



**Part II Organizational Action** (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ **see attached**

Multiple horizontal lines for listing applicable Internal Revenue Code sections and subsections.

18 Can any resulting loss be recognized? ▶ **see attached**

Multiple horizontal lines for providing information regarding loss recognition.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ **see attached**

Multiple horizontal lines for providing other necessary information.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

**Sign Here**

Signature ▶ *Andrew Hamer* Date ▶ 11/13/2020

Print your name ▶ **Andrew Hamer**

Title ▶ **CFO**

**Paid Preparer Use Only**

Print/Type preparer's name <b>Doreen H. Cadieux</b>	Preparer's signature <i>Doreen H. Cadieux</i>	Date 11/13/2020	Check <input type="checkbox"/> if self-employed	PTIN <b>P00558714</b>
Firm's name ▶ <b>Deloitte Tax LLP</b>	Firm's EIN ▶ <b>86-1065772</b>		Phone no.	
Firm's address ▶ <b>225 W. Santa Clara Street, Suite 600, San Jose, CA 95113</b>				

**Velodyne Lidar USA, Inc. (f/k/a Velodyne LiDAR, Inc.)**

**EIN 81-0960175**

**Attachment to Form 8937**

**Report of Organizational Actions Affecting Basis of Securities**

**Form 8937, Part II, Line 14**

On September 29, 2020, Velodyne Lidar, Inc. (f/k/a Graf Industrial Corp) (“Acquiror”) acquired Velodyne Lidar USA, Inc. (f/k/a Velodyne LiDAR, Inc.) (the “Company”), pursuant to the Agreement and Plan of Merger dated July 2, 2020 (the “Merger Agreement”). Pursuant to the Merger Agreement, VL Merger Sub Inc., a wholly owned subsidiary of Acquiror, merged with and into the Company, with the Company surviving (the “Merger”).

As a result of the Merger, each share of the Company’s Series A preferred stock (“Preferred A Stock”), Series B preferred stock (“Preferred B Stock”), and Series B-1 preferred stock (“Preferred B-1 Stock”) issued and outstanding, was converted into the right to receive a number of shares of common stock of Acquiror (“Acquiror Common Stock”) based on a conversion ratio of approximately 1:2.9786, 1:3.5465, and 1:3.5465, respectively.

As a result of the Merger, each share of the Company’s common stock (“Company Common Stock”) was converted into the right to receive Acquiror Common Stock based on a conversion ratio of approximately 1:2.9786. For purposes of this Form 8937, the Preferred A Stock, Preferred B Stock, Preferred B-1 Stock, and the Company Common Stock are collectively referred to as the “Company Stock”.

In connection with the transaction, the Company entered into agreements to purchase Company Stock from certain Company Common Stock shareholders in exchange for cash (the “Company Redemption Amount” or “Pre-Closing Velodyne Tender Offer”). On September 22, 2020, the Pre-Closing Velodyne Tender Offer expired, and \$1.8 million was paid for 175,744 shares tendered by Company shareholders.

**Form 8937, Part II, Line 15**

The Merger is intended to qualify as a reorganization under section 368(a) of the Internal Revenue Code of 1986, as amended.

As it relates to the Merger, under section 354(a), Company shareholders that receive Acquiror Common Stock in exchange for Preferred A Stock, Preferred B Stock, Preferred B-1 Stock, and Company Common Stock generally will not recognize gain or loss, and the aggregate tax basis of the Acquiror Common Stock received in the Merger will be the same as the aggregate tax basis of shares surrendered in exchange therefor. No cash or other boot was issued or treated as furnished by the Acquiror in the Merger.

Separate from the Merger, the Company intends the Company Redemption Amount to be governed by section 302. In general, whether a redemption qualifies for sale treatment under section 302(a) will depend largely on the total number of shares of stock treated as held by the Company shareholder before and after the redemption. A redemption is generally treated as a sale if a redemption is: (i) “substantially disproportionate” with respect to the shareholder (i.e., percentage of stock owned by the shareholder immediately following the redemption must be less than 80% of the percentage of stock owned by the shareholder immediately before the redemption); (ii) results in a complete termination of the shareholder’s interest in the Company, or (iii) is “not essentially equivalent to a dividend” with respect to the holder (i.e., there is a meaningful reduction in a shareholder’s interest in the Company).

**Velodyne Lidar USA, Inc. (f/k/a Velodyne LiDAR, Inc.)**

**EIN 81-0960175**

**Attachment to Form 8937**

**Report of Organizational Actions Affecting Basis of Securities**

**Form 8937, Part II, Line 16**

Company shareholders that acquired blocks of Preferred A Stock, Preferred B Stock, Preferred B-1 Stock, and Company Common Stock at different times or different prices should allocate the aggregate tax basis to the Acquiror Common Stock received in exchange therefor in a manner that reflects, to the greatest extent possible, a share of Acquiror Common Stock is received with respect to shares of Company Stock acquired on the same date and at the same price. This allocation may result in some shares of Acquiror Common Stock having split basis (and holding period) segments.

If the Company Redemption Amount for a Company shareholder is treated as a sale of shares under section 302(a), the tax basis in such shares is used to determine the gain or loss on the redeemed shares and is not taken into account to determine the tax basis in the Acquiror Common Stock received in the Merger. If, however, the Company Redemption Amount for a Company shareholder is treated as a distribution under sections 302(d) and 301, the Company Redemption Amount will constitute a dividend to the extent paid from current or accumulated earnings and profits.<sup>1</sup> Distributions in excess of current and accumulated earnings and profits will constitute a return of capital that will be applied against and reduce (but not below zero) the Company shareholder's tax basis in the redeemed shares. Any remaining excess will be treated as gain realized on the sale of shares.

You should consult your tax advisors regarding the manner in which the aggregate tax basis should be allocated to particular shares of Acquiror Common Stock received.

**Form 8937, Part II, Line 17**

Sections 368(a), 354(a), 358(a) and 358(b) as it relates to the exchange pursuant to the Merger

Sections 302(a) and 302(b) as it relates to the Company Redemption Amount treated as a sale

Sections 302(d) and 301(c)(1) as it relates to the Company Redemption Amount treated as a dividend

**Form 8937, Part II, Line 18**

Company shareholders will not recognize any loss for U.S. federal income tax purposes on the receipt of Acquiror Common Stock in exchange for Company Common Stock.

Company shareholders who participated in the Company Redemption Amount may recognize gain or loss on their shares redeemed, to the extent treated as a sale pursuant to section 302(a).

**Form 8937, Part II, Line 19**

The stock basis adjustment is taken into account in the tax year of the holder during which the Merger occurred (e.g., 2020 for calendar year taxpayers).

***Disclaimer: The information contained in Form 8937 and this attachment does not constitute tax advice and does not purport to take into account any holder's specific circumstances. Holders are urged to consult their own tax advisors regarding U.S. tax consequences of the transactions described herein and the impact to tax basis resulting from such transactions.***

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<sup>1</sup> The Company does not expect to have any earnings and profits for the tax year during which the Merger occurred to treat any distribution under sections 302(d) and 301 as a dividend under section 301(c)(1). Further, the Company does not have any accumulated earnings and profits to treat the distribution under sections 302(d) and 301 as a dividend under section 301(c)(1).