the price of our common stock and we could be subject to sanctions or investigations by the NYSE, the SEC or other regulatory authorities, which would require additional financial and management resources. In addition, if our efforts to comply with new or changed laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

Our ability to successfully implement our business plan and comply with Section 404 requires us to be able to prepare timely and accurate financial statements. We expect that we will need to continue to improve existing, and implement new operational and financial systems, procedures and controls to manage our business effectively. Any delay in the implementation of, or disruption in the transition to, new or enhanced systems, procedures or controls, may cause our operations to suffer and we may be unable to conclude that our internal control over financial reporting is effective and to obtain an unqualified report on internal controls from our independent registered public accounting firm as required under Section 404 of the Sarbanes-Oxley Act. This, in turn, could have an adverse impact on trading prices for our common stock, and could adversely affect our ability to access the capital markets.

*The valuation of our warrants could increase the volatility in our net income (loss) in our consolidated statements of operations.*

The change in fair value of our warrants is the result of changes in stock price and warrants outstanding at each reporting period. The change in fair value of warrant liabilities represents the mark-to-market fair value adjustments to the outstanding warrants issued in connection with the initial public offering of Longview. Significant changes in our stock price or number of warrants outstanding may adversely affect our net income (loss) in our consolidated statements of operations.

*Because we are a “controlled company” within the meaning of the NYSE rules, our stockholders may not have certain corporate governance protections that are available to stockholders of companies that are not controlled companies.*

So long as more than 50% of the voting power for the election of our directors is held by an individual, a group or another company, we will qualify as a “controlled company” within the meaning of the NYSE corporate governance standards. As of February 1, 2022, Dr. Rothberg controls approximately 76.9% of the voting power of our outstanding capital stock. As a result, we are a “controlled company” within the meaning of the NYSE corporate governance standards and will not be subject to the requirements that would otherwise require us to have: (i) a majority of independent directors; (ii) a nominating committee comprised solely of independent directors; (iii) compensation of our executive officers determined by a majority of the independent directors or a compensation committee comprised solely of independent directors; and (iv) director nominees selected, or recommended for our board of directors’ selection, either by a majority of the independent directors or a nominating committee comprised solely of independent directors.

Dr. Rothberg may have his interest in the Company diluted due to future equity issuances or his own actions in selling shares of our Class B common stock, in each case, which could result in a loss of the “controlled company” exemption under the NYSE listing rules. We would then be required to comply with those provisions of the NYSE listing requirements.
The dual class structure of our common stock has the effect of concentrating voting power with the chairman of our board of directors and founder, which will limit an investor’s ability to influence the outcome of important transactions, including a change in control.

Shares of our Class B common stock have 20 votes per share, while shares of our Class A common stock have one vote per share. As of February 1, 2022, Dr. Rothberg holds all of the issued and outstanding shares of our Class B common stock and holds approximately 76.9% of the voting power of our capital stock and is able to control matters submitted to our stockholders for approval, including the election of directors, amendments of our organizational documents and any merger, consolidation, sale of all or substantially all of our assets or other major corporate transactions. Dr. Rothberg may have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. This concentrated control may have the effect of delaying, preventing or deterring a change in control of the Company, could deprive our stockholders of an opportunity to receive a premium for their capital stock as part of a sale of the Company, and may affect the market price of shares of our Class A common stock.

We cannot predict the impact our dual class structure may have on the stock price of our Class A common stock.

We cannot predict whether our dual class structure will result in a lower or more volatile market price of our Class A common stock or in adverse publicity or other adverse consequences. For example, certain index providers have announced restrictions on including companies with multiple-class share structures in certain of their indexes. Under these policies, our dual class capital structure would make us ineligible for inclusion in certain indices, and as a result, mutual funds, exchange-traded funds and other investment vehicles that attempt to passively track those indices will not be investing in our stock. It is unclear what effect, if any, these policies will have on the valuations of publicly traded companies excluded from such indices, but it is possible that they may depress valuations, as compared to similar companies that are included. As a result, the market price of shares of our Class A common stock could be adversely affected.

Delaware law and provisions in our certificate of incorporation and bylaws could make a takeover proposal more difficult.

Our organizational documents are governed by Delaware law. Certain provisions of Delaware law and of our certificate of incorporation and bylaws could discourage, delay, defer or prevent a merger, tender offer, proxy contest or other change of control transaction that a stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares of our Class A common stock held by our stockholders. These provisions provide for, among other things:

- the ability of our board of directors to issue one or more series of preferred stock;
- stockholder action by written consent only until the first time when Dr. Rothberg ceases to beneficially own a majority of the voting power of our capital stock;
- certain limitations on convening special stockholder meetings;
- advance notice for nominations of directors by stockholders and for stockholders to include matters to be considered at our annual meetings;
- amendment of certain provisions of the organizational documents only by the affirmative vote of (i) a majority of the voting power of our capital stock and (ii) at least two-thirds of the outstanding shares of our Class B common stock, voting as a separate class; and
- a dual-class common stock structure with 20 votes per share of our Class B common stock, the result of which is that Dr. Rothberg has the ability to control the outcome of matters requiring stockholder approval, even though Dr. Rothberg owns less than a majority of the outstanding shares of our capital stock.

These anti-takeover provisions as well as certain provisions of Delaware law could make it more difficult for a third party to acquire the Company, even if the third party's offer may be considered beneficial by many of our stockholders. As a result, our stockholders may be limited in their ability to obtain a premium for their shares. If prospective takeovers are not consummated for any reason, we may experience negative reactions from the financial markets, including negative impacts on the price of our common stock. These provisions could also discourage proxy contests and make it more difficult for our stockholders to elect directors of their choosing and to cause the Company to take other corporate actions that our stockholders desire.
Our certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings and the federal district courts as the sole and exclusive forum for other types of actions and proceedings, in each case, that may be initiated by our stockholders, which could limit our stockholders’ ability to obtain what such stockholders believe to be a favorable judicial forum for disputes with the Company or our directors, officers or other employees.

Our certificate of incorporation provides that, unless we consent to the selection of an alternative forum, any (i) derivative action or proceeding brought on behalf of the Company; (ii) action asserting a claim of breach of a fiduciary duty owed by, or any other wrongdoing by, any current or former director, officer or other employee or stockholder of the Company; (iii) action asserting a claim against the Company arising pursuant to any provision of the DGCL or our certificate of incorporation or our bylaws; (iv) action to interpret, apply, enforce, or determine the validity of any provisions in the certificate of incorporation of bylaws; or (v) action asserting a claim against the company or any director or officer of the Company governed by the internal affairs doctrine, shall, to the fullest extent permitted by law, be exclusively brought in the Court of Chancery of the State of Delaware or, if such court does not have subject matter jurisdiction thereof, the federal district court of the State of Delaware. Subject to the foregoing, the federal district courts of the United States are the exclusive forum for the resolution of any action, suit or proceeding asserting a cause of action under the Securities Act. The exclusive forum provision does not apply to suits brought to enforce any liability or duty created by the Exchange Act. Any person or entity purchasing or otherwise acquiring an interest in any shares of our capital stock shall be deemed to have notice of and to have consented to the forum provisions in our certificate of incorporation. These choice-of-forum provisions may limit a stockholder’s ability to bring a claim in a judicial forum that he, she or it believes to be favorable for disputes with the Company or our directors, officers or other employees or stockholders, which may discourage such lawsuits. We note that there is uncertainty as to whether a court would enforce these provisions and that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. Section 22 of the Securities Act creates concurrent jurisdiction for state and federal courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder.

Alternatively, if a court were to find these provisions of our certificate of incorporation inapplicable or unenforceable with respect to one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could materially adversely affect our business, financial condition and results of operations and result in a diversion of the time and resources of our management and board of directors.

Litigation Risks

We face the risk of product liability claims and may be subject to damages, fines, penalties and injunctions, among other things.

Our business exposes us to the risk of product liability claims that are inherent in the testing, manufacturing and marketing of medical devices, including those which may arise from the misuse (including system hacking or other unauthorized access by third parties to our systems) or malfunction of, or design flaws in, our hardware and software products. This liability may vary based on the FDA classification associated with our devices and with the laws of the state or other applicable jurisdiction governing product liability standards applied to specification developers and/or manufacturers in a given negligence or strict liability lawsuit. We may be subject to product liability claims if our products cause, or merely appear to have caused, an injury. Claims may be made by patients, healthcare providers or others selling our products. The risk of product liability claims may also increase if our products are subject to a product recall, whether voluntary or mandatory, or government seizure. Product liability claims may be brought by individuals or by groups seeking to represent a class.

Although we have insurance at levels that we believe to be appropriate, this insurance is subject to deductibles and coverage limitations. Our current product liability insurance may not continue to be available to us on acceptable terms, if at all, and, if available, the coverage may not be adequate to protect us against any future product liability claims. Further, if additional medical device products are approved or cleared for marketing, or if we launch additional 510(k)-exempt device products or products that are not FDA-regulated medical devices, we may seek additional insurance coverage. If we are unable to obtain insurance at an acceptable cost or on acceptable terms with adequate coverage or otherwise protect against potential product liability claims, we will be exposed to significant liabilities, which may harm our business. A product liability claim, recall or other claim with respect to uninsured liabilities or for amounts in excess of insured liabilities could result in significant costs and significant harm to our business.
We may be subject to claims against us even if the apparent injury is due to the actions of others or misuse of the device or a partner device. Healthcare providers may use our products in a manner that is inconsistent with the products’ labeling and that differs from the manner in which they were used in clinical studies and authorized for marketing by the FDA. Off-label use of products by healthcare providers is common, and any such off-label use of our products could subject us to additional liability, or require design changes to limit this potential off-label use once discovered. Defending a suit, regardless of merit, could be costly, could divert management attention and might result in adverse publicity, which could result in the withdrawal of, or result in reduced acceptance of, our products in the market.

Additionally, we have entered into various agreements where we indemnify third parties for certain claims relating to our products. These indemnification obligations may require us to pay significant sums of money for claims that are covered by these indemnification obligations. We are not currently subject to any product liability claims; however, any future product liability claims against us, regardless of their merit, may result in negative publicity about us that could ultimately harm our reputation and could have a material adverse effect on our business, financial condition, results of operations.

**We are currently subject to a securities class action lawsuit, the unfavorable outcome of which may have a material adverse effect on our financial condition, results of operations and cash flows.**

On February 16, 2022, a purported class action lawsuit was filed against us, certain of our executive officers and directors, and certain of Longview’s executive officers and directors prior to the Business Combination, alleging violations of the Exchange Act and Rule 10b-5 and Rule 14a-9 promulgated thereunder. The alleged class consists of all persons or entities who purchased or otherwise acquired the Company’s stock between February 16, 2021 and November 15, 2021 and/or holders as of the record date for the special meeting of shareholders held on February 12, 2021 in connection with the approval of the Business Combination. The lawsuit is premised upon allegations that the defendants made false and misleading statements and/or omissions about its post-Business Combination business and financial prospects, including the impact of the COVID-19 pandemic. While we intend to vigorously defend against this action, there is no assurance that we will be successful in the defense or that insurance will be available or adequate to fund any settlement or judgment or the litigation costs of the action. This action may divert management resources, we may incur substantial costs, and any unfavorable outcome may have a material adverse effect on our financial condition, results of operations and cash flows.
PART II

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Disclosure controls and procedures 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 Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our Company’s reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures, our Chief Executive Officer and Chief Financial Officer concluded in both the Original Report and Amendment No. 1 that our disclosure controls and procedures were effective as of December 31, 2021.

However, in connection with the preparation and filing of this Amendment No. 2, our Chief Executive Officer and our Chief Financial Officer re-evaluated the effectiveness of the design and operation of our disclosure controls and procedures, taking into account the errors summarized in the Explanatory Note to, and corrected in the “Executive Compensation” section of, this Amendment No. 2. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that as of December 31, 2021, our disclosure controls and procedures were not effective in ensuring that information required to be disclosed by us in reports that we file or submit to the SEC under the Exchange Act is accurately recorded, processed, summarized and reported within the time periods specified in applicable rules and forms. Our Chief Executive Officer and our Chief Financial Officer have concluded that the design of our disclosure controls and procedures is appropriate, but that there was a deficiency in their operation and, as a result, we are implementing additional operational procedures to ensure the effectiveness of our disclosure controls and procedures with respect to future reports that we file with or submit to the SEC under the Exchange Act.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2021 based on the guidelines established in the Internal Control—Integrated Framework (2013 framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Internal control over financial reporting includes policies and procedures that provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

Based on the results of its evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2021. Our independent registered public accounting firm, Deloitte & Touche LLP, has issued an auditors’ report on the effectiveness of our internal control over financial reporting, which is included in Item 8 of this Annual Report on Form 10-K.

Changes in Internal Controls

As previously disclosed in our Amendment No. 1 to our Annual Report on Form 10-K/A for the year ended December 31, 2020, we identified a material weakness in our internal controls over financial reporting related to inaccurate accounting for public warrants and private placement warrants issued in connection with our initial public offering. 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 and corrected on a timely basis.
In response to this material weakness we implemented our remediation plan previously disclosed in our Amendment No. 1 to our Annual Report on Form 10-K/A for the year ended December 31, 2020. Our plan included acquiring enhanced access to accounting literature, research materials and documents and improving the communication among our personnel and third-party professionals with whom we may consult regarding the application of complex accounting transactions.

Our enhanced review processes and procedures were in place as of December 31, 2021. We have tested the related internal controls and have concluded, through testing, that the newly implemented controls are operating effectively, and that the material weakness previously identified has been remediated as December 31, 2021.

Other than the changes made to remediate the material weakness described above, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the fourth quarter ended December 31, 2021, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART III

Item 11. EXECUTIVE COMPENSATION

Compensation Discussion & Analysis

This Compensation Discussion and Analysis (CD&A) discusses our compensation policies and determinations that apply to our named executive officers. When we refer to our named executive officers, or NEOs, we are referring to the following individuals whose 2021 compensation is set forth below in the Summary Compensation Table and subsequent compensation tables.

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Todd M. Fruchterman, M.D., Ph.D.</td>
<td>President, Chief Executive Officer and Director</td>
</tr>
<tr>
<td>Stephanie Fielding</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>Stacey Pugh</td>
<td>Chief Commercial Officer</td>
</tr>
<tr>
<td>Darius Shahida</td>
<td>Chief Strategy Officer and Chief Business Development Officer</td>
</tr>
<tr>
<td>Andrei Stoica, Ph.D.</td>
<td>Chief Technology Officer</td>
</tr>
<tr>
<td>Laurent Faracci</td>
<td>Former Chief Executive Officer</td>
</tr>
</tbody>
</table>

While the discussion in the CD&A is focused on our NEOs, many of our executive compensation programs apply broadly across our executive ranks.

Executive Summary

2021 Business Highlights

On February 12, 2021, we completed the business combination with Longview Acquisition Corp. and became a public company.

We are an innovative digital health business transforming care with hand-held, whole-body ultrasound. Powered by our proprietary Ultrasound-on-Chip™ technology, our solution enables the acquisition of imaging information from an affordable, powerful device that fits in a healthcare professional’s pocket with a unique combination of cloud-connected software and hardware technology that is easily accessed through a mobile app. Butterfly enables the practical application of ultrasound information into the clinical workflow.
We market and sell the Butterfly system, which includes probes and related accessories and software subscriptions, to healthcare systems, physicians and healthcare providers through a direct sales force, distributors, strategic partners and our eCommerce channel.

We employ 463 employees as of December 31, 2021 and sell our products in approximately 30 countries through our sales force and independent distributors and directly to physicians through our eCommerce channel.

2021 Financial and Business Performance Highlights

- Annual revenue of $62.6 million, growing 35% from $46.3 million in 2020.
- Gross margin was 27.3% and Adjusted gross margin was 50.5%.
- Gross profit was $17.1 million and Adjusted gross profit was $31.6 million.
- Net loss was $32.4 million and Adjusted EBITDA was a loss of $121.8 million.
- Strengthened talent foundations of the company with key appointments to the executive management team and the Board of Directors and initiated an evolution of the company’s business strategy and business model.
- Announced an exclusive partnership with Caption Health the only FDA-cleared AI-guided ultrasound software to develop an integrated solution with Butterfly to enhance cardiac assessment and improve the ease of image capture and image interpretation in a variety of care settings.
- Received a Class III Medical Device License in Canada for Butterfly iQ+.
- Expanded the Company’s commercial reach:
  - Announced international distributor partnerships in Hong Kong, Chile, Pakistan, Middle East, North Africa, Turkey and India.
  - Created a veterinary sales team and launched iQ+ Vet Ultrasound in the United States and internationally, expanding Butterfly’s vet presence into new territories through both internal personnel and distribution partners.
  - In 2021, Temple University, Lewis Katz School of Medicine distributed Butterfly iQ+ to all of their first- and second-year medical students.

Please refer to Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Non-GAAP Financial Measures” in this Annual Report on Form 10-K for a description and reconciliation of non-GAAP financial measures relative to reported GAAP financial measures.

Key 2021 Compensation Actions

The primary elements of our total direct compensation program for the NEOs and a summary of the actions taken by the Compensation Committee during 2021 are set forth below:

<table>
<thead>
<tr>
<th>Compensation Component</th>
<th>Link to Business and Talent Strategies</th>
<th>2021 Compensation Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Salary (pg 99)</td>
<td>• Competitive base salaries help attract and retain executive talent.</td>
<td>• Determined market-competitive salary rates for executive team that promoted retention and provide a fixed level of compensation.</td>
</tr>
<tr>
<td></td>
<td>• Fixed cash compensation recognizes factors such as individual contribution, tenure, and scope.</td>
<td>• Annual cash incentive awards were earned at target at 100%, reflecting Committee assessment of financial, operational, and strategic performance.</td>
</tr>
<tr>
<td></td>
<td>• Reviewed annually and adjusted as appropriate.</td>
<td>• Executives awarded a combination of stock options, restricted stock units, and performance-based awards based on employment agreements/offers letters and competitive market conditions.</td>
</tr>
<tr>
<td>Annual Incentive</td>
<td>• Focus executives on achieving annually established financial and strategic targets that are key indicators of ongoing operational performance and support our business strategy.</td>
<td></td>
</tr>
<tr>
<td>Compensation (pg 100)</td>
<td>• Incentivize and reward long-term gains in shareholder value, with vesting terms up to four years to ensure retention while rewarding executives for past performance and future potential growth.</td>
<td></td>
</tr>
<tr>
<td>Long-Term Incentive</td>
<td>• Encourages executive ownership and alignment with external shareholders.</td>
<td></td>
</tr>
<tr>
<td>Compensation (pg 101)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Our Executive Compensation Philosophy

The Company requires top talent with a wide range of skills, experience, and leadership qualities to lead the organization in support of our mission to democratize healthcare and to make medical imaging accessible to everyone around the world by using our proprietary technology. In order to attract and retain the talent required to fulfill our mission, accelerate growth, and promote stockholder value, the Compensation Committee’s goal is to implement an executive compensation program that is built upon the following objectives:

- **Attracting and Retaining the Right Talent.** Executive compensation should be market-competitive in order to attract and retain highly motivated talent with a performance-driven mindset, while supporting sound compensation principles in alignment with sound corporate governance practices.

- **Pay for Performance.** A material portion of an executive’s target compensation should be at-risk and directly aligned with Company performance, with short-term (annual performance-based bonus) and long-term (equity awards) incentive programs that appropriately balance incentives for short- and long-term performance. In consideration of the early stage of the company and the need of building scale and infrastructure to serve the large addressable opportunity, the performance assessment has taken into consideration short-term targets as well as business development milestones, required to set up the Company for sustained and accelerated future growth.

- **Alignment with Stockholder Interests.** Our executives’ interests should be aligned with stockholder interests, furthered through the encouragement of equity ownership through our annual long-term incentive (“LTI”) program.

How We Determine Executive Compensation

**Oversight Responsibilities for Executive Compensation**

The table below summarizes the key oversight responsibilities for executive compensation.

| Compensation Committee | • Establishes executive compensation philosophy  
| • Approves incentive compensation programs and performance goals for the annual bonus plan  
| • Approves all compensation actions for the named executive officers and other members of senior management, other than the CEO  
| • Recommends CEO compensation to the Board  
| • Assessment of the CEO and approves his compensation  
| • Manages, including the CEO, develops preliminary recommendations regarding compensation matters with respect to all NEOs, other than the CEO, and provides these recommendations to the Compensation Committee, which makes the final determination  
| • Responsible for the administration of the compensation programs once Compensation Committee decisions are finalized  
| • CEO is not involved in any decision as to his own compensation  

| All Independent Board Members  
| • CEO and Management  
| • CEO and Management  

72
Use of Market Data

When establishing the newly-hired NEO’s target total direct compensation opportunity for 2021, the Compensation Committee considered the competitive market for comparable executives and compensation opportunities provided by comparable companies. Market comparison information for the NEOs was sourced from publicly available peer group information, as well as industry-specific survey data provided by Aon Plc, our independent compensation consultant for 2021. Both data sources served as important reference points in assessing the competitiveness of base salary, incentive targets, and total direct compensation, as well as on overall market design practices. Overall, the Compensation Committee targeted the midpoint of the market for the newly-hired NEOs.

Our 2021 peer group is composed of a set of 15 medical device/diagnostic and software companies, which was recommended to the Compensation Committee by Aon. Based on data compiled by Aon at the time of the peer group review, our revenues and market capitalization were at the 50th and 28th percentiles, respectively, in relation to the 2021 peer group.

<table>
<thead>
<tr>
<th>2021 Compensation Peer Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adaptive Biotechnologies</td>
</tr>
<tr>
<td>Asana</td>
</tr>
<tr>
<td>AtriCure</td>
</tr>
<tr>
<td>Berkeley Lights</td>
</tr>
<tr>
<td>Inari Medical</td>
</tr>
</tbody>
</table>

For 2022, the Compensation Committee reviewed the existing compensation peer group in consultation with our newly retained independent compensation consultant, FW Cook, for continued financial and business fit. The table below reflects the 18-company 2022 Compensation Peer Group utilized to inform compensation decisions for the NEOs in fiscal 2022. Based on data compiled by FW Cook at the time of the peer group review, our revenues and market capitalization were at the 29th and 14th percentiles, respectively, in relation to the 2022 peer group.

<table>
<thead>
<tr>
<th>2022 Compensation Peer Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adaptive Biotechnologies</td>
</tr>
<tr>
<td>AtriCure</td>
</tr>
<tr>
<td>Axonics</td>
</tr>
<tr>
<td>Berkeley Lights</td>
</tr>
<tr>
<td>Health Catalyst</td>
</tr>
<tr>
<td>Inari Medical</td>
</tr>
</tbody>
</table>

2021 Named Executive Officer Compensation

Base Salary

Base salaries are a fixed amount paid to each executive for performing his or her normal duties and responsibilities. We determine the amount based on the executive’s overall performance, level of responsibility, and comparison to market data. Based on these criteria, our named executive officers had the following annual base salaries for 2021:

<table>
<thead>
<tr>
<th>Name</th>
<th>2021 Base Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Todd M. Fruchterman, M.D., Ph.D.</td>
<td>$750,000</td>
</tr>
<tr>
<td>Stephanie Fielding</td>
<td>$400,000</td>
</tr>
<tr>
<td>Stacey Pugh</td>
<td>$480,000</td>
</tr>
<tr>
<td>Darius Shahida</td>
<td>$400,000</td>
</tr>
<tr>
<td>Andrei Stoica, Ph.D.</td>
<td>$440,000</td>
</tr>
<tr>
<td>Laurent Faracci</td>
<td>$600,000</td>
</tr>
</tbody>
</table>
**Annual Bonus Plan**

Our annual bonus plan for 2021 is a cash program that rewards employees for achieving critical business and financial goals that are key indicators of ongoing operational performance and support our ongoing business strategy. The Compensation Committee reviews our target annual bonus opportunities each year to ensure they are competitive. The target annual incentive opportunity as a percent of annual base salary for each of our NEOs in 2021 was as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>2021 Target Bonus (% of Base Salary)</th>
<th>2021 Target Bonus ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Todd M. Fruchterman, M.D., Ph.D.</td>
<td>100%</td>
<td>$750,000</td>
</tr>
<tr>
<td>Stephanie Fielding</td>
<td>50%</td>
<td>$200,000</td>
</tr>
<tr>
<td>Stacey Pugh</td>
<td>70%</td>
<td>$336,000</td>
</tr>
<tr>
<td>Darius Shahida</td>
<td>50%</td>
<td>$200,000</td>
</tr>
<tr>
<td>Andrei Stoica, Ph.D.</td>
<td>50%</td>
<td>$220,000</td>
</tr>
<tr>
<td>Laurent Faracci</td>
<td>100%</td>
<td>$600,000</td>
</tr>
</tbody>
</table>

The Compensation Committee undertook a rigorous and holistic review of performance when determining final bonus payouts for the NEOs. Considerations included the desire to retain the current management team amid the Company’s recent Business Combination and a volatile business and macroeconomic environment, as well as reward management’s significant efforts in 2021, including:

- 35% year-over-year annual revenue growth driven by increase in product and software subscription sales.
- Better than expected Adjusted EBITDA at $(121.8) million
- Significant investment to build a foundation in the leadership of Butterfly to accelerate growth and realize our long-term vision of improving clinical care across a range of geographies, applications and care settings.
- Pivoting the company’s strategy, innovation and commercial organizations to address clinical behavior change at health systems, medical education institutions, as well as the international and the veterinary market.
- Efficient supply chain management despite significant headwinds posed by COVID-19.
- Ensuring the health and safety of Company employees.

Based on the review process outlined above, the Compensation Committee determined to award the NEOs 100% of their annual target bonuses, with the exceptions noted below. The annual bonuses are prorated for the NEOs who began employment during 2021.

<table>
<thead>
<tr>
<th>Name</th>
<th>Target Bonus Opportunity</th>
<th>Annual Cash Incentive Earned ($</th>
<th>% of Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Todd M. Fruchterman, M.D., Ph.D.</td>
<td>100%</td>
<td>$684,247 (1)</td>
<td>100%</td>
</tr>
<tr>
<td>Stephanie Fielding</td>
<td>50%</td>
<td>$150,000 (2)</td>
<td>75%</td>
</tr>
<tr>
<td>Stacey Pugh</td>
<td>70%</td>
<td>$267,879 (3)</td>
<td>100%</td>
</tr>
<tr>
<td>Darius Shahida</td>
<td>50%</td>
<td>$200,000</td>
<td>100%</td>
</tr>
<tr>
<td>Andrei Stoica, Ph.D.</td>
<td>50%</td>
<td>$99,452 (4)</td>
<td>100%</td>
</tr>
<tr>
<td>Laurent Faracci</td>
<td>100%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

(1) Dr. Fruchterman commenced employment with us on February 1, 2021.
(2) On January 31, 2022, Ms. Fielding delivered her resignation as Chief Financial Officer effective as of April 30, 2022. As described further below, pursuant to Ms. Fielding’s separation agreement, we will pay Ms. Fielding an annual bonus equal to $150,000 for the year ended December 31, 2021.
(3) Ms. Pugh commenced employment with us on March 15, 2021.
(4) Dr. Stoica commenced employment with us on July 19, 2021.
**Equity Incentive Program**

Our 2021 LTI program consisted of stock options, restricted stock units (“RSUs”) and performance stock units (“PSUs”):

<table>
<thead>
<tr>
<th>Award Type</th>
<th>Description / Objective</th>
</tr>
</thead>
</table>
| Stock Options       | • Vest over a four-year period from the grant date  
• Realized value strongly linked to share price appreciation following grant date                                                                                  |
| Restricted Stock Units | • RSUs awarded to Dr. Fruchterman and Ms. Pugh vest in four equal, annual installments; RSUs awarded to Dr. Stoica vest 25% on the first anniversary of the grant date and quarterly over the subsequent three-year period thereafter  
• Realized value linked to share price while maintaining retentive glue during times of volatility                                                                 |
| Performance Stock Units | • Awarded to select executives to further incentivize performance  
• Compensation Committee retains sole discretion to determine final payout  
• May be earned from 0% - 200% of target units awarded based on revenue and in consideration of strategic and business progress  
• 66% (Fruchterman)/50% (Pugh) of earned units vest on the second anniversary of the grant date, with the balance vesting on a quarterly basis over the subsequent year |

The table below summarizes equity awards (both units awarded, grant date fair value, and intrinsic value as of December 31, 2021 at a $6.69 share price) made to our named executive officers in 2021, reflecting a combination of annual LTI program awards (awarded in February 2021), additional retention grants (awarded in July 2021), and new-hire grants awarded to executives as part of their employment agreements or offer letters:

<table>
<thead>
<tr>
<th>Name</th>
<th>2021 Equity Awards at Grant Date</th>
<th>Intrinsic Value at 12/31/2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Stock Options</td>
<td>Restricted Stock Units</td>
</tr>
<tr>
<td>Todd M. Fruchterman, M.D., Ph.D.</td>
<td>1,744,442</td>
<td>1,038,300</td>
</tr>
<tr>
<td>Stephanie Fielding</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Stacey Pugh</td>
<td>91,853</td>
<td>207,660</td>
</tr>
<tr>
<td>Darius Shahida</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Andrei Stoica, Ph.D.</td>
<td>121,771</td>
<td>61,798</td>
</tr>
<tr>
<td>Laurent Faracci</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Ms. Fielding and Mr. Shahida did not receive equity awards in 2021 in recognition of significant awards made to the two executives in December 2020 in connection with the Business Combination agreement. We note that the February 2021 awards (e.g., 92% of the CEO’s total grant date fair value) were granted prior to the completion of the Business Combination at the date of hiring and partially in consideration of the significant amount of equity forfeited. Further detail on 2021 awards can be found in “Grants of Plan-Based Awards” below.

**Equity Incentive Plans**

Our 2012 Employee, Director and Consultant Equity Incentive Plan, as amended (the “2012 Plan”), was in place for many years prior to the Business Combination and was amended in January 2020. Pursuant to the Business Combination, all outstanding awards under the 2012 Plan remain subject to the terms and conditions of such plan and the number of shares issued thereunder and the exercise prices were equitably adjusted based on the exchange ratio in connection with the Business Combination. We may not issue new awards under such plan. In connection with the Business Combination, we adopted the Butterfly Network, Inc. Amended and Restated 2020 Equity Incentive Plan (the “2020 Plan”). The 2020 Plan allows for the grant of options, restricted stock awards, restricted stock unit awards (each restricted stock unit relating to one share of our Class A common stock), other share or cash-based awards and dividend equivalent awards to employees, non-employee directors and consultants.
Other Compensation and Governance Matters

Employment Agreements and Severance Benefits

We have entered into employment agreements or offer letters with each of our executive officers, including our named executive officers, which set forth their basic terms of at-will employment and establish the individual’s base salary, eligibility to participate in the annual bonus plan and receive equity awards, and eligibility to participate in standard employee benefits. Furthermore, some of these agreements or offer letters also provide for certain benefits under qualifying terminations (see “Potential Payments Upon Termination or Change-In-Control” in this Item 11 for further details).

As described further below, our Executive Severance Plan was approved by the Compensation Committee in May 2021 following the Business Combination. The Compensation Committee believed it was necessary to adopt the Executive Severance Plan to ensure better alignment with market data and the benefits offered by the companies in our peer group, and to attract, retain and motivate superior executive talent. The Executive Severance Plan provides for continued payment of base salary times a multiplier determined based on the NEO’s title or role with us if he or she is terminated by us without cause or resigns for good reason. In addition, all outstanding unvested equity awards held by an NEO who is a participant in the Executive Severance Plan will become fully vested upon termination without cause or for good reason within 12 months following a change of control. We have not provided any excise tax gross-ups to any of our NEOs in the event of a change of control.

Mr. Faracci resigned from his position as Chief Executive Officer effective as of January 23, 2021. In connection with his resignation, on January 24, 2021, we entered into a separation agreement with Mr. Faracci, as described further below. On January 31, 2022, Ms. Fielding delivered her resignation as Chief Financial Officer, effective as of April 30, 2022. In connection with her resignation, on February 3, 2022, we entered into a separation agreement with Ms. Fielding, as described further below.

In addition, as a condition of their employment, each of our NEOs has entered into a confidentiality agreement obligating the officer to refrain from disclosing any of our proprietary information received during the course of employment.

Retirement and Other Benefits

Our named executive officers are eligible to participate in defined contribution retirement programs available to all our salaried employees.

We provide employees with benefits and perquisites based on competitive market conditions. All salaried employees, including the named executive officers, receive the following benefits:

- Health care coverage (Medical, Dental and Vision)
- Life and Disability insurance protection
- Unlimited Paid Time Off
- 401(k) Retirement Savings Plan

Our NEOs (and some other employees) are also entitled to additional benefits, including reimbursement relocation expenses. We also provided annual reimbursement of tax return preparation and finalization costs for 2020 and 2021 tax years as a perquisite to the CEO.

Prohibition on Hedging and Pledging

Our Insider Trading Policy prohibits members of the Board of Directors, NEOs, and all other subject personnel from purchasing financial instruments designed to hedge the economic risk of owning our securities (or entering any transaction that has the same economic effect), and prohibits certain persons, including members of the Board of Directors and the NEOs, from pledging our securities.
Tax Deductibility Policy

The Compensation Committee considered the deductibility of compensation for federal income tax purposes in the design of the Company’s compensation programs. While the Company generally seeks to maintain the deductibility of the incentive compensation paid to its executive officers, the Compensation Committee retains the flexibility necessary to provide cash and equity compensation in line with competitive practices, its compensation philosophy, and the best interests of stockholders, even if these amounts are not fully tax deductible.

Conclusion

It is the opinion of the Compensation Committee that the compensation policies and elements described above provide the necessary incentives to properly align our executive officers’ performance with the interests of our stockholders while maintaining equitable and competitive executive compensation practices that enable us to attract and retain the highest caliber of executive officers.

COMPENSATION COMMITTEE REPORT

Our Compensation Committee has reviewed and discussed the section entitled “Compensation Discussion and Analysis” with our management. Based upon this review and discussion, the Compensation Committee recommended to the Board of Directors that the section entitled “Compensation Discussion and Analysis” be included in our Annual Report on Form 10-K for the year ended December 31, 2021 and our proxy statement for the 2022 annual meeting of stockholders.

Gianluca Petitti, Chair
Larry Robbins
Dawn Carfora
Louise Phanstiel

Executive and Director Compensation

Introduction

Longview

None of Longview’s executive officers or directors received any cash compensation for services rendered to Longview. Longview agreed to pay an affiliate of its Sponsor a total of $10,000 per month, for up to 24 months, for office space, utilities, administrative and support services provided to members of its management team. The Sponsor, executive officers and directors, or any of their respective affiliates were reimbursed for any out-of-pocket expenses incurred in connection with activities on its behalf, such as identifying potential target businesses and performing due diligence on suitable business combinations.

Butterfly

The number of securities and exercise prices described in this section have been adjusted as necessary to reflect the number of securities and exercise prices following the Business Combination, except as described herein.
**Summary Compensation Table**

The following table shows the total compensation paid or accrued during the last three fiscal years ended December 31, 2021, 2020 and 2019 to (1) our Chief Executive Officer, (2) our Chief Financial Officer and (3) our three next most highly compensated executive officers who earned more than $100,000 during the fiscal year ended December 31, 2021 and were serving as executive officers as of such date. The table also includes our former Chief Executive Officer.

<table>
<thead>
<tr>
<th>Name and Principal Position</th>
<th>Year</th>
<th>Salary ($)</th>
<th>Bonus ($)</th>
<th>Stock Awards ($)</th>
<th>Option Awards ($)</th>
<th>All Other Compensation ($)</th>
<th>Total ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Todd Fruchterman, Chief Executive Officer (4)</td>
<td>2021</td>
<td>687,500</td>
<td>3,272,247</td>
<td>17,025,602</td>
<td>12,586,305</td>
<td>1,244,510</td>
<td>34,816,164</td>
</tr>
<tr>
<td></td>
<td>2020</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Stephanie Fielding, Chief Financial Officer (5)</td>
<td>2021</td>
<td>400,000</td>
<td>355,000</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>755,000</td>
</tr>
<tr>
<td></td>
<td>2020</td>
<td>194,318</td>
<td>25,000</td>
<td>--</td>
<td>1,751,250</td>
<td>--</td>
<td>1,970,568</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Stacey Pugh, Chief Commercial Officer (6)</td>
<td>2021</td>
<td>380,000</td>
<td>417,879</td>
<td>5,160,136</td>
<td>568,826</td>
<td>168,334</td>
<td>6,695,175</td>
</tr>
<tr>
<td></td>
<td>2020</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Darius Shahida, Chief Strategy Officer and Chief Business Development Officer</td>
<td>2021</td>
<td>400,000</td>
<td>1,230,000</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>1,630,000</td>
</tr>
<tr>
<td></td>
<td>2020</td>
<td>400,000</td>
<td>--</td>
<td>4,880,010</td>
<td>583,697</td>
<td>--</td>
<td>5,863,707</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>203,125</td>
<td>200,000</td>
<td>--</td>
<td>--</td>
<td>10,500</td>
<td>413,625</td>
</tr>
<tr>
<td>Andrei Stoica, Chief Technology Officer (7)</td>
<td>2021</td>
<td>183,333</td>
<td>749,452</td>
<td>660,002</td>
<td>662,844</td>
<td>165,126</td>
<td>2,420,757</td>
</tr>
<tr>
<td></td>
<td>2020</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Laurent Faracci, Former Chief Executive Officer (8)</td>
<td>2021</td>
<td>25,000</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>3,516,800</td>
<td>3,541,800</td>
</tr>
<tr>
<td></td>
<td>2020</td>
<td>450,000</td>
<td>150,000</td>
<td>--</td>
<td>13,264,361</td>
<td>321,589</td>
<td>14,185,950</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
</tbody>
</table>
The amounts in this column reflect the aggregate grant date fair value of stock awards granted during 2021, 2020 and 2019, respectively, computed in accordance with ASC 718. The weighted average grant date fair values of stock awards granted during these years are included in Note 12 “Equity Incentive Plan” to our consolidated financial statements for the year ended December 31, 2021 included in this Annual Report on Form 10-K. The grant date fair value of each time-based RSU award is measured based on the closing price of our Class A common stock on the date of grant. The value of the PSU awards granted in 2021 to each of Dr. Fruchterman and Ms. Pugh, based upon the then-probable outcome of the performance conditions, as computed in accordance with ASC 718, was $1,149,995 and $575,004 for each award, respectively. Assuming that the maximum level of performance will be achieved, and assuming the $12.48 closing price of our Class A common stock on the date of grant, the value of each such PSU award is $2,299,989 and $1,150,007, respectively. These amounts do not necessarily correspond to the actual value recognized or that may be recognized by the named executive officers.

The amounts in this column reflect the aggregate grant date fair value of the option awards granted during 2021, 2020 and 2019, respectively, computed in accordance with ASC 718, using the Black-Scholes option-pricing model and excluding the effect of estimated forfeitures. See Note 12 “Equity Incentive Plan” to our consolidated audited financial statements for the year ended December 31, 2021 included in this Annual Report on Form 10-K for details as to the assumptions used to calculate the fair value of the option awards.

For the fiscal year ended December 31, 2021, consists of $110 for Dr. Fruchterman and $85 for Ms. Pugh for life insurance premiums; $380 for Dr. Fruchterman, $168,249 for Ms. Pugh, and $165,071 for Dr. Stoica for relocation-related reimbursement; $140,000 for private aviation for Dr. Fruchterman for company-related travel; $53,450 for legal fees for Dr. Fruchterman; $1,050,570 for the portion of Dr. Fruchterman’s reimbursement bonus intended to provide him a net after tax amount of $1,583,000; and severance benefits to Mr. Faracci consisting of $900,000 in lump sum severance payments, $16,800 for payment of health plan premiums and $2,600,000 attributable to the accelerated vesting of Mr. Faracci’s options, as discussed below under “—Potential Payments upon Termination or Change-in-Control.”

Dr. Fruchterman commenced employment with us on February 1, 2021.

On January 31, 2022, Ms. Fielding delivered her resignation as Chief Financial Officer effective as of April 30, 2022. In connection with her resignation, we entered into a separation agreement with Ms. Fielding, effective as of February 3, 2022, which provides that Ms. Fielding will remain employed by us through April 30, 2022 in order to assist in the transition of the chief financial officer role. Provided that Ms. Fielding complies with the terms of the separation agreement, including the release and waiver provided therein, on April 30, 2022 we will pay Ms. Fielding an annual bonus equal to $150,000 for the year ended December 31, 2021.

Ms. Pugh commenced employment with us on March 15, 2021.

Dr. Stoica commenced employment with us on July 19, 2021.

Mr. Faracci’s employment with us ended effective January 23, 2021.
## 2021 Fiscal Year Grants of Plan-Based Awards

The following table shows information regarding grants of non-equity incentive plan awards and grants of equity awards that we made during the fiscal year ended December 31, 2021 to each of our executive officers named in the Summary Compensation Table.

<table>
<thead>
<tr>
<th>Name</th>
<th>Grant Date</th>
<th>Estimated Future Payouts Under Equity Incentive Plan Awards (1)</th>
<th>All Other Stock Awards: Number of Shares of Stock or Units (##)</th>
<th>All Other Option Awards: Number of Securities Underlying Options (##)</th>
<th>Exercise or Base Price of Option Awards ($/Sh) (2)</th>
<th>Grant Date Fair Value of Stock and Option Awards (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Todd Fruchterman, Chief Executive Officer</td>
<td>7/12/2021</td>
<td>-- -- -- --</td>
<td>--</td>
<td>24,036</td>
<td>12.48</td>
<td>$150,366</td>
</tr>
<tr>
<td></td>
<td>2/1/2021</td>
<td>-- -- -- --</td>
<td>--</td>
<td>1,557,450</td>
<td>15.29</td>
<td>$11,431,262</td>
</tr>
<tr>
<td></td>
<td>7/12/2021</td>
<td>-- -- -- --</td>
<td>--</td>
<td>162,956</td>
<td>12.48</td>
<td>$1,004,676</td>
</tr>
<tr>
<td></td>
<td>7/12/2021</td>
<td>46,073 92,147 184,294</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>-- $1,149,995</td>
</tr>
<tr>
<td></td>
<td>2/1/2021</td>
<td>-- -- -- --</td>
<td>--</td>
<td>1,038,300</td>
<td>--</td>
<td>-- $15,875,607</td>
</tr>
<tr>
<td>Stephanie Fielding, Chief Financial Officer</td>
<td>--</td>
<td>-- -- -- --</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Stacey Pugh, Chief Commercial Officer</td>
<td>7/12/2021</td>
<td>-- -- -- --</td>
<td>--</td>
<td>27,864</td>
<td>12.48</td>
<td>$174,313</td>
</tr>
<tr>
<td></td>
<td>7/12/2021</td>
<td>-- -- -- --</td>
<td>--</td>
<td>63,989</td>
<td>12.48</td>
<td>$394,513</td>
</tr>
<tr>
<td></td>
<td>7/12/2021</td>
<td>23,037 46,074 92,148</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>-- $575,004</td>
</tr>
<tr>
<td></td>
<td>2/12/2021</td>
<td>-- -- -- --</td>
<td>--</td>
<td>207,660</td>
<td>--</td>
<td>-- $4,585,133</td>
</tr>
<tr>
<td>Darius Shahida, Chief Strategy Officer and Chief Business Development Officer</td>
<td>--</td>
<td>-- -- -- --</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Andrei Stoica, Chief Technology Officer</td>
<td>7/19/2021</td>
<td>-- -- -- --</td>
<td>--</td>
<td>37,452</td>
<td>10.68</td>
<td>$203,969</td>
</tr>
<tr>
<td></td>
<td>7/19/2021</td>
<td>-- -- -- --</td>
<td>--</td>
<td>84,319</td>
<td>10.68</td>
<td>$458,875</td>
</tr>
<tr>
<td></td>
<td>7/19/2021</td>
<td>-- -- -- --</td>
<td>--</td>
<td>61,798</td>
<td>--</td>
<td>$660,003</td>
</tr>
<tr>
<td>Laurent Faracci, Former Chief Executive Officer</td>
<td>--</td>
<td>-- -- -- --</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
</tbody>
</table>

(1) The amounts shown represent the number of shares of our common stock that could be earned with respect to the PSU awards granted in 2021. The number of PSUs that will become earned and vest, and the resulting number of shares of our Class A common stock to be issued, will be determined within 90 days following the end of fiscal year 2022, and the number of shares can range from 0% to a maximum of 200% of the target number. The PSU awards are described in further detail under “Compensation Discussion and Analysis—2021 Named Executive Officer Compensation—Equity Incentive Program” above.
The exercise price is equal to the fair market value of our common stock, which is the closing price per share of our Class A common stock as reported by the NYSE on the grant date.

These amounts represent the aggregate grant date fair value for option awards, RSU awards and PSU awards granted to our named executive officers, computed in accordance with ASC 718. See Note 2 “Summary of Significant Accounting Policies” to our consolidated financial statements for the year ended December 31, 2021 included in this Annual Report on Form 10-K for details as to the assumptions used to calculate the fair value of the option awards. The grant date fair value of each time-based RSU award is measured based on the closing price of our common stock on the date of grant.

Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table

Todd M. Fruchterman, M.D., Ph.D.

We entered into an employment agreement with Dr. Fruchterman on July 20, 2021, effective February 1, 2021, in accordance with the binding term sheet entered into between us and Dr. Fruchterman on January 23, 2021, pursuant to which Dr. Fruchterman began employment as Chief Executive Officer on February 1, 2021. As set forth in the Term Sheet, the Employment Agreement provides that Dr. Fruchterman’s initial annual base salary is $750,000. Beginning March 1, 2022, Dr. Fruchterman’s annual base salary is $780,000. Dr. Fruchterman is eligible to receive an annual discretionary bonus in a target amount equal to 100% of his annual base salary, or target bonus, subject to a cap of up to 200% of his annual base salary. In connection with his hiring, Dr. Fruchterman received a one-time reimbursement bonus having a net, after tax amount equal to up to $1,583,000 to repay his legal obligation to his previous employer and a one-time signing bonus equal to $1,000,000, with an initial payment of $500,000 and the remaining $500,000 to be paid promptly following the first anniversary of Dr. Fruchterman’s employment. The signing bonus is subject to repayment if Dr. Fruchterman is terminated for cause or resigns from his position without good reason (each as defined in the employment agreement) on or prior to the first anniversary of his employment. Also in connection with his hiring, Dr. Fruchterman was granted an option for 1,500,000 shares of our common stock, or the Initial Option Award, at an exercise price of $15.87, the fair market value of our common stock on the date of the grant, with 25% to vest on the first anniversary of Dr. Fruchterman’s employment start date and the remainder to vest in equal monthly installments over the next 36 months. The number of shares subject to the Initial Option Award was adjusted in connection with the Business Combination to 1,557,450 shares and the exercise price was adjusted to $15.29 per share. On January 23, 2021, Dr. Fruchterman was also granted a restricted stock unit award to receive 1,000,000 shares of our common stock, or the Initial RSU Award, which vests subject to the Closing of the Business Combination, and thereafter in four equal installments on each of the first four anniversaries of Dr. Fruchterman’s employment start date. The number of shares subject to the Initial RSU Award was adjusted in connection with the Business Combination to 1,038,300 shares. Pursuant to Dr. Fruchterman’s employment agreement, he will be eligible for annual equity awards subject to time and performance vesting as determined by our compensation committee at the time of such grant, with performance-based awards not to exceed 50% of the value of any annual award, and time and performance based vesting not to differ materially from performance measures generally applied to senior executives. For the 2021 performance year, Dr. Fruchterman received an award with a grant date value of $2,300,000, with 50% of the award in the form of stock options and 50% of the award in the form of restricted stock units, which will vest over three years pursuant to time-based and performance criteria determined by our compensation committee.

Dr. Fruchterman is entitled to reimbursement for reasonable, customary relocation expenses and legal fees related to negotiation of his employment terms. Dr. Fruchterman is also entitled to annual reimbursement for up to $20,000 of reasonable expenses related to tax preparation and estate planning for the 2020 and 2021 tax years. Dr. Fruchterman will be subject to our Non-Competition, Confidentiality and Intellectual Property Agreement, which includes a one year post-employment covenant not to compete with us in the United States in the field of ultrasound technologies, devices and applications, a two year post-employment covenant not to solicit or service our customers or prospective customers to or for a competing business, and a two year post-employment covenant not to solicit or hire our employees or contractors.

Dr. Fruchterman is entitled to certain benefits in connection with a termination of his employment or a change of control as discussed below under “—Potential Payments upon Termination or Change-in-Control.”
Stephanie Fielding

Ms. Fielding began her position as Chief Financial Officer in November 2020. We entered into an offer letter with Ms. Fielding, as our Senior Vice President of Finance, on March 16, 2020. Pursuant to the terms of her offer letter, Ms. Fielding’s then annual base salary was $225,000. On November 18, 2020, we provided to Ms. Fielding an employment agreement letter which supplements the terms and conditions of her offer letter. Pursuant to her employment agreement letter, Ms. Fielding’s annual base salary is $400,000. On December 17, 2020, Ms. Fielding was granted an option to purchase 375,000 shares at an exercise price of $9.75, the fair market value of our common stock on the date of the grant, 25% of which vested on June 30, 2021 and the remainder to vest in equal monthly installments over the following 36-month period. The number of shares subject to the option award was adjusted in connection with the Business Combination to 389,362 shares and the exercise price was adjusted to $9.40 per share. In addition, on December 17, 2020, Ms. Fielding was granted 125,000 RSUs, which vested subject to the Closing of the Business Combination, and thereafter as follows: 25% of the RSUs vested on December 17, 2021, and the remainder will vest in equal quarterly installments over the following three years. The number of shares subject to the RSU award was adjusted in connection with the Business Combination to 129,788 shares. The option and RSU grants to Ms. Fielding under her November 18, 2020 employment agreement letter replace the obligation to grant 250,000 stock options under her March 16, 2020 offer letter.

Pursuant to her employment agreement letter, Ms. Fielding was entitled to certain benefits in connection with a termination of her employment as discussed below under “—Potential Payments upon Termination or Change-in-Control.”

On January 31, 2022, Ms. Fielding delivered her resignation as Chief Financial Officer effective as of April 30, 2022. In connection with her resignation, we entered into a separation agreement with Ms. Fielding, effective as of February 3, 2022, which provides that Ms. Fielding will remain employed by us through April 30, 2022 in order to assist in the transition of the chief financial officer role. Provided that Ms. Fielding complies with the terms of the separation agreement, including the release and waiver provided therein, on April 30, 2022 we will pay Ms. Fielding an annual bonus equal to $150,000 for the year ended December 31, 2021. All unvested options and restricted stock units subject to Ms. Fielding’s equity awards will be forfeited as of April 30, 2022. The separation agreement also includes other customary provisions.

Stacey Pugh

We entered into an offer letter with Ms. Pugh, as our Chief Commercial Officer, on February 11, 2021 to begin employment on March 15, 2021. Pursuant to the terms of her offer letter, Ms. Pugh’s initial annual base salary is $480,000. Beginning March 1, 2022, Ms. Pugh’s annual base salary is $499,000. Ms. Pugh received a sign on bonus in the amount of $300,000, with the first installment of $150,000 paid in March 2021 and the second installment to be paid following the first anniversary of Ms. Pugh’s start date. For calendar year 2021, Ms. Pugh was eligible to receive a discretionary bonus with a target of 70% of her base salary and a cap of 150% of her base salary. On July 12, 2021, Ms. Pugh was granted an option to purchase 91,853 shares at an exercise price of $12.48, the fair market value of our Class A common stock on the date of the grant, 25% of which vested on February 15, 2022 and the remainder to vest in equal monthly installments over the following three years. In addition, on July 12, 2021, Ms. Pugh was granted 46,074 RSUs, which vest based on performance criteria and time based vesting. If the performance measures are met, 50% of the earned portion of the award will vest on February 15, 2023, with the remainder of the earned portion of the award to vest in eight equal quarterly installments over the following two years.

Ms. Pugh is entitled to certain benefits in connection with a termination of her employment or a change of control as discussed below under “—Potential Payments upon Termination or Change-in-Control.”
Darius Shahida

Mr. Shahida began his position as our Chief Strategy Officer and Chief Business Development Officer in January 2020 and we entered into an employment letter with Mr. Shahida in November 2020. Mr. Shahida previously served as our Head of Growth from August 2018 to January 2020. Pursuant to the terms of his employment letter, Mr. Shahida’s annual base salary is $400,000. Beginning March 1, 2022, Mr. Shahida’s annual base salary is $416,000. On December 17, 2020, Mr. Shahida was granted 500,000 RSUs, which vested 50% on the first anniversary of the grant date and the remainder will vest in equal quarterly installments over the following year. The number of shares subject to Mr. Shahida’s RSU award was adjusted in connection with the Business Combination to 519,150 shares.

Mr. Shahida is entitled to certain benefits in connection with a termination of his employment or a change of control as discussed below under “Potential Payments upon Termination or Change-in-Control.”

Andrei Stoica

We entered into an offer letter with Dr. Stoica, as our Chief Technology Officer and Senior Vice President, on June 3, 2021 to begin employment in July 2021. Pursuant to the terms of his offer letter, Dr. Stoica’s initial annual base salary is $440,000. Beginning March 1, 2022, Dr. Stoica’s annual base salary is $475,000. In August 2021, Dr. Stoica received a one-time make whole payment of $650,000 for incentive and retention forfeiture, which payment is recoverable by us in the event Dr. Stoica voluntarily terminates his employment (other than for good reason) prior to 12 months from his start date. Dr. Stoica receives an annual discretionary bonus with a target of 50% of his base salary. On July 19, 2021, Dr. Stoica was granted an option to purchase 121,771 shares at an exercise price of $10.68, the fair market value of our Class A common stock on the date of the grant, 25% of which will vest on September 30, 2022 and the remainder to vest in equal monthly installments over the following three years. In addition, on July 19, 2021, Dr. Stoica was granted 61,798 RSUs, 25% of which will vest on September 30, 2022 and the remainder to vest in 12 equal quarterly installments thereafter. Dr. Stoica is eligible to participate in our long-term incentive program. Pursuant to the terms of his offer letter, we reimbursed Dr. Stoica for reasonable moving expenses in connection with this relocation to begin employment with us.

Dr. Stoica is entitled to certain benefits in connection with a termination of his employment or a change of control as discussed below under “Potential Payments upon Termination or Change-in-Control.”

Laurent Faracci

We entered into an offer letter of employment with Mr. Faracci on December 18, 2019, and Mr. Faracci was our Chief Executive Officer from April 2020 to January 2021. The offer letter provided that Mr. Faracci’s annual base salary was $600,000. In 2020, Mr. Faracci was eligible to receive annual discretionary bonuses of up to 100% of his annual base salary, and he would have received a guaranteed bonus of 25% of his annual base salary if he was employed on the date any 2020 bonus was paid in February 2021. In connection with his hiring, Mr. Faracci was granted an option for 4,350,000 shares at an exercise price of $5.02, the fair market value of our common stock on the date of the grant, with 20% to vest on March 31, 2021 and the remainder vesting in equal monthly installments over the next 48 months, subject to Mr. Faracci’s continued employment.

Pursuant to Mr. Faracci’s offer letter, he also received two additional option grants, each for 1,635,000 shares, at an exercise price of $5.02. The number of shares subject to each option award was adjusted in connection with the Business Combination to 3,395,240 shares and the exercise price was adjusted to $4.84 per share. The first option provided for vesting on the closing of a financing in excess of $100 million within two years of Mr. Faracci’s start date at a share price greater than $20.54 and if existing stockholders (and holders of vested options) were allowed to tender up to 5% of their shares. The second option provided for vesting on the closing of a financing in excess of $100 million within five years of Mr. Faracci’s start date at a share price greater than $51.35 and if existing stockholders (and holders of vested options) were allowed to tender up to 5% of their shares. The option grants expired on April 23, 2021, the three month anniversary of Mr. Faracci’s separation date.
Mr. Faracci resigned from his position as Chief Executive Officer effective as of January 23, 2021. In connection with his resignation, on January 24, 2021, we entered into a separation agreement with Mr. Faracci. Under the separation agreement, we paid or provided to Mr. Faracci: (i) a lump sum severance payment in the amount of $900,000, which was equal to one year of his then current annual base salary plus an additional amount equal to 50% of his then current base salary, (ii) payment of the monthly premiums to continue Mr. Faracci and his eligible dependents’ participation in our group health plan for 12 months following the separation date, (iii) a payment of $150,000 representing Mr. Faracci’s bonus payable for 2020, and (iv) accelerated vesting of the 1,522,491 shares of his time-based options that would have vested had Mr. Faracci remained employed through the one year anniversary of his termination date, which options will remain exercisable until January 23, 2026. The number of shares subject to the accelerated time-based options was adjusted in connection with the Business Combination to 1,580,802 shares and the exercise price was adjusted to $4.84 per share. The separation agreement also includes a release and waiver by Mr. Faracci and other customary provisions.

**Outstanding Equity Awards at 2021 Fiscal Year-End**

The following table shows grants of stock options and grants of unvested stock awards outstanding on the last day of the fiscal year ended December 31, 2021, including both awards subject to performance conditions and non-performance-based awards, to each of the executive officers named in the Summary Compensation Table.
<table>
<thead>
<tr>
<th>Name</th>
<th>Grant Date</th>
<th>Number of Securities Underlying Unexercised Options (#)</th>
<th>Number of Securities Underlying Unexercised Options (##)</th>
<th>Option Exercise Price ($)</th>
<th>Option Expiration Date</th>
<th>Number of Shares or Units of Stock That Have Not Vested (#)</th>
<th>Market or Payout Value of Shares or Other Rights That Have Not Vested ($) (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Todd Fruchterman, Chief Executive Officer</td>
<td>7/12/2021</td>
<td>24,036(3)</td>
<td></td>
<td>12.48</td>
<td>7/11/2031</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>2/1/2021</td>
<td>1,557,450(4)</td>
<td>15.29</td>
<td>2/1/2031</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>7/12/2021</td>
<td>162,596(5)</td>
<td>12.48</td>
<td>7/11/2031</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>7/12/2021</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>92,147(6)</td>
<td>--</td>
<td>616,463</td>
</tr>
<tr>
<td></td>
<td>2/1/2021</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Stephanie Fielding, Chief Financial Officer</td>
<td>12/17/2020</td>
<td>9,728(8)</td>
<td>16,229</td>
<td>9.40</td>
<td>12/17/2030</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>12/17/2020</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Stacey Pugh, Chief Commercial Officer</td>
<td>7/12/2021</td>
<td>27,844(11)</td>
<td>12.48</td>
<td>7/11/2031</td>
<td>97,341(10)</td>
<td>651,211</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>7/12/2021</td>
<td>63,989(12)</td>
<td>12.48</td>
<td>7/11/2031</td>
<td>--</td>
<td>--</td>
<td>46,074(13)</td>
</tr>
<tr>
<td></td>
<td>7/12/2021</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>308,235</td>
</tr>
<tr>
<td></td>
<td>2/12/2021</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>207,660(14)</td>
<td>1,389,245</td>
<td>--</td>
</tr>
<tr>
<td>Darius Shahida, Chief Strategy Officer and Chief Business Development Officer</td>
<td>1/16/2018</td>
<td>155,745</td>
<td>--</td>
<td>2.48</td>
<td>1/16/2028</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>9/18/2018</td>
<td>129,752(15)</td>
<td>25,993</td>
<td>4.16</td>
<td>9/18/2028</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>1/21/2020</td>
<td>160,063(16)</td>
<td>47,597</td>
<td>4.84</td>
<td>1/21/2030</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>12/17/2020</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>259,576(17)</td>
<td>1,736,563</td>
<td>--</td>
</tr>
<tr>
<td>Andrei Stoica, Chief Technology Officer</td>
<td>7/19/2021</td>
<td>37,452(18)</td>
<td>10.68</td>
<td>7/18/2031</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>7/19/2021</td>
<td>84,319(19)</td>
<td>10.68</td>
<td>7/18/2031</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td></td>
<td>7/19/2021</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>61,798(20)</td>
<td>413,429</td>
<td>--</td>
</tr>
<tr>
<td>Laurent Faracci, Former Chief Executive Officer</td>
<td>4/23/2020</td>
<td>1,580,802</td>
<td>--</td>
<td>4.84</td>
<td>1/23/2026</td>
<td>--</td>
<td>--</td>
</tr>
</tbody>
</table>
All options have a ten-year term from the date of grant.

The market value of the stock awards is based on the closing price of our Class A common stock of $6.69 per share on December 31, 2021.

The shares underlying this option vest as to 33% of the award on February 15, 2022, with the remainder of the award to vest in equal monthly installments over the following two years, subject to continued service through the applicable vesting dates.

The shares underlying this option vest as to 25% of the award on February 1, 2022, with the remainder of the award vesting in 36 equal monthly installments thereafter, subject to Dr. Fruchterman’s continued service through the applicable vesting dates.

The shares underlying this option vest as to 33% of the award on February 15, 2022, with the remainder of the award to vest in equal monthly installments over the following two years, subject to continued service through the applicable vesting dates.

This award vests based on performance criteria and time based vesting. If the performance measures are met, 66% of the earned portion of the award will vest on February 15, 2023, with the remainder of the earned portion of the award to vest in four equal quarterly installments over the following year, subject to continued service through the applicable vesting dates. The amount shown represents the target number of shares of our Class A common stock that could be earned with respect to this award. The number of PSUs that will become earned and vest, and the resulting number of shares of our Class A common stock to be issued, will be determined within 90 days following the end of fiscal year 2022, and the number of shares can range from 0% to a maximum of 200% of the target number. The PSU awards are described in further detail under “Compensation Discussion and Analysis—2021 Named Executive Officer Compensation—Equity Incentive Program” above.

The RSUs vest in 4 equal annual installments on the anniversary of the start of Dr. Fruchterman’s employment by Butterfly (defined below), February 1, 2021, subject to his continued service through the applicable vesting date.

The shares underlying this option vest as to 25% on June 30, 2021, with the remainder vesting in 36 equal monthly installments thereafter, subject to Ms. Fielding’s continued service through the applicable vesting date. As of Ms. Fielding’s separation date, 14,060 unvested shares underlying this option will be forfeited.

The shares underlying this option vest as to 25% on June 30, 2021, with the remainder vesting in 36 equal monthly installments thereafter, subject to Ms. Fielding’s continued service through the applicable vesting date. As of Ms. Fielding’s separation date, 196,845 unvested shares underlying this option will be forfeited.

This award will vest on as to 25% of the award on February 15, 2022, with the remainder of the award to vest in equal monthly installments over the following three years, subject to continued service through the applicable vesting dates.

This award will vest on as to 25% of the award on February 15, 2022, with the remainder of the award to vest in equal monthly installments over the following three years, subject to continued service through the applicable vesting dates.

This award vests based on performance criteria and time based vesting. If the performance measures are met, 50% of the earned portion of the award will vest on February 15, 2023, with the remainder of the earned portion of the award to vest in eight equal quarterly installments over the following two years, subject to continued service to us through the applicable vesting dates. The amount shown represents the target number of shares of our Class A common stock that could be earned with respect to this award. The number of PSUs that will become earned and vest, and the resulting number of shares of our Class A common stock to be issued, will be determined within 90 days following the end of fiscal year 2022, and the number of shares can range from 0% to a maximum of 200% of the target number. The PSU awards are described in further detail under “Compensation Discussion and Analysis—2021 Named Executive Officer Compensation—Equity Incentive Program” above.

The RSUs vest in equal annual installments over four years beginning on February 11, 2022, subject to Ms. Pugh’s continued service through the applicable vesting date.

The shares underlying this option vest in equal monthly installments over 48 months beginning on September 30, 2018, subject to Mr. Shahida’s continued service through the applicable vesting date.
The shares underlying this option vested as to 50% on November 2, 2020, with the remainder vesting in 24 equal monthly installments thereafter, subject to Mr. Shahida’s continued service through the applicable vesting date.

The RSUs vest as to 50% of the shares on December 17, 2021, with the remainder vesting in 4 equal quarterly installments thereafter, subject to Mr. Shahida’s continued service through the applicable vesting date.

The shares underlying this option vest as to 25% on September 30, 2022, with the remainder vesting in 36 equal monthly installments thereafter, subject to Dr. Stoica’s continued service through the applicable vesting date.

The shares underlying this option vest as to 25% on September 30, 2022, with the remainder vesting in 36 equal monthly installments thereafter, subject to Dr. Stoica’s continued service through the applicable vesting date.

The RSUs vest as to 25% on September 30, 2022, with the remainder vesting in 12 equal quarterly installments thereafter, subject to Dr. Stoica’s continued service through the applicable vesting date.

**Option Exercises and Stock Vested in 2021**

The following table shows information regarding exercises of options to purchase our common stock and vesting of stock awards held by each executive officer named in the Summary Compensation Table during the fiscal year ended December 31, 2021.

<table>
<thead>
<tr>
<th>Name</th>
<th>Option Awards</th>
<th>Stock Awards</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Shares Acquired on Exercise (#)</td>
<td>Value Realized on Exercise ($) (1)</td>
</tr>
<tr>
<td>Todd Fruchterman, Chief Executive Officer</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Stephanie Fielding, Chief Financial Officer</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Stacey Pugh, Chief Commercial Officer</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Darius Shahida, Chief Strategy Officer and Chief Business Development Officer</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Andrei Stoica, Chief Technology Officer</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Laurent Faracci, Former Chief Executive Officer</td>
<td>--</td>
<td>--</td>
</tr>
</tbody>
</table>

(1) Amounts shown in this column do not necessarily represent actual value realized from the sale of the shares acquired upon exercise of options because in many cases the shares are not sold on exercise but continue to be held by the executive officer exercising the option. The amounts shown represent the difference between the option exercise price and the market price on the date of exercise, which is the amount that would have been realized if the shares had been sold immediately upon exercise.

(2) The value realized on vesting is calculated by multiplying the number of vested shares by the closing price of our Class A common stock on the NYSE on the applicable vesting date.

**Pension Benefits**

We do not have any qualified or non-qualified defined pension benefit plans.
Nonqualified Deferred Compensation

We do not have any nonqualified defined contribution plans or other deferred compensation plans.

Severance Plan

On May 3, 2021, the Compensation Committee of the Board adopted the Butterfly Network, Inc. Executive Severance Plan, as amended on November 10, 2021 (the “Severance Plan”). Eligible participants in the Severance Plan include our executive officers (other than our Chief Executive Officer, our Chief Financial Officer, our Chief Operating Officer and our Chief Strategy and Chief Business Development Officer) and executive officers reporting directly to our Chief Executive Officer having the title of senior vice president or executive vice president.

Under the Severance Plan, if we terminate a participant’s employment without cause (as defined in the Severance Plan) or a participant resigns for good reason (as defined in the Severance Plan) at any time other than during the twelve (12) month period following a change in control (as such term is defined in the Severance Plan) (the “Change in Control Period”), then the participant is eligible to receive the following benefits:

- Severance payable in the form of salary continuation. The severance amount is equal to participant’s then-current base salary times a multiplier determined based on the participant’s title or role with us.
- We will pay for company contribution for continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, or COBRA, during the severance period.

Under the Severance Plan, if we terminate a participant’s employment without cause or participant resigns for good reason, during the Change in Control Period, then the participant is eligible to receive the following benefits:

- Severance payable in a single lump sum. The severance amount is equal to participant’s then-current base salary and then-current target annual bonus opportunity, times a change in control multiplier determined based on the participant’s title or role with us.
- We will pay for company contribution for continuation coverage under COBRA during the severance period.
- Any outstanding unvested equity awards held by the participant under our then-current outstanding equity incentive plan(s) will become fully vested on the date the termination of such participant’s employment becomes effective.

A participant’s rights to any severance benefits under the Severance Plan are conditioned upon the participant executing and not revoking a valid separation and general release of claims agreement in a form provided by us.

For purposes of severance payments made under our Severance Plan, “good reason” is defined as the participant resigning after the occurrence of one of the following events without the participant’s consent:

- a material reduction of the participant’s base salary as in effect immediately prior to the reduction; or
- a material reduction in the participant’s authority, duties or responsibilities.

The participant must provide us with written notice within 30 days after the occurrence of a good reason event, and we have 30 days to correct the event after receipt of the notice, and the participant must actually terminate his or her employment within 60 days after the date we receive the participant’s notice.

The term “cause” under the Severance Plan means a termination by us after the occurrence of one of the following events:

- willful misconduct or gross negligence in the performance of the participant’s duties;
- refusal to follow the lawful directions of the Chief Executive Officer, which, if curable, has not been cured by the participant within 30 days after he or she receives notice from the Chief Executive Officer;
- breach of a fiduciary duty owed to us;
- fraud, embezzlement or other material dishonesty with respect to us;
• violation of applicable federal, state or local law or regulation governing our business;

• commission, conviction, plea of nolo contendere, guilty plea, or confession to a crime based upon an act of fraud, embezzlement or dishonesty or to a felony;

• habitual abuse of alcohol or any controlled substance or reporting to work under the influence of alcohol or any controlled substance (other than a controlled substance that the participant is properly taking under a current prescription);

• misappropriation (or attempted misappropriation) by the participant of any material assets or business opportunities of us or any of our subsidiaries or affiliates;

• a material failure to comply with our written policies or rules, as they may be in effect from time to time during the participant’s employment, including policies and rules prohibiting discrimination or harassment, which, if curable, has not been cured by the participant within 30 days after he or she receives notice from the Chief Executive Officer;

• a material breach of the participant’s employment agreement or offer letter, the Non-Competition, Confidentiality and Intellectual Property Agreement or any other written agreement between us or one of our subsidiaries and participant, which, if curable, has not been cured by the participant within 30 days after he or she receives notice from the Chief Executive Officer.

The term “change in control” under the Severance Plan means:

   (i) any person or group of persons (other than us or our affiliates) becomes the owner, directly or indirectly, of our securities representing more than 50% of the combined voting power of our then outstanding voting securities (the “Outstanding Company Voting Securities”) (but excluding any bona fide financing event in which securities are acquired directly from us); or

   (ii) the consummation of a merger or consolidation of us with any other corporation, other than a merger or consolidation (i) that results in the Outstanding Company Voting Securities immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity at least 50% of the combined voting power of the Outstanding Company Voting Securities (or such surviving entity or, if we or the entity surviving such merger is then a subsidiary, the ultimate parent thereof) outstanding immediately after such merger or consolidation, or (ii) immediately following which the individuals who comprise the Board immediately prior thereto constitute at least a majority of the Board of the entity surviving such merger or consolidation or, if we or the entity surviving such merger is then a subsidiary, the ultimate parent thereof; or

   (iii) the sale or disposition by us of all or substantially all of our assets, other than (i) a sale or disposition by us of all or substantially all of our assets to an entity, at least 50% of the combined voting power of the voting securities of which are owned directly or indirectly by our stockholders following the completion of such transaction in substantially the same proportions as their ownership of us immediately prior to such sale or (ii) a sale or disposition of all or substantially all of our assets immediately following which the individuals who comprise the Board immediately prior thereto constitute at least a majority of the board of directors of the entity to which such assets are sold or disposed or, if such entity is a subsidiary, the ultimate parent thereof;

   (iv) provided that with respect to Sections (i), (ii) and (iii) above, a transaction or series of integrated transactions will not be deemed a Change in Control (A) unless the transaction qualifies as a change in control within the meaning of Section 409A of the Code, or (B) if following the conclusion of the transaction or series of integrated transactions, the holders of our Class B Common Stock immediately prior to such transaction or series of transactions continue to have substantially the same proportionate voting power in an entity which owns all or substantially all of our assets immediately following such transaction or series of transactions.
Potential Payments upon Termination or Change-In-Control

We have agreed to provide severance and change of control payments and benefits to our named executive officers under specified circumstances, as described below:

**Todd M. Fruchterman, M.D., Ph.D.**

In the event that Dr. Fruchterman is terminated without cause or resigns from his position for good reason, he is entitled to receive a severance payment equal to one year of his then in-effect base salary plus his target bonus, as well as any earned but unpaid annual bonus and payment of an amount equal to COBRA premiums for 12 months. In addition, Dr. Fruchterman’s employment agreement specifies that his outstanding equity awards with time-based vesting will continue to vest for an additional 12 months following his termination and his Initial RSU Award will be vested in full. Dr. Fruchterman’s employment agreement also specifies that, in the event that Dr. Fruchterman is terminated without cause or resigns from his position for good reason within three months prior to or two years following a change in control event (as defined in Dr. Fruchterman’s employment agreement), he is entitled to receive a severance payment equal to two times the sum of his then in-effect base salary plus his target bonus, as well as any earned but unpaid annual bonus and payment of an amount equal to COBRA premiums for 24 months, and his outstanding equity awards with time-based vesting will be vested in full. Finally, Dr. Fruchterman’s employment agreement provides that, upon Dr. Fruchterman’s termination of employment because of his death or his disability, he is entitled to receive payment of any earned but unpaid annual bonus and such additional vesting of his Initial Option Award and Initial RSU Award such that no less than 50% of the Initial Option Award and Initial RSU Award will be vested upon termination of employment.

For purposes of Dr. Fruchterman’s employment agreement, “good reason” means the occurrence of any of the following events without Dr. Fruchterman’s consent: (i) a material reduction of base salary as in effect immediately prior to the reduction; (ii) a material reduction by us of Dr. Fruchterman’s target annual bonus as in effect immediately prior to the reduction, provided a compensation plan change that affects similarly all employees at similar levels will not constitute good reason; (iii) a material reduction in Dr. Fruchterman’s authority, duties or responsibilities, provided however, following a change in control event, a change in job title or reporting relationship without a reduction in Dr. Fruchterman’s base salary or annual bonus target will not constitute good reason; (iv) relocation of the offices at which Dr. Fruchterman is required to work to a location that would increase Dr. Fruchterman’s one-way commute by more than 50 miles; or (v) the failure to re-elect Dr. Fruchterman to serve as a director of the Board; provided that, within 30 days of the first occurrence of the event that Dr. Fruchterman believes constitutes good reason, Dr. Fruchterman notifies the Board in writing of the event, we fail to correct the act or omission within thirty (30) days of the date of Dr. Fruchterman’s written notice and Dr. Fruchterman actually terminates his employment within sixty (60) days of the date of Dr. Fruchterman’s written notice.

For purposes of Dr. Fruchterman’s employment agreement, “cause” means Dr. Fruchterman’s: (i) willful misconduct or gross negligence in the performance of his duties as Chief Executive Officer; (ii) refusal to follow the lawful directions of the Board; (iii) breach of a fiduciary duty owed to us or our shareholders; (iv) fraud, embezzlement or other material dishonesty with respect to us; (v) violation of applicable federal, state or local law or regulation governing our business; (vi) commission, conviction, plea of nolo contendere, guilty plea, or confession to a crime based upon an act of fraud, embezzlement or dishonesty or to a felony; (vii) habitual abuse of alcohol or any controlled substance or reporting to work under the influence of alcohol or any controlled substance (other than a controlled substance that Dr. Fruchterman is properly taking under a current prescription); (viii) misappropriation (or attempted misappropriation) by Dr. Fruchterman of any material assets or business opportunities of us or any of our subsidiaries or affiliates; (ix) a material failure to comply with our written policies or rules, as they may be in effect from time to time during Dr. Fruchterman’s employment, including policies and rules prohibiting discrimination or harassment; or (x) a material breach of Dr. Fruchterman’s employment agreement, the Non-Competition, Confidentiality and Intellectual Property Agreement or any other written agreement between us or one of our subsidiaries and Dr. Fruchterman, provided that Dr. Fruchterman will have 30 days after notice from the Board to cure a failure or a breach under (ix) or (x), if curable.
The following table sets out the estimated potential payments upon termination or a change in control for Dr. Fruchterman, based on the assumptions discussed above and assuming such event occurred on December 31, 2021:

<table>
<thead>
<tr>
<th>Dr. Fruchterman</th>
<th>Termination by the Company without Cause or by the Executive for Good Reason ($)</th>
<th>Termination because of Death or Disability ($)</th>
<th>Termination by the Company without Cause or by the Executive for Good Reason Within 3 Months Before or 24 Months Following a Change in Control ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Severance benefits:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lump sum payment</td>
<td>1,500,000</td>
<td>--</td>
<td>3,000,000</td>
</tr>
<tr>
<td>Healthcare benefits</td>
<td>16,800</td>
<td>--</td>
<td>33,600</td>
</tr>
<tr>
<td>Acceleration of equity awards:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market value of equity vesting on termination(1)</td>
<td>6,946,227</td>
<td>3,473,114</td>
<td>6,946,227</td>
</tr>
<tr>
<td>Total Payment</td>
<td>8,463,027</td>
<td>3,473,114</td>
<td>9,963,027</td>
</tr>
</tbody>
</table>

(1) Amounts do not include the value associated with vested stock options. Information about all stock options and other unvested equity awards held by Dr. Fruchterman as of December 31, 2021 is included in the “Outstanding Equity Awards at 2021 Fiscal Year-End” table.

Stephanie Fielding

Ms. Fielding’s employment agreement letter provided that in the event that Ms. Fielding’s employment was terminated by us without cause or by Ms. Fielding with good reason, Ms. Fielding would receive payment of six months of her then annual base salary and would be entitled to vesting of an additional six months of her equity grants if the termination is prior to the two-year anniversary of her start date, and payment of one year of her then annual base salary and vesting of an additional one year of her equity grants if the termination was after the two-year anniversary of her start date.

The following table sets out the estimated potential payments upon termination for Ms. Fielding, based on the assumptions discussed above and assuming such event occurred on December 31, 2021:

<table>
<thead>
<tr>
<th>Ms. Fielding</th>
<th>Termination by the Company without Cause or by the Executive for Good Reason ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Severance benefits:</td>
<td></td>
</tr>
<tr>
<td>Lump sum payment</td>
<td>200,000</td>
</tr>
<tr>
<td>Healthcare benefits</td>
<td>--</td>
</tr>
<tr>
<td>Acceleration of equity awards:</td>
<td></td>
</tr>
<tr>
<td>Market value of equity vesting on termination(1)</td>
<td>108,525</td>
</tr>
<tr>
<td>Total Payment</td>
<td>308,525</td>
</tr>
</tbody>
</table>

(1) Amounts do not include the value associated with vested stock options. Information about all stock options and other unvested equity awards held by Ms. Fielding as of December 31, 2021 is included in the “Outstanding Equity Awards at 2021 Fiscal Year-End” table.

On January 31, 2022, Ms. Fielding delivered her resignation as Chief Financial Officer effective as of April 30, 2022. In connection with her resignation, we entered into a separation agreement with Ms. Fielding, effective as of February 3, 2022, which provides that Ms. Fielding will remain employed by us through April 30, 2022 in order to assist in the transition of the chief financial officer role. Provided that Ms. Fielding complies with the terms of the separation agreement, including the release and waiver provided therein, on April 30, 2022 we will pay Ms. Fielding an annual bonus equal to $150,000 for the year ended December 31, 2021. All unvested options and restricted stock units subject to Ms. Fielding’s equity awards will be forfeited as of April 30, 2022. The separation agreement also includes other customary provisions.
Stacey Pugh

Ms. Pugh is eligible to participate in our Severance Plan. In her role as an executive vice president who reports directly to our Chief Executive Officer, Ms. Pugh’s payment multiplier under the Severance Plan is 1.0 for eligible severance both in and not in connection with a change in control.

The following table sets out the estimated potential payments upon termination for Ms. Pugh, based on the assumptions discussed above and assuming such event occurred on December 31, 2021:

<table>
<thead>
<tr>
<th>Ms. Pugh</th>
<th>Termination by the Company without Cause or by the Executive for Good Reason ($)</th>
<th>Termination by the Company without Cause or by the Executive for Good Reason Within 12 Months Following a Change in Control ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Severance benefits:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Severance payment</td>
<td>480,000</td>
<td>816,000</td>
</tr>
<tr>
<td>Healthcare benefits</td>
<td>16,800</td>
<td>16,800</td>
</tr>
<tr>
<td>Acceleration of equity awards:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market value of equity vesting on termination(1)</td>
<td>--</td>
<td>1,389,245</td>
</tr>
<tr>
<td>Total Payment</td>
<td>496,800</td>
<td>2,222,045</td>
</tr>
</tbody>
</table>

(1) Amounts do not include the value associated with vested stock options. Information about all stock options and other unvested equity awards held by Ms. Pugh as of December 31, 2021 is included in the “Outstanding Equity Awards at 2021 Fiscal Year-End” table.

Darius Shahida

In the event that Mr. Shahida’s employment is terminated by us without cause or by Mr. Shahida with good reason, Mr. Shahida will receive payment equal to one year of his then annual base salary and will be entitled to vesting of an additional one year of his equity grants, provided that Mr. Shahida enters into a severance agreement with us containing a customary release of claims and a commitment not to disparage Butterfly, Longview or any of their respective affiliates.

The following table sets out the estimated potential payments upon termination for Mr. Shahida, based on the assumptions discussed above and assuming such event occurred on December 31, 2021:

<table>
<thead>
<tr>
<th>Mr. Shahida</th>
<th>Termination by the Company without Cause or by the Executive for Good Reason ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Severance benefits:</td>
<td></td>
</tr>
<tr>
<td>Lump sum payment</td>
<td>400,000</td>
</tr>
<tr>
<td>Healthcare benefits</td>
<td>--</td>
</tr>
<tr>
<td>Acceleration of equity awards:</td>
<td></td>
</tr>
<tr>
<td>Market value of equity vesting on termination(1)</td>
<td>1,890,380</td>
</tr>
<tr>
<td>Total Payment</td>
<td>2,290,380</td>
</tr>
</tbody>
</table>

(1) Amounts do not include the value associated with vested stock options. Information about all stock options and other unvested equity awards held by Mr. Shahida as of December 31, 2021 is included in the “Outstanding Equity Awards at 2021 Fiscal Year-End” table.
Andrei Stoica

Dr. Stoica is eligible to participate in our Severance Plan. In his role as an executive officer who reports directly to our Chief Executive Officer, Dr. Stoica’s payment multiplier under the Severance Plan is 0.75 for eligible severance not in connection with a change in control and 1.0 for eligible severance in connection with a change in control.

The following table sets out the estimated potential payments upon termination or a change in control for Dr. Stoica, based on the assumptions discussed above and assuming such event occurred on December 31, 2021:

<table>
<thead>
<tr>
<th>Dr. Stoica</th>
<th>Termination by the Company without Cause or by the Executive for Good Reason ($)</th>
<th>Termination by the Company without Cause or by the Executive for Good Reason Within 12 Months Following a Change in Control ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Severance benefits:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Severance payment</td>
<td>330,000</td>
<td>660,000</td>
</tr>
<tr>
<td>Healthcare benefits</td>
<td>12,600</td>
<td>16,800</td>
</tr>
<tr>
<td><strong>Acceleration of equity awards:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market value of equity vesting on termination(1)</td>
<td>--</td>
<td>413,429</td>
</tr>
<tr>
<td><strong>Total Payment</strong></td>
<td>342,600</td>
<td>1,090,229</td>
</tr>
</tbody>
</table>

(1) Amounts do not include the value associated with vested stock options. Information about all stock options and other unvested equity awards held by Dr. Stoica as of December 31, 2021 is included in the “Outstanding Equity Awards at 2021 Fiscal Year-End” table.

Laurent Faracci

Mr. Faracci resigned from his position as Chief Executive Officer effective January 23, 2021. In connection with his resignation, on January 24, 2021, we entered into a separation agreement with Mr. Faracci. Under the separation agreement, we paid or provided to Mr. Faracci: (i) a lump sum severance payment in the amount of $900,000, which is equal to one year of his current annual base salary plus an additional amount equal to 50% of his current base salary, (ii) payment of the monthly premiums to continue Mr. Faracci and his eligible dependents’ participation in our group health plan for 12 months following the separation date, which represented an aggregate payment of $16,800, (iii) a payment of $150,000 representing Mr. Faracci’s bonus payable for 2020, and (iv) accelerated vesting of the 1,522,491 shares of his time-based options that would have vested had Mr. Faracci remained employed through the one year anniversary of his termination date, which options will remain exercisable until January 23, 2026 (adjusted in connection with the Business Combination to 1,580,802 shares underlying the accelerated options at an adjusted exercise price of $4.84 per share). The value attributable to the accelerated vesting of Mr. Faracci’s options was $2,600,000. The total value of the benefits paid or provided to Mr. Faracci in connection with his separation was $3,666,800. The separation agreement also includes a release and waiver by Mr. Faracci and other customary provisions.


## Director Compensation

The following table shows the total compensation paid or accrued during the fiscal year ended December 31, 2021 to each of our non-employee directors. Directors who are employed by us are not compensated for their service on our Board of Directors.

<table>
<thead>
<tr>
<th>Name</th>
<th>Fees Earned or Paid in Cash ($)</th>
<th>Stock Awards (1)($)</th>
<th>Option Awards (2)($)</th>
<th>All Other Compensation ($)</th>
<th>Total ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jonathan Rothberg, Ph.D., Chairman</td>
<td>55,354</td>
<td>296,033</td>
<td>150,338</td>
<td>--</td>
<td>501,725</td>
</tr>
<tr>
<td>Dawn Carfora</td>
<td>50,792</td>
<td>296,033</td>
<td>150,338</td>
<td>--</td>
<td>497,163</td>
</tr>
<tr>
<td>Elazer Edelman, M.D., Ph.D.</td>
<td>52,644</td>
<td>299,997</td>
<td>150,338</td>
<td>--</td>
<td>502,979</td>
</tr>
<tr>
<td>John Hammergren</td>
<td>57,417</td>
<td>296,033</td>
<td>150,338</td>
<td>--</td>
<td>503,788</td>
</tr>
<tr>
<td>Gianluca Pettiti</td>
<td>66,250</td>
<td>296,033</td>
<td>150,338</td>
<td>--</td>
<td>512,621</td>
</tr>
<tr>
<td>Louise Phanstiel</td>
<td>68,458</td>
<td>296,033</td>
<td>150,338</td>
<td>--</td>
<td>514,829</td>
</tr>
<tr>
<td>Larry Robbins</td>
<td>48,583</td>
<td>243,405</td>
<td>150,338</td>
<td>--</td>
<td>442,326</td>
</tr>
<tr>
<td>Erica Schwartz, M.D., J.D., M.P.H.</td>
<td>18,049</td>
<td>299,995</td>
<td>--</td>
<td>--</td>
<td>318,044</td>
</tr>
</tbody>
</table>

(1) These amounts represent the aggregate grant date fair value of stock awards granted to each director in 2021 computed in accordance with FASB ASC Topic 718. A discussion of the assumptions used in determining grant date fair value may be found in Note 2 “Summary of Significant Accounting Policies” to our consolidated financial statements, included in this Annual Report on Form 10-K.

(2) These amounts represent the aggregate grant date fair value of options granted to each director in 2021 computed in accordance with FASB ASC Topic 718. A discussion of the assumptions used in determining grant date fair value may be found in Note 2 “Summary of Significant Accounting Policies” to our consolidated financial statements, included in this Annual Report on Form 10-K.

The following table shows outstanding and vested options and unvested RSUs for each non-employee director as of December 31, 2021.

<table>
<thead>
<tr>
<th>Name</th>
<th>Total Options Outstanding</th>
<th>Vested Options</th>
<th>Unvested RSUs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jonathan Rothberg, Ph.D., Chairman</td>
<td>21,645</td>
<td>--</td>
<td>532,309</td>
</tr>
<tr>
<td>Dawn Carfora</td>
<td>21,645</td>
<td>--</td>
<td>13,157</td>
</tr>
<tr>
<td>Elazer Edelman, M.D., Ph.D.</td>
<td>21,645</td>
<td>--</td>
<td>15,098</td>
</tr>
<tr>
<td>John Hammergren</td>
<td>21,645</td>
<td>--</td>
<td>13,157</td>
</tr>
<tr>
<td>Gianluca Pettiti</td>
<td>21,645</td>
<td>--</td>
<td>13,157</td>
</tr>
<tr>
<td>Louise Phanstiel</td>
<td>21,645</td>
<td>--</td>
<td>13,157</td>
</tr>
<tr>
<td>Larry Robbins</td>
<td>21,645</td>
<td>--</td>
<td>13,157</td>
</tr>
<tr>
<td>Erica Schwartz, M.D., J.D., M.P.H.</td>
<td>--</td>
<td>--</td>
<td>23,904</td>
</tr>
</tbody>
</table>
The following table shows the grant date fair value calculated in accordance with FASB ASC Topic 718 for equity awards granted to each non-employee director during the fiscal year ended December 31, 2021.

<table>
<thead>
<tr>
<th>Name</th>
<th>RSUs Granted (#)</th>
<th>Options Granted (#)</th>
<th>Grant Date</th>
<th>Fair Value ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jonathan Rothberg, Ph.D., Chairman</td>
<td>13,157</td>
<td>-</td>
<td>2/16/2021</td>
<td>296,033</td>
</tr>
<tr>
<td>Dawn Carfora</td>
<td>13,157</td>
<td>-</td>
<td>2/16/2021</td>
<td>296,033</td>
</tr>
<tr>
<td>John Hammergren</td>
<td>13,157</td>
<td>-</td>
<td>2/16/2021</td>
<td>296,033</td>
</tr>
<tr>
<td>Gianluca Pettiti</td>
<td>13,157</td>
<td>-</td>
<td>2/16/2021</td>
<td>296,033</td>
</tr>
<tr>
<td>Louise Phanstiel</td>
<td>13,157</td>
<td>-</td>
<td>2/16/2021</td>
<td>296,033</td>
</tr>
<tr>
<td>Larry Robbins</td>
<td>13,157</td>
<td>-</td>
<td>3/10/2021</td>
<td>243,405</td>
</tr>
<tr>
<td>Erica Schwartz, M.D., J.D., M.P.H.</td>
<td>23,904</td>
<td>-</td>
<td>9/9/2021</td>
<td>299,995</td>
</tr>
</tbody>
</table>

**Director Compensation Policy**

Pursuant to our non-employee director compensation policy, the annual retainer for non-employee directors is $50,000. Annual retainers for committee membership are as follows:

<table>
<thead>
<tr>
<th>Position</th>
<th>Retainer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit committee chairperson</td>
<td>$ 20,000</td>
</tr>
<tr>
<td>Audit committee member</td>
<td>$ 10,000</td>
</tr>
<tr>
<td>Compensation committee chairperson</td>
<td>$ 15,000</td>
</tr>
<tr>
<td>Compensation committee member</td>
<td>$ 7,500</td>
</tr>
<tr>
<td>Nominating and corporate governance committee chairperson</td>
<td>$ 10,000</td>
</tr>
<tr>
<td>Nominating and corporate governance committee member</td>
<td>$ 5,000</td>
</tr>
<tr>
<td>Technology committee chairperson</td>
<td>$ 15,000</td>
</tr>
<tr>
<td>Technology committee member</td>
<td>$ 7,500</td>
</tr>
</tbody>
</table>

These fees are payable in arrears in quarterly installments as soon as practicable following the last business day of each fiscal quarter, provided that the amount of such payment will be prorated for any portion of such quarter that a director is not serving on our board of directors, on such committee or in such position. Non-employee directors are also reimbursed for reasonable out-of-pocket business expenses incurred in connection with attending meetings of the board and any committee of the board on which they serve and in connection with other business related to the board. Directors may also be reimbursed for reasonable out-of-pocket business expenses in accordance with our travel and other expense policies, as may be in effect from time to time.

In addition, we grant to new non-employee directors upon their initial election to our board of directors a number of restricted stock units, or RSUs, (each RSU relating to one share of our Class A common stock), having an aggregate fair market value equal to $300,000, determined by dividing (A) $300,000 by (B) the closing price of our Class A common stock on the NYSE on the date of the grant (rounded down to the nearest whole share), on the first business day after the date that the non-employee director is first appointed or elected to the board. Each of these grants shall vest in equal annual installments over three years from the date of the grant, subject to the non-employee director’s continued service as a director on the applicable vesting dates.
Further, in connection with each of our annual meetings of stockholders, each non-employee director automatically receives an option to purchase shares of our Class A common stock having an aggregate grant date fair value of $150,000, valued based on a Black-Scholes valuation method (rounded down to the nearest whole share), each year on the first business day after our annual meeting of stockholders (or the first business day of the third fiscal quarter of such year if there has been no annual meeting of stockholders held by such date). Each of these options has a term of 10 years from the date of the award and vests at the end of the period beginning on the date of each regular annual meeting of stockholders (or the first business day of the third fiscal quarter, as applicable) and ending on the date of the next regular annual meeting of stockholders, subject to the non-employee director’s continued service as a director through the applicable vesting dates.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our independent registered public accounting firm is Deloitte & Touche LLP, New York, New York, Auditor ID: 34. Our predecessor independent registered public accounting firm was WithumSmith+Brown, PC, New York, New York, Auditor ID: 100.

WithumSmith+Brown, PC (“Withum”) acted as Longview’s independent registered public accounting firm. On February 12, 2021, the Audit Committee approved the dismissal of Withum as our independent registered public accounting firm and our board of directors engaged Deloitte & Touche LLP (“Deloitte”) as the independent registered public accounting firm to audit our consolidated financial statements for the fiscal year ended December 31, 2021. Deloitte was previously engaged by Legacy Butterfly to audit its consolidated financial statements for the fiscal year ended December 31, 2020.

The following table sets forth the fees billed to or incurred by our Company for professional services rendered by Deloitte, our independent registered public accounting firm, for the audit of our annual consolidated financial statements (including the consolidated financial statements of Legacy Butterfly) for the years ended December 31, 2021 and 2020, and fees billed for other services rendered by Deloitte during those periods:

<table>
<thead>
<tr>
<th>Fees</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Fees</td>
<td>$1,849,000</td>
<td>$1,736,000</td>
</tr>
<tr>
<td>Audit-Related Fees</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tax Fees</td>
<td>91,000</td>
<td>-</td>
</tr>
<tr>
<td>All Other Fees</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Fees</td>
<td>$1,940,000</td>
<td>$1,736,000</td>
</tr>
</tbody>
</table>

The following table sets forth the fees billed to our Company for professional services rendered by Withum, our prior independent registered public accounting firm, for the audit of Longview’s annual consolidated financial statements for the period from February 4, 2020 (inception) through December 31, 2020, and fees billed for other services rendered by Withum during the years ended December 31, 2021 and 2020:

<table>
<thead>
<tr>
<th>Fees</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Fees</td>
<td>-</td>
<td>$146,000</td>
</tr>
<tr>
<td>Audit-Related Fees</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tax Fees</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>All Other Fees</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Fees</td>
<td>-</td>
<td>$146,000</td>
</tr>
</tbody>
</table>

**Audit Fees.** Audit fees consisted of audit work performed in the preparation of consolidated financial statements, as well as work generally only the independent registered public accounting firm can reasonably be expected to provide, such as quarterly review procedures and the provision of consents in connection with the filing of registration statements and related amendments, as well as other filings.

**Audit-Related Fees.** This category consists of assurance and related services by the independent registered public accounting firm that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under “Audit Fees”.

**Tax Fees.** Tax fees consisted principally of tax consulting services.

**All Other Fees.** Our independent registered public accountants did not provide any products and services not disclosed in the table above during the fiscal years ended December 31, 2021 and 2020. As a result, there were no other fees billed or paid during those fiscal years.

Our audit committee was formed upon the consummation of Longview’s initial public offering. As a result, the audit committee did not pre-approve all of the foregoing services, although any services rendered prior to the formation of our audit committee were approved by our board of directors. Since the formation of our audit committee, the audit committee has pre-approved all auditing services and permitted non-audit services to be performed for us by our auditors, including the fees and terms thereof (subject to the de minimis exceptions for non-audit services described in the Exchange Act which are approved by the audit committee prior to the completion of the audit).
Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Public Accountant

Consistent with SEC policies regarding auditor independence, the Audit Committee has responsibility for appointing, setting compensation and overseeing the work of our independent registered public accounting firm. In recognition of this responsibility, the Audit Committee has established a policy to pre-approve all audit and permissible non-audit services provided by our independent registered public accounting firm.

Prior to engagement of an independent registered public accounting firm for the next year’s audit, management will submit an aggregate of services expected to be rendered during that year for each of four categories of services to the Audit Committee for approval.

1. **Audit** services include audit work performed in the preparation of financial statements, as well as work that generally only an independent registered public accounting firm can reasonably be expected to provide, including comfort letters, statutory audits, and attest services and consultation regarding financial accounting or reporting standards.

2. **Audit-Related** services are for assurance and related services that are traditionally performed by an independent registered public accounting firm, including due diligence related to mergers and acquisitions, employee benefit plan audits, and special procedures required to meet certain regulatory requirements.

3. **Tax** services include all services performed by an independent registered public accounting firm’s tax personnel except those services specifically related to the audit of the financial statements, and includes fees in the areas of tax compliance, tax planning, and tax advice.

4. **Other Fees** are those associated with services not captured in the other categories. The Company generally does not request such services from our independent registered public accounting firm.

Prior to engagement, the Audit Committee pre-approves these services by category of service. The fees are budgeted and the Audit Committee requires our independent registered public accounting firm and management to report actual fees versus the budget periodically throughout the year by category of service. During the year, circumstances may arise when it may become necessary to engage our independent registered public accounting firm for additional services not contemplated in the original pre-approval. In those instances, the Audit Committee requires specific pre-approval before engaging our independent registered public accounting firm.

The Audit Committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting.

PART IV

**Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

**Item 15(a).** The following documents are filed as part of this Annual Report on Form 10-K:

**Item 15(a)(1) and (2)** See “Index to Consolidated Financial Statements and Financial Statement Schedules” at Item 8 to this Annual Report on Form 10-K. Other financial statement schedules have not been included because they are not applicable or the information is included in the financial statements or notes thereto.

**Item 15(a)(3) Exhibits**

The following is a list of exhibits filed as part of this Annual Report on Form 10-K.

<table>
<thead>
<tr>
<th>Exhibit Number</th>
<th>Exhibit Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1†</td>
<td>Business Combination Agreement, dated as of November 19, 2020, by and among Butterfly Network, Inc. (formerly Longview Acquisition Corp.), Clay Merger Sub, Inc., and BFLY Operations, Inc. (formerly Butterfly Network, Inc.).</td>
</tr>
<tr>
<td>3.1</td>
<td>Second Amended and Restated Certificate of Incorporation of Butterfly Network, Inc.</td>
</tr>
<tr>
<td>3.2</td>
<td>Amended and Restated Bylaws of Butterfly Network, Inc.</td>
</tr>
<tr>
<td>4.1</td>
<td>Description of Securities.</td>
</tr>
<tr>
<td>4.2</td>
<td>Specimen Class A Common Stock Certificate.</td>
</tr>
<tr>
<td>4.3</td>
<td>Warrant Agreement, dated as of May 20, 2020, by and between Butterfly Network, Inc. (formerly Longview Acquisition Corp.) and Continental Stock Transfer &amp; Trust Company.</td>
</tr>
</tbody>
</table>

**Filed Herewith**

<table>
<thead>
<tr>
<th>Exhibit Number</th>
<th>Filed from</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1†</td>
<td>Form 8-K (Exhibit 2.1)</td>
</tr>
<tr>
<td>3.1</td>
<td>Form 8-K (Exhibit 3.1)</td>
</tr>
<tr>
<td>3.2</td>
<td>Form 8-K (Exhibit 3.2)</td>
</tr>
<tr>
<td>4.1</td>
<td>Form 10-K/A (Exhibit 4.1)</td>
</tr>
<tr>
<td>4.2</td>
<td>Form 8-K (Exhibit 4.1)</td>
</tr>
<tr>
<td>4.3</td>
<td>Form 8-K (Exhibit 4.1)</td>
</tr>
</tbody>
</table>

**Incorporated by Reference herein**

<table>
<thead>
<tr>
<th>Filed from</th>
<th>Filing Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Form 8-K (Exhibit 2.1)</td>
<td>11/23/2020</td>
</tr>
<tr>
<td>Form 8-K (Exhibit 3.1)</td>
<td>2/16/2021</td>
</tr>
<tr>
<td>Form 8-K (Exhibit 3.2)</td>
<td>2/16/2021</td>
</tr>
<tr>
<td>Form 10-K/A (Exhibit 4.1)</td>
<td>3/28/2022</td>
</tr>
<tr>
<td>Form 8-K (Exhibit 4.1)</td>
<td>2/16/2021</td>
</tr>
<tr>
<td>Form 8-K (Exhibit 4.1)</td>
<td>5/27/2020</td>
</tr>
</tbody>
</table>

**SEC File/Reg. Number**

<table>
<thead>
<tr>
<th>SEC File/Reg. Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>001-39292</td>
</tr>
<tr>
<td>001-39292</td>
</tr>
<tr>
<td>001-39292</td>
</tr>
<tr>
<td>001-39292</td>
</tr>
<tr>
<td>001-39292</td>
</tr>
<tr>
<td>Number</td>
</tr>
<tr>
<td>--------</td>
</tr>
<tr>
<td>10.1</td>
</tr>
<tr>
<td>10.4.1</td>
</tr>
<tr>
<td>10.4.2</td>
</tr>
<tr>
<td>10.5.1@</td>
</tr>
<tr>
<td>10.5.2@</td>
</tr>
<tr>
<td>10.6.1@</td>
</tr>
</tbody>
</table>
10.6.2 Amendment No. 1, made effective as of August 2, 2019, to Manufacture and Supply Agreement, dated as of October 7, 2015, by and between BFLY Operations, Inc. (formerly Butterfly Network, Inc.) and Benchmark Electronics, Inc.

10.6.3 Amendment No. 2, made effective as of February 26, 2021, to Manufacture and Supply Agreement, dated as of October 7, 2015, by and between BFLY Operations, Inc. (formerly Butterfly Network, Inc.) and Benchmark Electronics, Inc.

10.7 Distribution Agreement, dated as of July 11, 2018, by and between BFLY Operations, Inc. (formerly Butterfly Network, Inc.) and Cardinal Health 105, Inc.

10.8.1 Foundry Service Agreement, dated as of March 31, 2019, by and between BFLY Operations, Inc. (formerly Butterfly Network, Inc.) and Taiwan Semiconductor Manufacturing Company Limited.

10.8.2 Amendment No. 1, made effective as of October 1, 2020, to Foundry Service Agreement, dated March 31, 2019, by and between BFLY Operations, Inc. (formerly Butterfly Network, Inc.) and Taiwan Semiconductor Manufacturing Company Limited.

10.9 Technology and Services Exchange Agreement, dated as of November 19, 2020, between BFLY Operations, Inc. (formerly Butterfly Network, Inc.) and the participants named therein.

10.10 Office Lease Agreement, dated as of May 27, 2021, by and between Butterfly Network, Inc. and NEEP Investors Holdings LLC.

10.11 Binding Employment Term Sheet, dated as of January 23, 2021, by and between BFLY Operations, Inc. (formerly Butterfly Network, Inc.) and Todd M. Fruchterman, M.D., Ph.D.

10.12 Employment Agreement between Butterfly Network, Inc. and Todd M. Fruchterman, M.D., Ph.D.
10.13+ Offer of Employment Letter, dated as of March 16, 2020, by and between BFLY Operations, Inc. (formerly Butterfly Network, Inc.) and Stephanie Fielding, as supplemented by the Employment Agreement Letter, dated as of November 18, 2020, by and between BFLY Operations, Inc. and Stephanie Fielding.


10.15+ Offer of Employment Letter, dated as of November 24, 2020, by and between BFLY Operations, Inc. (formerly Butterfly Network, Inc.) and Mary Miller.


10.18+ Offer of Employment Letter, dated as of August 12, 2021, by and between Butterfly Network, Inc. and Troy Quander.

10.19+ Offer of Employment Letter, dated as of April 6, 2021, by and between Butterfly Network, Inc. and Timothy Trodden.

10.20+ Offer of Employment Letter, dated as of December 18, 2019, by and between BFLY Operations, Inc. (formerly Butterfly Network, Inc.) and Laurent Faracci.

10.21+ Offer of Employment Letter, dated as of February 29, 2020, by and between BFLY Operations, Inc. (formerly Butterfly Network, Inc.) and Dave Perri, as supplemented by the Employment Agreement Letter, dated as of November 18, 2020, by and between BFLY Operations, Inc. and Dave Perri.
<table>
<thead>
<tr>
<th>Document Description</th>
<th>Filing Form</th>
<th>Filing Date</th>
<th>CIK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Separation Agreement, dated as of January 24, 2021, by and between BFLY Operations, Inc. (formerly Butterfly Network, Inc.) and Laurent Faracci.</td>
<td>Form S-4/A (Exhibit 10.8.2)</td>
<td>1/26/2021</td>
<td>333-250995</td>
</tr>
<tr>
<td>Separation Agreement, dated as of July 28, 2021, by and between Butterfly Network, Inc. and David Perri.</td>
<td>Form 10-Q (Exhibit 10.5)</td>
<td>8/9/2021</td>
<td>001-39292</td>
</tr>
<tr>
<td>Separation Agreement, dated as of February 3, 2022, by and between Butterfly Network, Inc. and Stephanie Fielding.</td>
<td>Form 8-K (Exhibit 10.1)</td>
<td>2/4/2022</td>
<td>001-39292</td>
</tr>
<tr>
<td>Executive Severance Plan, as amended.</td>
<td>Form 10-Q (Exhibit 10.3)</td>
<td>11/15/2021</td>
<td>001-39292</td>
</tr>
<tr>
<td>Form of Stock Option Agreement under 2020 Equity Incentive Plan.</td>
<td>Form 8-K (Exhibit 10.15.2)</td>
<td>2/16/2021</td>
<td>001-39292</td>
</tr>
<tr>
<td>Form of Restricted Stock Unit Agreement under 2020 Equity Incentive Plan.</td>
<td>Form S-8 (Exhibit 99.3)</td>
<td>5/12/2021</td>
<td>333-256044</td>
</tr>
<tr>
<td>BFLY Operations, Inc. 2012 Employee, Director and Consultant Equity Incentive Plan, as amended.</td>
<td>Form 10-K (Exhibit 10.20.1)</td>
<td>3/29/2021</td>
<td>001-39292</td>
</tr>
<tr>
<td>Form of Stock Option Agreement under 2012 Employee, Director and Consultant Equity Incentive Plan, as amended.</td>
<td>Form 8-K (Exhibit 10.16.2)</td>
<td>2/16/2021</td>
<td>001-39292</td>
</tr>
<tr>
<td>Form of Restricted Stock Unit Agreement under 2012 Employee, Director and Consultant Equity Incentive Plan, as amended.</td>
<td>Form 8-K (Exhibit 10.16.3)</td>
<td>2/16/2021</td>
<td>001-39292</td>
</tr>
<tr>
<td>Amended and Restated Nonemployee Director Compensation Policy</td>
<td>Form 8-K (Exhibit 10.1)</td>
<td>9/10/2021</td>
<td>001-39292</td>
</tr>
<tr>
<td>Form of Indemnification Agreement</td>
<td>Form 8-K (Exhibit 10.18)</td>
<td>2/16/2021</td>
<td>001-39292</td>
</tr>
<tr>
<td>Amended and Restated Registration Rights Agreement, dated as of February 12, 2021, by and among Butterfly Network, Inc. (formerly Longview Acquisition Corp.), BFLY Operations, Inc. (formerly Butterfly Network, Inc.) and certain of their securityholders</td>
<td>Form 8-K (Exhibit 10.19)</td>
<td>2/16/2021</td>
<td>001-39292</td>
</tr>
<tr>
<td>Exhibit Number</td>
<td>Description</td>
<td>Filing Type</td>
<td>Filing Date</td>
</tr>
<tr>
<td>----------------</td>
<td>------------------------------------------------------------------------------</td>
<td>-----------------</td>
<td>---------------</td>
</tr>
<tr>
<td>10.32</td>
<td>Advisory Agreement, dated as of February 12, 2021, by and between Butterfly Network, Inc. and Jonathan Rothberg, Ph.D.</td>
<td>Form 10-K</td>
<td>2/16/2021</td>
</tr>
<tr>
<td>21.1</td>
<td>List of Subsidiaries</td>
<td>Form 8-K</td>
<td>2/16/2021</td>
</tr>
<tr>
<td>23.1</td>
<td>Consent of Deloitte &amp; Touche LLP</td>
<td>Form 10-K/A</td>
<td>3/28/2022</td>
</tr>
<tr>
<td>31.1</td>
<td>Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</td>
<td>X</td>
<td>3/28/2022</td>
</tr>
<tr>
<td>31.2</td>
<td>Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</td>
<td>X</td>
<td>3/28/2022</td>
</tr>
<tr>
<td>32</td>
<td>Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</td>
<td>Form 10-K/A</td>
<td>3/28/2022</td>
</tr>
<tr>
<td>101.INS</td>
<td>XBRL Instance Document</td>
<td></td>
<td></td>
</tr>
<tr>
<td>101.SCH</td>
<td>XBRL Taxonomy Extension Schema Document</td>
<td></td>
<td></td>
</tr>
<tr>
<td>101.CAL</td>
<td>XBRL Taxonomy Extension Calculation Linkbase Document</td>
<td></td>
<td></td>
</tr>
<tr>
<td>101.DEF</td>
<td>XBRL Taxonomy Extension Definition Linkbase Document</td>
<td></td>
<td></td>
</tr>
<tr>
<td>101.LAB</td>
<td>XBRL Taxonomy Extension Label Linkbase Document</td>
<td></td>
<td></td>
</tr>
<tr>
<td>101.PRE</td>
<td>XBRL Taxonomy Extension Presentation Linkbase Document</td>
<td></td>
<td></td>
</tr>
<tr>
<td>104</td>
<td>Cover Page Interactive Date File (formatted as Inline XBRL and contained in Exhibit 101).</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

† Certain of the exhibits and schedules to this Exhibit have been omitted in accordance with Regulation S-K Item 601(a)(5). The Registrant agrees to furnish a copy of all omitted exhibits and schedules to the SEC upon its request.

+ Management contract or compensatory plan or arrangement.

@ Certain confidential portions of this Exhibit were omitted by means of marking such portions with brackets (“[*]”) because the identified confidential portions (i) are not material and (ii) would be competitively harmful if publicly disclosed.
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.

BUTTERFLY NETWORK, INC.

Date: April 19, 2022

By: /s/ Todd M. Fruchterman, M.D., Ph.D.

Todd M. Fruchterman, M.D., Ph.D.
President and Chief Executive Officer
CERTIFICATIONS UNDER SECTION 302

I, Todd M. Fruchterman, M.D., Ph.D., certify that:

1. I have reviewed this Annual Report on Form 10-K of Butterfly Network, Inc.;

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. [Reserved];

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: April 19, 2022

/s/ Todd M. Fruchterman, M.D., Ph.D.
Todd M. Fruchterman, M.D., Ph.D.
President and Chief Executive Officer
CERTIFICATIONS UNDER SECTION 302

I, Stephanie Fielding, certify that:

1. I have reviewed this Annual Report on Form 10-K of Butterfly Network, Inc.;

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. [Reserved];

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: April 19, 2022

/s/ Stephanie Fielding
Stephanie Fielding
Chief Financial Officer
(Principal Financial Officer)
Comparison of Cumulative Returns

The graph below compares the cumulative total stockholder return on our Class A common stock with the cumulative total return on the Nasdaq Biotechnology Index and the S&P 500. The graph assumes an initial investment of $100 in our common stock at the market close on May 20, 2020, which was the effective date of our initial public offering as Longview Acquisition Corp. Data for the Nasdaq Biotechnology Index and the S&P 500 assume reinvestment of dividends. Total return equals stock price appreciation plus reinvestment of dividends.
Directors

Jonathan M. Rothberg, Ph.D.
Chairman of the Board of Directors

Todd M. Fruchterman, M.D., Ph.D.
President and Chief Executive Officer, Butterfly Network, Inc.

Larry Robbins
Founder, Portfolio Manager and CEO, Glenview Capital Management

Dawn Carfora
Vice President, Business Planning and Operations, Global Business Group, Meta Platforms, Inc.

Elazer Edelman, M.D., Ph.D.
Edward J. Poitras Professor in Medical Engineering and Science, Massachusetts Institute of Technology
Professor of Medicine, Harvard Medical School
Senior Attending Physician, Brigham and Women’s Hospital

John Hammergren
Former Chairman, President and CEO, McKesson Corporation

Gianluca Pettiti
Executive Vice President, Thermo Fisher Scientific Inc.

S. Louise Phanstiel
Chair of the Board of Directors, Myriad Genetics, Inc.

Erica Schwartz, M.D., J.D., M.P.H.
President of Insurance Solutions, United Healthcare

Executive Officers

Todd M. Fruchterman, M.D., Ph.D.
President and Chief Executive Officer, Butterfly Network, Inc.

Heather Getz
Executive Vice President, Chief Financial Officer and Treasurer (effective as of May 2, 2022)

Stephanie Fielding
Chief Financial Officer (through April 30, 2022)

John Martin, M.D.
Chief Medical Officer

Mary Miller
General Counsel and Corporate Secretary

Stacey Pugh
Chief Commercial Officer

Troy Quander
Senior Vice President Regulatory & Quality

Andrei Stoica, Ph.D.
Chief Technology Officer

Darius Shahida
Chief Strategy Officer and Chief Business Development Officer

Stockholders and Stock Listing

Our Class A common stock and publicly-traded warrants (the “Public Warrants”) are traded on the New York Stock Exchange under the symbols BFLY and BFLY WS, respectively. On April 14, 2022, the closing price of our Class A common stock was $4.19 and the closing price of our Public Warrants was $0.8299, and our Class A common stock was held by 332 stockholders of record and our Public Warrants were held by 7 stockholder of record.

Investor Information

You may obtain a copy of any of the exhibits to our Annual Report on Form 10-K free of charge. These documents are available on our website at www.butterflynetwork.com or by contacting Investor Relations at Butterfly Network, Inc.

Requests for information about Butterfly Network, Inc. should be directed to:

Investor Relations
Butterfly Network, Inc.
530 Old Whitfield Street
Guilford, Connecticut 06437
Telephone: (203) 689-5650

Annual Meeting

The annual meeting of stockholders will be held virtually via live webcast on Thursday, June 16, 2022 at 10:00 a.m. ET.

You will be able to attend our annual meeting, vote and submit your questions during the meeting by visiting www.virtualshareholdermeeting.com/BFLY2022.

Internet Website

www.butterflynetwork.com

Legal Counsel

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts

Independent Registered Public Accounting Firm

Deloitte & Touche LLP, New York, New York

Transfer Agent and Registrar

Continental Stock Transfer & Trust Company
1 State Street, 30th Floor
New York, NY 10004-1561